Summary:
In December 2003, ministers of the OSCE participating states agreed to the Strategy Document for the Economic and Environmental Dimension. In it, they tasked the Office of Coordinator for Economic and Environmental Activities of the OSCE “to continue cooperation with the UNECE and other partner organizations on developing early-warning mechanisms and indicators for the assessment of implementation of commitments”.

The purpose of this paper is to assist the OSCE with fulfilling the above-noted task. This paper briefly describes the past cooperation between the OSCE and UNECE and argues that peace building is key to developing the security-economics nexus. The paper also suggests a practical way to enhance the role of the activities of the OSCE in the Economic and Environmental Dimension in the area of early warning. It is proposed that the OSCE conduct voluntary, country “conflict prevention reviews” based on risk assessment techniques.
The OSCE Bonn Document of 1990:

Between 1945 and the early 1990s, the conflict over competing political and economic systems was the main source of insecurity in Europe. During that time, both the OSCE and UNECE played constructive roles in building bridges across a bipolar Europe – the continent that for decades was characterized by the threat of inter-state conflict. Since the 1970s, the OSCE (and the CSCE) was involved in early warning, conflict prevention and crisis management in Europe. The UNECE played an important role in the field of economic development and cooperation through its work, among others, in the areas of the environment and transport.¹

With the fall of the Berlin Wall, the importance of the tasks of the two organizations has not diminished and, at the same time, both organizations have proven that they can adapt to changing circumstances. The UNECE was one of the first organizations that focused its work on issues related to “transition from central planning to market” while the OSCE became a full-fledged comprehensive security organization.

More specifically, the OSCE was at the forefront of political and economic changes sweeping Europe in the late 1980s and early 1990s. Under the auspices of the OSCE (and with active participation of the UNECE), the Document of the Bonn Conference on Economic Cooperation (“the Bonn Document”) was drafted in 1990. It happened at a critically important moment of turmoil and change in Europe when many states were embarking on a determined process of political and economic reform while in others the determination to reform was still in the balance.

Arguably, the Bonn Document was largely a political statement designed to facilitate and enhance economic cooperation among the states in rapidly changing Europe. The title itself and its stated aim: “to provide new impulses for economic relations between participating States, in particular by improving business conditions for commercial exchanges and industrial cooperation” strongly suggest the focus on economic cooperation in uncertain times. While the Document noted “the importance of the political and economic reforms taking place” and “considers that the process of economic reform and structural adjustment, with increased reliance on market forces, will enhance economic performance”, it did not provide an economic blueprint for transition. Nevertheless, by encouraging countries to
adhere to democracy and free markets, the Bonn Document took the first tentative and original step towards healing the divide between East and West.

**The OSCE Strategy Document for the Economic and Environmental Dimension of 2003:** While the Bonn Document has played a constructive role in reducing the mistrust and unfavourable legacies of the Cold War as well as by aiming to increase economic cooperation in Europe, the threat of inter-state conflict does not appear to be a pressing security issue in 2004. Moreover, pan-European economic cooperation currently is not as urgent nor does it represent as much of a challenge as in 1990. Finally, political and economic transition in many formerly centrally planned economies are largely over and many of the countries appear to be on the irreversible path towards democracy and a market economy.

As a result of many shortcomings of the Bonn Document – mostly related to its relevance - in 2003, after a year of consultations among the OSCE participating states, a new OSCE strategy emerged. In December 2003 in Maastricht, the Ministerial Council adopted the OSCE Strategy for the Economic and Environmental Dimension. The Strategy is a blueprint for action for the security organization in the economic and environmental area. It attempts to identify the emerging threats and challenges to security as well as it provides a “response and action” section, which lists activities in the areas such as trade, finance, energy, transport, governance and the environment that aim to reduce threats to security.

In general, the Strategy Document went further than the Bonn Document by reflecting geopolitical changes in Europe and changes in prevailing views on the causes of conflict. By 2003, the relatively greater focus on intra-state conflict caused a shift in the attention of policy makers to the issues of good governance and effective institutions. That is why corruption and poor governance are singled out in the Strategy Document as factors that deprive participating states of the capacity to address challenges and threats to security and stability.²

The 2003 Strategy assigns a privileged role to an economic organization – UNECE – and identifies it as the key partner in its implementation. There are a number of reasons why

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¹ After WWII, the UNECE’s original mandate was to assist with the reconstruction, economic development and strengthening of economic relations, but the breakdown in international relations within Europe made this difficult.

² Global threats such as terrorism, violent extremism, transnational organized crime, money laundering, trafficking and illegal migration are also briefly noted. However, truly innovative international strategies are needed to address those threats. See, for example, M. Naim, “Five wars we’re losing. Why governments can’t stop the illegal trade in drugs, arms, ideas, people and money”, *Foreign Policy*, January/February 2003, pp.29-37.
UNECE is perceived as the natural partner for cooperation. First, the UNECE and OSCE share the same membership. Second, they provide the same neutral forum to resolve potential conflicts among members. Third, because of the nature of UNECE’s work, the organization has a network of experts drawn from both the public and private sectors. Finally, the UNECE’s conventions, norms and standards provide a unique framework that is of great use to the OSCE. The environmental conventions, for example, incorporate mechanisms for resolving disputes and are thus excellent instruments for serving the OSCE.  

The respective areas of expertise of both organizations could therefore be regarded as complementary. The OSCE provides a political platform and a network of field offices while the UNECE has effective secretariat capacity, expertise in economic analysis and its norms, standards and conventions. This joint “security-economic development” nexus clearly offers potential advantages with respect to addressing root causes of conflict.

**Peace building:**

In working towards the implementation of the OSCE Strategy of 2003– in particular any work in the area of early warning - there is an essential need to articulate a cogent framework. At the heart of the design of the OSCE Strategy was the insistence that any new OSCE strategy must be relevant to the current security threats in Europe. It is therefore important to ask: what are the security threats facing Europe in 2004?

One of the most remarkable aspects of the post-cold war world is that wars within states vastly outnumber wars between states: in fact, they are almost always intra-state. These violent conflicts are also more frequent, longer-lasting in many respects and often take the form of intermittent warfare. Intra-state wars are being fought with conventional weapons and with strategies of ethnic annihilation and population expulsions. Contemporary conflicts are not traditional battlefields - they affect mostly civilians who make up about 90 per cent of the victims, including displaced persons. Using strategies and tactics that deliberately target women, children and the elderly, violence by civilian towards civilians is widespread.

A number of factors may create conditions that prompt this type of warfare: political and economic legacies of the Cold War, illegitimate governmental institutions, problematic

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3 The UNECE Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters (Aarhus Convention) is a particular example since it provides a framework for good governance, public participation in environmental decision-making in many states.
regional relationships, poorly managed religious, cultural or ethnic differences and systematic
economic deprivation. Other factors that heighten the likelihood of intra-state violence
include despotic leaders, corrupt or collapsed regimes and sudden economic or political shifts.

A typical European conflict-prone area is characterized by an economic decline or stagnation
often accompanied by official corruption and poor governance. Economic decline facilitates
the process of national disintegration. Violent conflicts, in turn, constrain development efforts
and divert scarce financial and physical resources. Not only is this vicious circle difficult to
break but history suggests that the possibility of violent intra-state conflicts is unlikely to
decrease on its own. The main reasons for this is that a decline (or extremely low level) in
individual living standards and the erosion of good governance (or its non-existence) with
which civil conflict are so closely linked cannot be quickly reversed (or established). From
the peace and security perspective, however, an enduring reversal of this undesirable situation
is highly needed. How can international organizations contribute?

International organizations should emphasize peace building. In other words, they must
contribute to a long-term strategy that focuses on addressing the underlying (root) causes of
conflict. Peace building encourages equitable economic development, facilitates good
governance and enhances human rights. Undoubtedly, policies and initiatives that enhance
economic development and distributional equity, and those policies that encourage the rule of
law, protect fundamental human rights and foster the growth of democratic institutions are
also security policies. In general, resolving root causes should be thought of as not simply
avoiding some undesirable circumstances but rather as the active nurturing of conditions that
preclude violence. This would include work on the promotion and the establishment of
stable, democratic regimes, championing the rule of law, promotion of accountable and
transparent governance, creation and maintenance of a vibrant civil society, promotion of
economic development and development of institutions for non-violent dispute resolution.4

While resolving root causes is mainly the responsibility of governments, many international
organizations have already taken a keen interest in assisting governments through financial
aid or by making their expertise available. As noted previously, the OSCE has been
contributing to peace in Europe for over two decades. Apart from the valuable work of many

4 It is worthwhile to point out a reference to the commitment of UNECE governments to strengthen their
“support to countries in transition in their efforts to promote economic growth, eradicate poverty and resolve
environmental problems, and thus contribute to the reduction of structural causes of violent conflicts.” Statement
of the 2001 Regional (UNECE) Ministerial Meeting for the World Summit on Sustainable Development
(ECE/AC.22/2001/2, para.43).
OSCE institutions, the OSCE Economic and Environmental Dimension has been organizing international seminars devoted to, among others, democracy, economic development, good governance and the rule of law. Similarly, its field offices have spent considerable resources on grass roots education and capacity building.

Overall, however, it can be argued that through sharpened focus on peace building more effective results are attainable. More specifically, while it is valuable to hold conferences on the theme of, say, governance, it is more valuable – not only from the conflict prevention perspective – to identify and analyze national risks for potential conflict, be they governance or other factors with a view to minimizing them. This increased focus would also be consistent with the past work of the OSCE and would further “promote stability and [help to] respond to threats and challenges to security caused by economic and environmental factors.”

In the context of the Bonn Document and the OSCE Strategy of 2003, greater and more systematic focus on peace building activities can only enhance the role of the OSCE Economic and Environmental Dimension.

“Conflict prevention reviews” – a proposal:

The OSCE Strategy of 2003 places implicit emphasis on peace building activities. These activities aim at reducing the likelihood that conflicts will turn violent and they could be addressed within the context of economic development. One way of expanding the current approach used by the OSCE Economic and Environmental Dimension to peace building – while simultaneously implementing the Strategy - would be to combine security and economic development by introducing national, voluntary conflict prevention reviews. This initiative would be based on an existing well developed analytical framework that aims at identifying potential sources of violent conflicts. Relatively modest additional resources would be required as the proposed process would be built upon the available work of other national and international organizations as well as actively involve civil society and the business community.

Annual country reviews (in various forms) are a common feature in many international organizations. The process of “country reviews” has been well established; it is utilized by many countries and actively supported by donors and national governments (financially or otherwise). For example, ECE’s Environmental Performance Reviews have been conducted for no fewer than 20 former centrally-planned economies. In six countries, the reviews have
been done/followed-up more than once. (See Appendix 1 and www.unece.org for more
details.) Other well known reviews include OECD Economic Surveys, OECD Environmental
Reviews and WTO Trade Policy Reviews, all of which have had relatively long histories.

The proposed conflict prevention reviews would be based on risk assessments. Risk
assessments identify the background and conditions that establish the risk for potential
conflict. (They are not forecasts or predictions in the sense of “early warning” which are
interpretations that the outbreak of conflict is imminent.) Risk assessments diagnose the
situation by providing structural data and analysis of both conflict and peace generating
factors. They help highlight potential areas of concern and subsequently guide the
development of a forward-looking strategy that addresses potential sources of conflict. These
conflict analysis frameworks are not difficult to develop. More importantly, they are (or may
be) readily available from institutions or organizations compiling them. (See a detailed
template in Appendix 2).

Depending on interest, availability of resources and the needs of a specific country, risk
assessments can be followed by a variety of activities. For example, this might include a
further analysis of existing information, workshops with country/theme specialists, follow-up
studies on specific issues identified in workshops, and country consultation with different
stakeholder groups. Participation by local NGOs and the local business community should be
seen as essential. Local populations are in the best position to assess the importance of
different indicators and understand the agendas and grievances of key stakeholders. NGOs
have a wealth of information regarding the conditions and grievances that can give rise to
potential violence while the business community has a large stake in helping to avert mass
violence.
Environmental Performance Reviews Programme

Summary
As a voluntary exercise, the Environmental Performance Review (EPR) is undertaken only at the request of the country itself. It starts with an agreement on the structure of the report between UNECE and high officials of the candidate country. The assessing team is made up of experts from all over the ECE region, and is flexible to meet the needs of the reviewed country. This team meets with national experts to discuss the problems encountered in the areas of environmental management and integration of environmental considerations in related economic sectors in their country. The team’s final report contains recommendations for further improvement, taking into consideration the country’s progress in the current transition period. Peer review of the report and its recommendations is carried out by the UNECE’s intergovernmental Committee on Environmental Policy.

The structure of the EPR process consists of:
- Preparation
- Mission Review
- Expert Review
- Peer Review
- Publication
- Interim Implementation Reports

Preparation
The process begins when a country requests UNECE to undertake a review. The decision to proceed with a specific country is taken by the UNECE intergovernmental Committee on Environmental Policy (CEP). Guidance is provided by the ad hoc ECE Expert Group on Environmental Performance (EPR Expert Group).

During a preparatory mission to the country, UNECE consults with the country to be reviewed on the structure of the review. The Secretariat subsequently assembles a review team, which typically includes experts from North America, western Europe, and countries-in-transition as well as expert staff of UNECE, the United Nations Environment Programme and the World Health Organization’s European Centre for Environment and Health.

The Mission Review
Once preparation is completed, the expert team travels to the country under review and meets with representatives of the government at national and local levels, non-governmental organizations and the private sector. The focus of discussion is on the evaluation of environmental performance. Participation of reviewing country experts in the teams themselves also brings invaluable experience.

At the end of the Review Mission, the international team prepares a series of chapters that are edited and compiled into a draft Environmental Performance Review report. Chapters contain both descriptive text and a series of recommendations on ways to improve problem areas.

The final draft is submitted to the Ad Hoc Expert Group on Environmental Performance.

The Expert Review
The second review is the Expert Review, carried out by the Ad hoc Expert Group on Environmental Performance. Unlike the teams of experts assembled for the Mission Review, the members of the Expert Group are appointed by the UNECE Committee on Environmental Policy.

During the Expert Review, the members of the Expert Group review the draft Environmental Performance Review report, with particular attention given to conclusions and recommendations. Experts from the review country (national experts) are invited to participate in this meeting and to interact with the Expert Group.

At the end of this Review, the report is amended, as decided by the Expert Group, in consultation with the national experts. This amended Environmental Performance Review report is then forwarded to Governments in the Committee on Environmental Policy.

The Peer Review
The third review is the Peer Review, carried out by the member States in the UNECE Committee on Environmental Policy. It is called a Peer Review because it is a review of one country by other countries, that is, a review among equals. During the Peer Review, countries focus on some of the major policy issues that have arisen during the Environmental Performance Review.

At the conclusion of the Peer Review, the Committee on Environmental Policy adopts the Environmental Performance Review report, with amendments, if any. The report will then be finalized and submitted for publication.

Publication
Publication of the completed report is the last step of the review process. Updated facts and figures are requested from the reviewed country. The Secretariat incorporates these changes, together with possible changes in line with the conclusions of the Committee on Environmental Policy.

The reports are aimed first at decision-makers, but they are also directed to a wider audience (general public, NGOs,
Industry, government at different levels in the country under review and in other interested countries.

Follow-up
The first round of Environmental Performance Reviews has been completed among countries-in-transition. The Programme is now focusing on Second Reviews, which will assess progress since the first Review and assess a limited set of new issues of importance to the country.

In addition, the Committee on Environmental Policy, at its tenth session, requested relevant member States to present voluntary interim reports to the Committee at its annual sessions within three years of the conclusion of their first EPR Reviews, taking into account that, until the reporting schedule can be made current, some countries may report more than three years after their first Review but prior to their second Review.
APPENDIX 2

Based on Risk Assessment Template, Country Indicators for Foreign Policy, The Norman Paterson School of International Affairs, Carleton University, Ottawa, Canada, www.carleton.ca/cifp/.

The indicators included in this risk assessment cross nine interrelated issue areas identified as potential “problem areas”: history of armed conflict, governance and political stability, militarization, population heterogeneity, demographic stress, human development, environmental stress and international linkages. Table below shows a number of indicative concerns within each “issue area” and includes specific indicators that can be used to assess the relative severity of these issues.

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<th>Issue Areas</th>
<th>Indicative Issues of Concern</th>
<th>Leading Indicators</th>
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| History of Armed Conflict           | • Indicates conflictual political culture, with higher risk of parties continuing to resort to violence as a means of airing grievances  
  • Indicates inability of the state to resolve conflicts through institutional channels, and a greater inclination for armed forces to engage in political disputes  
  • Indicates low state capacity to provide basic security, potentially resulting in the loss of popular confidence in state institutions and state legitimacy  
  • Refugees or Internally Displaced Persons produced by past or ongoing violent conflict can have destabilizing effects within affected regions and countries, potentially spiralling into larger problems | • History of Armed Conflict, including Annual Conflict-Related Deaths  
  • Number of Refugees Produced  
  • Number of Refugees Hosted, Internally Displaced Persons (IDPs) or other Populations of Concern                                                                                                                                                                                                                                       |
| Governance and Political Instability| • The lack of representative and accountable political institutions through which to channel grievances can aggravate the risk of outbursts of violent conflict  
  • Transitional states are at higher risk of experiencing abrupt or violent change, as are new or unconsolidated democracies  
  • The denial of civil and political liberties, such as the rights of expression, assembly and association, or the censorship of media, increases the likelihood dissenting views will be expressed through violence  
  • Endemic corruption of political elites can result in the loss of popular confidence in state institutions | • Level of Democracy  
  • Regime Durability (years since regime change)  
  • Restrictions on Civil and Political Rights  
  • Restrictions on Press Freedom  
  • Level of Corruption                                                                                                                                                                                                                                                                  |
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| Militarization    | • Excessive military expenditures can indicate general militarization of the state apparatus and potential for increased military involvement in political affairs  
                   • Excessive military expenditures reduce investment in the social sectors, indicating state priorities focused upon military rather than developmental solutions to potential crises, which can in turn influence state legitimacy  
                   • Fluctuations in military spending can create tensions or resentment within the armed forces  
                   • Shifting military expenditures and arms imports/exports can destabilize regional balance of power | • Military Expenditure  
                   • Military Expenditure (% of GDP)  
                   • Fraction of Regional Military Expenditure  
                   • Total Armed Forces  
                   • Armed Forces per 10,000 persons |
| Population        | • Potential for tensions and cleavages is greater in ethnically or religiously heterogeneous populations  
                   • Issues of governance are further complicated by diverse and often competing group expectations and demands  
                   • The historical loss of group autonomy can serve as a motivation for ethno-political protest and secessionist movements  
                   • Political or economic inequalities along group lines can give rise to communal or separatist mobilization and aggravate the potential for conflict  
                   • Restrictions on specific groups' cultural practices limit opportunities for expression of grievances through non-violent means  
                   • The greater the strength of a group's identity, the greater its potential for mobilization  
                   • External support for communal groups can be a major determinant of the magnitude of ethno-political rebellion | • Ethnic Diversity  
                   • Religious Diversity  
                   • Risk of Ethnic Rebellion  
                   1. Lost Autonomy  
                   2. Economic Discrimination  
                   3. Political Discrimination  
                   4. Cultural Discrimination  
                   5. Strength of Ethnic Identity  
                   7. Support from Kindred Groups |
| Heterogeneity     | • High population density and growth rates can accentuate the risk of conflict by heightening competition for physical and social resources  
                   • Economic conditions can result in migration to urban centres, increasing the burden on municipal services and resulting in worsening scarcity and urban living conditions  
                   • Young, unemployed populations can be political volatile and prone to violence, and may place far less trust in political institutions and patterns of authority | • Total Population  
                   • Population Growth Rate  
                   • Population Density  
                   • Urban Population (% of Total)  
                   • Urban Population Growth Rate  
                   • Youth Bulge |
| Demographic       | • Economic decline (including declining incomes, inflation, exchange rate collapse, and declining levels of foreign investment) affects material living standards, and can aggravate dissatisfaction with government performance, or cause scapegoating of economically privileged minorities  
                   • High debt burdens negatively affect social investments, fuelling popular unrest and other preconditions of conflict  
                   • Low involvement in international trade is associated with higher risk of state failure, given that the conditions that inhibit high levels of international trade and foreign investment | • GDP  
                   • GDP Growth Rate (Annual %)  
                   • GDP Per Capita  
                   • Inflation rates  
                   • Exchange rates  
                   • Foreign Investment  
                   • Debt Service  
                   • Trade Openness (Trade as a % of GDP)  
                   • Inequality Score (GINI Coefficient) |
<p>| Stress            |                                                                                             |                                                                                  |</p>
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|                            | infrastructure) also contribute to the risk of political crises  
| H. D.                       | ■ High levels of economic inequality can contribute to social fragmentation and declining state legitimacy  
|                             | ■ Poor material living standards correlate strongly with higher risk of violent conflict and state failure; poverty is a fundamental cause of civil strife  
|                             | ■ Lack or decline in public services such as health services, education, safe water and sanitation indicate weak state capacity to distribute and allocate vital services that can decrease popular confidence in the state leading to political instability and social unrest  
|                             | ■ Unmet expectations regarding educational opportunities or other opportunities for social advancement increase discontent and the likelihood and severity of civil strife                                                                                                                                                                                                                                                                            | ■ Access to Improved Water Source  
|                             | ■ Access to Sanitation  
|                             | ■ Life Expectancy  
|                             | ■ Infant Mortality Rate  
|                             | ■ Maternal Mortality Rate  
|                             | ■ HIV/AIDS  
|                             | ■ Primary School Enrolment  
|                             | ■ Secondary School Enrolment  
|                             | ■ Children in Labour Force  
| E. S.                       | ■ The degradation and depletion of renewable resources can generate effects such as constrained economic productivity and growth, poverty and migration, which underlie social or political instability  
|                             | ■ Scarities in natural resources can result in increased demand and/or unequal distribution, raising the potential for conflict  
|                             | ■ Environmental factors interact powerfully with demographic shifts such as population growth and density, and scarcity risks sharpening existing disparities between groups or regions                                                                                                                                                                                                                                                                        | ■ Rate of Deforestation  
|                             | ■ People per Sq. km of Arable Land  
|                             | ■ Access to Fresh Water  
| I. L.                       | ■ Countries with fewer diplomatic, political, commercial, trade or cultural linkages with regional organizations and neighbouring states are less likely to profit from constructive engagement with outside actors, in areas such as developmental assistance, mediation, or support in peace processes  
|                             | ■ Participation in international regimes and organizations can help decrease security risks by codifying broad rules and processes by which to resolve disputes peacefully  
|                             | ■ Frequent or intense inter-state political or territorial disputes can undermine regional security  
|                             | ■ Prevalence of armed conflict in neighbouring states can have a destabilizing effect on national stability, through cross-border refugee flows or movement of rebel forces, or through their contribution to regional war economies  
|                             | ■ Prevalence of non-democratic or transitional regimes across the region can impact national security through heightened risk of regional instability                                                                                                                                                                                                                                                                                                                                                       | ■ Participation in Regional and International Organizations, including:  
|                             | 1. Economic Organizations  
|                             | 2. Military/Security Alliances  
|                             | 3. UN Organizations  
|                             | 4. Multipurpose Organizations  
|                             | 5. Miscellaneous Organizations  
|                             | ■ Interstate Disputes, including:  
|                             | 1. Resource and Territorial Disputes  
|                             | 2. Political and Cultural Disputes  
|                             | ■ Prevalence of Armed Conflicts across Region  
|                             | ■ Prevailing Regime Types Across Region  

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