

Development challenges in sub-Saharan Africa and post-conflict countries

Report of the Committee for
Development Policy
on the seventh session
(14-18 March 2005)



United Nations

Department of Economic and Social Affairs

Development challenges in sub-Saharan Africa and post-conflict countries

Report of the Committee for
Development Policy on the
seventh session
(14–18 March 2005)



United Nations
New York, 2005

DESA

The Department of Economic and Social Affairs of the United Nations Secretariat is a vital interface between global policies in the economic, social and environmental spheres and national action. The Department works in three main interlinked areas: (i) it compiles, generates and analyses a wide range of economic, social and environmental data and information on which States Members of the United Nations draw to review common problems and to take stock of policy options; (ii) it facilitates the negotiations of Member States in many intergovernmental bodies on joint courses of action to address ongoing or emerging global challenges; and (iii) it advises interested Governments on the ways and means of translating policy frameworks developed in United Nations conferences and summits into programmes at the country level and, through technical assistance, helps build national capacities.

Note

The designations employed and the presentation of the material in this publication do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

The term “country” as used in the text also refers, as appropriate, to territories or areas.

The designations of country groups are intended solely for statistical or analytical convenience and do not necessarily express a judgement about the stage of development reached by a particular country or area in the development process.

United Nations publication
Sales No. E.05.II.A.9
ISBN 92-1-104545-2
Copyright © United Nations, 2005
All rights reserved
Printed by the United Nations
Publishing Section, New York

Foreword

The year 2005 will be remembered as crucial in the efforts to achieve the Millennium Development Goals (MDGs) and to address the challenge of poverty in sub-Saharan Africa. It is a year in which a summit meeting of the United Nations General Assembly undertook a review of progress towards the achievement of the MDGs and in which authoritative reports from the Millennium Project and the Commission for Africa stressed that the volume and quality of external aid to sub-Saharan Africa had to increase radically in order to accelerate growth and spur strong progress towards these Goals. Also, in July 2005, leaders of the G8 member countries discussed how developing countries, in particular those in Africa, could be helped to achieve the Millennium Development Goals by 2015.

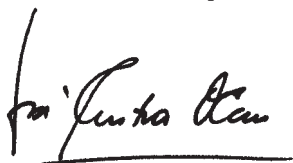
It was therefore opportune that the Committee for Development Policy considered the theme of achieving the internationally agreed development goals at its meeting in the first half of 2005. Since it is the region where success may be the most elusive, the Committee focused on recommendations aimed at achieving the MDGs in sub-Saharan Africa. The Committee addressed the internal factors that are critical for success in reaching the Goals. It emphasized the importance of sub-Saharan countries' taking ownership of the MDGs and of responsible and accountable leadership in this respect, and stressed the need to strengthen governance and human capital in these countries. At the same time, to accelerate growth and hasten progress towards the MDGs, the volume and efficiency of aid to sub-Saharan Africa must also increase dramatically.

Far from the widespread hope for peace and harmony at the end of the Cold War, over one hundred armed conflicts have taken place since 1989. Deep poverty, colonial

legacies and other factors may have contributed to the eruption of these conflicts. Although conflict invariably results in impoverishment for the majority, the links between poverty and violent conflict are multidimensional. Poverty creates a risk environment where violence and conflict can thrive. The Committee therefore examined the linkages between shocks, vulnerability and conflict, in particular how to address shocks and avoid their turning into armed conflicts, and the need for institution-building in post-conflict situations. The Committee concluded that violent conflict can be prevented if domestic institutions enforce reconciliation of the many clashes of interest that arise within society, and if the international community encourages non-violent methods of dispute resolution.

The Committee recommended several changes in the indicators used for the identification of the least developed countries in order to depict their situation more accurately. The Committee also reiterated its earlier views on the importance of a transition strategy for countries graduating from least developed country status, including the need to avoid abrupt reductions in either official development assistance or technical assistance in anticipation of the eventual phasing out of the advantages granted to LDCs.

It is hoped that the analyses and recommendations contained in the present report will enhance the deliberations on development, particularly on means to achieve the MDGs, and lead the way to practical solutions and policies.

A handwritten signature in black ink, appearing to read 'José Antonio Ocampo', written over a horizontal line.

José Antonio Ocampo
Under-Secretary-General
for Economic and Social Affairs

Preface

The Committee for Development Planning was established in 1965 as a subsidiary body of the Economic and Social Council. Its original terms of reference were subsequently modified and, in 1998, the Committee was renamed the Committee for Development Policy (CDP).

The Committee provides inputs and independent advice to the Council on emerging cross-sectoral development issues and on international cooperation for development, focusing on medium- and long-term aspects. The Council is an intergovernmental body responsible for formulating policy recommendations to Member States and to the United Nations system on matters pertaining to development. It is also responsible for coordinating the work of the United Nations specialized agencies, its own subsidiary functional commissions and the five United Nations regional commissions.

Each year, the Council advises the Committee about the theme(s) that the Committee should consider at its annual session. The General Assembly, the Secretary-General and the subsidiary bodies of the Council can also propose, through the Council, issues for consideration by the Committee. In addition, the Committee itself often makes suggestions to the Council concerning its work programme.

The Committee is also responsible for undertaking, once every three years, a review of the list of least developed countries (LDCs), on the basis of which it advises the Council regarding countries which should be added to the list and those that could be graduated from the list. In its identification of LDCs, the Committee considers three dimensions of a country's state of development: (a) its

income level, measured by gross national income (GNI) per capita; (b) its stock of human assets, measured by a Human Assets Index (HAI); and (c) its economic vulnerability, measured by an economic vulnerability index (EVI).

The annual meeting of the Committee usually takes place in March or April of each year and lasts five working days. During this period, the Committee discusses the agreed topics and drafts its own report on the basis of inputs from members. The report is subsequently submitted to the Council at its substantive session in July and is also disseminated among the development community.

The reports of the Committee are available on the Internet at www.un.org/esa/policy/devplan/.

Membership and participation in the seventh session of the Committee

In accordance with the resolutions of the Council, the Secretary-General nominates 24 experts, in their personal capacity, as members of the Committee for three-year terms. The Council has responsibility for deciding on appointments to the Committee. In making the nominations for the Committee, the Secretary-General takes into account the need to have a diversity of development experience, including ecologists, economists and social scientists, as well as geographical balance, gender balance, and a balance between continuity and change in the membership of the Committee. The members appointed for the term starting on 1 January 2004 and expiring on 31 December 2006 are as follows:

- Ms. N'Dri Thérèse **Assié-Lumumba** (Côte d'Ivoire) Research Associate, Université de Cocody;
- Ms. Iskra **Beleva** (Bulgaria) Senior Research Fellow, Institute of Economics, Bulgarian Academy of Sciences;
- Ms. Patricia **Bifani-Richard** (Chile-Italy) Psychologist, Sociologist;
- Mr. Albert **Binger** (Jamaica) Professor and Director of the Centre for Environment and Development, University of the West Indies;
- Mr. Olav **Bjerkholt** (Norway) Professor of Economics, University of Oslo;
- Ms. Gui Ying **Cao** (China) Research Scholar, International Institute for Applied Systems Analysis;
- Mr. Eugenio B. **Figuerola** (Chile) Executive Director of the National Centre for the Environment;
- Mr. Leonid M. **Grigoriev** (Russian Federation) Deputy Director, Expert Institute;
- Mr. Patrick **Guillaumont** (France) Chairman, Centre for Study and Research for International Development;
- Ms. Heba **Handoussa** (Egypt) Adviser, Economic Research Forum for Arab Countries, Islamic Republic of Iran and Turkey;
- Mr. Hiroya **Ichikawa** (Japan) Professor of Economics, Department of Comparative Culture, Sophia University;
- Ms. Willene **Johnson** (United States of America) Adviser, Board of Governors, Federal Reserve System;

- Ms. Marju **Lauristin** (Estonia) Professor of Social Communication, Department of Journalism and Communication, Tartu University;
- Mr. P. Jayendra **Nayak** (India) Chairman and Managing Director of Unit Trust of India Bank, Mumbai;
- Mr. Milivoje **Panic** (United Kingdom of Great Britain and Northern Ireland) Fellow of Selwyn College, University of Cambridge;
- Ms. Carola **Pessino** (Argentina) Professor, Universidad Torcuato di Tella, and Executive Director of the Centre for Social Economics Evaluation and Research for Poverty Alleviation;
- Ms. Suchitra **Punyaratabandhu** (Thailand) Dean, School of Public Administration, National Institute of Public Administration, Bangkok;
- Ms. Sylvia **Saborio** (Costa Rica) Development Consultant and Adjunct Professor, Georgetown University, Washington, D.C.;
- Mr. Nasser Hassan **Saidi** (Lebanon) First Vice-Governor of Banque du Liban;
- Mr. Udo Ernst **Simonis** (Germany) Professor of Environmental Policy, Berlin Science Centre;
- Ms. Funmi **Togonu-Bickersteth** (Nigeria) Director, Centre for Industrial Research and Development, Obafemi Awolowo University;
- Mr. Geedreck **Usvatte-Aratchi** (Sri Lanka) Consultant in economics and public finance, Central Bank of Sri Lanka;
- Mr. Samuel **Wangwe** (United Republic of Tanzania) Principal Research Associate, Economic and Social Research Foundation;

- Mr. Kerfalla **Yansane** (Guinea) Lead consultant, African Peer Review Mechanism, Secretariat of the New Partnership for Africa's Development.

The Committee elected the following officers for its seventh session:

Chairperson: Ms. Suchitra Punyaratabandhu
(Thailand)

Vice-Chairperson: Mr. Milivoje Panic
(United Kingdom of Great
Britain and Northern Ireland)

Rapporteur: Ms. Sylvia Saborio
(Costa Rica)

Contents of this publication

At its seventh session, held at United Nations Headquarters in New York from 14-18 March 2005, the Committee addressed three topics: an African perspective on the Millennium Development Goals: from scepticism to leadership and hope; reconstruction, development and sustainable peace in post-conflict countries; and improving criteria for identifying the least developed countries. The report of the Committee on its seventh session has been issued as part of the official records of the Economic and Social Council, 2005, (Supplement No. 13 (E/2005/33)) and is also available on the Internet at www.un.org/esa/policy/devplan/. The views of the Committee on the three topics are contained in its report and reproduced in this volume.

In addition to the topics addressed in the report of the Committee on its seventh session, this volume also con-

tains two reports which, along with other background material, provided a basis for discussions at the seventh session of the Committee on the first two topics on its agenda: a report on an African perspective of the Millennium Development Goals; and a report on reconstruction, development and sustainable peace: a unified programme for post-conflict countries.

It is hoped that these materials relating to the work of the Committee will contribute to discussions on these matters at all levels, leading to practical solutions, policies and actions by all concerned.

Executive Summary

The present report contains the main findings and recommendations of the seventh session of the Committee for Development Policy, held at United Nations Headquarters from 14 to 18 March 2005. The Committee addressed three themes: the first concerned achieving the internationally agreed development goals, including those contained in the Millennium Declaration, as well as implementing the outcomes of the major United Nations conferences and summits: progress made, challenges and opportunities (the theme of the high-level segment of the Economic and Social Council in 2005); the second concerned reconstruction, development and sustainable peace in post-conflict countries; and the third, in preparation for the 2006 triennial review, concerned improvements in the criteria for the identification of the least developed countries.

With regard to the first theme, the Committee is of the view that recent changes in both developing and developed countries hold the promise that, given the right direction and effort, the Millennium Development Goals are indeed achievable. Because sub-Saharan Africa is where success may be the most elusive, the Committee has focused on recommendations aimed at achieving the Goals in that region. In the view of the Committee, such success depends, to a large extent, on whether responsible and accountable leadership is in place. Success in achieving the Goals depends heavily on the ownership, planning and executing of the necessary policies and programmes by the countries themselves. The capacity of Governments to implement development policies and programmes also has to be strengthened, but this requires the assistance of the international community. The Committee emphasizes that the developed countries must support the developing

countries and calls upon donor countries to provide high quality aid in sufficient quantity.

Concerning the second theme, the Committee considers that links between poverty and conflict are highly complex and multi-dimensional. Many conflicts erupt in poor countries with low levels of human capital. With regard to post-conflict reconstruction, the Committee stresses that special attention must be paid to the reintegration into society of people involved in violence. To that end, mass media should be legally prohibited from promoting mistrust and hatred. The Committee also proposes that a monitoring unit be established within the United Nations to identify those countries most at risk of conflict and that a United Nations post-conflict reconstruction facility be created to serve as a prompt response instrument for donor coordination.

With regard to the least developed countries, the Committee notes that in its resolution 59/209, the General Assembly requested the Committee to continue monitoring the development progress of graduated countries as a complement to its triennial review of the list of least developed countries and to report its findings to the Economic and Social Council. The Committee suggests that it be informed by the Secretary-General on the implementation of the transition strategy of graduating countries and the effective benefits received by those countries during the transition period. The Committee further recommends that, in the case of Maldives, the consultative mechanism envisaged in General Assembly resolution 59/209 be organized with due consideration for the exceptional circumstances of reconstruction in the aftermath of the tsunami of 26 December 2004. The Committee also considered the general principles for the identification of the least developed countries and proposed further refinements to the criteria for measuring income levels, the stock of human assets and economic vulnerability.

Contents

Foreword	iii
Preface	v
Executive summary	xi
I.	An African perspective on the Millennium Development Goals: from scepticism to leadership and hope	1
A.	Trends in sub-Saharan Africa in the 1990s	2
B.	Obstacles, challenges and opportunities	3
C.	Recommendations	5
II.	Reconstruction, development and sustainable peace in post-conflict countries	10
A.	Violent conflict: a threat to human security and an obstacle to development	10
B.	Poverty, inequality and conflict	11
C.	Factors triggering internal conflicts in poor countries	12
D.	Recommendations	13
III.	Improving criteria for identifying the least developed countries	19
A.	The future work of the Committee for Development Policy in light of recent Economic and Social Council and General Assembly resolutions	20

B.	General principles of the criteria for the identification of the least developed countries	22
C.	Criteria for the identification of the least developed countries	25
D.	Recommendations	30
Annexes		
I.	An African Perspective of the Millennium Development Goals: from scepticism to leadership and hope	33
II.	Reconstruction, development and sustainable peace: a unified programme for post-conflict countries	59

I. An African perspective on the Millennium Development Goals: from scepticism to leadership and hope

The Millennium Development Goals (MDGs) are an unprecedented agreement among world leaders to monitor progress towards reducing poverty through quantitative, time-bound targets that are to be achieved by 2015, with levels in 1990 serving as a benchmark. They include 8 goals, 18 targets and 48 indicators, which are aimed at: eradicating extreme poverty and hunger; achieving universal primary education; promoting gender equality and empowering women; reducing child mortality; improving maternal health; combating HIV/AIDS, malaria and other diseases; ensuring environmental sustainability; and developing a global partnership for development. While MDGs are within reach in a number of regions, in many least developed countries, particularly in sub-Saharan Africa, the Goals are unlikely to be met unless the current pace of development is accelerated.

For countries in sub-Saharan Africa, the Committee notes the importance of: (a) responsible and accountable leadership and good governance; (b) strengthening the capacity of Governments to plan and implement policies and programmes; and (c) national development strategies that incorporate MDGs.

Developed countries share a responsibility to support developing countries in this endeavour: without their sustained and motivated support, many countries in sub-

Saharan Africa will not achieve the Goals. The Committee thus calls upon donor countries to provide high quality aid in sufficient quantity to sustain the effort.

A. Trends in sub-Saharan Africa in the 1990s

In the 1990s, owing to insufficient economic growth and “shocks” such as the HIV/AIDS pandemic and civil wars, sub-Saharan Africa was the only region in the world in which poverty increased. Average income per capita for the region declined by 0.6 per cent per year and many development indicators deteriorated: the number of people living in poverty increased by a quarter; health conditions worsened, especially with the spread of HIV/AIDS, malaria and tuberculosis; and the average life expectancy at birth fell to 46 years in 1999, down from 50 years in 1990.

The widening income disparity that occurred in the region during that decade weakened the link between growth and poverty reduction. Civil wars and other conflicts, in particular those in Angola, the Central African Republic, the Democratic Republic of the Congo, Ethiopia, Eritrea, Liberia, Sierra Leone and Somalia, took a heavy toll in terms of life, property, economic infrastructure and the investment climate. Human and financial capital fled these countries, further limiting potential opportunities for longer-term growth.

Poor governance contributed to the worsening of the performance and prospects of countries in sub-Saharan Africa. Progress was slow, not only for the global poverty reduction target, but also for the MDGs pertaining to: sec-

ondary-school enrolment; infant mortality; maternal mortality; malaria; and access to drinking water and sanitation. Half of the population of Africa lives in extreme poverty, and one third in hunger. One-sixth of children die before the age of five, the same as a decade ago. Primary enrolment levels are still at only 57 per cent.¹ The health situation has also worsened with the spread of HIV/AIDS, malaria, tuberculosis and other diseases. For its part, the international community reduced its assistance during that difficult decade. Official development assistance (ODA) to Africa fell from \$22 billion in 1995 to \$15.3 billion in 1999, while tariffs and agricultural subsidies in developed countries, sub-Saharan Africa's main trading partners, continued to impair sub-Saharan Africa's exports to those countries.

B. Obstacles, challenges and opportunities

1. *Obstacles*

When the MDGs were first adopted, many countries in sub-Saharan Africa were highly sceptical and did not readily incorporate them in their national development plans. Indeed, the poverty reduction strategies contained in poverty reduction strategy papers that were formulated with the International Monetary Fund (IMF) and the World Bank prior to the adoption of the MDGs were not necessarily consistent with the Goals. The costs and funding associated with the papers were not in line with the achievement of the MDGs and the targets for the papers were set in a short- to medium-term framework, rather than in the longer time frame of the MDGs.

Moreover, the public sector in sub-Saharan African countries has weakened during the past two decades. The share of government revenue in the gross domestic product (GDP) has fallen, the civil service has shrunk in size and real wages in the public sector have declined. Thus, the capacity of the public sector to plan and execute development policies and programmes and to manage the national economy remain limited. Some Governments have become undemocratic and their accountability to the public has eroded. In short, the state of the public sector has not been propitious for long-term planning, managing the public sector and achieving the MDGs in many countries in sub-Saharan Africa.

2. *Challenges and opportunities*

The MDGs constitute an ambitious challenge, not only for sub-Saharan Africa, but also for the international community as a whole. Yet recent developments raise the hope that achieving the MDGs in sub-Saharan Africa remains possible.

For Africa as a whole, GDP growth of about 7 per cent per annum would be required to achieve the MDG goal of poverty reduction.² Sustaining this growth would require an investment rate of about 30 per cent of GDP, double the current rate. Huge financial resources would be needed to attain such investment levels.

Much of the funding would need to come from within these countries. To this end, African countries will need to substantially improve both public and private resource mobilization, including fiscal revenue, financial

intermediaries and microfinance institutions. Likewise, they must enact legislation enabling the enforcement of contracts and the timely and fair settlement of disputes, as these are essential elements to attract both domestic and foreign direct investment (FDI).

At the same time, both the Millennium Project report and the Commission for Africa concur that, in order to accelerate income growth and spur strong progress towards the MDGs, the volume and quality of external aid to sub-Saharan Africa must increase radically.³ There are encouraging signs that, since the International Conference on Financing for Development, ODA flows have increased and their distribution improved, insofar as aid is being directed more to poorer countries.⁴ However, these commendable improvements fall short of what is required to help attain the MDGs.⁵

C. Recommendations

The MDGs represent a compact that defines the responsibilities of the developing world and the donor community to combat poverty within a specified time frame. The real power of the MDGs is political, insofar as they represent the first global commitment with a clear focus on poverty reduction.

While achieving them must be an imperative, the peoples of Africa deserve more than the attainment of the MDGs. They also aspire to decent jobs, more tools with which to raise the yield of their crops, better infrastructure with which to diversify away from agriculture and into manufacturing and services and other forms of enterprise that

will improve their lives. They do not want merely to be centres for extractive industries, they aspire rather to attract a better type of FDI, that is, FDI which brings technology, provides jobs and increases the value added of economic activity. They understand that national and regional investments in electricity, roads, telephones and irrigation are crucial to break the vicious cycle of poverty and eventually reach a stage where growth is sufficiently high and sustainable and does not require large amounts of external assistance. Ultimately, they hope that the global commitment to poverty reduction that launched the MDGs will enable them to attain this higher development path.

The attainment of the MDGs should be a shared responsibility between sub-Saharan Africa and its development partners. African countries must take ownership and leadership in the implementation of the MDGs and take steps to enhance their capacity to absorb aid effectively, including through better macroeconomic management, governance and accountability. For its part, the donor community must raise the volume and quality of aid. Regional cooperation also has a role to play in terms of shared understandings and best practices.

1. *Enhancing the quantity and quality of aid*

To accelerate growth and hasten progress towards achievement of the MDGs, the volume of aid to sub-Saharan Africa must increase dramatically. The projected increase in aid to the region, to \$50 billion in 2010 and \$75 billion in 2015, if achieved, would be a major step in the right direction.

To be effective, increases in aid volume must be accompanied by improvements in aid quality. Aid should be provided mostly in grants and be untied, more predictable, better harmonized and coordinated among donors and better integrated into the national development framework and budgetary process of recipient countries. Aid conditionality should be mutually agreed upon and fully consistent with the recipient's development strategy.

Aid should be delivered in ways that strengthen the existing administrative machinery, rather than through parallel channels that circumvent and undermine existing institutional arrangements. Likewise, steps need to be taken to reduce transactions costs and avoid overtaxation of weak administrative capabilities with unduly sophisticated and demanding programme designs.

2. *Enhancing the absorptive capacity for aid*

Countries in the region need well-functioning public sectors. A capable State plays a critical role for setting the vision, coordinating policies and creating a space for wealth creation by the private sector. Strengthening budgetary processes and public monitoring of the government budget are central to achieving the MDGs.

Steps need to be taken to expand the capacity to absorb aid by removing bottlenecks in the productive sectors, in particular in agriculture, and enabling unused resources to be utilized effectively. Public activities that have a "crowding-in" effect on investment by the private sector and local communities should also be encouraged. In

this context, investment in infrastructure, training, education and governance should be a high priority. Channelling aid towards institutional strengthening and capacity-building to buttress strategic planning and policymaking is a priority area.

Strengthening the human capital base is crucial. Even before the HIV/AIDS pandemic, countries in sub-Saharan Africa had been losing vast quantities of human capital, in part as a result of armed conflicts. It is imperative to reverse this trend through the institutionalization of peaceful conflict resolution mechanisms. It is also crucial to stem the brain drain prompted by low wages. Ways need to be found to attract skilled migrants back to sub-Saharan Africa, especially to universities and training institutions, in order to regenerate and upgrade the work force.

3. *Monitoring mechanism*

As recommended in the report of the Millennium Project, *Investing in Development*,³ monitoring is important in the implementation of the MDGs. Incorporating a monitoring and evaluation process would enable stakeholders to exercise their rights and responsibilities in participation. To that end, the monitoring process in sub-Saharan Africa should be strengthened by: (a) providing timely statistics on MDG indicators; (b) bolstering the statistical capacity of these countries; and (c) enhancing the analytical underpinning of the monitoring framework.

Although the responsibility for meeting the MDGs lies with the individual countries, it is imperative to introduce the regional perspective in exchanging best practices

and providing a foundation for common understanding and collective action by African stakeholders, Governments and civil society.

The African Peer Review Mechanism, designed as a self-monitoring mechanism to foster the adoption of policies, standards and practices conducive to political stability, high economic growth, sustainable development and accelerated regional and continental economic integration, is a useful venue for sharing experiences and best practices for the attainment of the MDGs.

II. Reconstruction, development and sustainable peace in post-conflict countries

A. Violent conflict: a threat to human security and an obstacle to development

In spite of the widespread hope that the end of the cold war would herald a new era of widely shared improvements in economic welfare, prosperity and peace through greater harmony of interests and cooperation within and between countries, over 100 armed conflicts have taken place since 1989.

While most of these conflicts have been internal rather than international in nature, internal conflicts frequently lead to regional contagion, as populations are displaced, disputes spread across borders and economic activity is disrupted throughout a region. Furthermore, civil and international wars are not the only forms of organized violence. A number of countries have experienced inter-communal violence, genocide, coups and high levels of organized crime by armed gangs.

Deep poverty, colonial legacies and other factors may have contributed to the eruption of conflicts. Often, countries have become profoundly poorer as a result of these conflicts, their economic activities severely stunted by persistent insecurity. Conflicts, thus, have a major negative

long-term impact on development in some parts of the world.

As jobs disappear and insecurity mounts, skilled workers often leave the country. In the countryside, the loss of male labour increases the economic burden on women and children. The young cease to attend school and learn instead that the only way to increase their wealth is through violence and theft. Smuggling and illegitimate activities, such as drug production and trafficking, thrive at the expense of productive enterprise. As a result, tax collection collapses, making it virtually impossible for the Government to provide essential services. Despite the high social and material costs of armed conflicts, some groups, local and foreign, stand to benefit and see their interests threatened by the termination of conflicts. For these and other reasons, many internal conflicts have endured for decades and some have resumed even after an initial cessation of hostilities.

B. Poverty, inequality and conflict

Poverty creates an environment in which violence and conflict can thrive. With high unemployment and underemployment, low job and income security and little hope of improvement, the poor in many countries lack confidence or a stake in peaceful development. In poor countries that are highly susceptible to external shocks, the resulting economic and social disruptions often exacerbate or give rise to distributional conflicts. Indeed, conflicts can and do arise not only over a sudden loss in income, but also over the inequitable distribution of windfall gains.

Although conflict invariably results in impoverishment for the majority, the links between poverty and conflict are highly complex and multidimensional. Even though evidence suggests that poverty appears to increase the incidence of violence, not every poor country experiences conflict. The link between poverty and conflict seems to be particularly strong in poor countries with low levels of human capital. Over the past 15 years, conflicts have occurred in half of the least developed countries, and half of the States in the bottom quartile of the United Nations Development Programme (UNDP) human development index have experienced conflict.

C. Factors triggering internal conflicts in poor countries

Steady equitable economic growth, the benefits of which improve human security and the well-being of all groups of society, will encourage productive investment and give rise to a virtuous cycle of peaceful development. Conflicts erupt when political and/or economic actors, internal or external, resort to violence to achieve their goals, often using poverty and inequality as arguments for their struggle.

An open society, with thriving representational bodies, is better able to absorb shocks and ensure that the gains and losses are equitably distributed among all social groups. The media can also play a negative role in triggering a conflict by, for instance, spreading misinformation or fomenting inter-group hatred. Outside interests, including commercial concerns, can also provoke and finance violence

within a country. Diasporas may also foment and finance conflicts in their countries of origin. The proliferation of arms, especially small arms, has greatly facilitated the use of force in the resolution of political conflicts. In addition, conflicts can often be triggered when the benefits of natural resources are not distributed in a transparent and equitable manner. The wealth that natural resources create can also be used to finance the cost of the conflict to preserve control over them.

Conflicts of interest among individuals and social groups occur in every society; in most cases, they are resolved peacefully through political processes and institutions. Armed conflict can be prevented through the efforts of domestic institutions to enforce reconciliation as well as the determination of the international community to encourage non-violent methods of dispute resolution.

D. Recommendations

1. *Measures to prevent future conflicts*

Measures that the international community should develop to limit conflict and enhance the links between conflict prevention and development, as outlined in the proposals for the Peacebuilding Commission, are discussed below.

Arms control

Building on the Programme of Action to Prevent, Combat and Eradicate the Illicit Trade in Small Arms and Light Weapons,⁶ and taking advantage of technological advances in tracking devices, an international standard for the trade

and distribution of small arms and light weapons should be developed. All countries should be called upon to adhere to the standard and cooperate closely in enforcing it. As in the case of environmental and financial issues, enforcement cannot be ensured by one country alone.

Timely intervention

The international community has strived to develop the concept of human security and corresponding strategies to ensure such security. Whereas international institutions are reluctant to get involved in internal disputes, there is growing recognition that such interventions may be appropriate in certain cases. To be effective and credible, collective international intervention must be well informed, timely and on a scale commensurate to the task. The timing of the intervention is critical: recent experience has shown that when intervention is delayed or avoided, civil disorder can spill over into neighbouring countries, leading to international conflicts that may become very costly in terms of loss of lives and forgone development. A set of indicators to enable the international community to evaluate vulnerability to conflict and to provide early warning on emerging difficulties should be developed with urgency.

Security, social reintegration and reconciliation

Post-conflict reconstruction requires that special attention be paid to the reintegration into society and retraining of those, especially the young, involved in violence and military activities. Enabling militants to settle into civilian life

requires not only training in productive and marketable skills, but also social rehabilitation. The media has an important role in promoting reconciliation, trust and democratic participation in the process of reconstruction, rather than inciting ethnic, religious or gender-based conflicts, mistrust and hatred. There should be legal provisions prohibiting the media from doing the latter.

Education for peace

The education system needs to convey the values of peace and cooperation, as well as to provide the skills needed for peaceful conflict management. With the help of international organizations, including UNDP and the United Nations University, special programmes may be tailored to the needs of specific groups, including the training of civil servants, community leaders, the media and security forces. Such programmes would include learning to value the benefits of cooperation; committing civil society to building a strategy for peace; valuing peace as an integral part of human development; and building the foundation of peace as a necessary condition for social advancement.

Institutions

Consolidating peace will depend on national institutions that can bring about the peaceful resolution of internal differences and make all actors feel that they have a stake in such a settlement. Such institutions include not only an inclusive political regime but also a legal and economic system that is consistent with social and distributive justice. Defence budgeting needs to be transparent and accountable

to civilian authorities. Once peace is consolidated, countries should be able to make drastic reductions in military expenditure to fund the reconstruction process. Resources would also be needed to develop law-enforcement institutions, which should not be dominated by any interest group.

Physical and mental health

In post-conflict countries, many people, especially children and women, who suffered from the preceding violence, need psychological help to cope with the effects of trauma. Wars are also associated with greater vulnerability to ill health due to diminished immunity, disabilities and the spread of diseases. The destruction of health delivery systems has lasting effects, increasing mortality and morbidity long after the conflict has ceased. Health services and facilities must be improved rapidly to provide much-needed rehabilitation. The international community should support local authorities and non-governmental organizations in restoring and expanding such services.

Economic recovery

Economic recovery is essential in order to maintain the peace on a sustained basis. Recovery should provide the resources to rebuild the local market, secure basic social services and facilitate income-generating activities. In particular, recovery assistance should initiate food production as soon as possible, in order to relieve dependence on food aid. Among other things, this requires agricultural inputs, a rebuilt infrastructure and a safe environment, free of mines, toxic residues and war debris.

2. *Post-conflict reconstruction*

In view of the many domestic and external factors that can trigger and sustain conflicts, a conflict monitoring unit should be established within the United Nations for developing and administering a set of early warning indicators to identify countries at risk of conflict.

Since conflicts have regional repercussions, the assistance of the international community in post-conflict reconstruction should promote regional cooperation, giving all countries a stake in the progress of their neighbours. Moreover, many post-conflict countries are themselves so small that their infrastructure needs are more effectively met in a regional context. The Committee noted that the reconstruction aid extended by the United States of America to Europe after the Second World War was conditional on its being channelled through a regional body and based upon a reconstruction plan agreed to by all participating countries.

International assistance will be critical for post-conflict reconstruction. The United Nations and its agencies are uniquely suited to assume a leadership role in coordinating such a recovery via a United Nations post-conflict reconstruction facility, as a response instrument for donor coordination. The facility could be funded partly with additional debt forgiveness in the form of a debt-for-peace swap. The existence of the facility would improve the delivery and effectiveness of aid through the creation of a standardized, transparent system for reporting, tracking and monitoring pledges, commitments and disbursements to countries under reconstruction. Three principles must guide its work: (a) consistency between goals and policies; (b) consistency between different policies; and (c) the boundary between the

private and the public sector, which is to be established on pragmatic and not dogmatic grounds. The facility could coordinate its activities with regional organizations such as, in the case of African countries, the African Union.

Post-conflict reconstruction cannot be successful and sustained without the engagement of the private sector. The creation of national post-conflict private sector development funds geared to critical investments would be a confidence-building instrument for resource mobilization in post-conflict countries. The international community could support such initiatives by extending investment guarantees from the Multilateral Investment Guarantee Agency or similar institutions.

Preserving the peace will depend on post-conflict countries developing a long-term strategy for sustainable development in partnership with neighbours and other international partners and institutions. With the assistance of donors, this strategy should focus, among other things, on the recovery of sustainable domestic sources of financing. In cases in which the conflict arose out of problems connected with the distribution of wealth and income from natural resources, such development strategies will need to include high standards of transparency for producer countries and companies purchasing such resources.

III. Improving criteria for identifying the least developed countries

Since 1971, the United Nations has used the term least developed countries to denote a category of countries with low levels of income and facing severe structural obstacles in their development process. The two main structural obstacles considered for the identification of least developed countries since 2000 are high economic vulnerability and a low level of human capital.

The Committee for Development Planning, the precursor of the Committee for Development Policy, was mandated in 1971 to make recommendations to the Economic and Social Council on countries to be added to the list of least developed countries. Since 1991, the Committee has made recommendations on both inclusion and graduation at its triennial review of the list of least developed countries. The criteria used for the identification of least developed countries that was first established in 1971 were improved in 1991, 2000 and 2003.

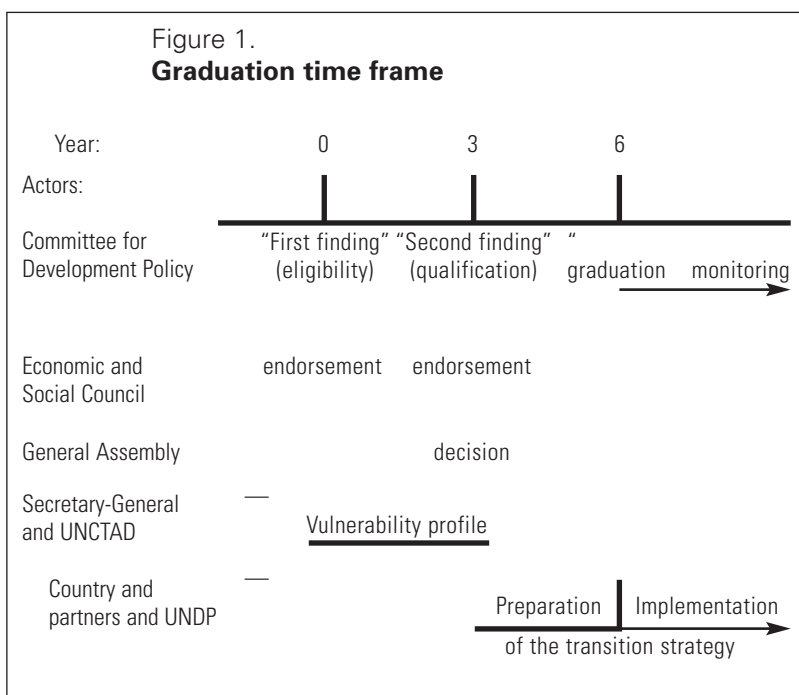
By designating the list of least developed countries, the goal of the United Nations is to inform development partners of the need to grant special benefits to these countries. These benefits vary among donors and relate mostly to trade preferences and ODA. At its seventh session, the Committee expressed its concern about the limited extent and effectiveness of this special treatment and decided to consider this matter in its future work.

A. The future work of the Committee for Development Policy in light of recent Economic and Social Council and General Assembly resolutions

In examining General Assembly resolution 59/209 on the smooth transition strategy for countries graduating from the list of least developed countries, the Committee noted that it had two important elements with regard to the graduation process: (a) graduation will take effect three years after the decision of the General Assembly to take note of the recommendation of the Committee to graduate a country (which means six years after a country is first found eligible for graduation); and (b) during the three-year period prior to graduation, a transition strategy should be prepared to facilitate a smooth transition from least developed country status. The Committee also took note of the mandate contained in paragraph 3 (b) of the above resolution, by which the United Nations Conference on Trade and Development (UNCTAD) is invited, after a country has met the criteria for graduation for the first time, to prepare a vulnerability profile, to be taken into account by the Committee at its subsequent triennial review (see figure 1 below).

The Committee noted the importance of paragraph 12 of General Assembly resolution 59/209, in which the Assembly requests the Committee, with the assistance and support of other relevant entities, to continue monitor-

Figure 1.
Graduation time frame



ing the development progress of graduated countries as a complement to its triennial review of the list of least developed countries, and to report its findings to the Economic and Social Council.

The Committee noted the importance of a transition strategy, not least to avoid abrupt reductions in either ODA or technical assistance in anticipation of eventual phasing out of other advantages granted to least developed countries. It also noted the importance of actions to be taken by the graduating country through the proactive use

of the consultative mechanism with its bilateral and multi-lateral development partners to that end, in the spirit of General Assembly resolution 59/209. Lastly, it was noted that although the preparation of the transition strategy should be a country-driven process, it could involve the operational agencies of the United Nations, other international entities and bilateral donors.

The Committee expressed the view that, when a least developed country graduating from the list is affected by a natural disaster, the international community should be mobilized to facilitate and support the reconstruction efforts in the framework of the transition strategy. In that context, the situation in the Maldives required special attention: not only are substantial additional resources needed, but they should be a determining factor in the formulation of a smooth transition strategy.

B. General principles of the criteria for the identification of the least developed countries

The Committee identifies least developed countries by taking into consideration three dimensions of a country's state of development: income level, human assets and economic vulnerability. More specifically, the Committee considers: (a) gross national income (GNI) per capita; (b) the human assets index (HAI); and (c) the economic vulnerability index (EVI).

Four general principles underlying further refinements to the criteria for least developed country status were considered: (a) the objective of identifying low-income countries suffering from the most severe structural handicaps; (b) the consistency of the list over time; (c) the stability of the criteria; and (d) the need for flexibility in the application of the criteria.

Countries are least developed countries if they face structural impediments to growth, because of their low income level, the high vulnerability of their economies and their low level of human capital. These characteristics that define least developed countries correspond to the present state of knowledge related to the development process.

The Committee reiterated the same concerns expressed in its 2000 and 2001 reports that a fair application of the criteria should imply equal treatment of countries in similar situations over time. It was noted that, of the 50 least developed countries, 11 would not be eligible based on the 2003 inclusion criteria and that nine low-income countries not included in the list would not be eligible for graduation had they been on the list. This is largely the result of asymmetries in the inclusion/graduation criteria. First, to be added to the list, three criteria need to be met, whereas to be graduated, a country must cease to meet not only one but two of the three criteria. Secondly, there is a difference in the threshold levels used for inclusion and graduation.

The Committee took the view that the criteria need to be modified over time to be consistent with the general principles that ought to underlie the identification of least developed countries. At the same time, the Committee reiterated the importance of maintaining stability in the criteria.

The Committee stressed the importance of flexibility in the application of the three criteria for the identification of least developed countries. The Committee suggested considering simultaneously the two structural handicap criteria (HAI and EVI), or even all three criteria, in order to take into account some degree of substitutability among the criteria and the possible combined impact of the handicaps, as captured by the HAI and EVI, as proposed by the Committee in its report on its fourth session.⁷ Flexibility may serve to enhance the consistency of the list and to ensure equal treatment of countries over time, as considered in paragraph 11 above.

The Committee agreed that, if a country's GNI increased to a sufficiently high level (at least twice the threshold level), the Committee would consider the country eligible for graduation even if it does not satisfy the graduation threshold for either of the two other criteria. It was stressed that the sustainability of GNI growth must, however, be taken into consideration.

It was suggested that the Committee may use any other information to assess the eligibility of countries to be included or graduated from the category of least developed countries. As to the technical treatment of the indicators, such as the issues referred to in paragraph 21 below, and more comprehensively in the report of the Committee on its fourth session,⁷ the Committee agreed that it could be a matter of progressive refinement.

C. Criteria for the identification of the least developed countries

1. *Gross national income per capital*

The Committee recalled its earlier discussions comparing GNI based on the World Bank Atlas method with purchasing power parity (PPP) estimates and noted that, although a PPP measurement of GNI would better reflect a country's standards of living, such data do not exist for many countries. Furthermore, PPP estimates are often constructed without being based on direct statistical observations. It was, therefore, decided to use GNI based on the World Bank Atlas method.

In preparation for the 2006 triennial review, the Committee also recapitulated the arguments that had brought it, in 2002, to choose GNI instead of GDP. The Committee agreed to keep GNI per capita and emphasized the limitations in collecting data for some countries for which there were large discrepancies among various sources. It requested the Secretariat to report on the reliability or absence of the necessary data. It was suggested that, particularly in graduation cases, all the reliable measurements of income should be considered.

2. *Human Assets Index*

The Committee agreed that human capital status should continue to be reflected in the HAI by indicators related to the level of both health and education. Four indicators are presently used, two indicators for health and nutrition and two for education: (a) the average calorie

intake per capita as a percentage of the minimum requirement; (b) the mortality rate for children aged five years or under; (c) the gross secondary school enrolment ratio; and (d) the adult literacy rate.

It was noted that, from experience based on previous reviews, HAI indicators often need to be checked for reliability. The HAI indicators express a relative assessment in comparison with a larger sample of low-income countries, with a scale of measurement that varies between reviews. In order to allow meaningful comparisons over time, it was suggested that better methods of defining the scale could be considered in calculating the HAI.

The Committee discussed with the Food and Agriculture Organization of the United Nations (FAO) the possibility of replacing the average daily calorie consumption per capita by the percentage of population undernourished. In the light of the recent improvements in the quality and coverage of the data on the latter indicator, the Committee decided to use it in the review of 2006.

The Committee also recalled its 2004 recommendation that, given the importance of e-readiness for development, one should reflect on whether that factor should be taken into account in the next review of the list of least developed countries. The Committee expressed the view that, unlike the current components of the HAI, e-readiness did not refer to human capital as such, but to material factors likely to enhance human capital or to result from it. Limited data availability was also noted as a weakness of these indicators. Moreover, unlike the other structural handicap indicators, e-readiness may change at a rapid speed in developing countries. The Committee therefore decided not

to include e-readiness as an additional indicator for the HAI, but suggested that e-readiness data be made available for the next triennial review as additional information for assessing the eligibility of countries for inclusion or graduation from the list.

3. *Economic vulnerability index*

The Committee recalled that it considers economic vulnerability to trade and natural shocks as a major structural obstacle to development, often exacerbated by its effects on public expenditure. The EVI is designed to reflect both the magnitude of exogenous shocks faced by a country and the extent to which that country is exposed to such shocks. The EVI components representing shocks are instability of exports of goods and services and the instability of agricultural production. The EVI components representing exposure to shocks are: (a) population size; (b) share of manufacturing and modern services in GDP; and (c) merchandise export concentration. The Committee, at its fifth session, also considered the percentage of the population displaced by natural disasters as an additional indicator of natural shocks.⁸ The Committee welcomes the appreciation in the Mauritius Strategy for the Further Implementation of the Programme of Action for the Sustainable Development of Small Island Developing States⁹ of the usefulness of its previous work on vulnerability.

The Committee confirmed the usefulness of an indicator of the proportion of the population displaced by natural disasters in addition to the instability of agricultural

production. These two proxy indicators were found to be complementary, reflecting natural shocks in a comprehensive manner.

At its fifth and sixth sessions, the Committee had envisaged taking into account the remoteness of a country from its main markets in the economic vulnerability criteria. It decided to introduce an indicator of remoteness as a component of EVI to reflect the handicaps resulting from high transportation costs and isolation from world markets.

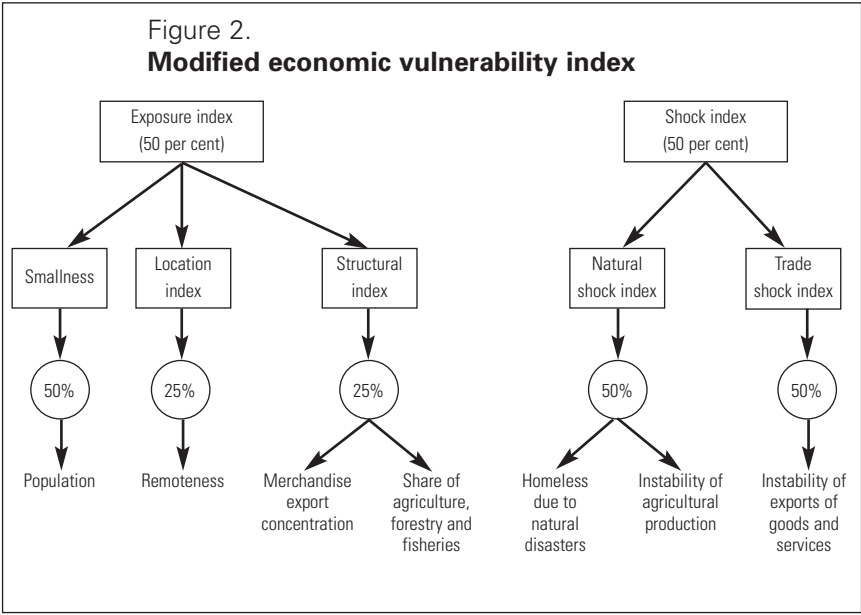
In consideration of the fact that, among modern services, tourism increases rather than diminishes the exposure to shocks, the Committee agreed that the EVI should be modified with the share of manufacturing and modern services in GDP being replaced by the share of agriculture, forestry and fisheries.

Lack of economic diversification is considered as an indicator of the exposure to shocks. It was recalled, as noted in previous Committee reports, that the export concentration coefficient covers merchandise trade only and not services. It also depends on the classification of trade and is particularly high for countries that export oil or other minerals; it therefore facilitates the inclusion or maintenance of these countries on the list. The Committee agreed, however, to retain the indicator as part of the index of exposure.

The Committee reiterated its position that small countries tend to be more vulnerable to external shocks than large ones because their economies, other things being equal, are more trade-dependent and their exports are more concentrated. It also expressed the view that small countries

experience higher exposure to natural shocks. Furthermore, most small low-income countries are situated in regions that are prone to natural disasters. Thus, the size of population was considered by the Committee as a major indicator for economic vulnerability, which needed to be reflected, with proper weight given to it in the measurement of EVI.

Consolidating the proposals presented in the preceding paragraphs, the Committee proposes that the EVI be refined as shown in figure 2.



D. Recommendations

The Committee recommended that the Economic and Social Council endorse its requested that it be informed by the Secretary-General on the implementation of the transition strategy of graduating countries, the effective benefits received by these countries during the transition period and their overall development.

The Committee also recommended to the Economic and Social Council that, in the case of Maldives, the consultative mechanism envisaged by General Assembly resolution 59/209 be organized with consideration for the exceptional circumstances of reconstruction in the aftermath of the tsunami of 26 December 2004.

The Committee formulated a number of recommendations concerning general principles for the criteria for identifying the least developed countries as well as improvements to the criteria for the triennial review of the list in 2006. In this regard, the Committee invited the Economic and Social Council to take note of the following recommendations.

- The Committee agrees that flexibility should be exercised in the application of the three criteria for the identification of least developed countries. In the determination of whether certain countries should be eligible for inclusion or graduation, the Committee suggested considering simultaneously two structural handicaps (HAI and EVI), or even the three criteria (GNI per capita, HAI and EVI), in such a way as to take into account some degree of substitutability among the criteria and the possi-

ble combined impact of the handicaps as captured by the HAI and EVI.

- The Committee agrees that, if the GNI of a least developed country increases to an exceptionally high level (at least twice the threshold level), the country can be considered eligible for graduation even if it does not reach the graduation threshold for either of the other two criteria, recognizing that the sustainability of the higher income level must be taken into account.
- The Committee decides to replace the average daily calorie consumption per capita by the percentage of the population undernourished.
- The Committee re-emphasizes that the size of population is a major indicator for economic vulnerability. The Committee agrees to include the proportion of the population displaced by natural disasters, together with the instability of the agricultural production, in the EVI. The Committee also agrees to include an indicator of remoteness in the EVI to reflect likely high transportation costs and isolation from world markets and to replace the share of manufacturing and modern services by the share of agriculture, forestry and fisheries.

Notes

- 1 *Human Development Report 2003: Millennium Development Goals: A compact among nations to end human poverty*, United Nations Development Programme (UNDP).
- 2 See Economic Commission for Africa, "Economic Report on Africa 1999 — The Challenge of Poverty Reduction and Sustainability". In 2004, almost half the countries in Africa (accounting for 40 per cent of the region's population) increased per capita output by more than 3 per cent. These cases demonstrate that it is possible to achieve rates of growth in Africa that, if sustained, will slowly reduce poverty in the region. See *World Economic Situation and Prospects*, United Nations, 2005.
- 3 Report of the United Nations Millennium Project, *Investing in Development: A Practical Plan to Achieve the Millennium Development Goals*, United Nations Development Programme, 2005, New York; and the report of the Commission for Africa, *Our common interest*, 2005.
- 4 In 2003, least developed countries received 33 per cent of total ODA, as compared to 29 per cent in 1990.
- 5 Both the Millennium Project report and the Commission for Africa report suggest that ODA to sub-Saharan Africa should be doubled, that is to \$25 billion per annum over the next three to five years, and that a further \$25 billion should be provided following a review of progress.
- 6 See *Report of the United Nations Conference on the Illicit Trade in Small Arms and Light Weapons in All Its Aspects*, New York, 9-20 July 2001 (A/CONF.192/15), chap. IV.
- 7 *Official Records of the Economic and Social Council, 2002, Supplement No. 13* (E/2002/33), para. 146.
- 8 *Ibid.*, 2003, *Supplement No. 13* (E/2003/33), chap. IV, para. 13.
- 9 *Report of the International Meeting to Review the Implementation of the Programme of Action for the Sustainable Development of Small Island Developing States, Port Louis, Mauritius, 10-14 January 2005* (United Nations publication, Sales No. E.05.II.A.4), chap. I, resolution 1, annex II.

Annex I

An African Perspective of the Millennium Development Goals: from scepticism to leadership and hope**Background**

This report was prepared by Mr. Kerfalla Yansane, a member of the Committee for Development Policy, as a background paper for deliberations by the Committee at its seventh session. The first part of the report reviews the status and trends in achieving the Millennium Development Goals (MDGs) in sub-Saharan Africa. The second part examines the obstacles and challenges to and opportunities for achieving the Goals. The third part discusses the instruments and policies that would facilitate achieving the MDGs in sub-Saharan Africa. The report is intended to provide an African perspective with regard to ownership and the domestic policy adjustments required to achieve the internationally agreed development goals. The purpose of the report is to elucidate the following two key issues related to the central question of ownership: (i) the extent to which African policy-makers consider the MDGs valuable and are committed to the MDGs; and (ii) the extent to which the MDGs are reflected in the development programmes of African countries, particularly in Poverty Reduction Strategy Papers (PRSPs).

Status and trends of the MDGs in sub-Saharan Africa

A series of United Nations conferences and summits held during the 1990s set out an ambitious development agenda that provided the foundation for the United Nations Millennium Declaration, adopted by the General Assembly in the year 2000. In the Declaration, 189 nations committed themselves to making the right to development a reality for everyone. The Declaration calls for halving, by the year 2015, the number of people who live on less than one dollar a day. This also involves finding solutions to hunger, malnutrition and disease, promoting gender equality and the empowerment of women, guaranteeing a basic education for everyone and supporting the Agenda 21 principles of sustainable development. It also invites the richer countries to help the developing countries by increasing aid, improving market access, providing debt relief and raising foreign investment. These aspirations were translated into a set of time-bound and measurable goals, the MDGs. The MDGs comprise eight goals. To help track progress towards the Goals, the United Nations Secretariat and the specialized agencies of the United Nations system, as well as representatives of the International Monetary Fund (IMF), the World Bank and the Organization for Economic Cooperation and Development (OECD) defined 18 targets and 48 indicators. They are aimed at: halving income poverty and hunger, achieving universal primary education and gender equality, reducing under-five mortality by two thirds and maternal mortality by three quarters, reversing the spread of human immunodeficiency virus/acquired immunodeficiency syndrome (HIV/AIDS), halving the proportion of people with-

out access to safe water, ensuring environmental sustainability, and promoting a global partnership for development.

Reports from international agencies and researchers concur that the target of halving extreme poverty is within reach in a number of regions if current trends continue. However, reports also point out that many least developed countries (LDCs) are lagging behind. It is also generally agreed that sub-Saharan Africa is the only region in the world where poverty increased during the 1990s, even though many countries in sub-Saharan Africa have made commendable progress in macroeconomic management and political reforms.^a These improvements notwithstanding, on balance, the continent's record in progress towards achieving the MDGs has been inadequate. According to a report by the United Nations Development Programme (UNDP) and the United Nations Children's Fund (UNICEF) the region registered a decline in gross domestic product (GDP) per capita of about 0.6 per cent per year during the 1990s and, as a result, the number of poor people increased by one quarter, or over 6 million per year.^b Extrapolations have indicated that, unless the situation in sub-Saharan Africa improves, it will take these countries until the year 2129 to achieve universal primary education, until 2147 to halve extreme poverty and until 2165 to reduce child mortality by two thirds.^c Given the current trends, achieving the MDGs will be a major challenge for African countries and the international community. In particular, the LDCs in sub-Saharan Africa are not likely to meet the Goals unless the current pace of development is accelerated.

This bleak prospect for many African countries, combined with the leadership of a new generation of African Heads of State, has attracted the attention of the interna-

tional community and has helped place the continent on the global agenda: in 2004, British Prime Minister Tony Blair established the Commission for Africa to define the challenges facing the continent and to provide clear recommendations on how to support the changes needed to reduce poverty.^d The main purpose of the Commission was to answer the crucial question “What can the rest of the international community do to support successful African development?” The report of the Commission was published in March 2005 after a full year of debate and consultation with key stakeholders in Africa and developed countries. Also, in early 2005, the final report of the Millennium Project was presented to the Secretary-General.^e The report identifies the institutional reforms, investments and other interventions needed to “scale up” efforts to meet the MDGs in the context of the 10-year planning horizons required for the 2015 deadline. Both the report of the Commission for Africa and the report of the Millennium Project make a strong case for sub-Saharan Africa and urge developed countries to take decisive steps to fast-track the MDGs on the continent. The two reports are currently being used at every opportunity to intensify the campaigns to mobilize broad segments of society in support of the MDGs in Africa.

Overall, the year 2005 provides Africa and the international community with a unique opportunity to arrive at concrete programmes of action aimed at accelerating the development of the continent. To this end, African leaders have resolved to conduct their own assessment, through the African Union Commission and the New Partnership for Africa’s Development (NEPAD) Secretariat, and develop a common position on the MDGs in preparation for the summit meeting of the General Assembly to be

held in September 2005, which will conduct the first five-year review of progress made in the fulfillment of the commitments contained in the Millennium Declaration.^f

Obstacles, challenges and opportunities

The difficulties with achieving the MDGs in sub-Saharan Africa are numerous, the obstacles ranging from structural and operational to political. In many of these countries, political turmoil and civil strife have resulted in poor economic performance (see also annex II).

Structural impediments

Poverty reduction in sub-Saharan Africa has been hindered by the lack of economic growth. Progress in reducing poverty has been further complicated by the high levels of income inequality (sub-Saharan Africa, along with Latin America, has the highest degree of income inequality in the world).^g The lack of economic growth and high income inequality are interlinked: the higher the initial poverty rate and the greater the initial inequality, the higher the growth rate required to reduce poverty.^h

In most sub-Saharan economies, farmers are occupied in either subsistence agriculture or growing small-scale cash crops, which, over the last few decades, have experienced deteriorating terms of trade. Agriculture also suffers from low productivity, due to poor infrastructure. Furthermore, the unfavourable external environment, in particular with respect to access to developed countries, which have done little to open up their markets and reduce

the subsidies to their own farmers, has not generated an increase in the effective demand for African agricultural products on world markets.

*Scepticism of African countries
in respect of the MDGs*

Most of the MDGs reflect long-standing agreed development goals contained in the outcome documents of the global conferences of the United Nations on sustainable development, social development, population and development, women and development, least developed countries, and financing for development, held over the last 25 years. Many of these goals remain unattained.ⁱ As a result, many policy makers in sub-Saharan Africa have seen the MDGs in the context of a long line of failed initiatives to assist development in Africa.

One such initiative was the United Nations System-wide Special Initiative on Africa (UNSIAs). This Initiative was launched in 1996 by the Secretary-General as a 10-year, US\$ 25 billion programme for Africa to reduce poverty and coordinate the follow-up to the global conferences of the 1990s. The Initiative sought to implement the goal-setting and global political consensus on Africa's development reached in previous United Nations initiatives on Africa, in particular the United Nations Programme of Action for African Economic Recovery and Development 1986-1990 (UN-PAAERD), the United Nations New Agenda for the Development of Africa in the 1990s (UN-NADAF) and the 1994 System-wide Plan of Action for African Economic Recovery and Development.

UNSIAs arose out of the United Nations intention to give priority to the development challenges Africa was

facing. It sought to mobilize political and financial support for a stronger, more coherent response by the international community to these challenges at a time when conditions in Africa were not attracting adequate support from outside the region. Under UNSIA, all United Nations entities would seek to accelerate Africa's development by identifying and taking organizational responsibility for a set of concrete actions on core development challenges in five selected areas: water, food security, governance, social and human conditions, and resource mobilization.

The high hopes held for UNSIA in 1996 were not realized. From the outset, African Governments were particularly sceptical about the motives and timing of the initiative, as well as the lack of real ownership. The scepticism increased with the frustration over unrealistic expectations regarding the resource implications of the initiative. There was great disappointment when the estimated US\$ 25 billion necessary to carry out the Initiative was not disbursed by the international donor community.

A first attempt at consolidating the development objectives adopted by the international community throughout the 1990s came from the Development Assistance Committee (DAC) of the OECD. Its report *"Shaping the 21st Century: The Contribution of Development Cooperation"* included seven International Development Targets (IDTs).^j The Millennium Declaration and the MDGs were, by and large, an endorsement of the IDTs by the international community. As a result, in sub-Saharan Africa, the MDGs were perceived by many as yet another developed countries' initiative that was bound to fail.

Frustration over declining donor assistance

Part of the reservations of countries in sub-Saharan Africa over the MDGs also arose from their vulnerability to declining trends in official development assistance (ODA) in the 1990s, on which they rely heavily for their development. ODA to Africa fell from approximately US\$ 22 billion in 1995 to about US\$ 15 billion in 1999. As a percentage of the donors' gross national income (GNI), ODA flows to developing countries declined from 0.33 per cent in 1992 to 0.22 percent in 2001.^k These downward trends in donor assistance were particularly frustrating for the countries in sub-Saharan Africa with poor economic and social conditions during the 1990s. For many, setting the same goals and targets to be achieved equally by all countries at different stages of the development process was perceived to be unjust. The MDGs were seen as a manifestation of globalization in the realm of the social sector. Moreover, sub-Saharan African countries viewed globalization as being closely associated with competition, and they were not ready to compete with other regions that were far ahead in their development process at the time of the Millennium Declaration.

Operational obstacles

To overcome the reservations of African countries, the United Nations system, particularly UNDP, conducted large campaigns across the continent through the holding of seminars and conferences to raise awareness of the MDGs and to gain support from African stakeholders, including Governments and civil society.^l This campaign is starting to bear fruit. However, there is a long way to go, owing to a number of daunting operational obstacles.

Lack of long-term strategic-planning capacity

At independence, many countries in sub-Saharan Africa adopted a Government-led development model. In many of these countries, the model provided Government control over resource allocation, reduced the functioning of the market, and granted the State significant power to intervene in the market as well as to own and control productive resources. Almost all African countries adopted central planning to conduct ambitious development programmes aimed at improving social and physical infrastructure and diversifying economic activities.

However, in the last quarter of the twentieth century, the role of the State in the economy declined and was overtaken by the changes introduced by the structural adjustment programmes (SAPs) advocated by the World Bank and the IMF, which encouraged greater economic deregulation. These programmes removed the Government from many economic activities and, more damagingly, eliminated the ability to implement a long-term development vision and strategic plan. In many countries in sub-Saharan Africa, this led to the disintegration of public services and a weakened capacity of Governments to conceive and implement long-term development policies and to correct market failures. As a result, from the outset, African countries were ill equipped to embark on achieving the MDGs since doing so would require long-term programming, as opposed to the short-term reform programmes aimed at restoring macro-economic equilibrium.

Misalignment of national development programmes, particularly the PRSPs, with the MDGs

On average, in many countries in sub-Saharan Africa that implemented SAPs, people experienced deteriorating standards of living, reduced access to public services, devastated environments and worsening employment prospects, even in those countries where the programmes were well implemented. In the late 1990s, as a response to the criticism from developing countries on the SAPs, in particular concerning the lack of focus on poverty and the countries' ownership of reforms, the Bretton Woods institutions introduced national programmes for poverty reduction, embodied in the PRSPs, as a new approach to international development cooperation for low-income countries.

PRSPs are formulated by Governments through a participatory process involving domestic stakeholders and the countries' development partners, including the Bretton Woods institutions. They have four main characteristics: (i) poverty-oriented economic growth; (ii) programmes that are owned by the country; (iii) programmes that are based on a set of country-specific outcome indicators, and (iv) broad-based participation of all segments of the population in selecting and monitoring the goals and targets. The experience with PRSPs in sub-Saharan Africa shows that, similar to the SAPs, they often give priority to short-term stabilization (including strict fiscal policies) over long-term development.

A study by the World Bank shows that, in general, the PRSPs encompass most of the MDGs. The study, however, underscores that the targets and the actual data required for monitoring are often different.^m Another distinction between the PRSPs and the MDGs is that the time

frame of the PRSPs is focused on short- to medium-term development strategies, as compared to the longer-term and broader framework required to address the MDGs. As a result, the targets of the PRSPs are normally set to be achieved before 2015, making comparisons between PRSP and MDG targets complex. PRSPs also include a number of goals that are not part of the MDGs, such as macroeconomic management, rural and/or agricultural development, infrastructure, governance, private sector reform and social protection. Furthermore, there is no required set of goals or indicators that must be included in a PRSP. As a result, the degree of alignment of PRSP goals with the MDGs varies from country to country.

Policy makers in sub-Saharan Africa have stressed the need to adopt a country-specific approach to MDGs in which country-owned development strategies, including PRSPs, play a central role. In other words, it is important to set national development goals by tailoring the MDGs to country-specific conditions and then to identify and implement policies and actions needed to accomplish these national goals.

Several countries in sub-Saharan Africa have been inclined to adapt the goals, targets and indicators of the MDGs to the specific conditions and priorities of the country. For instance, Senegal expanded the scope of Goal 5 (improving maternal health) and changed it into “reproductive health” in order to bring it more in line with the goals and targets of the International Conference on Population and Development (ICPD).¹¹ Senegal also made access to drinkable water a separate goal. Lesotho has also made innovative adaptations to the MDGs. Since the fight against the HIV/AIDS pandemic is the national priority, progress towards all goals is analysed in the context of HIV/AIDS.

Another area of concern in achieving the MDGs is the lack of adequate data. All MDG country reports sponsored by the UNDP in sub-Saharan Africa stress that the lack of timely and reliable data poses uncertainties for the effective formulation, implementation and monitoring of relevant socio-economic programmes and policies. Furthermore, in many countries, data are not disaggregated by region, gender or sub-groups of people and are not available for several of the agreed targets, particularly for health and the environment.⁹

Challenges and opportunities

When evaluating the different regional performances in the context of the MDGs, there has been a tendency to contrast the sustained and rapid growth in South-East Asian economies over the past three decades with the socio-economic stagnation (and increasing poverty) in sub-Saharan Africa. One of the notable features of the performance of the South-East Asian countries over the past three decades has been their ability to expand and upgrade their linkages with the world economy—compared to the increased marginalization of much of sub-Saharan Africa. More recently, due to high rates of economic growth, poverty has been reduced significantly in China and India, making it likely that the target for reducing world poverty by half will be met.

In recent years, the average economic growth rate for sub-Saharan Africa was around 3.5 per cent. Most studies concur that this is about half the growth rate required to make significant steps in reducing poverty in the region. In order to reduce poverty by half by the year 2015, GDP growth of about 7 per cent per annum is estimated to be required for Africa as a whole; even higher rates of growth

may be needed for the least developed countries.^p This growth rate implies an investment rate of about 30 per cent of GDP, which would require substantial financial resources.^q For their financial situation to improve, countries in sub-Saharan Africa need to increase substantially domestic resource mobilization, including fiscal revenue, and develop financial intermediation, particularly with respect to microfinancing to serve the poor.

Another challenge for sub-Saharan Africa in achieving the MDGs is to substantially mobilize external resources. Both the reports of the Millennium Project and the Commission for Africa concur that to accelerate income growth and to spur economic and social progress towards the MDGs, the volume and quality of external aid to sub-Saharan Africa must change radically. There are encouraging signs that the ODA flows have increased since the Monterrey Conference in 2001 and that the distribution of aid has improved in that it is being directed more to poorer countries.^r However, these commendable improvements are well short of what is required to help attain the MDGs.^s

The Millennium Project report and the report of the Commission for Africa can create a more favourable context to mobilize resources from the international community for sub-Saharan Africa. Furthermore, several events taking place in 2005 could make a meaningful impact: it is the twentieth anniversary of Live Aid, which was among the first of the global events to make the plight of Africa a political issue in many developed countries and which exerted pressure to act; 2005 is also the twenty-fifth anniversary of the Brandt Commission report. In 2005, the United Kingdom of Great Britain and Northern Ireland holds the presidencies of the G-8 and the European Union. Prime

Minister Tony Blair is committed to pushing through the recommendations of the Commission for Africa in these two forums. Mr. Blair will also embark on a round of diplomatic meetings ahead of the G-8 summit to discuss the important issues of Africa.

The conjunction of all these events, together with Africa's achievements in increasingly utilizing aid more effectively, are likely to galvanize the attention of the international community and create a new momentum for sub-Saharan Africa, thereby reducing the risks of failure. Moreover, there may also be a reassessment of foreign aid policy in the developed countries to redirect resources away from the heightened focus on terrorism and security following the terrorist attacks of September 2001 and return them to a more collaborative approach to development challenges.

Instruments and policies

Achieving the MDGs is first and foremost the responsibility of sub-Saharan Africa itself. These countries must take responsibility for the MDGs at all levels, including in the areas of capacity-building, promoting good governance and pro-poor growth policies. As recommended in the reports of the Millennium Project and the Commission for Africa, it is also imperative that sub-Saharan Africa receive significant support from the international community, that is to say through aid increases and improvements in the quality of aid.

Leadership and ownership

All stakeholders of the region, Governments and civil society, must take ownership of the MDGs through innovative instruments and policies.

*Regional level: AU/NEPAD
MDG Programme*

Although the responsibility for meeting the MDGs lies with the countries themselves, a regional perspective can contribute to the process by exchanging best practices and providing a foundation for common understanding, and through collective action by African stakeholders, including Governments and civil society alike. In this regard, the Commission of the African Union was mandated by the African Union Summit to coordinate and lead the process of developing an African common position in collaboration with Member States and in close consultation with the NEPAD Secretariat, the Regional Economic Communities (RECs), the United Nations Economic Commission for Africa (ECA) and the African Development Bank (ADB). The Commission has been further requested to submit a finalized draft African common position to the Seventh Ordinary Session of the Executive Council in July 2005.

Sub-regional level

The Southern African Development Community (SADC) is the first regional economic community to embark on a comprehensive development programme based on the MDGs, as reflected in its Regional Indicative Strategic Development Plan (RISDP). The RISDP was launched in March 2004 and is closely linked to NEPAD's objectives. Its purpose is to deepen regional integration through a comprehensive programme of long-term economic and social policies and through the provision of strategic direction to SADC and its members. The RISDP assigns top priority to poverty eradication and is the vehicle through which SADC can achieve

the MDGs. The RISDP will be implemented over a 15 year period. The Plan is indicative in nature, outlining the conditions necessary for SADC to realize its integration and development goals. The RISDP will be implemented at a national level, with the SADC Secretariat playing a coordinating role. It is hoped that other subregions will follow the SADC model.

Country level

The central goal of the NEPAD MDG Programme is to help African countries develop national poverty-reduction strategies, based on needs assessments, to achieve the MDGs. This includes a medium-term investment framework and a clear assessment of the external financing gaps that need to be filled in order to achieve the MDGs. To this end, each African Government will need to lead an inclusive process to prepare, with the support of the NEPAD secretariat and with participation from civil society, the donor community and its parliament, the following sequence of “deliverables”:^t (i) a detailed MDG needs assessment of the long-term financial, infrastructure and human resources required to meet the Goals (by the end of 2007); (ii) a long-term plan through to 2015 that outlines the policies, institutions and investments needed to achieve the MDGs, which should be based on the MDG needs assessment and should describe the long-term trajectory for achieving the Goals (by the end of 2007); and (iii) a new 5-year PRSP based on the long-term MDG plan (2006-2010).^u

A number of sub-Saharan African countries have already taken full control of the national effort to achieve the MDGs. For example, Ghana and Ethiopia have embarked on comprehensive MDG needs assessment

processes; the outcomes of these processes will feed into a new type of PRSP covering a longer time period.^v

Capacity-building

Emphasis should be placed on investment in people, including investment in higher education and training. Attention should also be given to the effective development, utilization and retention of existing institutional capacities to avoid and reverse brain drain. Furthermore, it is imperative that sub-Saharan Africa restores the role of the State. Governments play a critical role in establishing a long-term vision, coordinating policies, creating an enabling environment for wealth creation by the private sector, and making adjustments when necessary. This implies creating and strengthening long-term strategic-planning capacity consistent with the proper functioning of a market economy. For instance, it is encouraging that a number of countries, such as Uganda and the United Republic of Tanzania, have elaborated their own development framework. Uganda has established a National Planning Authority responsible for charting out long-term national strategic reforms, and the United Republic of Tanzania has transformed its second-generation PRSP into a five-year national development framework.

Countries in sub-Saharan Africa need to strengthen their monitoring infrastructures to meet the demand for accurate statistics. With respect to the MDGs, reliable data are needed for, inter alia, analysis, priority-setting and strategy formulation, monitoring, and the evaluation of the outcomes and impacts. This requires the elaboration of statistical master plans at the national level and the conducting of surveys, such as population censuses and surveys of income and expenditure, the labour force, education, health and national accounts.

Promoting good governance

In the framework of NEPAD, African countries have put in place a set of rules and procedures called the African Peer Review Mechanism (APRM), aimed at upholding the principles of accountability and transparency in the following four areas: (i) democracy and political governance; (ii) economic governance; (iii) corporate governance; and (iv) socio-economic development.

The purpose of the APRM is to foster the adoption of policies, standards and practices that will lead to political stability, high economic growth, sustainable development and accelerated regional and continental economic integration through the sharing of experiences and the reinforcement of successful best practices, including the identification of deficiencies and the assessment of the needs for capacity-building of participating countries. The APRM is a self-monitoring mechanism, voluntarily adhered to by African countries. It is open to the member States of the African Union, of which 24 have so far voluntarily acceded. It is anticipated that more African countries will join the APRM in the near future.

Pro-poor growth

Since the majority of the poor in sub-Saharan Africa live in rural areas, poverty reduction strategies must give priority to the development of rural sectors, particularly to agriculture. Investment in agriculture would help create jobs and eventually reduce poverty and hunger. Furthermore, to ensure that economic growth does not aggravate the already high levels of income inequality, countries in sub-Saharan Africa should focus on the relationship between economic growth

and income distribution. To this end, pro-poor growth policies should strive to disaggregate poverty data and target poverty pockets in all key social sectors.

Examples elsewhere are such developing countries as China, Costa Rica, Cuba, Mauritius, Myanmar, the Philippines, Sri Lanka and Viet Nam, where relatively high levels of education and health were achieved over a relatively short period at a time when, for some of these countries, incomes were not higher than those in sub-Saharan Africa. In these countries, policies and programmes were planned, executed and paid for by the public sector. Costs were kept low, with modestly paid health workers and teachers and rudimentary physical facilities. Reinforcing programmes in nutrition, health and education helped achieve goals with little waste at all levels of education.

Sub-Saharan Africa should evaluate the policies of developing countries that have made commendable achievements in lifting large segments of their populations out of poverty in a short period of time. To encourage pro-poor growth, best practices should be identified across sectors from countries within and outside sub-Saharan Africa and adapted to the needs of each country.

More and better quality aid

Volume and quality of aid

To encourage economic growth and to achieve progress towards the MDGs, the volume and quality of external aid to sub-Saharan Africa must change radically. Although there has been some recent progress, particularly with regard to aid flows, the effectiveness of aid to Africa in the 1990s has been at best modest, largely because of the low quality and

decline in the volume of aid as well as poor governance. It is essential that aid improve in terms of composition, that is to say that there be a higher proportion of grant elements. Furthermore, aid flows should be untied, harmonized, coordinated, predictable and integrated into the budget process, which itself must be improved to reflect strategic prioritization and a higher degree of public financing accountability.

Aid conditionality should be mutually agreed between Africa and its donors and, to the extent possible, any conditionality should be derived from the country's development strategy. Aid should address the priority challenges stipulated in the national development framework and, where macroeconomic instabilities characterize the economy, aid should be used to mitigate any adverse social and economic impact of corrective measures. Furthermore, a "big push" in aid is needed, particularly to generate a major increase in investments in the productive and social sectors. The proposed doubling of aid to sub-Saharan Africa to US\$ 50 billion in 2010 and the further increase to US\$ 75 billion in 2015 should be considered a positive development in this direction.^w

Capacity constraints

Limited absorptive capacity in sub-Saharan Africa may prevent the effective use of additional aid resources in achieving the MDGs.

Increased aid-financed public investments may have positive effects by overcoming infrastructure bottlenecks, thereby enabling the private sector and other actors in society to be more productive. Such investments could be in infrastructure, or in other areas that are currently limiting

growth in related economic activities (for example, investments in education, training and governance).

Another aspect relates to institutional capacity constraints hindering effective ODA delivery at the country level. Channelling more aid into building institutional and human capacities and investing in capacity-building for strategic planning and policy making, including for external resource management, would build a foundation for effective ODA delivery.

Aid should also be delivered and utilized in ways that limit the use of resources that are most constraining and already overstretched, for instance, by avoiding unnecessarily sophisticated project designs and, instead, allocating resources to projects that are within the existing capacity of communities and other domestic actors. ODA should be delivered through existing administrative mechanisms, in a manner that contributes to aid improvement, rather than circumventing and undermining them by using parallel systems.

Monitoring mechanisms

With regard to the monitoring and evaluation of the MDGs, appropriate mechanisms must be put in place at all levels.

At the country level, the objective of monitoring and evaluation should be to keep track of both the implementation of national development programmes and the impact of those programmes on the achievement of the Goals. It is particularly important to organize broad-based participation at the country level in order to ensure that all key stakeholders, including civil society and communities, have their say in the assessment of the status of progress towards the MDGs. Country-level monitoring and evaluation often requires a strengthening of human and institution-

al capacity, as well as the reinforcement of a country's capacity in data collection, processing, analysis and dissemination.

At the regional and subregional levels, the APRM could be a useful instrument for sharing experiences and exchanging best practices in monitoring and evaluating progress towards the MDGs.

Closer cooperation is called for between the United Nations system and the multilateral financial institutions, particularly the World Bank and the International Monetary Fund, to promote policy coherence in providing development aid. In addition, innovative approaches must be developed to monitor partner commitments and actions, including the involvement of independent monitoring groups and the broadening of Consultative Group Meetings.

Conclusions

The achievement of the MDGs in sub-Saharan Africa faces a combination of varied obstacles that are structural, political and operational. Awareness of the MDGs is gaining momentum and there are encouraging signs that African Governments and civil society are determined to take ownership of and leadership in achieving the MDGs.

Achieving the MDGs is first and foremost the responsibility of national policy makers. All stakeholders in sub-Saharan Africa, Governments and civil society must take ownership of the MDGs through innovative instruments and policies. However, it is imperative that sub-Saharan Africa receive significant support from the international community, as recommended by the reports of the Millennium Project and the Commission for Africa.

The MDGs represent an unprecedented opportunity for Africa and the international community to reduce poverty. It is a compact which defines the responsibilities of the donor community and the developing world to combat poverty and disease within a quantified, time-bound action plan. The UNDP Human Development Report 2003 is correct that the real power of the MDGs is political, as they represent the first global development vision that combines political endorsement with a clear focus on poverty reduction.

However, there is still a sense of mistrust between countries in sub-Saharan Africa and the donor community. The latter would like to see tangible signs of political stability and good governance. The former remains sceptical over the political will of development partners to live up to their part of the compact, including more and better aid, free and fairer trade, and debt cancellation.

It is, however, important to stress that Africans want more than the attainment of the MDGs. They also aspire to decent jobs, more tools with which to raise the yield of their crops, and a better infrastructure with which to diversify away from agriculture and into manufacturing and services. This means that national and regional projects for electricity, roads, telephones and irrigation canals are a priority. Africans aspire to make their investment environment attractive for native and foreign business, but they also hope to attract the “better type of FDI”, that is to say, the kind that yields technology, provides jobs and increases the value added in economic activity. These are the means whereby Africa can break its vicious circle of poverty breeding poverty, move to the stage where growth is sustainable at higher levels and ultimately rely more on trade and private investments than on assistance from rich countries.

Notes

- a** *The MDGs in Africa: Promises and Progress* (United Nations Development Programme and United Nations Children's Fund, June 2002); "Achieving the Millennium Development Goals in Africa: Progress, Prospects, and Policy Implications", *Global Poverty Report 2002*, prepared by the African Development Bank in collaboration with the World Bank with contributions from the Asian Development Bank, the European Bank for Reconstruction and Development, International Monetary Fund and the Inter-American Development Bank (June 2002); *Human Development Report 2003: Millennium Development Goals: A compact among nations to end human poverty*, United Nations Development Programme (UNDP).
- b** *The MDGs in Africa: Promises and Progress....*
- c** *Human Development Report 2003*
- d** See report of the Commission for Africa, *Our common interest*, 2005.
- e** Report of the United Nations Millennium Project, *Investing in Development, A Practical Plan to Achieve the Millennium Development Goals* (UNDP, New York, 2005).
- f** The African Union Commission has been mandated to coordinate the process of developing an African common position on the MDGs in collaboration with the NEPAD Secretariat, the African Development Bank, the United Nations Economic Commission for Africa (ECA) and the Regional Economic Communities. The African Union Commission is expected to submit a draft report to the African Union Summit in July 2005.
- g** Lionel Demery and Michael Walton, "Are the poverty and social goals for the 21st century attainable?", IDS Bulletin, vol. 30, no. 2 (Institute of Development Studies, 1999).
- h** Ibid.
- i** World Bank Operations Evaluation Department (OED), *2002 Annual Review of Development Effectiveness: Achieving Development Outcomes: the Millennium Challenge* (World Bank, 2003).
- j** Organization for Economic Cooperation and Development Development Assistance Committee, *Shaping the 21st Century: The Contribution of Development Cooperation* (OECD, May 1996).
- k** World Bank, World Development Indicators, available from http://www.worldbank.org/data/wdi2005/wditext/Section6_1.htm.

- I** UNDP has launched a special campaign under the name of Africa 2015. This initiative is an advocacy campaign designed to create sustained awareness and engage multiple audiences and constituencies in fighting poverty and the spread HIV/AIDS. The effort mobilizes all sectors of society to advocate for the MDGs. The process integrates the support of popular celebrities, the media and sports institutions, as well as national, municipal, religious and grassroots leaders.
- m** World Bank Development Data Group, "Targets and indicators for MDGs and PRSPs: What countries have chosen to monitor?", World Bank, Washington D.C., 2003.
- n** UNDP Evaluation Office, *Millennium Development Goals Reports: An Assessment*, vol.I (New York, UNDP, December 2003).
- o** Ibid.
- p** *Economic Report on Africa 1999: The Challenges of Poverty Reduction and Sustainability* (Economic Commission for Africa, 1999).
- q** Ibid.
- r** According to the report of the World Bank and IMF Development Committee of 28 March 2003, in 2001 low-income countries received 64 per cent of total DAC bilateral ODA that is allocable by country, of which roughly half was received by the least developed countries; middle-income countries received 36 percent. Regionally, sub-Saharan Africa received 29 percent of the total.
- s** Both the Millennium Project and the Commission for Africa reports suggest that ODA to sub-Saharan Africa should be doubled to US\$ 25 billion per annum over the next three to five years, and a further US\$ 25 billion should be provided following a review of progress.
- t** New Partnership for Africa's Development (NEPAD) Secretariat.
- u** See also United Nations Millennium Project, "Millennium Development Goals Needs Assessments—Methodology", September 2004.
- v** The findings of the MDG needs assessment of Ghana were presented to national stakeholders and the donor community at the occasion of the launching of the Millennium Project report in Accra on 18 January 2005.
- w** Commission for Africa, op. cit., p. 327.

Annex II

**Reconstruction, development
and sustainable peace:
a unified programme for
post-conflict countries****Background**

This report was prepared by Mr. Milivoje Panic, a member of the Committee for Development Policy, as a background paper for deliberations by the Committee at its seventh session. The aim of the report is to review the role of economic welfare in conflict prevention, including the strategies required to ensure sustainable peace in post-conflict countries. It differs in one important respect from most of the rapidly growing literature in this field.^a Instead of describing specific conflicts or policies to prevent them, it integrates some of the key economic, social and political factors into a general analysis with an all-embracing strategy for post-conflict countries. The integrated approach is essential because a unified strategy offers the only hope of preventing future conflicts and civil wars.

The recent history of conflicts

There have been more than 140 civil wars since 1945. Estimates put the number of casualties at around 20 million, with 67 million people displaced.^b If correct, these figures are equivalent to half of the casualties and more than

double the total number of displaced persons in Europe during the Second World War—estimated at 40 and 30 million respectively.^c

There was great hope during the brief euphoria in 1989/90 that the end of the Cold War would herald the beginning of a new era of widely enjoyed improvements in economic welfare, prosperity and peace achieved through greater harmony of interests and cooperation between and within countries. Regrettably, though not surprisingly, it is the sceptics who have turned out to be right. Some of them suspected that the euphoria would turn out to be no more than, as the then British Foreign Secretary put it, a “Utopian folly”.^d Others feared that the removal of the East/West tensions would revive the old ethnic and cultural antagonisms and conflicts.^e

Far from peace and harmony, over one hundred armed conflicts have taken place since 1989.^f They have ranged in severity from minor conflicts (at least 25 battle-related deaths) to wars (one thousand or more battle-related deaths). In other words, “the world total of separate conflicts is still high, twice as high (in 2001) as when the Cold War began”.^g Moreover, civil and international wars are not the only forms of organized aggression and brutality. A number of countries have experienced intercommunal violence, genocide, coups and high levels of organized crime.

Many factors, often specific to individual countries, are responsible for these conflicts. There are, however, certain characteristics that are shared by most countries that have experienced civil wars: poverty, unemployment and economic stagnation—with economic welfare and income security deteriorating rapidly.^h The fact that rates of growth

tend to be much lower in war-affected economies than in those that have not experienced civil conflicts makes the underlying problems even worse.ⁱ

Clearly, economic conditions are of critical importance. But they cannot be considered independently of non-economic factors for the simple reason that there is a strong interaction between the two.^j To achieve their objective, economic policies must therefore take into account the capacity of a society (its institutions and resources) to solve the problems created by the divisions and tensions that are responsible for recurring violence. As Lord Beveridge pointed out, with the Great Depression in the 1930s and its aftermath in mind, “The greatest evil of unemployment is not the loss of additional material wealth which we might have with full employment: there are two greater evils. First, that unemployment makes men seem useless, not wanted, without a country; second, that unemployment makes men live in fear, and that from fear springs hate.”^k

Finally, the existing antagonisms, grievances and conflicts are not the only reason the world community needs to tackle the causes of armed conflicts. An international survey reflecting the views of over one billion people, published in 2004, found that there was widespread pessimism about the future. People across the globe felt “unsafe, powerless and gloomy” and feared that the next generation would live in a world even less prosperous and safe, and more internationally insecure.^l These are exactly the conditions that bred civil and international conflicts in the 1920s and 1930s, culminating in the Second World War.

Major causes of civil unrest and conflicts

Poverty

A recent World Bank paper on its role in conflict and development took the unusual step of publicly admonishing its economists for their professional limitations and myopia in dealing with a subject as complex as that of civil unrest and war. According to the Bank, “Bank economists were inclined to think of conflicts as an exogenous shock, akin to a natural disaster or an adverse swing in terms of trade—something bad and unfortunate that happened from time to time and which was either ‘not our problem’ or in any case ‘there was not much we could do about’”.^m The economists’ views were in fact contradicting the findings of the Bank’s own research which “reaffirmed the links between conflict and poverty, confirming the everyday observations of other agencies and NGOs”.ⁿ

Yet even these links, as the Bank goes on to observe, are not as simple as they might appear. Not every poor country experiences civil conflicts. For example, they have occurred since 1989 in only half of the countries included in the list of least developed countries (that is to say, the world’s poorest and economically vulnerable states) identified by the Committee for Development Policy.

Nevertheless, the fact that there is a strong link between poverty and armed conflict is indisputable and can be easily confirmed.^o Half of the States experiencing such conflicts since 1989 are in the bottom quartile of the countries included in the United Nations Development Programme (UNDP) Human Development Index (HDI).

With one third of the remaining countries in the next quartile, over 80 per cent of the States that have experienced civil conflicts are in the bottom half of the HDI.

The key economic characteristics that these countries share include those already mentioned: low levels of income per head and high unemployment and/or underemployment levels. Not surprisingly, in most of them, over 40, or even 50, per cent of the population is ranked as poor. As a result, their levels of literacy, education enrolment, health standards and life expectancy are well below those in high- or medium-income countries—making it extremely difficult for those living under these conditions to escape the poverty trap through their own efforts.

Impoverishment, inequality and pessimism

None of this need cause civil unrest and conflict if the general feeling is that the burden of low development is shared fairly, that there is a steady improvement in the country's economic performance which is benefiting all, and that those caught in the poverty trap can expect with confidence that they will be able to escape from it in the foreseeable future.

The problem is that in many low-income countries none of these conditions is satisfied. Income inequality has increased over the last thirty years worldwide.^P To the extent that Governments have become either unable or unwilling to compensate for this through income transfers, this means that the inequality of opportunity and outcome has also increased both within and between countries. Moreover, over the same period, annual rates of growth in the world's poorest States have been, on average, only a fraction of those in

the countries that have achieved medium or high levels of 'human development'.[¶] It is little wonder that the feeling of economic insecurity has increased internationally, particularly among low-income countries.[†] People feel less prosperous—notably in Africa, South America and the Pacific Region—and generally less optimistic about the future. The pessimism about their own future and that of the world is now shared also by the majority of those living in highly industrialized, prosperous countries.[§] The danger is that, if nothing is done to reverse this situation, these trends will create exactly the conditions in which people, especially inhabitants of the poorest countries, can easily become caught in the vicious circle of relative and/or absolute impoverishment, despair and, as Lord Beveridge warned, hate.

The cycle is familiar. The low level of development limits the capacity of a country to produce the volume of output required to satisfy the needs and aspirations of its population. Consequently, employment opportunities are also limited so that unemployment, actual and disguised, is invariably high. Unemployment reduces the income of those directly affected and, through the multiplier effect, of the country as a whole. In addition, as it does not affect all sections of the society equally, unemployment also increases the inequality.[‡]

The immediate impact of low national income is that the Government's taxable capacity is inadequate for the State to provide transfer payments and social services needed to minimize the social cost of unemployment and poverty. The long-term impact is that low private and State income reduces the level of private and public savings in the country and therefore—in the absence of external assistance—both private and public investment. The rate of

growth declines, reducing the possibility of future improvements in the standard of living.

Starting from an already low level of economic welfare, the overall effect is greater economic insecurity and growing dissatisfaction with the existing order. Political instability and the risk of conflict increase. This encourages emigration of highly skilled and educated labour and the flight of capital—making it even more difficult to reverse the process of economic decline. The vicious circle of poverty and stagnation continues, and with it the likelihood of conflict.

The risk of civil war will be particularly high if there is a sudden, sharp fall in output, employment and income, and no clear sign that the country will be able to reverse it in the foreseeable future. The costs of economic stagnation have “a dramatic causal impact on the likelihood of civil war”.^u Moreover, this is not confined to low-income countries—though they are, of course, particularly vulnerable—because “the impact of growth shocks on conflict is *not* significantly different in richer, more democratic, or more ethnically diverse countries”.^v

For instance, sharp falls in income and large increases in unemployment preceded civil wars in Sierra Leone, Nigeria and Indonesia. The same happened in Yugoslavia “following the liberal reforms in 1989”.^w The economy declined by 15-20 per cent and the rate of unemployment in some regions reached 40 per cent of the adult population “fuelling social unrest”.^x The difference between these four States was that in Yugoslavia “income per capita was two or three times the average for civil war countries” and it had high levels of education as well as a public health service that was unusually comprehensive for the country’s

level of industrialization.^y Two years following the reforms, the first of the Yugoslav civil wars broke out.

More generally, economic depression in Europe in the 1840s was followed by a number of revolutions across the continent^z; and the Great Depression in the 1930s led to the rise of fascism in a number of States and, eventually, to the Second World War.^{aa} As an eminent social anthropologist concluded after analysing extreme nationalism and its causes, “People who are affluent and, above all, who believe themselves to be in a situation which will fairly soon improve and continue to do so are much less likely to be tempted into violent conduct...than people whose situation is deteriorating and looks like continuing to do so—let alone people whose situation is desperate”.^{bb}

Social divisions and political oppression

The ease with which the ‘temptation’ for violent conduct within a State can be translated into action is also determined by the degree of its social cohesion and the nature of its political institutions.

When their economic welfare and personal survival are threatened, the most effective form of protection is for people to form alliances with those who face similar dangers. In that respect little has changed since Aristotle observed almost 2,500 years ago that “Men journey together with a view to particular advantage, and by way of providing some particular thing needed for the purposes of life, and similarly the political association seems to have come together originally, and to continue in existence, for the sake of the general advantages it brings.”^{cc}

The optimum size of the groups formed by such alliances tends to depend on the nature of violent conflicts.

In intra-State conflicts, when the Government is either unable or unwilling to act in the interest of all its citizens, it will be smaller than the State—with the exact size depending on socio-economic divisions and inequalities.

The best way to understand the origin of tensions that may lead to violent conflict or war is to start with a simple model that eliminates some of the most common causes of social divisions and frictions.

A sovereign State will normally be protected against disintegration into a multitude of warring factions if the population is homogeneous and the existing inequalities are not a divisive issue; the whole population shares the same racial characteristics, national roots, language and religion; there is no State-imposed discrimination against any section of society; everyone enjoys the same legal rights, has equal access to State institutions and influence on the way they are run; and, equally important, existing economic inequalities (functional, horizontal, personal and regional) are generally accepted as 'fair'. Clearly, under such conditions, the scope for divisions between capital and labour, occupational or social groups and regions would not be large enough for any one sub-group within the State to advance its interests by violent action at the expense of the rest. It would face the combined hostility of the majority and, therefore, certain defeat. To succeed, attempts to improve economic and social conditions of the country as a whole, or a particular minority, have to rely on non-violent, political means.

The risk of conflict increases even if some of these conditions are not satisfied. For example, history shows that even a high degree of demographic and cultural homogeneity may not fully eliminate the possibility of civil unrest or war in conditions of large and widening economic and social inequalities. This may take different forms: uprisings

or revolutions to change the status quo, military coups to protect it, or the rise of organized crime and corruption as a means of redistributing wealth. As already emphasized, poverty and economic stagnation are an ideal environment for such developments. But unequally shared benefits of progress, especially rapid progress, may produce the same outcome.

The following scenario is not unfamiliar, and the country most likely to experience it tends to be at a low level of economic development, with most of the population at or close to subsistence level. Then, a natural resource of strategic importance to the world economy is discovered on its territory. The discovery offers the prospect of a continuous stream of foreign currency earnings and, consequently, the opportunity for the country to transform its economy and social well-being within a relatively short period to the levels enjoyed by medium- or even high-income countries. All sections of the society are gripped by high hopes for a time. Then the disillusionment in and hostility towards the existing order set in. This happens when people realize that the discovery will make little difference to their lives, as the newly created wealth is concentrated in the hands of a minority who also control, directly or through their surrogates, the levers of power. Political oppression may protect the wealth, status and power of the minority for a time. But, as history shows, it cannot do so indefinitely. Moreover, if foreign corporations are involved in the production of the resource and their Governments are seen or believed to be behind the minority who derive most of the benefits from it, it may not take long before the civil conflict spreads across borders and assumes international dimensions.

Whatever the overall state of the economy, the likelihood of conflict will increase if economic inequalities are

the result of discrimination against certain groups of society because of their nationality, race, religion, class or gender. Where this is the case, members of the dominant social group invariably ensure that the most attractive and lucrative jobs, including key political offices at all levels, are occupied by those who belong to their group. This enables them to control, in addition to the country's productive resources and the way that these are allocated, also the army, the judiciary and the police. The privileged position enjoyed by the group may be perpetuated by the fact that the best schools and universities in the country are open predominantly to their children.

Again, past experience shows that, even if the ethics of such discrimination could be justified, the longer it persists, the more violent the eventual civil conflict is likely to be. This is particularly true of the countries in which the State actually institutionalizes such inequalities. The laws and the coercive power of the State are then used to instigate, promote and safeguard the discrimination in favour of a particular group because of its colour, nationality, religion or class.

Although institutionalized discrimination and political oppression are not confined to low-income countries, international comparisons of 'political freedom' show that most of these countries score well below high- and medium-income States with regard to some or all of the following characteristics: political participation, rule of law, freedom of expression and lack of discrimination. According to an index of political freedom produced in the early 1990s for the UNDP,^{dd} virtually all countries that have experienced civil conflicts, and for which relevant data are available, are in the bottom half of the index. All of these countries are also ranked in the bottom 50 per cent of the UNDP HDI.

Primary post-conflict objectives

The most important conclusion to emerge from the preceding analysis is that economic welfare, social harmony and political stability are so closely linked that all three must form an integral part of a viable post-conflict strategy. Social harmony and political stability are particularly difficult to sustain for long in a deteriorating economic environment, and no country ridden by chronic social frictions and political instability can achieve a sustainable improvement in economic welfare (employment opportunities, job security and income security). The other characteristic that these three pillars of well-being have in common is that they may take a long time to achieve.

To have any chance of success, post-conflict strategies must, therefore, concentrate from the start on institutional changes and policies that promote reconciliation, reconstruction and reduction in absolute poverty and income insecurity. The sheer enormity and complexity of the task that confronts post-conflict States and the realization that in these circumstances economic policy on its own is not enough has led to a reconsideration of the countries' priorities. Unlike in the past, social policy is now heading the list, ahead of structural and macroeconomic policies—though, of course, all three are extremely important.^{ee}

The reordering of the priorities is not sufficient, however, without another important change in the institutional approach to problems facing post-conflict countries. As their greatest need is to create and improve the provision of public goods, it is essential to recognize that “post-conflict reconstruction is inherently a top down affair”.^{ff} The

central role that the State has to play in all these countries means that the institutional framework and human resources of critical importance in the reconstruction effort have to be created and strengthened for the purpose, as was the case in Western Europe after the Second World War.⁹⁹ “Violent conflict is the final proof of the failure of governance.... Governance and public administration programmes must therefore be the cornerstone of peace building efforts”.¹⁰⁰ Hence, there is a good reason why the concept of good governance ought to be defined as unambiguously as possible in the context of post-conflict strategies.

People in the countries concerned must have an operational criterion by which to judge whether those who govern them are making a genuine effort to achieve the ultimate objective: sustainable peace secured through widely shared improvements in material well-being and respect for the rights of all citizens, irrespective of their ethnicity, creed, colour, class or gender. Stated in these terms, the criterion makes it possible to have a continuous assessment of the quality of governance in a country and the reasons behind it. Failure to make progress towards the stated objectives may be the result of one or all of the following: the Government’s reluctance to pursue them, political and/or administrative shortcomings and inadequate or inappropriate external assistance.

Reconciliation

If different groups within a post-conflict country are not prepared to cooperate in solving the problems that caused the civil discontent and war, the country’s future will remain as bleak as its past. The effort to achieve reconciliation of the warring factions is therefore of critical importance, and its success will depend on how the authorities deal with four

major problems, each of them more serious after the conflict than before.

First, as all internal conflicts result in atrocities against civilian populations as well as the combatants, the old grievances, resentments and animosities are likely to be felt even more intensely. The war may also change the ethnic balance of the population in a region or country, as large numbers of people are forced to flee their homes. The minority will now feel even more insecure than before, a fact that the majority may exploit in order to 'cleanse' the ethnic or religious character of their region or country by making the minority's life intolerable and forcing it to emigrate. Anticipating this, a Government genuinely determined to promote reconciliation will act promptly after the conflict to outlaw discrimination and threats against any group and will use—and be seen to use—the law-enforcing agencies to implement the new laws. This is essential to demonstrate the determination of the authorities to break with the past by giving all those living on their territory a stake in the new order. The constitutional change will be fortified further with the reforms that guarantee a genuinely democratic form of government, this being the only way to give everyone an opportunity to participate in shaping the country's future. Where major demographic imbalances exist and people are likely to vote along ethnic, religious or racial lines, the new constitution must make sure that the minorities are adequately represented in the legislative, executive and law-enforcing branches of the State.

Second, unless internal order is re-established quickly, the end of fighting will not stop the lawlessness created by civil war. Past malpractices and the war inevitably discredit the existing State institutions, especially the judi-

ary and the police. At the same time, with many people killed and forced into exile, there is likely to be a significant change in the social structure of the countryⁱⁱ—seriously weakening family and community control mechanisms. The provision of internal order and security becomes, therefore, a matter of high priority, as success of the whole post-conflict strategy depends on it. An essential part of this task is to ensure that people have confidence in the integrity of the relevant State organs; one way to achieve this is to enable different groups to participate fully in all the law-enforcing institutions.

Third, civil conflicts reduce the long-term capacity of a country to recover. Apart from damage to property, casualties will include a substantial number of highly qualified and skilled people. Some of them are often specially targeted in such conflicts.^{jj} Many of those who survive, especially the younger and more dynamic among them, will flee the country during the war or emigrate afterwards. Attracted by the prospect of higher living standards and better working conditions in the world's most advanced economies, they normally form a high proportion of emigrants from low-income States in any case.^{kk} The war and uncertain future in post-conflict countries will make the prospect of emigration even more attractive for them. The human capital will be further depleted by a large number of people who will come out of the war with physical and mental disabilities. The problem is particularly serious in Africa, where military and paramilitary personnel have been largely responsible for the transmission of life-threatening diseases like human immunodeficiency virus/acquired immunodeficiency virus (AIDS/HIV). No post-conflict country can, therefore, afford discrimination of any kind that prevents the

most productive employment of all those who are able to contribute to the reconstruction and development process.

Finally, to achieve the primary post-conflict objectives it is important to rebuild and, where necessary, create new State institutions. That can be done on a lasting basis only with strong popular support; to give such support, people need to be convinced that the new institutional framework offers them the best chance to escape poverty, social divisions, oppression and war. It is precisely such a fundamental change in the attitudes and institutions, and the extraordinary economic and social progress that followed, that has transformed Western Europe over the last sixty years and that made possible the creation of the European Union (EU).¹¹ Instead of frequent wars that have plagued the continent for centuries, it is inconceivable now that any two EU member states would go to war to settle a dispute.

Reconstruction

“The reconstruction of physical infrastructure and the provision of social services are critical for the revival of economic activity and giving people a stake in the peace process”.^{mm}

Although the scale of destruction inflicted by civil wars will vary from country to country, the effect can be devastating even in conflicts of relatively short duration. In addition to the costs (human, social and economic) mentioned earlier, shortage of food is a common problem. As a result, nutritional standards, which are inadequate in low-income countries even at the best of times, can fall to dangerously low levels. With many residential buildings badly damaged or destroyed, serious shortage of housing is another common problem. Much of the infrastructure and productive assets in agriculture and industry will also be destroyed, damaged or made obsolete during the conflict.

The combined human and economic cost of the devastation can be staggering. For example, as a result of the genocide in 1994, GDP per capita in Rwanda is 25-30 per cent lower than it would have been without the conflict.ⁿⁿ During the conflict, 10 per cent of the population died and almost four times as many people fled to neighbouring countries. As a result of such heavy casualties, children have been left with the responsibility of looking after 85,000 of the country's households. The level of poverty has also increased significantly, with 60 per cent of the population regarded in 2001 as poor and 42 per cent unable to meet basic food needs.^{oo}

Food, shelter, clothing and medical services must, therefore, be given priority in post-conflict countries in order to provide people with the basic needs for survival. What makes the task of these countries even more difficult is that none of the problems created by civil conflicts can be solved in isolation. For instance, although it is of critical importance, it may not be easy to increase food production rapidly for a number of reasons: insecure property rights, mines left in the countryside, destroyed or obsolete production assets, damaged infrastructure, inefficient marketing and lack of access to credit. Industrial capacity and income-support programmes may be needed to increase the supply of goods essential for agricultural production, but few, if any, post-conflict countries are in the position to do much about either for years.^{pp}

The process of reconstruction is bound, therefore, to take time. The danger is that people may not be prepared to wait long enough for the 'peace dividend' to materialize. According to World Bank estimates, even if external assistance is available, it may take a low-income country four to five years to develop the capacity to use foreign aid effective-

ly. The pressure to achieve a rapid improvement in economic welfare will be particularly great if public expectations of the benefits from peace are unrealistically high.

At the same time, although these problems are widely shared, it is difficult to generalize about the capacity of a country to use foreign assistance. The nature of civil wars and their cost vary from country to country, as does the capacity of individual countries for rapid and successful reconstruction. Consequently, the international community must pay special “attention to local knowledge and perceptions and listen to the needs that are articulated by conflict affected countries and their ideas about what can be done to address them”.⁹⁹ Equally important in assisting post-conflict countries is the need to “build on the capacities that exist” instead of trying to duplicate “or displace locally developed initiatives”.¹⁰⁰ The reconstruction that involves all sections of the community working in tandem towards common ends, and seeing the benefits that such cooperation brings, can also play an important role in demonstrating the practical advantages of achieving the reconciliation.

Economic development and poverty reduction

The importance of sustained development in reducing the risk of armed conflict and war was recognized early in the Industrial Revolution.^{ss} In the static pre-industrial economies, with rigid social structures that make any change and progress difficult, redistribution of wealth through war and plunder will come to be regarded as the quickest way to riches and power.^{tt} In dynamic industrial societies, on the other hand, “affluence and the expectation of growth...mitigate against extremism. People who may or may not harbour

personal ethnic prejudices will not sacrifice their security and comfort for the sake of provoking violent conflict”.^{uu}

There are two important reasons for such a fundamental change in public attitude towards war. First, as John Stuart Mill observed, the continuous specialization, economic interdependence and, consequently, ‘commerce’ that these developments make essential lead people to realize that their wealth and prosperity depend on the wealth and prosperity of others.^{vv} As a result, it is the improvement in economic welfare “which is rapidly rendering war obsolete, by strengthening and multiplying the personal interests which are in natural opposition to it.” Second, in highly industrialized societies, war inflicts such heavy human and material costs on all the combatants that it is “futile—useless even when completely victorious”.^{ww}

The problem is that the conditions of affluence and confidence about the future, in which “the personal interests” opposed to war outnumber greatly those that benefit from it, still do not exist in many countries. The task in post-conflict countries in particular is to ensure through economic development and poverty reduction that they do.

The success in achieving major improvements in economic conditions depends on numerous decisions that have to be taken early in the process of reconstruction. Two of these are of critical importance for economic development and poverty reduction in post-conflict countries: the countries have to adopt the goals that are consistent with the objective of improving economic welfare in general; and, equally important, they need to employ a system of ownership and allocation of resources that are the most likely to achieve their main objective based on the country’s problems and the social preferences of the population.

The principal goals of economic policy adopted more than fifty years ago by many countries are familiar enough. They are also highly relevant to post-conflict States because they were intended specifically to help prevent armed conflicts within and between countries. The continuing relevance of these goals emerges clearly from numerous international surveys that indicate that the attitudes, needs and concerns of the world population have not changed significantly since the 1940s.^{xx}

The reasons behind the five goals of macroeconomic policy make it clear why this is still the case.

The first goal is to achieve high levels of employment and job security in order to give everyone a stake in their country's future so that people do not feel useless, not wanted or live in fear of the future. This was judged in the 1940s to be so important that it was enshrined in the United Nations Charter. The second goal aims at sustaining the rate of growth required to maintain high levels of employment and job security in the long run. The third goal is to keep prices stable so that the rate of inflation does not make it impossible to achieve the other objectives. The fourth goal is to ensure that the gains from economic progress are distributed in a way that is widely regarded as fair and, also, to ensure that nobody is allowed to exist below a socially acceptable standard of living. The fifth goal is a sustainable external balance (on the current and long-term capital accounts) to enable the country to preserve its economic sovereignty, thus allowing it to pursue the other four goals.^{vy}

The second decision of critical importance concerns the ownership of productive resources, control over their allocation and which of the two alternatives, private or public, is most likely to achieve the five goals of economic

policy. Unlike the welfare-enhancing decision, this one is much less clear-cut. The fact that the issue has provoked heated debate, even revolutions, since the eighteenth century indicates that it is virtually impossible to reach an unambiguous, definitive answer that is equally valid at all times and places.^{zz} The reason is that productive resources, economic and social problems, preferences and priorities tend to differ significantly even among countries which appear to be very similar.

For instance, one problem that all post-conflict countries have in common is inadequate provision of public goods. That also happens to be the area of economic activity where the State has traditionally had to play an active role. The reason is that the private sector is either unable to provide such 'goods' (law enforcement, defence) or will do so only for those who are able and willing to pay for them (healthcare, education, housing).^{aaa} However, as the provision, nature and quality of public goods vary from country to country, the extent to which public and private sectors need to be involved will also vary.

The same is true, in fact, of those activities that are normally carried out entirely or predominantly by private corporations. Insecurity and general lack of confidence make it difficult to attract private investment, both domestic and foreign. Although the problem is common to all least developed economies, it will be particularly serious in post-conflict countries.^{bbb} Hence, Government has to become involved in some of these activities either directly or by providing subsidies to encourage private investment. The subsidies may have to be substantial to attract foreign private investment. Even Europe was unable to avoid this problem after the Second World War. Private investors

returned to Western Europe only after it had completed its post-war reconstruction and recovery. The experience of many developing countries has led one writer to conclude that “foreign capital typically lags rather than leads industrial development”.^{ccc}

Yet, this experience is not equally true of all sectors, regions or countries, including those emerging from a civil war. Despite the risks and uncertainties, private international investment will flow into a region or country devastated by internal conflict if it has resources that promise a high return on the capital invested.^{ddd}

As a result, the method and the means used to achieve post-conflict economic objectives will have to be flexible and pragmatic. This was the approach adopted in the two most successful post-war recoveries on record, those in Western Europe and Japan.^{eee} All the countries involved pursued very similar welfare-enhancing economic goals. But the success that they achieved was the result of different priorities and policies—determined by each country’s needs and public preferences.

External economic assistance

Few questions of international economic policy have attracted as much attention since the 1940s as external assistance—its size, the form in which it is provided, conditions attached to it and its management and monitoring. Moreover, although it is almost sixty years since it was offered and implemented for a short time only (four years), the Marshall Plan remains for many people the ideal form of external assistance. There are still regular calls for “New Marshall Aid” to be given to this or that region of the world. What those who advocate this usually have in mind is the

financial aspect of the assistance that the United States gave to Western Europe between 1948 and 1951. It was on an unusually large scale (around \$150 billion at today's prices) and most of it (over three quarters) consisted of grants. The loans accounted for slightly less than 10 per cent of the total and the repayment terms were, especially by present day standards, exceptionally generous. They were to start in 1952 and to be spread over a period of 35 years at a fixed rate of interest (2.5 per cent).^{fff}

However, though the financial side of Marshall Aid deserves the attention that it has received, it is important not to overlook a number of other equally relevant aspects associated with it.^{ggg}

First, other things being equal, external assistance is most likely to succeed when the recipient's needs and the donors' interests coincide, as was the case with United States assistance to Western Europe and Japan after the Second World War. Otherwise, the danger is that it will be given for the benefit of donors and, therefore, do little to solve the recipient's problems.

Second, one of the preconditions for successful foreign assistance is that those who provide it must resist the temptation to impose on the recipient *their* preferred solutions and course of action. It is essential for the receiving country to determine its objectives and priorities and to be able to pursue the policies most likely to realize them. A successful strategy can be developed and implemented, therefore, only through active cooperation between the donors and the recipient. This may not be easy to achieve in the absence of a genuine coincidence of interests.

Third, a single donor, preferably an international organization coordinating the activities of various donors, is needed to avoid waste and the risk of failure caused by incon-

sistencies between the objectives and policies, duplication of effort and uncoordinated completion of projects.^{hhh} When there are several donors, the danger is that each may pursue its own goals, which may be very different from those of the country that they are supposed to be assisting. For instance, they may discriminate in their assistance in favour of a particular group that will promote their interests—thereby acting contrary to one of the most important preconditions for avoiding future conflicts. Another problem with many donors, all acting independently, is that it is not unusual to find in post-conflict countries that even the country's Government is unaware of how much external assistance has been given to the country, by whom and for what purpose. As a result, waste on a large scale is unavoidable, not least because of the unnecessarily large bureaucracy that the administration of uncoordinated foreign aid requires.

Fourth, donors must not insist on reciprocity in policies such as trade liberalization that may impose serious long-term costs on the recipient and prevent it from achieving its reconstruction and development aims. Contrary to the practice that became increasingly common towards the end of the last century, the United States unilaterally liberalized its trade in the second half of the 1940sⁱⁱⁱ to give other countries easier access to its market, thus making it possible for them to boost their inadequate dollar reserves.

Fifth, as already mentioned, it is imperative that foreign donors do not impose on the receiving countries the nature, timing and sequencing of economic policies—each of which can result in unacceptable social costs and the risk of conflict. It is for this reason that Western European countries were not prepared to risk either internal deregulation or external liberalization until their economies were ready for such fundamental changes.^{jjj} For example, all of them had achieved

full employment by the early to mid 1950s and completed their postwar recovery by the end of the decade. Yet, although the exact timing differed from country to country, they removed import quotas in the early 1950s, abolished domestic price controls in the second half of the decade and made their currencies convertible into the US dollar at the end of 1958. Tariff reductions came in the 1960s and early 1970s, more than a decade after most of the countries had become structural surplus economies, earning large balance-of-payments surpluses at full employment. It took even longer for exchange controls to be abolished—from the end of the 1970s through the early 1990s. By that time Western Europe had also, thanks to the economic success achieved by these countries through cooperation, managed to realize the centuries old dream of many Europeans: lasting peace and the creation of the European Union.

Finally, external donors have the responsibility to ensure through careful monitoring that the essential post-conflict strategy originally agreed upon is implemented, and to discontinue development assistance when the recipient is failing to implement it because of widespread corruption. Equally important, they have the responsibility to prevent their own commercial interests from encouraging international corruption and failure, especially in post-conflict countries.

Domestic economic policy

As emphasized in the preceding sections, it is difficult to generalize about specific policies in post-conflict countries as their conditions, problems, needs and priorities will differ, often significantly. The same is true of each country's capacity for successful reconstruction and development.

Nevertheless, there are certain general principles of economic policy that apply to all of them.

Consistency of policy objectives is among the most important of these principles. If poverty is at the root of civil conflicts, therefore making its reduction through economic development the key objective of economic policy, a macroeconomic policy whose main goal is a low and stable rate of inflation—irrespective of what happens to employment and growth—is clearly inconsistent with the overall objective. As inflation is for various reasons (widespread shortages, pent-up demand) a common problem in these countries, the pursuit of low and stable prices requires a highly restrictive macroeconomic policy. The result is deflation, economic stagnation, unemployment, low job security and income, greater poverty and inequality—exactly the conditions that give rise to conflict.^{kkk}

The economic and social costs of deflation will be even greater if the objective of price stability is contradicted by policies that are, by their very nature, inflationary. Premature price deregulation, a sharp increase in indirect taxes and massive devaluation of the currency, especially when they are implemented at the same time, may give rise to runaway inflation. Yet these policies were forced on many transition economies in the 1990s, usually as a precondition for external assistance. The result has been unnecessarily heavy economic and social costs.^{lll} Similar policy inconsistencies in a country that has just experienced civil war are certain to result in a revival of old hostilities and conflict, a totalitarian form of government, or emigration of the young and those with vocational and professional qualifications and skills.

To avoid similar inconsistencies and outcomes, it is also essential that no *structural* policy that can be effective in achieving the post-conflict objective of improving economic

welfare should be ignored for the sake of some economic dogma. All industrial countries have used a wide range of policies to achieve and maintain their present levels of affluence: industrial, regional, and others that involved active collaboration between the State and the private sector.^{mmm}

Countries that are heavily dependent on exports of one or two primary commodities may need to use a combination of such policies to diversify their output. The capacity for product diversification is much greater in large than in small countries. However, whatever the size, countries need to diversify their economies to reduce vulnerability to external shocks and the risk of a debilitating deterioration in the terms of trade. The risks are especially serious in the case of countries dependent on exports of a single primary commodity. Again, it is important not to be dogmatic about the nature of economic diversification, as branching out into other primary commodities, manufactures or services may be equally beneficial.ⁿⁿⁿ

The consistency between the objectives and policies is also of critical importance in the pursuit of external economic policy. With the exception of a few small, mainly oil-rich States, all developing countries are essentially in fundamental disequilibrium (that is to say, unable to reconcile their internal and external economic objectives).^{ooo} The problem is particularly serious in post-conflict countries. Premature liberalization of trade and capital flows in these countries may easily exacerbate their economic problems and thus jeopardize the whole strategy of reconstruction, development and conflict prevention.

There are several reasons for this.^{ppp} First, their totally inadequate foreign currency reserves will be drained quickly for purposes other than reconstruction and development. Second, trade liberalization will reduce Government

income. Import taxes are a major source of income in many developing countries,^{qqq} as they were for a long time, for instance, in the United States.^{rrr} Third, premature liberalization of trade makes it difficult to phase economic diversification and modernization carefully in order to avoid major losses in economic welfare. As Samuelson concluded over sixty years ago,^{sss} it cannot be demonstrated “rigorously that free trade is better (in some sense) for a country than all other kinds of trade”.^{ttt}

In conclusion, a pragmatic approach to macroeconomic policy is required if it is to play effectively the role for which it was developed: to help post-conflict countries secure sustainable peace through economic prosperity. To achieve this, it is essential to reconsider, bearing in mind international experience since the 1940s, priorities attached to the main objectives of macroeconomic policy, including consistency of the specific policy instruments employed. Macroeconomic policy should create the conditions that help conflict prevention, not conflict creation.

Conclusion

The close link between economic prosperity, optimism about the future and peace is not a recent discovery. It was the realization of the importance of this link that made the German Government under Bismarck lay down the foundations of the modern welfare state in the 1880s.^{uuu} And it was the appalling brutality and cost of the Second World War that paved the way for a completely different approach to macroeconomic management and collective social responsibility in the 1940s. The United States Secretary of State Morgenthau spoke for all of those attending the Bretton Woods Conference in 1944 when he told them, “All of us

have seen the great economic tragedy of our time. We saw the worldwide depression of the 1930s. We saw...unemployment and wretchedness—idle tools, wasted wealth. We saw their victims fall prey, in places, to demagogues and dictators. We saw bewilderment and bitterness become the breeders of fascism, and finally of war”.^{vvv}

Unfortunately, not everyone has benefited from the new order. Many countries are still as poor and vulnerable to civil unrest and conflicts as they have been for centuries, which often make it impossible for them to escape—without assistance from the international community—from the poverty-conflict trap, no matter how much they might wish to do so. That much is generally recognized and accepted. What we still need is a consensus on how to achieve this objective.

This paper suggests an integrated approach to the problem and why the task is beyond the capabilities of a single country or profession. In a globalized world, lasting prosperity and peace are possible only through collective commitment and effort.

Notes

- a See, for example, G. Carbonnier, “Conflict, Postwar Rebuilding and the Economy: A Critical Review of the Literature”, WSP Occasional Paper No. 2, 1998, available from http://wsp.dataweb.ch/wsp_publication/toc-13.htm; E. Date-Bah, *Crises and Decent Work: A Collection of Essays* (Geneva, ILO, 2001); E. Date-Bah (ed.), *Jobs After War: A Critical Challenge in the Peace and Reconstruction Puzzle* (Geneva, ILO, 2003); N. Sambanis, “Using Case Studies to

- Expand the Theory of Civil War", CPR Working Paper No. 5 (Washington D.C., World Bank, May 2003); and "The Role of the World Bank in Conflict and Development: An Evolving Agenda", (Washington D.C., World Bank, 2004), available from [http://lnweb18.worldbank.org/ESSD/sdvext.nsf/67ByDocName/TheRoleoftheWorldBankinConflictandDevelopmentAnEvolvingAgenda1/\\$FILE/ConflictAgenda2004.pdf](http://lnweb18.worldbank.org/ESSD/sdvext.nsf/67ByDocName/TheRoleoftheWorldBankinConflictandDevelopmentAnEvolvingAgenda1/$FILE/ConflictAgenda2004.pdf); and ILO, *Economic Security for a Better World* (Geneva, ILO, 2004).
- b** N. Sambanis, loc. cit., p. 1.
- c** D. H. Aldcroft, *The European Economy 1914-1980* (London, Croom Helm, 1978), pp. 133 and 135.
- d** D. Hurd, "The New Order", speech to the Institute of International Affairs in London, 27 January 1993.
- e** J. J. Mearsheimer, "Back to the Future: Instability in Europe after the Cold War", *International Security*, vol. 15 (Summer 1990), p. 5-56; S. P. Huntington, *The Clash of Civilizations and the Remaking of the World Order* (New York, Simon and Schuster, 1996).
- f** N. P. Gleditsch and others, "Armed Conflict 1946-2001: A New Dataset", *Journal of Peace Research*, vol. 35 (2002), p. 616.
- g** Ibid., p. 623.
- h** I. de Soysa and N. P. Gleditsch, "The Liberal Globalist Case" in B. Hettne and B. Oden (eds.), *Global Governance in the 21st Century: Alternative Perspectives in World Order* (Stockholm, Almkvist and Wiksell International, 2002); and ILO, loc. cit.
- i** N. Sambanis, loc. cit.
- j** J. Galtung, *Peace by Peaceful Means—Peace and Conflict, Development and Civilisation* (London, Sage Publications, 1996); and M. Renner, *Fighting for Survival—Environmental Decline, Social Conflict, and the New Age of Insecurity* (London, Earthscan Publications, 1997).
- k** W.H. Beveridge, *Full Employment in a Free Society* (London, Allen and Unwin, [1944] 1967), p. 248.
- l** World Economic Forum, "Survey on Security and Prosperity" (Geneva, 2004).
- m** World Bank, "The Role of the World Bank in Conflict and Development: An Evolving Agenda" . . . , p. 5.
- n** Ibid., p. 6.
- o** See Gleditsch and others, loc. cit.; and *Human Development Report 2003: Millennium Development Goals: A compact*

among nations to end human poverty, United Nations Development Programme.

- p** A. B. Atkinson, "Is Rising Inequality Inevitable? A Critique of the Transatlantic Consensus", WIDER Annual Lecture No. 3 (Helsinki, UNU/WIDER, 1999); United Nations, *Report on the World Social Situation 2001* (New York, United Nations publication, Sales No. E.01.IV.5); and B. Milanovic, "True World Income Distribution, 1988 and 1993: First Calculations Based on Household Surveys Alone", *Economic Journal*, vol. 112 (2002).
- q** *Human Development Report 2003*....
- r** ILO, loc. cit.
- s** World Economic Forum, loc. cit.
- t** J. K. Galbraith and M. Berner (eds.), *Inequality and Industrial Change: A Global View* (Cambridge, Cambridge University Press, 2001).
- u** E. Miguel, S. Satyanath and E. Sergentis, "Economic Shocks and Civil Conflict: An Instrumental Variable Approach", *Journal of Political Economy*, vol. 112 (2004), p. 746.
- v** Ibid., p. 725.
- w** N. Sambanis, loc. cit., p. 20.
- x** Ibid., p. 20.
- y** Ibid., p. 20.
- z** E. J. Hobsbawm, *The Age of Revolution* (London, Weidenfield and Nicholson, 1962).
- aa** A. S. Milward, *The European Rescue of the Nation-State* (London, Routledge, 1992); and M. Panic, "Managing Reforms in the East European Countries: Lessons from the Post-war Experience of Western Europe", Economic Commission for Europe Discussion Paper, vol. 1, no. 3 (New York and Geneva, 1992).
- bb** E. Gellner, *Nationalism* (London, Phoenix, 1998), p. 106.
- cc** M. Olson, *The Logic of Collective Action: Public Goods and the Theory of Groups* (Cambridge, Mass., Harvard University Press, 1971), p. 6.
- dd** M. Desai, "Measuring Political Freedom", Discussion Paper 10 (London School of Economics, 1992).
- ee** P. Collier, "Aid Policy and Growth in Post-Conflict Countries", CPR Discussion Notes, No. 2 (Washington D.C., World Bank, April 2002); P. Collier and others, *Breaking the Conflict Trap: Civil War and Development Policy* (Washington, D. C., World Bank and Oxford University Press, 2003); and S. Sardesi and

- P. Wam, "The Conflict Analysis Framework (CAF): Identifying Conflict-Related Obstacles to Development", CPR Dissemination Notes, No.5 (Washington D.C., World Bank, October 2002).
- ff** S. Schiavo-Campo, "Financing and Aid Management Arrangements in Post-Conflict Settings", CPR Social Development Notes, No. 12 (Washington, D.C., World Bank, June 2003), p. 4.
- gg** A. S. Milward, *op. cit.*
- hh** United Nations Expert Group Meeting on Conflict Prevention, Peacebuilding and Development, held at United Nations Headquarters in New York on 15 November 2004.
- ii** H. Lopez, Q. Wodon and I. Bannon "Rwanda: the Impact of Conflict on Growth and Poverty", CPR Social Development Notes, No. 18 (Washington, D.C., World Bank, June 2004).
- jj** World Bank, "The Role of the World Bank in Conflict and Development: An Evolving Agenda" ..., p. 22.
- kk** J. C. Dumont and G. Lemaitre, "Counting Immigrants and Expatriates in OECD Countries: A New Perspective", OECD Social, Employment and Migration Papers, 2004.
- ll** M. Panic, "The Euro and the Welfare State" in M. Dougan and E. Spaventa (eds.), *Social Welfare and EU Law* (Oxford, Hart Publishing, 2005).
- mm** United Nations Expert Group Meeting on Conflict Prevention, Peacebuilding and Development
- nn** Lopez and others, *loc. cit.*
- oo** *Ibid.*
- pp** E. Fitzgerald, "Paying for the War: Macroeconomic Stabilisation in Poor Countries under Conflict Conditions", *Oxford Development Studies*, Special Issue, vol. 25 (1997).
- qq** United Nations Expert Group Meeting on Conflict Prevention, Peacebuilding and Development
- rr** *Ibid.*
- ss** See M. Panic, "The Euro and the Welfare State"
- tt** See Gellner, *loc. cit.*
- uu** *Ibid.*
- vv** J. S. Mill, *Principles of Political Economy* (London, Routledge, [1848] 1965), p. 594.
- ww** N. Angell, *The Great Illusion* (London, Heinemann, 1912), pp. v-vi.
- xx** See, for instance, M. Panic, *Globalization and National Economic Welfare* (London and New York, Palgrave/Macmillan, 2003. Paperback edition: January 2005); and ILO, *loc.cit.*

- yy** See M. Panic, *National Management of the International Economy* (London and New York, Macmillan and St. Martin's Press, 1988), in particular Part II.
- zz** See C. P. Kindleberger, *Comparative Political Economy: A Retrospective* (Cambridge, Mass., MIT Press, 2000); and M. Panic, *Globalization and National Economic Welfare ...*, in particular chapters. 1 and 4.
- aaa** See A. B. Atkinson and J. E. Stiglitz, *Lectures on Public Economics* (Singapore, McGraw-Hill, 1980); and I. Kaul, I. Grunberg and M. A. Stern (eds.), *Global Public Goods: International Cooperation in the 21st Century* (New York and Oxford, Oxford University Press, 1999).
- bbb** J. Schwartz, S. Hahn and I. Bannon, "The Private Sector's Role in the Provision of Infrastructure in Post-Conflict Countries: Patterns and Policy Options", CPR Social Development Papers, No. 16 (Washington, D. C., World Bank, August 2004).
- ccc** A. H. Amsden, "East Asian Financial Markets: Why So Much (and Fairly Effective) Government Intervention?" in Y. Akyuz and G. Held (eds.), *Finance and the Real Economy* (Santiago, Chile, S. R. V. Impress, 1993), p. 76.
- ddd** Schwartz and others, loc. cit.
- eee** M. Panic, "Managing Reforms in the East European Countries: Lessons from the Post-war Experience of Western Europe" ...; S. Tsuru, *Japan's Capitalism: Creative Defeat and Beyond* (Cambridge, Cambridge University Press, 1994).
- fff** C. P. Kindleberger, *Marshall Plan Days* (Boston, Allen & Unwin, 1987); A. S. Milward, *The Reconstruction of Western Europe 1945-51* (London, Methuen, 1987); and R. E. Wood, *From Marshall Plan to Debt Crisis: Foreign Aid and Development Choices in the World Economy* (Berkeley and Los Angeles, University of California Press, 1986).
- ggg** M. Panic, "Managing Reforms in the East European Countries: Lessons from the Post-war Experience of Western Europe"
- hhh** See also A.J. McKechnie, "Building Capacity in Post-Conflict Countries", CPR Social Development Notes, No. 14 (Washington, D. C., World Bank, December 2003).
- iii** J. E. Anderson, "Effective Protection in the US: A Historical Comparison", *Journal of International Economics*, February 1972.

- jjj** M. Panic, "Managing Reforms in the East European Countries: Lessons from the Postwar Experience of Western Europe"
- kkk** See also I. Bannon, "Aid, Policy and Peace: Reducing the Risk of Conflict", CPR Dissemination Notes, No. 9 (Washington D. C., World Bank, February 2003).
- lll** M. Lavigne, *The Economics of Transition*, second ed. (London, Macmillan, 1999); EBRD, *Transition Report 1999: Ten Years of Transition* (London, European Bank for Reconstruction and Development, 1999).
- mmm** See for instance, H. J. Chang, *Kicking Away the Ladder: Policies and Institutions for Economic Development in Historical Perspective* (London, Anthem Press, 2002); and R. E. Goodin and others, *The Real Worlds of Welfare Capitalism* (Cambridge, Cambridge University Press, 1999).
- nnn** C. P. Kindleberger, *Foreign Trade and the National Economy* (New Haven and London, Yale University Press, 1962).
- ooo** See M. Panic, *National Management of the International Economy*
- ppp** See M. Panic, *National Management of the International Economy*..., chap. 7; and M. Panic, *Globalization and National Economic Welfare* ..., chaps. 1 and 5.
- qqq** See *Human Development Report 1999: Globalization with a Human Face*, United Nations Development Programme (UNDP).
- rrr** L. Davis and J. Legler, "The Government in the American Economy 1815-1902: A Quantitative Analysis", *Journal of Economic History*, December 1966.
- sss** P. A. Samuelson, "The Gains from International Trade", *Canadian Journal of Economics and Politics*, May 1939, p. 195.
- ttt** See also P. A. Samuelson, "Where Ricardo and Mill Rebut and Confirm Arguments of Mainstream Economists Supporting Globalization", *Journal of Economic Perspectives*, Summer 2004.
- uuu** See M. Panic, , "The Euro and the Welfare State"
- vvv** United States Department of State, Proceedings and Documents of the United Nations Monetary and Financial Conference—Bretton Woods, New Hampshire July 1-22, 1944, vol.1 (Washington, D. C.: US Government Printing Office, 1948), p. 81.

كيفية الحصول على منشورات الأمم المتحدة

يمكن الحصول على منشورات الأمم المتحدة من المكتبات ودور التوزيع في جميع أنحاء العالم . استعلم عنها من المكتبة التي تتعامل معها أو اكتب إلى : الأمم المتحدة ، قسم البيع في نيويورك أو في جنيف .

如何购取联合国出版物

联合国出版物在全世界各地的书店和经售处均有发售。请向书店询问或写信到纽约或日内瓦的联合国销售组。

HOW TO OBTAIN UNITED NATIONS PUBLICATIONS

United Nations publications may be obtained from bookstores and distributors throughout the world. Consult your bookstore or write to: United Nations, Sales Section, New York or Geneva.

COMMENT SE PROCURER LES PUBLICATIONS DES NATIONS UNIES

Les publications des Nations Unies sont en vente dans les librairies et les agences dépositaires du monde entier. Informez-vous auprès de votre libraire ou adressez-vous à : Nations Unies, Section des ventes, New York ou Genève.

КАК ПОЛУЧИТЬ ИЗДАНИЯ ОРГАНИЗАЦИИ ОБЪЕДИНЕННЫХ НАЦИЙ

Издания Организации Объединенных Наций можно купить в книжных магазинах и агентствах во всех районах мира. Наводите справки об изданиях в вашем книжном магазине или пишите по адресу: Организация Объединенных Наций, Секция по продаже изданий, Нью-Йорк или Женева.

COMO CONSEGUIR PUBLICACIONES DE LAS NACIONES UNIDAS

Las publicaciones de las Naciones Unidas están en venta en librerías y casas distribuidoras en todas partes del mundo. Consulte a su librero o diríjase a: Naciones Unidas, Sección de Ventas, Nueva York o Ginebra.

Litho in United Nations, New York	United Nations publication
41398—August 2005—2,655	Sales No. E.05.II.A.9
ISBN 92-1-104545-2	