



**UNITED NATIONS
ECONOMIC COMMISSION FOR EUROPE**

**ENHANCING SECURITY IN THE
ECONOMIC AND ENVIRONMENTAL
DIMENSIONS: THE ANALYTICAL
FRAMEWORK**

Analytical Paper

**based on the contribution of the participants at the Villars
Seminar on “New Strategy for Enhancing Security in the
Economic and Environmental Dimensions”, organized by
the UNECE in cooperation with OSCE**

Villars (Switzerland), 7-8 July 2003

Revised 28.07.2003

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Introduction

Since the Bonn declaration of 1990, globalisation, regional economic integration and the transition to the market economy have transformed the economic landscape in Europe. These processes have enhanced stability in the region. Nonetheless, new risks and threats of a more complex and inter-related nature have emerged.

Purpose and scope

This document aims at:

1. Identifying the key threats to security in the economic and environmental dimension.
2. Assisting the OSCE Member States in the preparation of the New Strategy Document: that is the most salient topics for their commitments and the main aspects that will require monitoring.

Organisation of the analysis

Part A analyses the fundamental threats to security in the region, as they have been identified and analysed in the economic literature. Each threat is analysed as follows:

- What is the nature of the threat?
- What actions are needed to remove the threat? While it is not the purpose to present normative proposals in this analysis, it is difficult in some cases to keep the threats and the policies separate; hence the brief discussion here of the actions required to remove threats.
- What are the obstacles, which prevent these actions from being implemented? It is necessary to identify the difficulties in implementing actions if the follow up and implementation is to be successful. Amongst the obstacles, which are rather general in most cases, is the financing of preventive actions and the political awareness and commitment of all the relevant players.

Part B identifies the underlying conditions that alleviate or worsen the security situation, related risks and vulnerabilities. These conditions are directly or indirectly linked to security through a complex web of interrelationships.

In Annex I the question of monitoring and implementation is analysed more in depth, as one on which the new strategy is placing considerable emphasis.

In Annex II a selected annotated bibliography can be found, showing that the analysis is based on the state of the art literature on the topic. The list of references illustrates also the gaps and the outstanding issues, which should become priority concern for the research agenda of the future. In Annex III, a list of sources of indicators and benchmarks is presented, as a building block of the work that policy analysts and statisticians have to do in order to establish and operationalise an effective early warning mechanism for conflict prevention in the economic and environmental dimension.

Definitions

The terms ‘security’, ‘conflict’, and ‘threats’ are used in this paper. It is important that there is a common understanding on how these terms should be used. Work is needed to develop a stronger and agreed common conceptual framework for security policies, their formulation and analysis, including definitions, classifications and standards. This is an important pre-condition for improving data, data quality and policy analysis. However, the purpose of this paper is not to further define these terms (a few basic definitions and references to these are found in the annotated bibliography in Annex II) – but to set out a list of proposals, key factors and priorities for action.

General Policy Guidelines for Enhancing Security in the Economic and Environmental Dimensions

The compilation of a list of threats and the actions required to remove them forms the basis for the elaboration of a general set of principles for promoting security in the economic and environmental dimensions. These principles, as they arise from the ongoing work on the analysis of threats, should be discussed and endorsed at the intergovernmental level. This would help identify commitments and follow up actions as well as building consensus on what represent the most important threats and risks.

Part A: Major Threats in the Socio-Economic and Environmental Dimensions

The threats are categorised under four headings:

- a) Socio-economic issues;
- b) Energy and environmental issues;
- c) The institutional framework;
- d) Globalisation and regional economic cooperation.

a) Socio-Economic Issues

1. Rapid Social Marginalisation and the Increase in those Excluded from the Benefits of Socio-Economic Change

Threat: Many citizens have not benefited from socio-economic change. The gaps between winners and losers have been growing in many countries, creating widespread poverty, extreme inequality and rapid social marginalisation. Social conditions in some countries have also deteriorated quite sharply. Healthcare systems have proved inadequate for the growing poor, and in some countries illiteracy has become commonplace. Threats occur when such gaps have emerged quickly and where there is resentment at the ways in which the political and economic elites have accumulated their new wealth. Growing regional disparities within countries may cause tensions and foster threats of regional conflict.

Action: Policies should ensure a fair sharing of the burden of adjustment across society, the establishment of strong safety nets, along with job creation and

opportunity enhancing schemes. These provisions should be targeted particularly at those areas and regions that have recently experienced war or civil strife and to the most vulnerable social groups. Policies should be developed at three levels: national policies addressing private sector development and enhancing quality and quantity of public services, regional development policies, and international cooperation and assistance through the international community. Also, special provisions for training, education and capacity building should be given high priority, as they represent appropriate responses to the lack of economic, commercial and legal expertise in the countries most at risk.

Obstacles: Those states, which most need social safety nets, often lack the necessary resources to put them in place. States may also be hindered by the lack of a political will to invest those resources or more fairly distribute access to them. Bad governance, including corruption and lack of a professional civil service, can exacerbate the socio-economic gaps and stifle progress. The persistence of “frozen conflicts”, i.e. conflicts that have not been solved, may prevent economic reforms, the proper allocation of resources and effective policies aimed at socio-economic progress.

2. Migration Pressures

Threat: Migration flows beyond a certain level generate tension, both in the countries of origin (in terms of the drain on national savings and human capital) - and in those of destination (in terms of the costs for the social integration of immigrants). When migration pressures escalate, and legal migration is constrained, illegal and irregular migration flourish and interact with trafficking, exploitation, the black market and crime. Both pressures coming from the supply side (poverty, unemployment, discrimination and lack of opportunities) and the demand side (labour market rigidities, the underground economy, lack of “decent work” and innovation) should be addressed. The specific threats posed by migration to transit countries and cross-border spillover should be also carefully considered.

Action: There is a need for a rational, forward looking policy, which better shares the benefits of migration amongst all concerned, and which mitigates the costs for both origin and destination countries. This should be supported by international economic cooperation aimed at alleviating the underlying factors of excessive migratory pressures. Within destination countries, policy measures should include the creation of more effective integration policies for immigrants. Furthermore, policies that address the deficit of human capital skills in both the origin and destination countries should be developed to close off the “markets” for illegal migration and harmful activities such as trafficking.

Obstacles: Xenophobia, fear of migrants and competition over jobs are all-important barriers to a more efficient management of migration. In addition, diasporas can fuel conflicts in countries through the illicit support of, and the supply of weapons to, organisations linked to crime and terrorism.

3. Mismanagement of Benefits from Natural Resources

Threat: Countries, which earn a substantial share of their income from the export of primary commodities, such as oil, gas and minerals, are significantly more at risk from conflict, particularly where their institutions and governance are weak. Tensions may arise where governments fail to use revenues wisely to sustain growth, build capital, diversify the economy and account for the transparent distribution of benefits from natural resources. Regions may find incentive to secede in the poor management of natural resources.

Action: Governments should manage the distribution of benefits from natural resources in a transparent, just and economically wise way. In order to promote a more forward-looking distribution of resources, governments may also consider establishing mechanisms for saving resources for the future (such as a fund). Government policy should use the revenues from natural resources to diversify the economy and upgrade technology and competitiveness within the energy-related, resource-based industries. As states often lack resources themselves and because the private sector can contribute to improve efficiency, there is scope for promoting public-private partnerships that are transparent, economically sound and based on the consideration of public needs.

Obstacles: Existing tensions between groups in society, and tensions between the centre and the region where the resources are situated can become serious barriers to an equitable effective and more transparent management and distribution of resources.

b) Environmental and Energy Issues

4. Environmental Degradation

Threat: The degradation and depletion of environmental resources, both renewable and non-renewable, can upset the ecological system and cause tensions between countries over access to shared resources. Tensions over the management of natural resources may exacerbate conflicts between states and also within states and local communities. The gaps in governance and the lack of participation in environmental decision-making of the society have been identified as major constraints to effectively addressing environmental threats to security.

Actions: Since 1990 many new initiatives, such as legal binding and non-binding instruments, have been developed in the area of environment and environmental monitoring within UNECE and other international organizations. The five major environmental Conventions of UNECE and their numerous Protocols, the Environmental Performance Review Program, and the Environment Water and Security Initiative for Central Asia constitute an important framework for environmental protection and cooperation in the region, which has strong implications for stability and security. The UNECE, in cooperation with OSCE, UNEP and all other relevant organizations and in the framework of the main environmental policy dialogue processes, agreements and Conventions, has provided and can provide for the future, mechanisms to promote conflict prevention analysis and settlement of disputes over trans-boundary environmental issues.

However, an effective mechanism to monitor implementation of, and compliance with, environmental standards, best practice and the existing legal instruments for the purpose of conflict prevention and early warning is lacking. In the most vulnerable countries and situations many of the relevant standards/commitments/requirements under the environmental Conventions or in relation to best practices and guidelines are neither monitored nor fully implemented. Through mainstreaming conflict prevention and early warning into the existing mechanisms for environmental policy dialogue and review, implementation can be made more effective and targeted to addressing security risks. Such mechanisms should be carried out through cooperation between OSCE and UNECE, drawing on existing technical expertise and the capacity to offer an integrated approach, and linking more systematically security and environmental inter-governmental processes in the region. In practice, this could mean establishing informal and formal reporting systems, strengthening the OSCE involvement in Environmental Performance Reviews, namely when and where they relate to pressing security issues, promoting joint OSCE/UNECE sessions of intergovernmental bodies, drawing on or adjusting the activities of the UNECE Environmental Policy Committee and its Working Groups, creating ad-hoc sub-committees or informal groups targeted at specific tasks, etc. Furthermore, the OSCE in cooperation with UNECE should closely coordinate its activities in the environmental dimension of security with the Environment for Europe process. In addition, it is important that OSCE strengthens the support for the adoption of environmental standards, the dissemination of best practices and the implementation of the environmental Conventions.

Cooperation with different stakeholders from the non-governmental sector should also be strengthened at local national and international level. The decision making process does not always take into account the views and contributions of different stakeholders and groups in society, which feeds tensions and social conflict. Cooperation between UNECE and OSCE should enable a wide and active involvement of business and civil society organizations in the environmental dimension of security.

Obstacles: Lack of experience, resources and institutional capacity, particularly to implement effective management procedures is a barrier. Failures to ratify and/or enforce the International Conventions, standards and policy guidelines in this field are another important obstacle. A lack of effective strategies for diversification and integration of environmental concerns into other policy areas, such as health, transport, trade, etc. further contributes to tension.

5. Energy Insecurity

Threat: The medium to long-term outlook for the provision of reliable and affordable energy resources is a continuing challenge to European stability, security and sustainable development.

Actions: The formulation of an agreed energy security strategy should become a priority concern at the national, regional, and pan-European level. Security of supply should be matched by security of demand through comprehensive arrangements designed to accommodate the specific interests of the producing, consuming, and

transit countries, while also promoting higher standards of energy use and efficiency and encouraging the development of new and renewable sources of energy. Environmental considerations should also become a component part of that strategic design.

Obstacles: Competition for and potential scarcity of natural resources present barriers to energy security. Lack of financial resources and good planning for long-term energy sector development is another concern.

c) The Institutional Framework

6. Weak Institutional Capacity

Threat: Weak or authoritarian states are prone to violent conflicts because institutions and governance are essential conditions for managing conflict and competition in a working market economy and functioning democracy. When regulatory policy and judicial infrastructures do not function, violence becomes the predominant means to express grievance and secure control over wealth and key economic goods. There is a risk that weak states become 'failed' states, where powerful groups use state authority and power to serve their own economic interests. Conflict and insecurity further weakens the economy and institutional capacity, creating a vicious cycle of impoverishment and instability.

Action: Good governance delivers both prosperity and security. Peace, good international relations, the security and stability of the state and the security and safety of the individual within the state are essential for the creation of a climate of confidence, without which a market economy will not flourish. Other essentials for security in the economic and environmental dimensions are: respect for the rule of law, the right framework of economic policies, institutions and legislation, and access to basic services such as water, health, education, social protection, transport infrastructure, as well as a properly managed environment. Investment in institutional capacity promotes a “virtuous circle” of growing economic performance and security.

Obstacles: Lack of economic skills and expertise in public administrations, the lack of an entrepreneurial and well-educated middle class can be major barriers to the development of effective institutions.

7. Crime and Corruption

Threat: Where governance is weak and not sufficiently democratic, criminal groups may be able to subvert public bodies, infiltrate essential organs of the state and ‘capture’ public institutions. The flow of funds from criminal activities (money laundering, drugs, arms, etc.) can undermine the legitimate economy. Illegal or black economy markets can fuel insurgencies, while the concept of the rule of law and public trust in institutions are undermined by criminality.

Action: The corruption of political elites and public administrations and the exercise of public power for private gain must be effectively prevented, in order to avoid it undermining confidence in public institutions. Prevention requires full accountability of public decision-making budgets and expenditures, effective systems of auditing and

control, simplification of procedures and regulation, and democratic mechanisms for electing and changing people's representatives in public institutions. Focus on combating terrorism, organised crime, the 'black' economy, money laundering, trafficking in small arms, drugs and human beings, cyber-crime, economic and financial crime, corporate governance abuses, etc., is needed. The public and private sectors need to work together to prevent, monitor and repress crime and corruption. In addition, governments should encourage civil society and the business sector to play a positive role in building a culture of security through fighting corruption and promoting public trust in institutions.

Obstacles: The weak enforcement and/or the absence of the necessary legal and/or regulatory provisions for fighting economic crime and corruption are barriers. The law in some countries does not allow the impounding of the assets of illegal gains from criminal pursuits. Human rights concerns should be carefully considered when proposals and programmes are carried out to pursue organised crime robustly.

8. Over-Centralised Economic Policy-Making

Threat: Excessive centralised control of resources, power and revenues can be a major source of violent conflicts involving local communities, networks and ethnic groups. Local authorities can fuel the flames of interethnic divisions and obstruct the development of projects designed to share revenues and build common infrastructures.

Actions: Decentralisation can help to promote consensus-building, participation to decision-making and increased accountability. It lowers the fear of marginalization that minorities and local groups may possess. It facilitates revenue sharing schemes between the central authority and the locality, and respect for diversity and minority rights.

Obstacles: Obstacles to decentralisation include the lack of a national consensus and solidarity and the persistence of divisive social cultural or ethnic tensions.

9. Lack of National Security Strategies

Threat: The lack of an integrated national security strategy can undermine efforts at meeting the new security challenges, such as from international terrorism. Security concerns are not sufficiently taken into consideration and integrated into policy across different government departments. Sometimes, one policy measure independently executed by one department may be inconsistent with security concerns and can therefore undermine national security efforts. Ineffective security services may also encourage the privatisation of security and undermine the role of the state in enforcing the rule of law.

Action: Governments should aim at developing integrated, coherent national security strategies including a "*national strategy for the economic dimension of security*". Such a "strategy" should bring together the relevant government departments in social policy, transport, fiscal policy, labour, energy, and trade, foreign affairs, and defence and development assistance. All these departments should be involved in elaborating an integrated strategy, with a view to creating a broad and shared

“security culture” among all the relevant players, and in the public at large. Security should be mainstreamed across all the relevant policy domains at the national and local level.

Obstacles: One of the key obstacles to developing an integrated security strategy is the existence of barriers between those groups, which have been involved traditionally in security matters (military, police, etc.), and other groups such as citizens’ associations, business and civil society generally. In addition, institutional capacity for developing such comprehensive security strategies is often lacking precisely where it is most needed, i.e. in countries coming out of conflict that may be lagging behind in development or suffering from acute governance shortcomings.

d) Globalization and Regional Economic Cooperation

10. External Shocks

Threat: Globalization impacts states in a variety of ways, resulting in many benefits but also many risks. It may increase the unpredictability of threats and change the nature of those threats. Liberalisation of financial flows, for instance, has made some states vulnerable to extreme financial turbulence, which can in turn destabilize societies by unequally impacting certain population groups and widening existing gaps. The removal of many barriers to communication and trade and the resulting greater global mobility of all types of goods, capital, enterprises, technology, labour, knowledge, information and know how has made national markets more exposed to shifts in global demand, market expectations and currency or commodity fluctuations - particularly for non-diversified economies. The increase in movements of people has also increased the speed at which epidemics can spread and made it more difficult for governments to control their effects. Terrorism, too, has become a global threat strengthened by global networks of technology, support and connivance. Globalization of itself should be considered a positive factor in conflict reduction. However the uneven or asymmetric implementation of global trade and financial regimes could be a contributing factor to instability, particularly where it impacts one particular social/ethnic/religious group over another.

Action: International cooperation is necessary to tackle the problems of globalization. Equally, it is important for national governments to develop their own capacity to address the threat of external shocks. The UNECE/OSCE are in a good position to work with national governments to build adequate domestic institutional capacity to maximize the potential benefits of globalization and to minimize its negative and destabilizing aspects. This includes development of financial instruments and architecture providing economic and financial stability and capacity to adjust to uncertainty and market fluctuations; increased ability of national governments to provide social protection schemes and effective domestic stabilisation policies; increased crisis management capacity to deal with epidemics and trans-border crises (refugees, massive migration flows, natural disasters), and in particular with the economic and social effects of international terrorist events. OSCE in cooperation with other relevant international organizations can be instrumental in assisting national governments to develop response mechanisms to deal with external shocks and unpredictable threats, such as the establishment and dissemination of best practices or guidelines at the national level and the development of international

coordination mechanisms. More assistance should be provided to help countries, particularly the most vulnerable ones, deal with external shocks.

Obstacles: Global markets exceed the ambit of control of national legislators and regulators, and therefore pose considerable challenges to economic governance. For example, financial markets tend to be increasingly global but financial regulation and supervision are mainly national. In the same way, national governments are strained to mitigate the social costs of enterprise restructuring from global competition.

11. Gaps in Regional Economic Integration and Good Neighbourhood Policies

Threat: An open and inclusive process of regional economic integration can be an essential condition for stability and security, and an example of how the gains from globalization can be turned into factors for peace security and development for all in the region. However, historically motivated reluctance to join regional groupings, narrow-minded nationalism and inward looking policies can undermine regional cooperation and the development of integrated regional markets. The failure to address “frozen conflicts” and outstanding political disputes can act as inhibiting factors to a constructive approach to regional problems, such as access to water or combating organized crime and terrorism. Regional tensions can grow into security issues and become major obstacles to regional integration.

Actions: Enhanced security can be obtained by improving communications and trade both within and between various regional arrangements and by adopting a transparent system of rules and dispute settlement mechanisms. The countries of the CIS can enhance security by improving trade within and outside their region. In southeast Europe, mainly as a result of the support of the international community, significant advances have been made. However, trade barriers between states need to be further removed and the nascent network of trade arrangements fostered, thus opening the prospect of a common European economic space. EU enlargement, the promotion of open trade with EU neighbours, and the commitment to remove non-tariff barriers and other obstacles to trade and investment can be of benefit to the stability and security of all countries in the region. Where necessary, special measures should be considered to assist countries in their regional integration efforts with particular emphasis on those groupings (e.g. Black Sea Area, Southern Caucasus, Central Asia) for which an organic relationship with the EU has not yet been devised. The utility of a regional strategic framework for security in the economic dimension has to be acknowledged as a useful external anchor for reforms and in defining a common regional goal of shared prosperity. Where possible, the UN/ECE in conjunction with the OSCE and other appropriate forums should promote the establishment and definition of such frameworks. In all cases, regional ownership of integration processes is of vital importance.

Obstacles: Obstacles to regional economic integration consist in the constraints imposed by different international commitments and the reluctance of some states to share power at regional level over matters of cross border importance. Economic interests lobbying governments for protection also hamper economic integration. It is recognized that in areas where regional integration is hampered by the persistence of frozen conflicts, careful examination must be undertaken to determine whether regional integration may be strengthened as a conflict resolution tool, or whether the

conflicts themselves must be tackled as a pre-requisite for regional integration. Consideration should also be given to imbalances in inter-regional trade.

Part B: Underlying Socio-Economic Conditions that Exacerbate Civil Strife and May Lead to Conflict

1. Denial of Fundamental Social Economic and Environmental Rights

Socio-economic, cultural and environmental rights should be promoted. In particular, there should be no discrimination on the basis of gender, ethnicity, religion, etc. Access to information and public services, especially in the areas of education, health, and social safety nets, should be made available for all in society. Special emphasis should be placed on assuring women full participation in economic, financial, and social life, including access to education/training and healthcare. Economic and social freedoms are as important as civil and political freedoms. The denial of rights and liberties, such as the rights of expression, assembly and association, or the censorship of media, and the denial of economic opportunities to minorities increases the likelihood that dissenting views will be expressed through violence. Democratic systems provide mechanisms for the pacific resolution of conflicts. States, lacking such systems – stifling the full participation of its citizens and of civil society, depriving decision makers (public and private) from having access to information or preventing groups having their voices heard on economic decisions affecting their livelihoods – are relatively unstable.

2. Unsound Macro-economic and Stabilisation Policies

Governments should promote sound macro-economic policies. Such policies should aim at raising incomes, keeping inflation under control, ensuring financial stability and increasing levels of national and foreign investment. These policies lead to increasing living standards, and contribute to social and political stability. High debt burdens may negatively affect private and public investment, and fuel popular resentment unrest and other tensions.

3. Fragmented Civil Society and Gaps in Social Dialogue

Population heterogeneity is normally an asset. But it is important to focus on: defusing tensions that arise from ethnically or religiously heterogeneous populations; managing competing group expectations and demands; checking political or economic inequalities along group lines that can give rise to communal or separatist mobilization and aggravate the potential for conflict; promoting specific groups' cultural practices, giving free flow to opportunities for expression of grievances through non-violent means; monitoring links of external support (e.g. by diasporas) for local groups, which can be a major determinant of the magnitude of ethno-political conflict; etc.

4. Poverty and Extreme Inequality

Poor nations tend to be more prone to conflicts. In low-income countries conflicts tend to last longer because the belligerents have less of a stake in the status quo and governments tend to be weak. Poor material living standards correlate strongly with higher risk of violent conflict and state failure; widespread poverty is a fundamental cause of civil strife. Countries characterised by extreme inequalities of incomes and/or wealth and rapid social marginalisation have a relatively higher propensity to conflict because of a higher proportion of dissatisfied people. Policies enhancing social cohesion can help to (re) build the sense of community and reduce security risks.

5. Lack of Infrastructures

Transport, telecommunications, energy and other basic infrastructure are preconditions for economic recovery and regional integration. Trade facilitation measures and e-business standards also contribute to the improvement of economic conditions and the strengthening of international relations, with positive repercussions on security.

6. Barriers to Entrepreneurship and Enterprise Development

Free access to economic activities enables the full participation of the population in economic life, which is especially important in regions suffering from “frozen conflict” or economic decline in post-conflict situations. Access to entrepreneurship and firm formation provide a channel for innovation and competition that stimulates economic opportunities and diffuse social tensions. A network of effective small and medium enterprises is useful in disseminating the market economy culture, consolidating economic freedoms, creating jobs and thus contributing to stability and conflict prevention.



**UNITED NATIONS
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Annex I

Implementing the New Strategy: The Challenges Ahead

**Villars Seminar, 7-8 July, 2003,
New Strategy for Enhancing Security in the Economic
and Environmental Dimensions**

Organized by the UNECE in cooperation with OSCE

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Introduction

The OSCE participating states have agreed to strengthen their work in the economic and environmental dimensions of security by *inter alia* making the implementation of their new commitments in governance more effective, and by building a stronger capacity for monitoring and early warning and for promoting partnership among all the relevant stakeholders (international organizations, governments, business NGOs. etc.).

Among the benefits this emphasis on implementation can bring to the region are the following:

- New capacity for conflict prevention in the economic and environmental dimensions;
- Greater involvement in security enhancement by NGOs, private sector, development agencies, the international institutions, research organisations and universities;
- Projects and partnerships targeted at improving the socio-economic conditions for security in specific regions and sectors.

This paper examines how this can be achieved by proposing some new ideas and some options.

1. Ways to improve the implementation of commitments

It is widely recognized that there have been difficulties and obstacles to the implementation of OSCE commitments in the past. Accordingly, implementation is critical and the focus on implementation is a defining feature of the New OSCE Strategy Document.

Some basic principles for strengthening implementation

First, in addressing security issues it is important to adopt an integrated approach, taking account of the various political, social as well as economic and environmental factors, which contribute to the raising of tensions. Security should take into account the concept of human security, and the efforts required to strengthen the security of citizens. Second, the implementation of the commitments should be forward looking rather than a set of minimum requirements, identifying targets for progress which participating states should work together to achieve. Thirdly, there is a need to promote the conditions for prevention of conflicts, adopting the concept of structural prevention in the setting of policies and prescriptions. Finally, the implementation of commitments should involve civil society and the business community, reflecting the fact that security no longer involves exclusively states. Given these principles how can the implementation of commitments be made more effective?

New tools

There is a need to develop indicators, benchmarks and other tools that can be used for proactive evaluations and assessments. This latter task will involve monitoring, benchmarking and identification of risk factors. A number of organizations have developed tools for assessing and analyzing risk. Indicators can be helpful in measuring the degree of risk and providing information to governments on the necessary interventions for prevention.

Improving the process

Annual OSCE Economic Forums have been, and will continue to be, the flagships for the work of the OSCE economic and environmental dimensions. There need to be more continuity by strengthening work and promoting inter-sessional meetings between one Forum and the next. This will help to overcome the impression that the follow-up to Forums is not as effective as it could be. The reviews of the commitments of states should be supported by detailed studies, which determine the extent to which states have adhered to their commitments, using indicators that accurately measure, to the extent that this is feasible, the performance of states. There need to be new strategies to involve all relevant players, including business and civil society such as, for example, an “Economic Security Compact for Good Governance”¹ which would involve the private sector in the fight against illegal trade, i.e. against trafficking in arms, drugs and human beings.² Finally, the format of the reviews could be changed, by using these sessions more as a platform to give incentives to states and other partners on how they are implementing the commitments. This could give tangible recognition for successful projects, which generate real social and economic change that enhances security and governance.

2. Some options regarding monitoring and early warning for conflict prevention

Since the Bonn document, there has been a growing interest in preventive structural interventions. There are several definitions of ‘early warning’, inter alia:

- “process of monitoring, recording, analysing and transmitting information about escalating conflict to enable responses to avert or mitigate destructive consequences” (Diller 1997)
- “Judging the probability that certain events lead to violence of other crises. This requires reliable information on a range of possible common events – border crises, disintegrating regimes, civil wars, genocide, human rights abuses, refugee flows, - and estimating where these are most likely to emerge” (Lund `1997)
- “The process of collecting and analysing information for the purpose of identifying and recommending strategic options for preventive measures prior to the outbreak of violent conflict” (UN Staff Training College on Early Warning and Conflict Prevention. Course Definition, 2000)

Several scholars and national or international research centres or organisations are now involved in developing different types of early warning tools:

- i. Internal (intra-states) conflict escalation (PIOOM)³
- ii. Genocide/politicide/democide (Fein/Harff/Rummel)
- iii. Refugee flows (across state borders) (UNHCR)⁴
- iv. Internal displacement of persons (within borders of a state) (GEWS)⁵
- v. Complex humanitarian crises (HEWS)⁶
- vi. State failure (CIA)⁷

¹ The nearest to such a concept is the Investment Compact for the Stability Pact which has improved conditions for FDI in the region

² Conflict Prevention: the untapped potential of the business sector, Andreas Wenger & Daniel Mockli, Boulder , London 2003

³ PIOOM: Programma Interdisciplinair onderzoek naar Oorzakervan Mensenrechtenschendingen

⁴ UNHCR: United Nations High Commission for Refugees

⁵ GEW: Global Early Warning Mechanism

⁶ HEWS: Humanitarian Early Warning Mechanism

- vii. Minorities at risks (University of Maryland/Gurr)
- viii. Famine (GEWS)

There are two major problems with indicators and early warning tools as mentioned above. There may be first in general the lack of an integrated approach to early warning, with an over emphasis on specific narrow areas; and secondly there is an overall absence and lack of focus of indicators and monitoring in the economic and environmental dimension.

Accordingly, more integrated approaches, which highlight economic and environmental factors can be considered. Two basic options can be presented in that context:

First, an option that develops quantitative indicators and stockhastic modeling. This would be using regression analysis and econometric tools, and such like. There are also different early warning methodologies using this approach:

- Indicator monitoring: established trends based on statistical indicators and multivariate techniques, which are deemed to assess and to measure (de-) escalation. The method assumes that there are no discontinuities;
- Model based forecasting: if a set of statistical variables is based on a theory of social change, or conflict evolution, and-or is enriched by quantative and qualitative evidence, field monitoring based data, the prognosis would be better developed and more sophisticated. A formalised procedure of gathering data and processing indicators that is based on cause-effect relationships can provide model-based forecasting.

There are however a number of drawbacks in this approach. The number of key indicators may be too many. It is rather technical and rigid. It would take a long time to build. It is top down with technicians running the process. Finally and critically it may not be feasible to link particular economic circumstances to specific security risks. Given the unreliability of economic forecasting it may indeed be reckless to suggest to link mechanically economic forecasts to social and political outcomes.

The second is a purely qualitative approach. Here the idea is to promote early warning as a form of policy dialogue between states on economic and other factors related the security. The aim is to work round their problems in order to build confidence, assess the threats that can emerge and deal with them before they become serious. The drawback of this option is that it makes it difficult to measure impact and to track progress

These different options - quantitative and qualitative - have both pros and cons. In practice, it would be useful to focus on some form of synthesis, which can remove some of the respective weaknesses within each option.

3. Some proposals for evaluation, monitoring and proactive policies for security enhancement

⁷ CIA: Central Intelligence Agency

A. Analytical framework in Part I of the New Strategy Document

The Analytical part of the New Strategy Document should identify the key threats to security in the economic and environmental dimension (see Analytical Paper). This provides a basis for the compiling of some relevant indicators and other monitoring tools.

B. Indicators – some examples

In relation to the threats mentioned in Part A of the Analytical Paper, it is possible to identify some possible examples of indicators that can address the risks arising from say, governance gaps. These would be for example:

- The strength of civil society;
- Private sector development and small and medium enterprises, especially the spread of private sector within the territory and its distribution according to specific groups;
- Labour migration;
- Income changes between different ethnic groups and income distribution indicators especially sharp income changes that lead to widening gaps;
- Degree of participation of states in international activities,
- The adoption of international norms and standards in relevant security enhancing activities, e.g. ECE conventions on water, etc.

Another example can be taken in the area of conflict and poor governance. Researchers working on the US State failure project have identified the following indicators as being particularly relevant in the identification of states that may be in danger:

- i. Demographic pressures: high infant mortality, rapid change in population, including massive refugees movements, high population density, youth unemployment, insufficient food or access to safe water; ethnic groups sharing land, territory (i.e. groups' attachment to land), environment (i.e. the relationship between ethnic groups and their physical settings);
- ii. Lack of democratic practices; criminalisation or delegitimisation of the state, or human rights violations;
- iii. Regimes of short duration;
- iv. Deterioration or elimination of public services;
- v. Sharp and severe economic distress: uneven economic development along ethnic lines and a lack of trade openness;
- vi. Legacy of vengeance –seeking group grievance;
- vii. Massive chronic or sustained human flight.

All seem to be relevant indices that could provide some warning signals of early tensions. However more work is needed to build the indicators to match the classification of threats identified above and clarify the linkages between the threats with the underlying conditions.

A word of caution is in order. These indicators are not magic tools for predicting problems or outcomes. There is a need to invest in institutional capacity for conflict prevention. There are difficulties over establishing the direction of causality: does economic breakdown cause a failure in the democratic process or is it the other way around? Economic breakdown can sometimes increase social solidarity provided the leadership has the full support of its citizens. Nevertheless, notwithstanding these provisos, indicators do have the potential for providing a framework for monitoring that can assist in identifying risks and early warning. It is not surprising therefore that

there has been recently an increasing interest in working on indicators. A first attempt at providing a structured list of sources of indicators is presented in Annex III.

C. Stock taking and partnerships

There are already many bodies developing indicators and monitoring in several areas. In the case of conflict prevention and good governance there is a large literature, an impressive depth of analysis and a number of national governments; peace bodies, NGOs, academic institutions which are compiling data on ranges of indicators. These indicators are being compiled for national security proposals, for academic research, publications and increasingly for conflicts prevention, such as recent “virtual reality training courses” which help policy makers identify a strategy for preventing conflicts. A compilation by UNDP reveals around 200 agencies worldwide involved in governance and conflict prevention. In addition, many new agencies are formed to address a new aspect or a new threat reflecting the fact that conflict prevention is an ever-expanding field of research.

It would be helpful to identify two or three main bodies in this field (e.g., EBRD, World Bank, Council of Europe and a few other institutions) and work with them to obtain an overview of the various agencies involved who could participate in the collective task of monitoring specific risk factors.

D. Evaluating, assessing and reporting

Looking at the outcome of this work, the key benefits of identifying key indicators are the following:

- i. The improvement and professionalism of the monitoring of OSCE commitments;
- ii. The availability of indicators which national governments can use for their own purposes as part of their effort for developing an integrated national security strategy;
- iii. Creating a division of labour through which the task of following specific areas are assigned to the relevant competent body.
- iv. Once risks factors have been identified, it will be possible to bring in civil society and business and explore with them how they can concretely cooperate to reduce specific risk factors.

4. Managing the process of implementation: some alternative options

At present, the UNECE reviews the performance of OSCE participating states in implementing its commitments. It has done this since 1995 on an informal *ad hoc* basis, compiling analytical reports using its own materials and those of other international organisations. This work has been presented in order to stimulate discussions at the OSCE review sessions and it provides guidance to states on the key issues affecting security at that time. In general this approach has been well received. However, it cannot be considered a satisfactory arrangement if the goal is to enter into the more significant realm of proactive conflict prevention. There have been inevitably gaps in analysis and the coverage has been selective under such *ad hoc* arrangements. It is necessary therefore to go forward and to consider some more effective arrangements, which can create a stronger capacity for monitoring early warning and evaluations. There is a range, and also a combination, of possibilities:

1. OSCE might wish to undertake the whole range of activities involved in the new implementation tasks. For this it might be able to use its field offices to gather data. Some of the regular reports from OSCE missions provide very useful information on political and human rights issues, although there is less on economics. This proposal will have to take account of the fact that the secretariat in Vienna still has rather limited resources and also that such work may duplicate with other bodies which already do economic analysis, of the relevant aspects and factors;

2. UNECE could continue to play a leading role in the review of performance, in cooperation with other international organisations such as EBRD, World Bank, Council of Europe and with international academic institutions and NGOs, drawing on its networks, its expertise in economic analysis and in its activities in sectors such as: trade, energy, transport and environment. In addition, the mandate of the UNECE Conference on Environmental Policy and the Inland Transport Committee might be broadened to incorporate the monitoring of security aspects. Some additional resources will be needed although it could also be cost effective as ECE has already networks established such as with the Conference of European Statisticians;

3. UNECE and OSCE in cooperation with the relevant players could do this work together sharing responsibilities and establishing some joint mechanism. For example, under the auspices of OSCE and the UNECE, national risk assessment reviews might be jointly undertaken which could justify the background and conditions underlying the risk of conflict, examine structural factors that are causing tension, highlight potential areas of concern, and guide the development of forward looking measures that addresses potential sources of conflict. (See Table 1 as an example of the type of possible template that could be used)⁸

Next steps

1. The first step, should be to establish an informal group of experts or Task Force to compile some relevant indicators for conflict prevention, on which basis assessments of early warning and reviews can take place. The Villars meeting will assist the process of identifying meaningful indicators; however it will need a further step before these are finalised. Such a set of indicators taking account of the threats which have been identified in Part A of the Analytical Paper. The group would take account of the work of other bodies; identify the successful experience and approaches in early

⁸ Annual country reviews (in various forms) are a common feature at various international fora. The process of “country reviews” has been well established in international organizations, utilized by many countries and actively supported by donors and national governments through financial and other contributions. For example, ECE’s Environmental Performance Reviews have been conducted for not less than 16 transition economies such as Armenia, Estonia, The Former Yugoslav Republic of Macedonia, Kazakhstan, Romania, Slovenia, Ukraine and Uzbekistan. (In two countries, these reviews have been done twice.) Other well known examples include OECD Economic Surveys, OECD Environmental Reviews and WTO Trade Reviews all of which have had relatively long histories.

warning in the economic and environmental dimensions and link up with some body, which can validate the quality of data sources, such as the *Conference of European Statisticians*.

2. The second step is the intergovernmental process, where member countries will determine the options and the direction of the new strategy, and explore the consensus that can be harnessed around goals, commitments and tools.

Issue Areas	Indicative issues of Concern	Leading Indicators
History of Armed Conflict	<ul style="list-style-type: none"> ▪ 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 	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> ▪ Level of Democracy ▪ Regime Durability (years since regime change) ▪ Restrictions on Civil and Political Rights ▪ Restrictions on Press Freedom ▪ Level of Corruption

Table 1

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.

Militarization	<ul style="list-style-type: none"> ▪ 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 	<ul style="list-style-type: none"> • Military Expenditure • Military Expenditure (% of GDP) • Fraction of Regional Military Expenditure <ul style="list-style-type: none"> ▪ Total Armed Forces • Armed Forces per 10,000 persons
Population Heterogeneity	<ul style="list-style-type: none"> ▪ 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 	<ul style="list-style-type: none"> • Ethnic Diversity • Religious Diversity ▪ Risk of Ethnic Rebellion <ol style="list-style-type: none"> 1. Lost Autonomy 2. Economic Discrimination 3. Political Discrimination 4. Cultural Discrimination 5. Strength of Ethnic Identity 6. Mobilization of Militant Orgs. 7. Support from Kindred Groups
Demographic Stress	<ul style="list-style-type: none"> ▪ 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 	<ul style="list-style-type: none"> ▪ Total Population • Population Growth Rate • Population Density • Urban Population (% of Total) • Urban Population Growth Rate • Youth Bulge
Economic Performance	<ul style="list-style-type: none"> ▪ 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 	<ul style="list-style-type: none"> • 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)

	(such as rampant corruption and poor infrastructure) also contribute to the risk of political crises <ul style="list-style-type: none"> ▪ High levels of economic inequality can contribute to social fragmentation and declining state legitimacy 	
Human Development	<ul style="list-style-type: none"> ▪ 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 	<ul style="list-style-type: none"> ▪ 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
Environmental Stress	<ul style="list-style-type: none"> • 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 ▪ Scarcities 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 	<ul style="list-style-type: none"> ▪ Rate of Deforestation ▪ People per Sq. km of Arable Land ▪ Access to Fresh Water
International Linkages	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> ▪ Participation in Regional and International Organizations, including: <ol style="list-style-type: none"> 1. Economic Organizations 2. Military/Security Alliances 3. UN Organizations 4. Multipurpose Organizations 5. Miscellaneous Organizations ▪ Interstate Disputes, including: <ol style="list-style-type: none"> 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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Annex II

Selected Annotated Bibliography

**Villars Seminar, 7-8 July, 2003,
New Strategy for Enhancing Security in the
Economic and Environmental Dimensions**

Organized by the UNECE in cooperation with OSCE

Introduction

Definitions

Armed Conflict denotes conflicts in which at least two parties resort to the use of force against each other. It is difficult to define since a number of different thresholds and rules can be applied for deciding which conflicts can be categorized as an armed conflict (Miall, Hugh/Ramsbotham, Oliver/Woodhouse, Tom: Contemporary Conflict Resolution, Polity Press:Cambridge 1999, pp.20).

Civil Society refers to the range of institutions, groups and associations, which represent diverse interests and provide a counterweight to government (Stiftung Wissenschaft and Politik/Conflict Prevention Network: Peace-Building & Conflict Prevention in Developing Countries: A practical Guide, Draft Document, June 1999, p.40).

Conflict occurs naturally and takes place when two or more parties find their interests incompatible, express hostile attitudes, or take action, which damages the other parties' ability to pursue those interests. (Stiftung Wissenschaft and Politik/Conflict Prevention Network: Peace-Building & Conflict Prevention in Developing Countries: A practical Guide, Draft Document, June 1999, p.40). Conflict is not necessarily a negative thing and can be a stimulus for addressing grievances. The key to dealing with conflict effectively and to prevent it from turning violent, is to create appropriate mechanisms and institutions that ensure that needs and interests are met in an equitable and peaceful fashion.

A. Socio-Economic Issues

1. Rapid Social Marginalisation and the Increase in those Excluded from the Benefits of Socio-Economic Change

For a discussion on the widening gap between the winners and losers in globalisation and the subsequent threat to political, social, and environmental security, see **OECD's DAC Guidelines on Poverty Reduction** (2001).

For one analysis of the causal link between conflict and the increasing income gaps between rich and poor, see **Breaking the conflict trap: civil war and development policy**, by Paul Collier, Lani Elliott, Havard Hegre, Anke Hoeffler, Marta Reynal-Querol, Nicholas Sambanis (World Bank Policy Research Paper 2003).

On the relationship between conflict results and difficult social-economic situations, see **Economic Causes of Civil Conflict and Their Implications on Policy** (Press briefing on the June 2000 report "Economic Causes of Conflict and their Implications for Policy, World Bank, Washington D.C).

For an example on the relationship between armed conflict and a complex group of economic, social and political factors, see **Colombia: Essays on Conflict, Peace, and Development** (Edited by Andres Solimano, and foreword by President Andres Pastrana. SIDA and World Bank, December 2000).

For a paper on the relationship between economic conditions and conflict, see “**Economic Inequality and Civil Conflict**” (paper presented at 3rd conference on Actors of Violence, Actors of Reconciliation, Cortona, Italy), by *Christopher Cramer* (2001), available from CDPR website within SOAS Dept of Development Studies site, University of London.

2. Migration Pressures

On new strategies and more integrative approaches to international migration, see International Organisation for Migration (IOM). **World Migration 2003: Managing Migration - Challenges and Responses for People on the Move** (2003).

For strategies and policies for addressing social and cultural issues arising from the mistreatment of migrants, see International Labour Organisation (ILO), International Organisation for Migration (IOM), and Office of the United Nations High Commissioner for Human Rights (UNHCHR). **International Migration, Racism, Discrimination, and Xenophobia** (2003).

On the links between organised crime, violence, and trafficking in human beings, see **Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Woman and Children, Supplementing the United Nations Convention Against Transnational Organized Crime** (2000).

For an analysis of the interrelationship between environment, migration and conflict, see, “**Environmental Change, Migration and Conflict: a lethal feedback dynamic?**”, by *Surhke, Astri* (Managing Global Chaos: Sources of and Responses to International Conflict, 1996).

3. Mismanagement of Benefits from Natural Resources

On the effects of insecure ownership and its relationship to political violence and instability, see **Ownership Risk, Investment, and the Use of Natural Resources**. By *Bohn H., and Deacon R. T.* (Washington D.C. 1997).

For a discussion on governments, rebels, and warlords selling commodities to fund armed conflict, see **The Anatomy of Resource Wars**. Washington: by *Michael Renner* (Worldwatch Institute, 2002).

On the principles for the sustainable and equitable management of the environment and natural resources as a prevention to violence and conflict see **Conserving the Peace: Resources, Livelihoods and Security** by *Mark Halle, Richard Matthew, & Jason Switzer* (International Institute for Sustainable Development: 2002. p. 26.)

For an argument that economic factors, such as dependence on primary commodity exports, low average incomes, and slow growth and competition over natural resources are more significant and powerful predictors of civil war than traditionally-cited factors like ethnic conflict, see **Economic Causes of Civil War and Their Implications for Policy**. By *Paul Collier*. (2000).

For case studies and concept papers addressing the relations between conflict and the management of natural resources, governing mechanisms conducive to equitable and sustainable natural resource management; local and external mechanisms to manage conflict over natural resources, see **Cultivating Peace: Conflict and Collaboration in Natural Resource Management**. By *Daniel Buckles*, (IDRC and WBI, December 9, 1999.)

For a study on possible causes of conflict, see “**The Resource Curse: Are Civil Wars Driven by Rapacity or Paucity?**”, by *De Soysa, Indra* (in Berdal, Mats and David Malone (eds.), *Greed and Grievance: Economic Agendas in Civil Wars*, Boulder and London: IDRC/Lynne Reinner, 2000).

For a discussion over natural resources and conflict “**The Conflict over Natural and Environmental Resources**”, by *Fairhead, James* (Chapter 4 in Nafziger, E.W,F. Stewart and R. Varnynen (eds.) (2000), *War, Hunger and Displacement: Volume 1: The origins of Humanitarian Emergencies – War and Displacement in Developing Countries*, OUP: Oxford).

B. Environmental and Energy Issues

4. Environmental Degradation

For an overview on the threat of conflict arising from the depletion of water resources, see **Dehydrating Conflict** by *Sandra L. Postel and Aaron T. Wolf* (Foreign Policy, September/October 2001).

On the impact of water management on development, see **Water and Development in the Developing Countries**, by Dr. Gunilla Björklund, Dr. Ulf Ehlin, Professor Malin Falkenmark, Professor Jan Lundqvist, Assistant Professor Ashok Swain, Dr. Johan Röckström, Anna Brismar (Working Paper, European Parliament, 2000).

On the importance of competition for natural resources as cause of strife in the post-Cold War era, see **Natural Resource Wars The New Landscape of Global Conflict** by *Michael T. Klare* (New York: Henry Holt, 2001).

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On the impact of environmental degradation and violence, see **Environment, Scarcity and Violence**, by *Homer-Dixon, T.F.* (1999), Princeton University Press.

5. Energy Insecurity section was added at the Villars Seminar; therefore, no advance bibliographic material was collected.

C. The Institutional Framework

6. Weak Institutional Capacity

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On the relationship between governance and conflicts, see **The Growth of Transborder Shadow Economies** by *Duffield, M.* (Global Governance and the New Wars. Zed Books 2001).

8. Over-Centralised Economic Policy-Making

On the nationalism and excessive centralised political control as source of social violent conflicts, see **Nationalism, Ethnic Conflict and Democracy**, *Johns Hopkins University Press* (Baltimore, 1994).

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On the importance of the rule of law, security sector reform, human rights and constitutionalism to a sound conflict preventive strategy, see **Facilitation of National and International Accountability Mechanism and Rehabilitation of National Judicial Systems Designing Rule of Law Interventions with Conflict Prevention Objectives**, by *Vanessa M.G. Von Struensee*, (International Post Conflict Legal & Judicial Reform Studies Working Paper, No. 2001-3).

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For an analysis on the effects of external shocks to economic development and conflict, see **"Where did all the Growth go? External Shocks, Social Conflict, and Growth Collapses"**, by *Rodrik, Dani*, (Harvard University, 1998)

11. Gaps in Regional Economic Integration and Good Neighbourhood Policies

For a particular view on globalisation and its, see **Globalisation and Its Discontents** by *Joseph E. Stiglitz*

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Organization for Economic Cooperation and Development
www.oecd.org

World Trade Organization
www.wto.org

World Bank
www.worldbank.org

International Monetary Fund
www.imf.org

Organization for Security and Cooperation in Europe
www.osce.org

United Nations
www.un.org

International Organization for Migration
www.iom.int

Council of Europe (CE)
www.coe.int

Geneva Centre for Democratic Control of Armed Forces
www.dcaf.ch

European Bank for Reconstruction and Development
www.ebrd.com

United Nations Economic Commission for Europe
www.unece.org

European Union
www.europa.eu.int

International Labor Organization
www.ilo.org

For a multiparty monitoring group on environment and security see
<http://www.iisd.org/natres/security/envsec/>

WHO
<http://www.who.int>



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Annex III

Possible Indicators for Conflict Prevention

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A. Socio-Economic Issues

1. Rapid Social Marginalisation and the Increase in those Excluded from the Benefits of Socio-Economic Change

The Index of Human Insecurity is essentially a classification system that distinguishes countries based on how vulnerable or insecure they are, and groups together those countries that possess similar levels of insecurity (Table 1). Human security, by almost any definition, is a function of a complex set of characteristics and processes – social, political, environmental, and institutional. All of these components are necessary for security and for sustainability. Indicator selection followed a set of evaluation criteria that included:

- existence of a theoretical or empirical link between the indicator and insecurity (see below);
- general availability of the data;
- consistency of the data with other selected indicators to allow for future modelling of the system; and
- adequacy of the spatial coverage based on the number of countries represented and adequacy of the time series available.

See **the Index of Human Insecurity** (January 2000), Global Environmental Change and Human Security (GECHS), by *Steve Loneragan, Kent Gustavson and Brian Carter*.

Table 1.

Selected indicators of human insecurity comprising the standard set

Environment	<ul style="list-style-type: none">• net energy imports (<i>% of commercial energy use</i>)• soil degradation (<i>tonnes/yr.</i>)• safe water (<i>% of population with access</i>)• arable land (<i>hectares per person</i>)
Economy	<ul style="list-style-type: none">• real GDP per capita (<i>US\$</i>)• GNP per capita growth (<i>annual %</i>)• adult illiteracy rate (<i>% of population 15+</i>)• value of imports and exports of goods and services (<i>% of GDP</i>)
Society	<ul style="list-style-type: none">• urban population growth (<i>annual %</i>)• young male population (<i>% aged 0-14 of total population</i>)• maternal mortality ratio (<i>per 100,000 live births</i>)• life expectancy (<i>yrs.</i>)
Institutions	<ul style="list-style-type: none">• public expenditures on defence versus education, primary and secondary (<i>% of GDP</i>)• gross domestic fixed investment (<i>% of GDP</i>)• degree of democratisation (<i>on a scale of 1 - 7</i>)• human freedoms index (<i>on a scale of 0 - 40</i>)

**

A Proposal to Create a *Human Security Report* ‘**Security With a Human Face**’ (Harvard University Program on Humanitarian Policy and Conflict Research and United Nations University, Peace and Governance Program) proposes to identify a set of Human Insecurity Indicators/Index to present the trend data of the various indices that would make up the composite *Human Insecurity Index (HII)* measure. This might include the following:

- deaths (possibly including injury data if available) arising from war, genocide, or other gross violations of human rights;
- data on criminal violence;
- refugee and IDP flows (if possible disaggregated to distinguish between flows caused by wars and those caused by natural disasters).

Other indicators for Systemic Causes of War/Criminal Violence would include:

- changes in GDP growth rates;
- changes in ethnic polarization in society;
- incidence, intensity and duration of past violent conflict;
- incidence and intensity of past criminal violence;
- changes in either individual or ‘horizontal’ inequality;
- democratic transitions;
- indicators of governance capacity;
- ratings from political risk analysis organizations

**

In response to this proposal on **Notes on Developing a Human Security/Insecurity Index**, Peter Brecke of the Sam Nunn School of International Affairs (Georgia Institute of Technology) has added the following in terms of possible indicators of human insecurity:

- Economic security
 - a measure of the per capita income of the country (ideally in Purchasing Power Parity terms)
 - a measure of the income or wealth inequality in the country with a focus on the income or wealth of the poorest 20% of the population
 - a (true) measure of unemployment
 - a measure of the (consumer) inflation rate
 - a measure of the extent of a social safety net or welfare system for the elderly and poor
- Food security
 - a measure of the number of people suffering malnutrition
 - a measure of the rate of change of food prices
- Health security
 - a measure of the availability of health care for the poorest 20% of the population
 - a measure of the number of serious illnesses and deaths caused by environmental degradation as a share of the population
- Personal security
 - the share of the population killed in violent conflict (including massacres/genocide)
 - the share of the population turned into refugees or internally displaced

persons

- a measure of the likelihood of being the victim of a violent crime (including robbery).

- a measure of the disparity between men in the dominant social group and members of other social groupings such as women, gays, or members of minorities with respect to being a victim of violence

- Political security

- a measure of civil liberties and political rights (Freedom House?)

- a measure of the share of the population incarcerated for political crimes

- a measure of the disparity between men in the dominant social group and members of other social groupings with respect to being incarcerated

- a measure of the disparity between men in the dominant social group and members of other social groupings with respect to being abused or killed by government (or government endorsed) security forces

- Community and Cultural security

- a measure of the degree to which a country is shifting away from the existing distribution of what languages are spoken or what religions are practiced

- a measure of the degree by which government expenditures are skewed away from a geographic distribution based on population (perhaps controlling for the wealth of the regions)

- a measure of the degree of the freedom to worship

Also, the author suggests that in more developed countries, there are some additional indicators that are possibly more relevant in terms of the security/insecurity that the citizens feel:

1. Measure of stock market volatility

2. Direction of stock market index

3. Percent of population that trusts the leader of the government

4. Transparency of economic transactions and political decision making

5. Measure of the state of "essential" services in terms of reliability as well as of problems being fixed

**

The Norman Paterson School of International Affairs (Carleton University) has prepared a set of **Country Indicators for Foreign Policy (CIFP) Project** (2001) covering several areas. Regarding economic performance, the study identifies the following *leading indicators*:

- GDP
- GDP growth rate (annual percentage)
- GDP per capita
- Inflation rates
- Exchange rates
- Foreign investment
- Debt service
- Trade openness (trade as a percentage of GDP)
- Inequality score (GINI coefficient)

2. Migration Pressures

Regarding migration, the Norman Paterson School of International Affairs (Carleton University) has prepared a set of **Country Indicators for Foreign Policy (CIFP) Project** (2001) identifies the following *leading indicators*:

- Total Population
- Population Growth rate
- Population Density
- Urban population (%of Total)
- Urban population Growth Rate
- Youth bulge

3. Mismanagement of Benefits from Natural Resources

For potential indicators on natural resource management, see section A(1).

B. Environmental and Energy Issues

4. Environmental Degradation

Regarding environmental stress, the Norman Paterson School of International Affairs (Carleton University) **Country Indicators for Foreign Policy (CIFP) Project** (2001) identifies the following *leading indicators*:

- Rate of deforestation
- People per sq. km of arable land
- Access to fresh water

5. Energy Insecurity section was added by the working group at the Villars Seminar; therefore, no advanced set of indicators was prepared prior to the conference.

C. The Institutional Framework

6. Weak Institutional Capacity

For a set of six benchmark indicators of good governance (voice and accountability, political stability, government effectiveness, regulatory quality, rule of law, and control of corruption), see **Governance Matters** by D. Kaufmann, A Kraay, and P. Zoido-Lobaton. Policy Research Working Paper 2196 (World Bank, October 1999.) See also **Governance Matters III: Governance Indicators for 1996-2002** D. Kaufmann, A. Kraay, and M. Mastruzzi. (World Bank, Jun 18, 2003).

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The CAF, developed by the CPR Unit of the World Bank, aims to integrate sensitivity to conflict by considering factors which affect both conflict and poverty. These are the indicators identified in relation to conflict:

- History of conflict If a country has experienced violent conflict in the past 10 years, there is a high possibility of recurrence of conflict.

- Income per capita Countries with low per capita Gross National Incomes are more likely to experience violent conflict.
- Primary commodity exports Countries with a high dependence on primary commodity exports face a higher risk of experiencing violent conflict.
- Political instability (transformation of state structure; breakdown of law and order, restructuring of the state at frequent intervals signals serious instability and the likelihood that violence may be employed to bring about systemic changes.
- Political and civil rights.
- Militarization Countries may have high defense spending as a share of GDP, and large armies as proportion of their population.
- Ethnic dominance.
- Active regional conflicts.
- Youth unemployment.

Also a series of variables related to social, economic, and institutional factors are identified by this study. See **Conflict Prevention and Reconstruction Unit** (World Bank) **CPR Dissemination Notes No. 5** (October 2002) by *Shonali Sardesai and Per Wam.*

**

For an analysis on the relationship between good governance and conflicts (see table below), see Data **Requirements for Conflict Prevention** by *Hugh Miall* (2001).

	No violence	Small-scale violence	Large-scale violence
Good Governance	26 (70%)	10 (27%)	2 (5%)
Fair Governance	17 (45%)	16 (42%)	5 (13%)
Bad Governance	14 (37%)	12 (32%)	11 (29%)

**

Regarding governance and political instability, the Norman Paterson School of International Affairs (Carleton University) has prepared a set of **Country Indicators for Foreign Policy** (CIFP) Project (2001) identifies the following *leading indicators*:

- Level of democracy
- Regime durability (years since regime change)
- Restrictions on civil and political rights
- Restrictions on press freedom
- Level of corruption

For potential indicators on Institutions, see section A (1).

7. Crime and Corruption

The Group of States Against Corruption (GRECO) conducts evaluations of European nations on compliance with three guiding principles:

- (1) to ensure that those in charge of the prevention, investigation, prosecution and adjudication of corruption offences enjoy the independence and autonomy appropriate to their functions, are free from improper influence and have effective means for gathering evidence, protecting the persons who help the authorities in combating corruption and preserving the confidentiality of investigations;
- (2) to limit immunity from investigation, prosecution or adjudication of corruption offences to the degree necessary in a democratic society;
- (3) to promote the specialisation of persons or bodies in charge of fighting corruption and to provide them with appropriate means and training to perform their tasks.

See **GRECO Evaluation Reports**, <http://www.greco.coe.int/evaluations/Default.htm>, (Council of Europe, 2002).

8. Over-Centralised Economic Policy-Making

One statistical study finds an inverse relationship between decentralisation of control over government spending and corruption. Corruption is measured by the likelihood that high government officials will demand special payments and the extent to which similar payments are expected throughout the lower levels of government. Decentralisation is the subnational share of total government spending. As decentralisation increases, measurable corruption goes down. **Decentralisation and Corruption: Evidence Across Countries**, by *Raymond Fishman and Roberta Gotti*. Working Paper Series 2290 (World Bank, 2000).

D. Globalisation and Regional Economic Cooperation

10. External Shocks

A possible set of indicators for measuring financial instability in the market:

- Capital adequacy (e.g. solvency and core-capital ratio).
- Asset quality (e.g. concentration of credit in certain sectors and losses and provisions).
- Profitability (e.g. yields on assets and return on equity).
- Earnings and expenditure (e.g. earnings per employee and distribution of expenditure).
- Liquidity reserves (e.g. the bank's funding, including development in interbank credits and credit extension by the central bank and maturity between assets and liabilities).
- Market risk (e.g. development in exchange rates and internal rates, stock and commodities prices and use of financial instruments).

See **Indicators of Financial Instability**, by *Anne Dyrberg* (2001).

11. Gaps in Regional Economic Integration and Good Neighbourhood Policies

The Norman Paterson School of International Affairs (Carleton University) **Country Indicators for Foreign Policy (CIFP) Project** (2001) identifies the following *leading indicators* of risk:

- Participation in Regional and International organizations
 - Economic organizations
 - Military / Security alliances
 - UN organizations
 - Multipurpose organizations
 - Miscellaneous organizations
- Interstate disputes, including:
 - Resources and territorial disputes
 - Political and cultural disputes
- Prevalence of armed conflict across region
- Prevailing regime types across region