

Greed For Diamonds and Other "Lootable" Commodities Fuels Civil Wars

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New Report Challenges Popular Notions about Origins of Civil Conflict

WASHINGTON, June 15, 2000 - New World Bank research suggests that civil wars are more often fuelled by rebel groups competing with national governments for control of diamonds, coffee, and other valuable primary commodities, rather than by political, ethnic, or religious differences.

The new report, [Economic Causes of Civil Conflict and their Implications for Policy](#) (92K PDF), looked at 47 civil wars from 1960-1999 and shows that countries which earn around a quarter of their yearly GDP from the export of unprocessed commodities, face a far higher likelihood of civil war than countries with more diversified economies. Without exports of primary commodities such as gemstones or coffee, "ordinary countries are pretty safe from internal conflict, while when such exports are substantial, the society is highly dangerous," the report argues. "Primary commodities are thus a major part of the conflict story."

Since conflict prevention has so far paid little attention to these causes of conflict, there is considerable scope for both domestic and international policy to prevent civil conflict more effectively.

The report says rebel groups in vulnerable countries "loot" primary commodities to stay financially viable. This allows them to pay their large numbers of young, poorly-educated soldiers and to keep their rebellion alive domestically as well as internationally.

"Rebel groups need to meet a payroll without producing anything, so they prey on an economic activity that won't collapse under the weight of their predatory activities," says Paul Collier, the author of the new study and director of research for the World Bank's Development Economics Department. "Primary commodities are the most 'lootable' of national assets because they're tied to a single spot like a diamond mine or a coffee plantation. Once a mine shaft has been sunk, it's worth exploiting even if much of the anticipated profits are lost to the rebels. Once coffee trees have been planted, it's still worth harvesting their crop even if much of the coffee has to be surrendered. Thus, rebels don't kill off the activity or force it to shift elsewhere as would happen if manufacturing were the target."

Collier says the "looting" of such resources explains many current and former civil conflicts. In Sierra Leone, for example, the capture of rich diamond mines by rebels and the subsequent sale abroad, is one of the main reasons for renewed bloodshed in the war-stricken country. In Colombia, the rebel group FARC runs lucrative drugs and kidnapping businesses to finance their war against government forces, prompting Collier's speculation that without such illegal profits, believed to be more than US\$700 million a year, the conflict could have been settled some time ago. Also, the Angolan rebel group, UNITA, is reputed to have accumulated more than US\$4 billion in financial assets during its first war with government forces, some of which was then later used to start a second round of war. At least half of UNITA's war chest came from diamond mining.

While the most powerful risk factor for civil war is heavy national reliance on exports of primary commodities, other factors such as history, the size of diasporas, economic decline, and the ethnic and religious composition of a country also play a significant role.

Recent history is highly relevant

If a country has recently had a civil war, its risk of further conflict is much higher. Immediately after the end of hostilities there is a 40 percent chance of further conflict. This risk then falls at around one percentage point for each year of peace. However, this depends upon the size of the diaspora abroad and its ability to use large financial resources and publicity to keep one combatant or another active.

According to the report, if a given country has ended a civil war five years ago and wants to assess its chances of peace during the next five years, the size of its population living abroad will be crucial. If the country has an unusually large American diaspora its chances of conflict are 36 percent. If it has an unusually small diaspora its chances of conflict are only 6 percent. So, diasporas appear to make life for those left behind much more dangerous in post-conflict situations.

The report suggests there is little mystery about this effect. Diasporas sometimes harbor romanticized attachments to their group of origin and may nurse grievances as a form of asserting continued belonging. They are much richer than the people in their home country and so can afford to finance conflict. Above all, they do not have to suffer its consequences because they are not living in the country.

Economic Opportunities Also Matter.

Conflict is concentrated in countries with little education. The average country in the report's sample had only 45 percent of its young males in secondary education. A country which has ten percentage points more of its youths in schools - 55 percent instead of 45 percent - cuts its risk of conflict from 14 percent to around 10 percent. Conflict is more likely in countries with fast population growth: each percentage point on the rate of population growth raises the risk of conflict by around 2.5 percentage points. Conflict is also more likely in countries in economic decline. Each percentage point off the growth rate of per capita income raises the risk of conflict by around one percentage point.

The ethnic and religious composition of the country also matters. If there is one dominant ethnic group which constitutes between 45 and 90 percent of the population - enough to give it control, but not enough to make discrimination against a minority pointless - the risk of conflict doubles.

While ethnic dominance is a problem, ethnic and religious diversity does not make a society more dangerous - in fact, it makes it safer. A country which is ethnically and religiously homogenous is surprisingly dangerous - the risk is 23 percent. By comparison, a country with ethnic and religious diversity, equal to the maximum we find in our sample, has a risk of only around 3 percent. Other than in the fairly unusual case of dominance, diversity makes a society much safer.

"Civil wars are far more likely to be caused by economic opportunities than by grievance, and therefore certain rebel groups benefit from the conflict and have a very strong interest in initiating and sustaining it," says Collier. "Such wars from Sierra Leone to Colombia create profitable opportunities for a minority of people at the same time as they destroy them for the majority."

Greed Versus Grievance In Explaining Civil War

Popular perceptions of the causes of civil conflict often take at face value the explanations offered by rebel organizations. Civil war appears as an intense political contest, fueled by grievances which are so severe as to have burst the banks of normal political channels. Rebellions are thus interpreted as the ultimate protest movements, with their cadres struggling against oppression. In fact, most rebellions cannot be like this. When the main grievances - inequality, political repression, and ethnic and religious divisions - are measured objectively, they provide no explanatory power in predicting rebellion.

By contrast, economic characteristics - dependence on primary commodity exports, low average incomes, slow growth, and large diasporas - are all significant and powerful predictors of civil war. These, rather than objective grievances, are the risk factors which conflict prevention must reduce if it is to be successful.

But while objective grievances do not generate violent conflict, violent conflict generates subjective grievances. This is not just a by-product of conflict, but an essential activity of a rebel organization. Rebel military success depends upon motivating its soldiers to kill the enemy, and this requires indoctrination. Hence, by the end of a civil war, there is intense inter-group hatred based upon perceived grievances.

Policies for Conflict Prevention

Given that countries which earn more than a quarter of GDP from exports of natural resources are acutely at risk of civil conflict, the new report suggests five policies that could reduce this risk:

- Diversify the economy away from dependence upon primary commodities.
- Secondly, make looting rebels unpopular by transparently using the revenue from primary commodity exports to fund effective basic services such as primary education and rural health clinics.
- Third, enlisting the international community to make it more difficult for rebel groups to sell diamonds and other commodities which they loot.
- Fourth, generate rapid growth to counter the effects of low income and economic decline.

- Fifth, provide credible guarantees to protect minorities in societies where a single ethnic group dominates by entrenching their rights into a national constitution.

If governments and the international community can defuse the risk from its primary commodity exports, generate rapid growth, and provide credible guarantees to minorities, then the risk of conflict can be radically reduced. Conflict prevention can be achieved through large effort on a few risk factors.

Putting War-Torn Countries Back Together Again - The World Bank's Role

With its capacity for killing and maiming civilians and destroying property, civil war threatens the development prospects of many of the world's poorest countries, in many cases, rolling back decades of progress. More than four million people have been killed since 1989 in mostly internal conflicts. Millions of others have been displaced as refugees, and countless numbers of landmines remain scattered across the world, claiming more than 25,000 casualties a year.

Founded in 1944 to help re-build Europe after World War II, the World Bank has become increasingly involved in post-conflict reconstruction work in developing countries afflicted by war. For example, it is coordinating reconstruction aid for Kosovo, Bosnia, the Democratic Republic of the Congo, and the West Bank and Gaza. The Bank has also supported the re-integration of former combatants in Cambodia, Chad, Djibouti, Mozambique, and Uganda; and the re-integration of refugees and internally displaced people in Azerbaijan, Liberia, Rwanda, and Sierra Leone; and community development in Angola, Colombia, Eritrea, and Rwanda.

Damaged infrastructure has been rebuilt in Azerbaijan, Haiti, and Tajikistan, while de-mining programs have been financed in Azerbaijan, Bosnia, and Croatia, each of these interventions, along with reintegrating refugees and former combatants, have been carried out in partnership with the United Nations, the International Monetary Fund, regional development banks, bilateral donors, and non-governmental organizations.

Knitting Together Nations

Knitting Together Nations is an employee-owned humanitarian organization in Bosnia and Herzegovina backed by the World Bank. One of its goals is to revive and sustain multiethnic, indigenous traditions - and to build new commercial links between Knitting's regional production partners and eastern consumer countries.

Knitting has developed contract-manufacturing to produce for designers, fashion houses, and companies that already have a sizable and loyal client base and can handle product development, marketing, and sales. And with UNESCO's sponsorship, Knitting is providing education programs in English and computer skills free of charge to all employees and their children.

By January 2000 Knitting had full-time, year-round employment for 48 displaced women, equally balanced among the three major ethnic groups in Bosnia and Herzegovina - groups once divided by conflict. By producing together they are forming new social relations to cut across the divide. Estimates suggest that growing demand in the upcoming production season will increase employment to more than 100 in 2000 - and around 400 in 2001.

Source: World Bank, Development Grant Facility and Post Conflict Fund, "FY 2000 DGF Application Form," (Washington, DC 2000)

Overall Bank responsibility for post-conflict reconstruction work lies with its country teams, which include experts in areas such as education, health, and infrastructure. To support its country teams, the Bank created a Post-Conflict Unit, which has seconded skilled staff from the International Committee of the Red Cross and other humanitarian organizations, to form a rapid-reaction group capable of responding quickly once hostilities in a given country cease.

Together with grants totaling US\$21 million over the past two years from its Post-Conflict Fund, the Bank's post-conflict staff have shown that offering emergency funding in countries threatened by, or emerging from, conflict is vital to reinforce a fragile peace process, deter resurgent violence, and build a foundation for sustainable development.

"Fostering development in countries besieged by civil war is clearly not business as usual," says Nat Colletta, Manager of the World Bank's Post-Conflict Unit, and a social anthropologist with long ties to post-conflict work in Africa. "Rebuilding their physical assets like hospitals, bridges, and homes, and getting the macro economic framework right, may be necessary but peace needs more than this to survive. Re-knitting the social fabric of war-torn societies is the new critical ingredient for ensuring sustainable peace and development for millions of people who have lived through the hell of civil war."

Facts about Conflicts in the Post-Cold War Era

Most of today's conflicts are internal wars fought with conventional weapons. An overwhelming majority of conflicts that have taken place since the end of the Cold war have been intra-state in nature.

Civilians - including women, children, and other vulnerable groups - are most likely to fall victim. Nine out of ten casualties are non-combatants.

Many conflicts are exacerbated by policies of ethnic expulsion, exclusion, or annihilation.

During the 1990s alone, there have been 39 major conflicts with at least 1,000 deaths per conflict in any one year.

More than 4 million people have been killed in violent conflicts since the fall of the Berlin Wall in 1989.

At the beginning of 1997, 35 million people were displaced as refugees or internally within their own country.

Over 100 million land mines are deployed worldwide. Anti-personnel land mines claim more than 25,000 casualties each year and obstruct reconstruction and development.

Reconstruction is slow, costly, and uncertain, and resources are limited.

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Press Briefing on the report "Economic Causes of Civil Conflict and Their Implications for Policy"

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PROCEEDINGS

MR. HAY: Good morning, everyone, and welcome to our briefing this morning on this new research paper, "Economic Causes of Civil Conflict and Their Implications for Policy," I'm sure you'll all agree highly topical at the moment.

Let me remind you that it's embargoed until 2:00 p.m. Washington time today, so just a few hours from now.

Let's start off with a few quick introductions up here. On my immediate left is Mats Karlsson, Vice President here at the World Bank for United Nations and External Affairs, and a former State Secretary for Development in Sweden. Paul Collier, on Mats' left, is Director of the Bank's Research Department, and he's a former Director of the Africa Research Center at Oxford University. And on Paul's left is Nat Colletta, who is manager of the Post-Conflict Unit and a social anthropologist here at the Bank with, I think, long experience in post-conflict work, especially in Africa.

I'm Phil Hay from Media Relations here at the Bank, and so without any further ado, why don't I get Mats to start us off with a broad overview, or I ought to say broad but brief overview, of the specter of civil war that we see in the world today. Mats?

MR. KARLSSON: Well, good morning. There is no doubt that conflict and development issues have become much more intertwined, and our strategies to win against poverty have to take into account the challenges of conflict in ways that were not the case years ago.

Of the 27 conflicts that were taking place in '99, 25 of them were internal, which, of course, shows the changing nature of conflict. And we know that these conflicts hit the civilian population and, of course, the economic and developmental prospects of countries hard. Nine out of ten casualties are non-combatants. And these are not small in number.

We've had during the 1990s 39 conflicts, major ones, meaning with at least 1,000 deaths per conflict in any one year. More than 4 million people have been killed in violent conflicts since the fall of the Berlin Wall.

And these have also led to major refugee crises; 37 million people have been displaced either inside their countries or outside. One hundred million land mines have been deployed worldwide. They give rise to some 25,000 casualties a year. These figures you'll find in the press release, which in one brief go summarizes the extent of this.

Naturally, this affects the chances of our fight against poverty, and the World Bank has increasingly had to focus on this. And, in fact, just on Monday, the Board's policy committee, the so-called CODE, discussed our first policy on development cooperation and conflict, so-called OBPB, Operational Policy Bank Procedures, that sets out new ways of dealing with these issues, including new ways of dealing with transitional support from conflict to development and watching briefs where that is not yet the case.

I also just came from a conference in Tokyo yesterday where the subject was comprehensive conflict prevention. "Comprehensive" was the emphasis, seeing that you have to look from everything from military intervention to economic development. And this has led the World Bank to be increasingly involved with other actors, with the UN System's security side, with the humanitarian intervention mechanisms of the world, and everything we have developed over the past decade in dealing with post-conflict situations.

I was involved in one such in Sierra Leone in February of this year where I traveled with the Deputies of the UNHCR, the refugee organization of the United Nations, and the Deputy of the UNDP, where we tried to span the gaps between humanitarian action and development. We came out of that visit to Sierra Leone and its two neighbors, Liberia and Guinea, profoundly worried but also we saw possibilities.

Regrettably, we've seen what has happened if one does not cover all the gaps that conflictual situations give rise to. And one of these gaps is precisely the impact of natural resource abundance in conflict areas.

Paul Collier will lay out, I think, what is one of the Bank's typical contributions to frontier issues, namely, an economist's analysis of something that previously was the domain only of political scientists or perhaps of social scientists. And I think I'll leave it to you, Paul, to lay out the very interesting conclusions, many of them counterintuitive to you all. Thank you.

Paul, please?

MR. COLLIER: Thanks very much.

I joined the Bank a little over two years ago, and I was strongly encouraged when I joined to take up this research issue of conflict because it's so important for the low-income countries which are the Bank's primary focus. My own background is as an Africanist, and so the implicit question I was posing was: Why has Africa got so much conflict?

I used the standard techniques of empirical economics, and the one conclusion, quite a striking conclusion, is that Africa is not peculiar. It's no different from the global pattern. I've looked at the global pattern, all the conflicts, the large conflicts in the world from 1965 to the end of 1999. There is a global pattern of behavior, and Africa conforms precisely to that pattern.

Africa's high incidence of conflict is fully explicable in terms of the underlying characteristics of the countries on the continent.

I was surprised to discover what an important role economic characteristics play in conflict, and I want to focus on conflict prevention. You'll see why later on.

Conflict prevention has a strong economic element, and conflict is really a cocktail of strong rebel organizations facing weak governments. And each of those elements--strong rebel organizations, weak governments--has an economic foundation.

Let's start with strong rebel organizations. A good way of posing this question is: What differentiates a failed rebel organization, like the Michigan Militia, from a hugely successful rebel organization, like the Colombian FARC? And my conclusion is that it's not the passion or the cause or anything like that. It's that one organization has been able to jump over three hurdles and the other hasn't.

Any rebel organization faces three hurdles in order to become successful, and the first and biggest hurdle is finance. If you're going to fight a civil war in a meaningful way, you've got to be able to meet a payroll, a big payroll. The FARC has 12,000 employees, and it finances that with an annual revenue of about \$700 million. It's a big financial organization. All the successful rebel organizations are big financial organizations with a lot of employees. Where do they get the money? After all, they're not producing anything.

Well, the FARC gets its money from drugs. Other rebel organizations get their money from other primary commodities: timber, coffee, gems, but, undoubtedly, diamonds are a guerilla's best friend, you might say.

Primary commodities are not the only source of finance for rebel organizations, though they're probably the main one. Diasporas, especially diasporas in rich countries, are important. The diamonds of Sierra Leone, before they financed the rebellion in Sierra Leone, actually helped finance the civil war in Lebanon, because there are two Lebanese communities in Sierra Leone and each financed its home faction in Lebanon.

So finance is the first hurdle over which a rebel organization has to jump. Obviously, the Michigan Militia didn't even make that first hurdle.

When you're over that first hurdle, the second hurdle you've got to get over is cohesion. If you're going to have 12,000 people, all with guns, they better be pointing the guns against a common enemy rather than against each other. And how do you build cohesion in a large informal organization?

One simple way is to confine recruitment to a single ethnic and religious group. And so in societies which are ethnically and religiously diverse, rebel organizations will almost always be from some particular group. It's a constraint upon how the rebel organization gets built.

Okay. So we're over the finance hurdle. We're over the cohesion hurdle. And then we come to the final hurdle, which is motivation. Here we are with a big organization, thousands of employees, and you've got to motivate those employees. Most big organizations can't even persuade their employees to come into work on a Saturday morning. A rebel organization has got to persuade people to stand up and risk being shot at, risk being killed. So they've got to motivate their staff to an unusual degree.

The way they do that is by generating grievance and hatred. They've got to generate a discourse of grievance and hatred; otherwise, their staff won't fight.

Now, if you've recruited an ethnically or religiously particular group, quite often the language that you use to generate grievance, the discourse, will be ethnic or religious hatred. But the way to think this through is that the conflict is generating the discourse or grievance rather than the discourse or grievance generating the conflict. So that's strong rebels.

Weak governments. Weak governments also has a very strong economic element. Low income for a country is a big risk factor. Partly, low income reduces the taxable base, and also at low incomes the share of income going as government revenue is very much lower. The ultimate example is Sierra Leone where the government has virtually no money and it's facing a very strongly financed rebel organization. Low income, slow growth, and poor economic policies are all a cocktail for a weak government.

Now, the good news from all that is that prevention policies can work quite effectively and relatively simply. We've done analysis showing what happens if you get a combination of policy reform and increased aid. Let me give you the actual numbers.

For the average aid recipient, the risk of conflict during a five-year period is about 11.3 percent. So the average of our aid recipients here at the Bank faces that sort of risk of conflict during a five-year period, large-scale civil conflict, about one in ten.

We've looked at a combination of a one-point improvement in economic policy--that's roughly the equivalent of moving the average African country to a policy that looks like South Asia, not off the map of economic policy improvement--plus an extra \$1 per capita per year in aid. And what happens is the risk of conflict goes down from 11.3 percent to 7.9 percent. That's quite a big cut. We're reducing the risk of conflict by about 30 percent just by that simple intervention, policy reform and aid.

The international community can do a lot more than that. Of course, that particular combination takes a partnership between governments in the country and aid donors. But the international community can do a lot more than that. In particular because primary commodities play such a strong role in conflict, the international community is now waking up to that fact and starting to try and control these markets, control rebel access to these markets.

There's very exciting developments taking place in the world diamond market at the moment, now actually led by deBeers. The World Bank is very firmly integrated into that process of watching it closely, and I think it's a very healthy move. It's a move in the right direction. It's taking the single biggest conflict risk and dealing with it head on.

Of course, diamonds don't have to cause trouble. Look at Botswana. The government of Botswana has managed to use diamonds very effectively to turn Botswana into one of the most rapidly growing economies in the world, and that fast growth and cumulatively high incomes has itself managed to consolidate peace in the country.

Botswana achieved that through the magic formula called democracy, transparent budgets, all the normal sort of stuff.

I've talked about conflict prevention, but let me close on a note of post-conflict. Post-conflict situations are much harder than conflict prevention, and that's because the experience of conflict itself creates a legacy of much increased risk. That produces a conflict trap. The average country that's come out of conflict over the last 30 years has faced around a 50 percent chance of going back into conflict within the next five years; specifically in Africa, it's a 53 percent risk. Terrible. So this conflict trap.

What makes up that conflict trap? Well, about half the risk comes from the inheritance of characteristics which just make the country atypically prone to conflict, all the things I've mentioned, the high primary commodity dependence, slow growth, low income, strong rebels, weak government.

But the other half of this big risk comes specifically from the legacy of the experience of conflict. I'm going to give you one example of that legacy, and then I'm going to pass over to Nat.

We know that polarized societies are more at risk of conflict. For example, where there's what we call ethnic dominance, one ethnic group an absolute majority of the country facing a minority group, which is actually fairly rare in Africa, but that combination roughly doubles the risk of conflict globally. Diverse societies are much safer. Diversity is a good.

But typically what happens in conflict is that even the societies which start out diverse gradually polarize. Ethnicity, after all, is an induced identity, and the process of conflict changes people's perception of their political identity into typically two camps. And so even countries which start out diverse, through the conflict experience become polarized into a dominant group and a minority.

On that note, let me hand over to Nat.

MR. COLLETTA: Thank you, Paul.

I'm just going to take you through the four most prominent aspects of the legacy, the legacies of conflict that we're dealing with here on the operational level in the Bank.

First and foremost is displacement. Yesterday I think many of you probably saw in the New York Times or perhaps even had direct contact with the U.S. Committee for Refugees, and their annual report came out with the figures of a world total of about 35 million displaced, with about almost half of that, 14.7 million, in Africa. And then that's further divided between about 3.1 million refugees and about 10.6 million internally displaced persons.

The challenge here is social and economic reintegration of those returning to their communities within the societies and returning from cross-border situations.

We're working now very closely with UNHCR, and we actually have a formal agreement between--Ms. Ogata (ph) and Mr. Wolfensohn about a year ago signed this agreement, in which we're trying to, if you will, bridge the gap between the repatriation and the kind of generation of livelihood, shelter, and other inputs into the social and economic reintegration of refugees.

The second major legacy is militarization. This takes the form of a tremendous number of combatants, who we hope to help assist in becoming ex-combatants through demobilization or reintegration programs. The other aspects, of course, that link up with the human element of militarization are the small arms and land mines and unexploded ordnances.

We are now involved in about 15 demobilization and reintegration programs worldwide. Again, bringing us back to Africa, 12 of these programs are in Africa.

The third legacy is the one which Paul referred to, and that's the governance side of the equation. We're facing fairly weakened administrative capacity and a breakdown in many instances of the rule of law.

I'm pleased to share with you today that we are now shifting, even our Legal Department's work, away from the typical focus on contract law and property rights, which although are very important, to look at civil law and judicial reform, particularly in these war-affected countries.

The fourth and final legacy, and probably the most difficult one to address, is that of divided societies. As Paul noted, and Mats earlier, the predominant form of conflict we are facing today is internal civil war. And unlike interstate war that normally leads to a cohesion among the population of one state against another, what we end up with is just the opposite in civil wars, fragmented societies, fairly divided, tremendous fear, very low levels of trust, and a breakdown in general of what we refer to here as cross-cutting social relationships or cross-cutting social capital.

On the way in, you may have seen this book that just came out last week on violent conflict and the transformation of social capital, lessons from our work in Somalia, Guatemala, Rwanda, and Cambodia. And in this two-year study of two communities in each of these countries, looking at high-conflict and low-conflict communities, we basically look at the effects of this conflict on the social relationships and levels of trust in these societies.

We're trying to address this at the micro level. We are now into what we call a second-generation social fund type activity. These social funds are where we basically put funds at the discretion of the local level to do community development, community rehabilitation.

Now, the first generation of poverty-alleviating social funds focused on the objectives of employment generation, rehabilitation of assets, increasing incomes. But I think the new thing now in these war-affected countries is to add an additional objective of trying to re-knit the social fabric of the communities themselves. And we tried to do this by not only shifting from what one might refer to as a social welfare model to an empowerment model. And here we're facilitating through our investments the formation of community-elected, community-nominated development committees.

We're trying to encourage that these committees be representative of all, if you will, the various stakeholders or underlying cleavages in these societies.

Three examples of this I think are worth noting. One is in Rwanda where we started something called the Community Reintegration and Development Program in several communes and in which these community development committees elected by the commune members, representing all ethnic, religious, age, gender dimensions of the society, have at their disposal--I believe now we're talking about something on the level of \$200,000 to \$300,000 per annum to identify needs, prioritize small projects, make the decisions on allocating and monitoring, self-monitoring these projects.

We're trying to use this mechanism to also re-establish, if you will, or rebuild the social relationships, the cross-cutting social relationships.

In Timor, we have called the Community Empowerment and Local Governance Project, very similar arrangement, trying, again, to go to the grassroots, put the funds at the disposal of the people, try to empower them to make decisions.

And the last one is in Kosovo. We have a community development fund there.

These things are all funded--and it's the last point I want to make and turn it back to Mats--by something called the Post-Conflict Fund. It's been a tremendous source of increasing our ability and flexibility to respond quickly with grants.

Now, as you know, we're basically a lending institution, and in times of transition from war to peace, to have quick, accessible grant funds is extremely useful. And we have around a \$22 million fund operating now in some 30 countries, funding the kinds of things that I've just mentioned to you: the demobilization and reintegration programming, the community development type programming.

But we're also doing other things that would normally fall through the cracks. In Kosovo, when the UN administration took over, the salaries of the teachers and the health workers were not being paid. There was a time period in there in which the trust fund for Kosovo hadn't been mobilized, the multi-donor trust fund. We were able to come in with a

\$1 million grant and pay those salaries, and that small window of transition to keep things going, to keep the basic services going, until the larger \$40 million trust fund came into place, to continue paying operational costs such as salaries and then other reconstruction things.

So I think I leave you on a note by saying that we have really shifted quite dramatically in our views here. As Mats mentioned to you earlier on our new operational policy, if you can only imagine two years ago, that started as an operational policy on post-conflict reconstruction, and now it's become an operational policy on conflict and development. This is not insignificant. It's not just linguistics. We're actually moving--that policy sets out the rules of engagement for our staff in countries in conflict as well as how we might use development as an instrument of conflict prevention and conflict mitigation.

So let me stop there.

MR. HAY: Okay, Nat. Thanks very much.

On the last page of the press release, you'll see a somewhat uplifting example of just what Nat's talking about, this "Knitting Together Nations" group between Croatians, Muslims, and Serbs in Bosnia.

Okay. Let's throw it open to questions. Let's go to the distinguished-looking gentleman there in the second row, and then we'll go to the other distinguished-looking gentleman behind from Associated Press.

QUESTION: Parasuram from the Press Trust of India. On the social aspects as well as the ethnic aspects, but I am wondering in preventing rebellions and conflicts, it is also not important to have a national leadership which is going to appeal to cross-sections of people and also strong military and security forces and prevention of such things as cross-border terrorism and one state funding rebellions and problems in other states. And I also wonder whether the time has come to have some kind of a global policeman within a force as far as Sierra Leone, you have the UN sending troops, whereas General Colin Powell pointed out the thing to do if you send military is to go in force and decisively. These rules are violated when the UN sends forces now.

I wonder whether the time has come to study these aspects to prevent conflicts.

MR. HAY: Okay. Mats, do you want to have a crack at that?

MR. KARLSSON: Well, there is no doubt a very intense international debate on how to react militarily in conflict. That is not the Bank's role, obviously, so I would rather stay in a discussion that deals with the factors of conflict and the kind of activity that we can engage in.

MR. HAY: Okay. Third row.

QUESTION: Yes, Harry Dunphy from AP. My question is for Paul Collier. Could you go over again that business about 11.3 percent of countries in the developing world are possible subjects of conflict. And if I understand what you said correctly, for each additional dollar of aid, that figure is reduced to 7.3 percent, or 30 percent. Is that correct?

MR. COLLIER: Okay. Let me go through those numbers again.

The experiment we take is we say for the average aid recipient country, if it just has average characteristics, what is its risk of conflict in any five-year period? And the average risk of conflict in a five-year period at the moment is about 11.3 percent.

And then we do an experiment. We say let's do a partnership in which donors increase aid and governments improve policy and institutions. We actually measure policy and institutions using the World Bank's country policy and institutional assessment, which is a sort of quantitative measure for all countries of how good are policy and institutions. And we say--and that's a six-point scale, and we say suppose we go up one point on that scale, which would typically be moving from something that looks like African policy and institutions to something that looks like South Asian policy and institutions.

So there's significant improvement, but not off the map. Well within the variation of, say, African experience or South Asian experience. So that's the policy change within a country, and the aid increase is a sustained increase over a five-year period of an extra \$1 per capita for the population of the country.

QUESTION: Each year.

MR. COLLIER: Each year. And the effect of that, we've sort of calculated country by country, but I can say that for this average group of aid recipients, the risk of conflict comes down from 11.3 to 7.9. I could detail the routes by which that works if you want to follow that up later. I'm happy to do so. But it works through, for example, faster growth, higher incomes, diversification out of primary commodities. All these things gradually make a society safer.

And the surprising thing is that just over a five-year period this package of reform and aid has such a dramatic effect reducing the risk of conflict. So that's the experiment we do. To my mind, that's a pretty powerful effect.

MR. HAY: Are you clear on that, Harry?

MR. DUNPHY: Yes.

MR. HAY: Okay, great. Let's go up, the back gentleman, second row. Sorry, sir, we'll come to you just in a minute. The gentleman with the glasses behind, and then we'll come back to you, sir.

QUESTION: Mark Drajin (ph) from Bloomberg. Two questions for Mr. Collier. One, you said that the Bank is intimately involved with what's going on with deBeers now and the diamond thing. How is the Bank involved with that?

And the other side of that is that Amnesty International and others are talking about boycotting diamonds or boycotting the diamond trade.

It sounds like from what you're saying that your research would back up a boycott like that as being effective. Is that so?

MR. COLLIER: I think I very much hope--do you want me to--

MS. HAY: Yes, Paul, please.

MR. COLLIER: I would very much hope it doesn't come to a boycott, because a boycott would hurt countries where diamond revenue is being used very effectively for poverty reduction.

MR. HAY: Botswana.

MR. COLLIER: We don't want to create a crisis in Botswana. Botswana has done a magnificent job of poverty reduction over the last 20 years thanks to diamonds, and a general consumer boycott on diamonds would hurt people such as the Botswanans.

However, the talk of a consumer boycott I think has had a very good effect because, of course, the diamond industry itself knows it doesn't want a boycott. And I think what that talk of a boycott has done has been to galvanize the diamond industry into action. And the best example of that is, I think, Nicky Oppenheimer's plan, I think announced yesterday, for a six-point program of how to, as it were, keep conflict diamonds off the market.

Realistically, we're not saying--we're not talking about plans which will literally keep conflict diamonds off the market. We're talking about plans which will drastically reduce the price which rebel organizations can get for their conflict diamonds. If we can reduce that, we go for these rebel organizations at the jugular, which is their financing.

Now, if you ask me how is the Bank involved in this process, we've had meetings with teams of diamond specialists, organized teams of diamond specialists. We've been very much in the loop on these plans. Of course, the World Bank is not itself a diamond organization, but we're liaising very closely with the diamond organizations.

Nat might want to follow up on that.

MR. HAY: Does that take care of it? Okay. Fine.

The gentleman in front. Sorry about that.

QUESTION: (?) from Interpress Service. This seems to be a shift from the work the World Bank has been doing as far as reports are concerned, conflicts and diamonds. Why this particular shift? What particular interest does the World Bank have in this area? And then, secondly, the report also talks about populations in the diaspora influencing civil wars in their countries. If you could please talk further on this, especially giving emphasis on the situation between Ethiopia and Eritrea.

MR. HAY: Why don't we get Mats to kick us off? I don't think it's much a shift at all. I mean, it doesn't mean we're neglecting our other work. It's a valuable new insight, so that will corroborate other word. But, Mats?

MR. KARLSSON: Let me just comment on the first part of it, and then, Paul, you can take up the issue of diasporas and what they show, what your figures show there.

It is a recognition that conflicts affect a significant part of the countries we work in, and they frustrate the results we want to get. A fifth of African population live in countries which face conflict, and much as we know that a dollar spent in a country with good economic policy leads to greater effect and can be put to more efficient use, we cannot sit idly by with these other member states suffering conflicts.

And, therefore, we've been pulled into conflict analysis, and as Nat was making the point, very rightly, we cannot just come in when a conflict is over to try to make sense out of destruction and then face this 53 percent risk of a return to conflict. It's just an inefficient use of our best resources.

And, therefore, we're trying to come in in a broader way to work with others, the UN System, the IMF, NGOs, increasingly and interestingly also the private sector, which has a responsibility in conflicts. And we just talked about one such example.

And all these actors have to come together to make sure that countries who are at risk or who are in conflict have a chance as well to come onto the mainstream, because the other side of the story, of course, is that four-fifths of Africa is not living in conflict and is actually making progress. And they suffer also from the fact that the other fifth is in conflict and that most of the media attention is on them. And so the profound transformation in African society, for example, is not seen and, therefore, investment in them is held back.

So the Bank cannot stand back from conflictual situations, and now this was an input in understanding what lies behind conflict and what can our take on it be, what can our contribution be.

Paul?

MR. COLLIER: I'd just add to that that we've demonstrated that economic policy and aid are both potent forces in conflict prevention. Economic policy and aid are the Bank's core instruments. Conflict is a massive cause of poverty in the lowest-income countries, and so conflict prevention through policy and aid just has to be part of our core business.

Let me turn to the diaspora question, and, of course, our message is not don't have a diaspora. Our message is make use of the diaspora, be aware of its potential, both for bad and for good. We find that indeed diasporas can be very dangerous things. They can fund rebel organizations, and you only have to look around America to find ample examples of that.

But, equally, we can find examples of diasporas being massive forces for economic progress and, hence, for peace building. We could look at the Taiwanese community in California triggering the growth of electronics in Taiwan, the Indian community in America triggering the growth of the new economy in Bangalore. These are examples of where diasporas are being harnessed for business development.

But it's a choice which a government faces as to whether to try and harness the diaspora organizations for this sort of potential, and the default, if that's not done, is not zero. The default can be very heavily negative. Diasporas can make the recurrence of war much more likely.

QUESTION: Jose [?] from Mexico City.

If I may, let me use this wording: This sounds a little bit like the revenge of the bureaucrats, let me put in those words, in the sense that you are quoting people that are very often creations of the World Bank and globalization and the economic polarization at the level of common thugs.

MR. HAY: I'm sorry, at the level of?

QUESTION: Common thugs, delinquents. But it seems that your report discounts mostly the political--any political or social motivation for the concept and looks for an economic explanation, basically an economic explanation. But, for instance, how about let me use an example, this Batiste rebellion Mexico, what about the drugs did not come before the FARC in Colombia. They were after. So do you mind to address those things?

MR. COLLIER: Well, revenge of the bureaucrats. I, first off, never thought of myself as a bureaucrat, basically. I'm an Africanist for many years and steeped in the politics, the society, and you say, as it were, bureaucrats that looked for economic causes. No. A team of social scientists, this is a network research project from around the world in collaboration with the U.N. Economic Commission for Africa. I've just come from Colombia. This is an international network project. We didn't look for anything in particular. We looked to see what was the pattern. What I'm reporting is what we found.

Of course, if you look at any particular--there's a high element of idiosyncrasy in conflict. And if you look at any particular conflict, there will be particular elements. The global pattern is as I've reported it.

You can't trust the discourse because, on the whole, people who are financing their rebellions are not going to generate a discourse saying, "Gosh, we're making a lot of money out of this." They're going to say, "Yes, unfortunately, we're kidnapping a lot of people, but this is totally justified in pursuit of our heroic cause." Sometimes the cause will be heroic, sometimes it won't.

And what we find is this very strong pattern explaining conflict. I want, finally, to say there's a separation in most societies between political argument, political conflict, and actual fighting. You can have intense political conflict, and usually it doesn't spill over into violence or large-scale organized violence.

The features which generate large-scale organized violence, big rebel groups, seem to be answering the question: Under what circumstances do organizations like the Michigan militia fail? Under what circumstances do organizations like the Michigan militia grow to being a FARC? Our best understanding of that is thinking of these three hurdles--finance, cohesion, motivation. If that's the revenge of the bureaucrats, well--

MR. KARLSSON: I think it makes sense to look at this not from the point of view of what grievances are legitimate or illegitimate, what are objective reasons for conflict. They will vary and exist in many different countries. What this looks at is what creates the risk that a grievance or a situation degenerates into conflict, what triggers that initiation of a conflict and makes it possible to sustain it over time. So it's a risk judgment, not a judgment on legitimacy or illegitimacy of political differences.

MR. HAY: Nat, do you want to add to that? You've been long experienced in post-conflict work.

MR. COLLETTA: It's clear that this is a kind of question of directionality and the causation argument. Did the grievances exist because of exclusionary policies and program, inequities in the society, and injustices, and then the rebel organizations or the aggrieved organizations basically had to find sources of financing to grow and survive or was it the availability of lootable resources that could easily be taken and then somehow grievances are emerging from that?

But it's clear that in none of these situations--they are all very complex--can you point to a single cause. I would say that social exclusion is very much prevalent in most of these civil wars. But as Mats said, I think you need to look at the economic dimension of this as a kind of an assessment of risk of escalating and maintaining the struggle. I used the word "struggle." Perhaps it's not a struggle if it's more grievance based than grievance based.

MR. HAY: I think that, if I can sum up what these gentleman are saying, is the caveat for you, as a journalist, is not to take at face value many of the justifications or arguments that may be marshaled to defend one particular rebel group or another, but to actually go in behind the arguments and subject it to this sort of analysis that we've been talking about.

The casually dressed gentleman in the second row?

[Laughter.]

QUESTION: I just have a couple of--one observation and one question.

I have not had a chance to read the whole summary of the report, but I do see that the strategic minerals which, of course, are more needed in the Western society than diamonds are not listed here. Zaire, by the way, sells cobalt, you know, to satisfy most of the needs of the United States, along with Zambia.

Coming back to the three hurdles that you mentioned, I think we have to note one pattern that the consumers of drugs, diamonds, cobalt, platinum, strategic minerals, you name it, all primary commodities, and the strategic commodities are in the West--G-8, to be precise, or G-7.

And the seller of all arms to these rebel groups, which I think it was of significance to you not naming it as a hurdle because there is no hurdle buying arms if you've got the money, so--though the sellers of the arms are also in the G-8 group. So I think that, in a way, they are subsidizing, and when these people make the money and deposit the money, it is in Western banks. When their rebel organizations are broken, they flee to Western countries, where their extradition is impossible.

So I think that you can also create three more hurdles: Do not sell arms, do not take their money in Citibank and don't give them visas for asylum. I think if you do that, that probably, and of course make it illegal to buy anything. These are basically smuggled black-market things which, of course, are cheaper for the Western economies, and that's why encouraged.

So don't you think there should be a macro policy rather than subsidizing, saying, okay, we are taking care of the refugees, and we will give one more dollar in aid and reduce the conflict to 3 percent?

MR. KARLSSON: There are many elements that need to come together in what might be called comprehensive conflict prevention. But, of course, the Bank needs to focus on the instruments which are at our disposal.

QUESTION: Of course, then you should recommend Board of Directors consist of these countries which are viewed as a--

MR. KARLSSON: Well, your comments are legitimate. I am not disputing them.

MR. HAY: Paul?

MR. COLLIER: I fully agree.

QUESTION: I just--

MR. HAY: Sorry, sir.

QUESTION: I want to thank them--

MR. HAY: Well, I think Paul was about to reply to your question.

QUESTION: Fine. Go ahead.

MR. COLLIER: First, I want to say we take a comprehensive view of minerals. It's the full range of primary commodity exports, so it includes all of the things you say, right? To take one specific issue you dealt with, drugs and consumption of drugs, I think you are absolutely right that at the moment the balance of penalties is, if you like, on the production of cocaine; whereas, it would be much more effective if the balance of penalties was on the consumption of cocaine. The paradox is that whilst ever we create penalties on the production, what that creates is a demand for territory outside the control of the government. The FARC is, in effect, supplying that need. It's supplying territory outside the control of the Colombian government, and hence territory on which drugs can be produced. And the FARC is effectively a rente of that land, living off the rent from land upon which drugs can be produced. If we switched the penalties towards demand; that is, on the consumption side, that incentive would change, right?

So I think you are absolutely right. But as Mats said, the instruments within the World Bank's control are unfortunately not penalties on drug consumers in the West. We can say that point, we can't do anything other than say it. We can, however, influence the policy environment and the aid flows.

QUESTION: One thing--

MR. HAY: Make it brief, though, sir, because others have not had a chance to ask a question yet.

QUESTION: There are three countries from South Asia--India, Pakistan, Sri Lanka--which are mentioned here, and I need to understand that India is cited to have a conflict between '80 and '84; Pakistan had a conflict in '70-'74; and Sri Lanka had '80-'84. India, I think right now is having several rebellions. Pakistan, I think you are referring to the Afghanistan[?] uprising. Sri Lanka, of course, right now has, unless this report was completed before the latest war by the--in Jaffna. So are you only linking those which were financed by these commodities or all rebellions within a country?

I wanted that clarification because we have to write about it.

MR. COLLIER: We are taking a global data on conflict, and we are careful not to take judgments ourselves about where is a conflict happening. That is actually just good hygiene in research. You get your underlying observations you are trying to explain from some other team of researchers, which is doing it independently. We are basing our work on a combination of magnificent achievement by the University of Michigan over many years building a global data set on conflict, and that's been supplemented by work in Sweden by CIPRI. So we just take our information from them. Obviously, that's preferable to ourselves taking these judgment calls on where is a conflict.

QUESTION: Newspapers are a good source.

MR. COLLIER: I think that's what CIPRI and Michigan have been using.

MR. KARLSSON: Importantly, you only analyze when, in a 5-year period, a conflict has started, not the continuation part.

MR. COLLIER: That's right. That's right. And, also, the criteria includes a threshold for size of conflict, which is a thousand combat-related deaths. So that we are looking at very large-scale conflicts here.

MR. HAY: Okay. Let's beetle through these next few questions briefly. The gentleman in the middle?

QUESTION: Damien Milton from Dow Jones. Just one of the tenets of the report that I found interesting was that, as you mentioned, the heroic cause may not be the triggering factor for whether something escalates into civil war, but the actual availability of financial means.

What I'm trying to grasp is which is the cart and which is the horse here. You have to have some sort of ax to grind or something to even contemplate putting a gang together to then escalate to civil war. Whether or not you then have the financial means is a consideration that still perhaps comes afterwards. It would be sort of like living next to a copper mine in Zaire and thinking, "Oh, it's a copper mine. I think I'll go and rumble the government."

So what I'm just trying to work out, basically, is, yes, certainly the financial resources can make the difference between a movement fizzling out and then perhaps going to a 7-year conflict. But isn't there still a trigger at the very start, whether it's a single person with an idea or a religious difference or a movement that still plant the germ that then leads to that consideration.

MR. HAY: Interesting.

MR. COLLIER: Yeah. I mean, don't you think that grievance is the background noise of the universe? Even in Michigan, there were a bunch of people who had a sufficiently passionate sense of grievance to build a military organization to kill people. And that seems to be pretty, unfortunately, pretty common.

And equally, there are some organizations which, as it were, it's very hard to see them as grievance organizations. They are just money-making organizations. And then there are some organizations which passionately adhere to a cause that we'd all like to sign up for, right? I was part of the 1968 brigade of students. I know about how to stand on the streets and support my comrades and all of that. It doesn't seem to give as much expansion of power, and so in the end I sort of decided to move beyond what's the ostensible cause, whether it's these nuts in Michigan or whatever or outright criminal organizations, mafias, and just let's look at what makes the organization viable.

MR. HAY: In the middle here, next to Damien.

QUESTION: I'm Mark Eagen with Reuters.

Paul, could you give some specific examples of rebel organizations whose motivation seems to be more financial than political, just to follow up on Damien's question.

And then did you also find any examples of situations where private business, either in the country or from the West, was sort of helping to spur on the rebel situation by sort of doing deals with the likes of Laurent Kabila or something to sort of get access to commodities and cutting side deals before the revolution? Did you see any incidents of that, sort of direct commercial influence from the West sort of spurring these people on to getting their hands on commodities?

MR. COLLIER: The first question, can I put to rebel organizations where the motivation is financial? No, I have no idea what his motivations are. And my proposition is that we just can't tell. We can't tell from the discourse because the rebel organization itself is not going to say, "We're a greedy bunch of thugs." They're all going to say, "We're heroes." And surely they believe it. The first people to believe rebel discourse are the rebels.

So I have no idea. Maybe they are all sort of heroic in some sense, and maybe they're all crooks. I just can't tell. I have no, as it were, research method for discovering what's in their heads. I can just say, well, the revealed pattern of behavior of whether a rebel organization succeeds or not is whether it can jump over these three hurdles. And all of the rebel organizations that succeed manage to finance themselves big time.

Now, whether that's just an unfortunate necessity or whether that's what they're about, I have no idea. I don't know how we would even find out. I doubt whether they know themselves. I'm sure motivations shift over time.

In Colombia, we started with left-wing rebels and right-wing rebels. We've now got left-wing drug barons and right-wing drug barons, right? Goodness knows what--

Western finance of these organizations, I'll give you one snippet, and that is that we can show that the period since the end of the Cold War has been much safer, controlling for other things, that for the same other characteristics, the risk of conflict has gone down by 50 percent. So something was happening during the Cold War period that was facilitating rebel organizations. It could even have been money from the Super Powers. Can I show you a check from a Super Power to a rebel organization? No. I can just show you a statistical pattern in search of an explanation.

MR. HAY: Very patient woman over there on the far left, and then I think we'll wrap it up.

QUESTION: I'm Marcella Sanchez. I'm with the [?] from Colombia.

I wonder, within the context of your report, if you could talk about how wise then it would be for a weak government to try to negotiate with some of those rebel organizations or if it really is wiser to try to get to the financing and finding the financing, which is kind of where the policy is going, particularly from the U.S., which is to militarize the war on drugs in Colombia, and which is certainly going to lead to more conflict. And there is a lot of concern in Colombia how that militarization is actually going to cause more conflict.

MR. COLLIER: I can't, in all honesty, say that my research results cast light on what a negotiation should do. My research results, I think, cast light on conflict prevention, how you avoid, in the first place, getting to a situation like Colombia. Once you are in a situation where you've had a long conflict, then you've got this huge legacy of hatred, polarization coming out of the conflict, all of the things that Nat has been talking about--these effects, militarization, displacement, weak governance, divided societies. And so you can't just go on prevention policies.

Similarly, you can't just go on buying a rebel organization off. The weakness with just buying a rebel organization off is if the underlying circumstances are there to make rebellion very easy and viable, some other dumb group will come along. And so you need to work on both tracks. You need to reconcile the specific conflict that you've got, and that's politics. But you also need to make it much harder for a successor organization to turn itself from Michigan militia to FARC.

So you've got these two problems in the conflict societies, and you've got to tackle them both.

MR. HAY: Okay, Paul. Thanks very much indeed, folks, for coming today. It's obviously a lively topic. So thanks very much, indeed.

[Whereupon, at 11:13 a.m., the press briefing was adjourned.]