

Ending Poverty, Promoting Peace

The Quest for Global Security



BROOKINGS BLUM ROUNDTABLE
AUGUST 2006

AUTHORS

LAEL BRAINARD, DEREK CHOLLET, AND VINCA LAFLEUR

CO-CHAIRS

RICHARD C. BLUM AND STROBE TALBOTT



The new Brookings Global Economy and Development Program (Brookings Global) was launched in July 2006 to address the challenges and opportunities of globalization. Brookings Global scholars focus on the most pressing issues of our time: the drivers shaping the new economy, the rise of new economic powers, and the road out of poverty. By taking a multidisciplinary approach to the concerns of globalization, Brookings Global advances research, dialogue, and innovative solutions to aid policymakers and business and civil society leaders worldwide. Recognizing that globalization transcends disciplinary boundaries, Brookings Global also draws on the creative and independent thinking of international scholars with expertise ranging from economics to political science to demography, building on the worldwide reputation of Brookings for high-quality, independent research and ensuring an international approach to policy recommendations and insights.

The Aspen Institute seeks to foster enlightened leadership, the appreciation of timeless ideas and values, and open-minded dialogue on contemporary issues. Through seminars, policy programs, conferences, and leadership development initiatives, the Institute and its international partners seek to promote the pursuit of common ground and deeper understanding in a nonpartisan and nonideological setting.

Realizing Rights: The Ethical Globalization Initiative (EGI) is a project led by Mary Robinson, the former president of Ireland and United Nations high commissioner for human rights. EGI brings key stakeholders together in new alliances to integrate concepts of human rights, gender sensitivity, and enhanced accountability into efforts to address global challenges and governance shortcomings.



(from left to right): Al Gore (45th Vice President of the United States), Mohamed Ibrahim (Founder of Celtel International), Sir Ketumile Masire (Former President of Botswana)

Foreword

From August 2 to 4, 2006, more than fifty preeminent international leaders from the public, private, and nonprofit sectors came together at the Aspen Institute to discuss “The Tangled Web: The Poverty-Insecurity Nexus” and to generate concrete, practical steps for participants to pursue in the months ahead.

The roundtable was hosted by Richard C. Blum and the Brookings Institution’s Global Economy and Development Program, with the support of honorary co-chairs Walter Isaacson of the Aspen Institute and Mary Robinson of Realizing Rights: The Ethical Globalization Initiative. By exploring the complicated connections between poverty and insecurity, examining the practical implications for public and private organizations operating in developing countries, identifying areas of greatest need, and highlighting best practices, the roundtable organizers’ greatest hope is that the passionate dialogue that began in Aspen will be transformed into meaningful action against hunger, homelessness, hardship, and human suffering.

Although the participating experts hailed from around the world and represented diverse sectors and approaches, each person brought to the table an individual and institutional commitment to advancing human security. Rather than summarize the conference proceedings, this essay—like those from previous roundtables—attempts to weave together the informed exchanges, varied perspectives, fresh insights, and innovative proposals that characterized the discussion. A companion volume, *Too Poor for Peace? Global Poverty, Conflict, and Security in the 21st Century*, published by the Brookings Institution Press, contains chapters by experts that provide in-depth analyses of the topics addressed at the roundtable.

Acknowledgments

The roundtable was made possible by a generous grant from Richard C. Blum, chairman of Blum Capital Partners, with additional support from the William and Flora Hewlett Foundation. The meeting’s success owes greatly to superb research, coordination, and planning from the associate director of the Brookings Blum Roundtable, Inbal Hasbani, as well as Raji Jagadeesan, Sarah Cannon, Isheta Salgaocar, and Brian Wesolowski.

Published in January 2007 by the Global Economy and Development Program, the Brookings Institution.

A Common Struggle



A Fight of Necessity

The fight against global poverty is commonly—and appropriately—framed as a moral imperative. Stark images of suffering weigh on Western consciences, as images of hungry children in Niger, AIDS orphans in Tanzania, tsunami victims in Indonesia, and refugees in Darfur are beamed into our living rooms in real time. In today’s increasingly interconnected world, the “haves” cannot ignore the suffering of the “have-nots.” Whether or not we choose to care, we cannot pretend that we do not see.

Yet the effort to end poverty is about much more than soothing consciences or extending a helping hand to those in need. In a world where boundaries and borders have blurred, and where seemingly distant threats can metastasize into immediate problems, the fight against global poverty has become a fight of necessity—not simply because personal morality demands it, but because global security does as well.

Extreme poverty exhausts governing institutions, depletes resources, weakens leaders, and crushes hope—fueling a volatile mix of desperation and instability. Poor, fragile states can explode into violence or implode into collapse, imperiling their citizens, regional neighbors, and the wider world as livelihoods are crushed, investors flee, and ungoverned territories become a spawning ground for global threats like terrorism, trafficking, environmental devastation, and disease.

Yet if poverty leads to insecurity, it is also

true that the destabilizing effects of conflict and demographic and environmental challenges make it harder for leaders, institutions, and outsiders to promote human development. Civil wars may result in as many as 30 percent more people living in poverty—and research suggests that as many as one-third of civil wars ultimately reignite.

In sum, poverty is both a cause of insecurity and a consequence of it.

If the link between poverty and insecurity is apparent, the pathway toward solutions is far from clear. What, after all, is meant by “insecurity” and “conflict”—two terms that



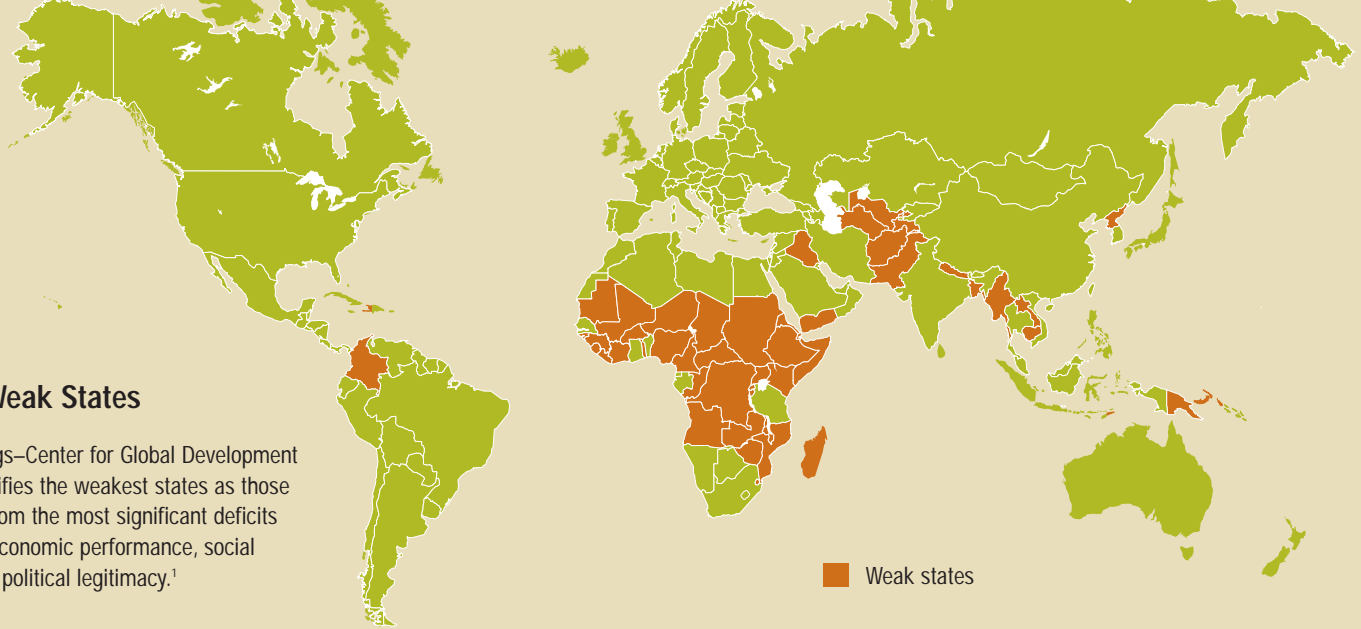
“A lot of people did not realize that they were living in such poverty, while others had a much higher standard of living, until globalization. People now know. People are starting to rethink their lives.”

Richard C. Blum
*Chairman and President,
Blum Capital Partners, LP*



Map of Weak States

The Brookings–Center for Global Development project identifies the weakest states as those that suffer from the most significant deficits in security, economic performance, social welfare, and political legitimacy.¹



cover a wide range of phenomena, from the fear and want poor individuals suffer to the armed violence that can engulf entire regions? Is conflict driven by concrete economic factors or sociopolitical exclusion and humiliation? Should our primary concern be internal instability or the risk that destabilizing threats will be exported? Should we worry most about individual livelihoods or the health of the state itself? Is it necessary to address insecurity before poverty can be tackled? Should U.S. policymakers characterize development assistance as an American national security priority or frame it in moral terms?

It is hard to know which strand to grasp first to untangle the poverty-insecurity web. But every day, 30,000 children die because they are too poor to survive, and last year saw seventeen major armed conflicts in sixteen locations. Over the next four decades, the population of developing countries will swell to nearly 8 billion—representing 86 percent of humanity. Addressing poverty—and clearly understanding its relationship to insecurity—needs to be at the forefront of the policy agenda. The world simply cannot afford to wait.



“There’s been a change in the approach to poverty since when I began working on it. Originally, this issue was all about morality and humanitarianism. Now it’s much more about our own interests in an interconnected world.... We need to get our leaders to understand that this issue—poverty—is *the* issue for decades to come.”

James D. Wolfensohn
*Chairman,
Citigroup International Advisory Board;
Former President,
World Bank*



Grasping the Challenge



The Doom Spiral

In recent years, world leaders and policy experts have developed a strong consensus that the fight against poverty is important to ensuring global stability. This was the core message of the 2005 Group of Eight Summit in Gleneagles, Scotland, and it is the underlying rationale of the UN Millennium Development Goals.

American policymakers have traditionally viewed security threats as involving bullets and bombs—but now even they acknowledge the link between poverty and conflict. Former secretary of state Colin Powell notes that “the United States cannot win the war on terrorism unless we confront the social and political roots of poverty.” The 2006 National Security Strategy of the United States makes the case for fighting poverty because “development reinforces diplomacy and defense, reducing long-term threats to our national security by helping to build stable, prosperous, and peaceful societies.” And the Pentagon’s 2006 Quadrennial Defense Review focuses on fighting the “long war,” declaring that the U.S. military has a humanitarian role in “alleviating suffering, ... [helping] prevent disorder from spiraling into wider conflict or crisis.”

Such assertions have a commonsense and compelling logic. Within states, extreme poverty literally kills; hunger, malnutrition, and disease claim the lives of millions each year. Poverty-stricken states tend to have weak institutions and are often plagued by ineffective governance, rendering them

unable to meet their people’s basic needs for food, sanitation, health care, and education. Weak governments are often unable to adequately control their territory—leaving lawless areas and natural resources to be hijacked by predatory actors. Fragile states can become breeding grounds for criminal activity, internal strife, or terrorist networks—and often all three simultaneously.

Extreme poverty is also both a source and product of environmental degradation—for example, the deforestation of the Amazon River and Congo River basins is damaging biodiversity and contributing to global warming. And in an age of global air travel, when traffic is expected to reach 4.4 trillion passenger-kilometers flown in 2008, it is easy to see how a disease—whether avian flu, Ebola, or SARS—originating in a developing country with poor early warning and response mechanisms could quickly threaten the lives of people far beyond its borders.

The arguments linking poverty and insecurity are reinforced by recent scholarly research. Mainstream opinion, in the media and elsewhere, tends to characterize civil conflict as stemming from ancient ethnic hatreds or political rivalries. Yet the groundbreaking statistical analysis by the Oxford economist Paul Collier shows that ethnic diversity is in most cases actually a safeguard against violence; the most powerful predictors of civil conflict are in fact weak economic growth, low incomes, and dependence on natural resources. In Collier’s words,



“Framing poverty as a security issue isn’t about marketing; it’s about analysis and policy. Conflicts can be incubators for terrorists and other actors who affect global security. We are all part of this human security issue, and we all suffer from its consequences.”



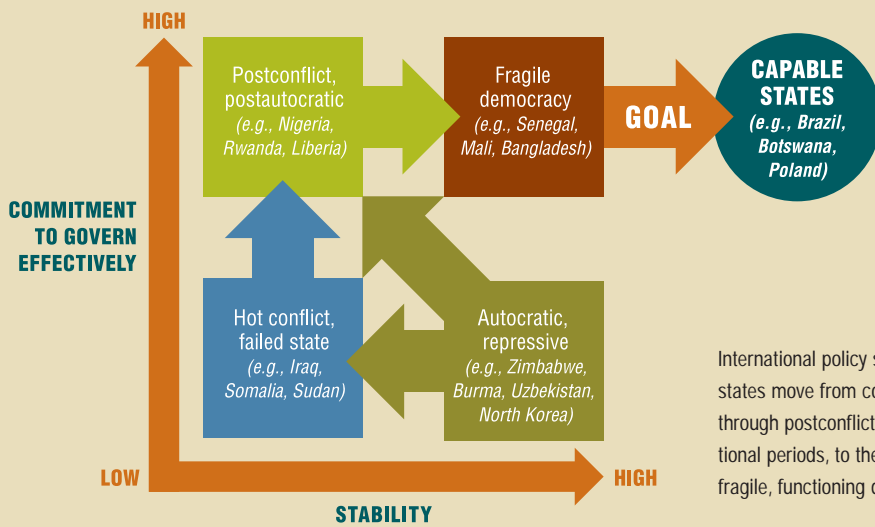
Susan E. Rice
Senior Fellow,
The Brookings Institution

countries with all three risk factors “are engaged in a sort of Russian Roulette,”² struggling to promote development before the bullets start to fly.

It is true that war itself impoverishes, but the Berkeley economist Edward Miguel and his colleagues have helped establish convincingly that increases in poverty on their own significantly increase the likelihood of conflict. Miguel examined annual country-level data for forty-one countries in Sub-Saharan Africa between 1981 and 1999 whose populations depend on subsistence agriculture, and he showed that the drop in per capita income associated with drought significantly increases the likelihood of civil conflict in the following year.³ Given that drought is a natural phenomenon, the analysis suggests that violent conflict is driven by poor economic outcomes, and not the other way round. Conversely, this research shows that as such economic factors as personal income and national growth rates rise, the risk of conflict falls. For each additional percentage point in the growth rate of per capita income, the chances for conflict are about 1 percent less; doubling the level of income cuts the risk of conflict in half. According to the U.K. Department for International Development, a country with \$250 per capita income has a 15 percent likelihood of internal conflict over five years—many times greater than the 1 percent risk to an economy with \$5,000 per capita income.⁴

Why is the risk of conflict higher in poor countries? Some scholars suggest that it is because poor people have little to lose; as *The Economist* wrote, “it is easy to give a poor man a cause.”⁵ In addition, governments of poor countries often have little tax base with which to build professional security forces and are vulnerable to corruption. Moreover, poverty is often associated with political exclusion, humiliation, and alienation—a poverty of dignity and voice. Finally, while the data do not confirm a causal linkage between a country’s income inequality and the risk of civil war, recent trends from Mexico to India to China suggest that rising expectations that go unmet may also fuel unrest. In the words of Oxfam USA’s president, Raymond Offenheiser, “It isn’t just who’s poor that matters, but who *cares* about being poor.”

Tragically, poverty and insecurity are mutually reinforcing, leading to what the Brookings scholar Susan Rice evocatively calls a “doom spiral.” Conflict increases infant mortality, creates refugees, fuels trafficking in drugs and weapons, and wipes out infrastructure. It also makes it harder for outside players to deliver assistance and less attractive for the global private sector to invest. Thus, once a country has fallen into the vortex, it is difficult for it to climb out—as the world has witnessed with the ongoing catastrophe in the Democratic Republic of Congo, a crisis that has claimed nearly 4 million lives and sparked a massive humanitarian emergency, where most people today are killed not by



International policy should aim to help weak states move from conflict and autocracy, through postconflict or postautocratic transitional periods, to the more stable stage of fragile, functioning democracy.⁶

weapons but by easily preventable and treatable diseases.

Violent conflict also produces considerable economic spillover for neighboring countries, as refugees flow in, investment pulls out, and supply chains and trade routes are disrupted. Moreover, mass movements of people—whether armed rebels or civilian refugees—can be region-wide conveyor belts of infectious disease.

Although the overall number of internal and interstate wars is decreasing, a group of regions and countries remains vulnerable to conflicts over protracted periods—often cycling back into conflict after stability has been established. Instability is largely concentrated in and around the poorest parts of Sub-Saharan Africa, and front-line states where Islamic extremists are engaged in violent conflict, such as Chechnya, Kashmir, Lebanon, Sudan, East Timor, Iraq, and Afghanistan. Unfortunately, poor economic conditions, weak governance, and natural resource barriers in these areas mean that violent conflict and displacement are likely to continue—and worsen—without intervention.

What, then, might be useful guidelines for tackling the poverty-insecurity challenge? The first is to help policymakers better understand the issue’s significance and urgency. Part of that task is educating the press and public to replace the convenient narrative that “age-old” hatreds drive violence with a more sophisticated grasp of the links between economic drivers and conflict.

The second guideline is to understand the specific conditions that heighten the risk of conflict and human insecurity. These may include deteriorating health conditions, corrupt governments, and inadequate institutions. Two areas in particular that can exacerbate instability and merit special attention are environmental insecurity and large youth demographics.

Most of all, it is clear that tackling the poverty-insecurity nexus is a challenge that demands commitment. Promoting lasting stability requires building long-term local capacity. Interventions that work at one point may lose their potency over time and need to be adjusted to new circumstances. And research suggests that assistance is most effective not in the immediate aftermath of a conflict, when donor interest is typically greatest, but in the middle of the first postconflict decade, when the recipient country’s absorptive capacity has improved.

Yet such long-term attention is too often hard to secure in rich-country capitals where players, parties, and administrations change, and where the “urgent” typically trumps the “important” on the policy agenda. Until global mindsets shift from reactive to proactive, and from responsive to preventive, breaking out of the poverty-insecurity trap will remain an elusive goal.



“Static approaches to addressing poverty can miss opportunities for action. What works in one moment of time doesn’t work in all moments of time.”

George Soros
 Founder and Chairman,
 Open Society Institute

Expanding Opportunity



A State of Nature: The Environmental Challenge

Natural resource scarcity and abundance have always been intertwined with poverty and insecurity. Today, throughout West Africa, poor villagers struggle with the effects of desertification, which degrades the land on which they farm. In Haiti, forest and soil loss aggravates the country's economic woes and sparks periods of conflict. In Pakistan, women walk long distances to collect drinking water from ponds that are used by livestock, leading to tremendous health challenges and high infant mortality. Resource abundance also has its perils: In eastern Congo, innocents are terrorized by rebels whose weapons were financed with looted diamonds.

When it comes to extreme poverty, the natural resource challenge is usually seen as one of scarcity—typically of such renewable resources as water, timber, and arable land that are fundamental for daily survival. Demographic and environmental stresses can exacerbate demands on already weakened states. These grievances can foment instability from below. When demand for resources outweighs supply, when the distribution is perceived to be grossly unfair, and when tensions exist over whether they should be treated as rights or commodities, public frustration can spark civil strife.

In addition, elites may be tempted to manipulate scarce resources—controlling them for personal gain, using them to reward certain groups over others, or even fueling “top-down” violence in an effort to maintain

power. Scarcity is also often the result of severe imbalances of wealth, which is almost always a key factor in the outbreak of conflict in poor areas.

The challenges of resource scarcity will only intensify over time. During the next twenty years, more than 90 percent of the world's projected growth will take place in countries where the majority of the population is dependent on local renewable resources. Almost 70 percent of the world's poor live in rural areas, and most depend on agriculture for their main income—which both requires and exhausts natural resources. More than 40 percent of the planet's population—2.4 billion people—still use wood, charcoal, straw, or cow dung as their main source of energy, and more than 1.2 billion people lack access to clean drinking water.

Yet resource abundance poses equally dangerous challenges—generally concerning nonrenewable and more easily “lootable” mineral wealth like oil, gas, gold, or diamonds. More than fifty developing countries, home to 3.5 billion people, depend on natural resource revenues as an important source of government income, and many suffer from a poverty of plenty.

This so-called resource curse leads to pathologies of authoritarian and corrupt regimes, led by elites who have few incentives to invest in social development or alleviate social inequities. Abundance can also create “rentier” states, whose resource revenues allow government officials to finance themselves





"The climate crisis is a full-scale planetary emergency requiring an immediate strategic global response led by the United States."

Al Gore

45th Vice President of the United States



without directly taxing their citizenry, enabling them to more easily restrict political and other rights in return for a measure of social welfare and stability; or leading to "honey pot effects," in which rogue groups fight to secure valuable natural resources—which, once acquired, provide additional means to buy weapons, fueling a cycle of growing instability.

For example, though companies like ExxonMobil and Shell have poured money and infrastructure into the oil-rich Niger Delta, the region suffers from sustained conflict and instability. Nigeria currently earns \$3 billion a month from oil exports, yet the Delta remains deeply poor. Militant groups, tapping into local frustration at the continued deep poverty in this oil-rich region awash with oil revenues, have fueled violence. Local attacks continue each day, growing more sophisticated and organized, making one of the world's most resource-rich areas also one of its most dangerous.⁷

What, then, are some of the measures states and outside actors can take to attenuate the risks that resource scarcity and dependence pose to human security?

The place to begin is with sensible government policies that promote economic diversification, capacity building, equitable distribution, enforceable property rights, demographic sustainability, and public health. In addition, countries should be encouraged to explore innovative opportunities to benefit from their renewable resources, as

Brazil has done by transforming its sugar-cane into ethanol. And outside actors, including nongovernmental organizations (NGOs), can play an important role in defusing disinformation and rumors about who is benefiting from limited natural resources, because such misunderstandings sometimes create more problems than resource scarcity itself.

Meanwhile, governments, NGOs, and private actors need to be more creative in devising tailored, targeted, emergency assistance for states facing sudden economic and environmental catastrophes. For example, foreign assistance could be quickly and routinely deployed to states that suffer a drought or commodity price collapse, before violence has a chance to break out. In addition, crop insurance programs and other forms of protection could be created for individuals whose livelihoods may be destroyed.⁸

Just as critical, especially in cases of natural resource abundance, are efforts to promote transparency—not only on the budget side of the ledger, but on the expenditure side as well. Publicizing how much money is flowing in for natural resources, and how it is being allocated, makes it harder for governments to skim from the top, and for rebels to benefit from plunder. According to the Publish What You Pay campaign, by 2003, U.S. investment in African oil exceeded \$10 billion per year, representing two-thirds to three-quarters of the total annual U.S. investment on the continent.



Not a Drop to Drink?

An acute resource problem besets one of life's most basic necessities: water. As Anthony Nyong, associate professor at the University of Jos, argues, "Many countries are moving from water stress to water scarcity to water-driven conflict." According to the World Health Organization, more than 5 million people die every year from contaminated water or water-related diseases. "Many of the wars of the 20th century were about oil, but wars of the 21st century will be over water," explains Ismail Serageldin, a former vice president of the World Bank. Some observers predict that the Nile River basin could be a major site of future conflicts, with 200 million people and many African countries dependent on its flow.

Some practical solutions are emerging. WaterAid, an NGO dedicated to alleviating poverty and disease caused by unsafe water and sanitation, has joined forces with Cadbury Schweppes and Kuapa Kokoo (a farmers' cooperative that is part of the Fairtrade system), to improve the lives of cocoa farmers in Ghana by building water wells across the region. More than 300 wells have been constructed since the launch of the program in 2000, revolutionizing life for the communities by providing clean and safe drinking water and improving farming practices. Even more, the wells have freed up time for children to go to school and focus on schoolwork, instead of spending long hours fetching water for their families.

Another innovative, multisector initiative is PlayPumps International, which provides uniquely sustainable water pumps across South Africa powered by the force of children playing. PlayPumps work as children spin on a merry-go-round, pumping water from underground into an easily accessible tank nearby. When they are installed near schools, PlayPumps give women and children access to safe drinking water with a simple tap. Nearly 700 PlayPumps systems have been installed in South Africa, improving the lives of more than a million people, and a recent multisector investment in PlayPumps by the U.S. government, the Case Foundation, and the MCJ Foundation, means that even more children and women will benefit from PlayPumps for years to come.

The opportunities to act are within reach, but time is not on our side. According to a Pacific Institute analysis, between 34 and 76 million people could perish because of water-related diseases by 2020, even if the UN Millennium Development Goals are met.



"If you look at Nigeria's per capita income, it boils down to pennies per person. I would not consider Nigeria a rich country, but a resource-rich country. Right now in Nigeria the price of oil is about the same as the price in New York City. Our families do not see the money—life expectancy is below fifty years, hospitals are not functioning, and we are struggling to use our resources to battle these problems. Poverty can still exist amidst resource abundance."

Anthony Nyong

*Associate Professor and Director,
Centre for Environmental Resources
and Hazards Research,
University of Jos, Nigeria*



If the revenues from such investments were transparently and accountably managed, they could provide the basis for economic growth and poverty reduction.

But such initiatives, promising as they are, are the exception rather than the rule. And important new challenges are looming—for example, China's emergence as a powerful new player in the energy and commodity sectors may have serious worldwide ramifications as Chinese investors' demonstrate a willingness to make deals with unsavory regimes that have little regard for social and environmental consequences. As the Harvard University and Brookings Institution scholar Jane Nelson writes, "These new players don't face the same civic activism, reputation threats, and legal challenges in their home countries as do their Western counterparts when it comes to accusations of labor, human rights, and environmental abuses."⁹ The time is now to start encouraging Chinese business executives to play a responsible role in promoting resource transparency and accountability in the countries where they invest. Leaders from business, government, and civil society in the West should engage in a series of frank dialogues with their Chinese counterparts to share the hard-won lessons that have ultimately led many business leaders to embrace social and environmental standards and resource transparency as serving their own core business interests no less than the communities in which they operate.

Finally, transcending questions of natural resource scarcity or abundance within individual states are major transnational environmental challenges—such as global climate change. Population growth, deforestation, and industrialization in developing countries are accelerating the global warming process that is already under way. Rising surface temperatures on the Earth could fuel extreme weather; melting polar ice caps could cause severe flooding; shrinking glaciers could result in perilous water shortages; and continued climate change could irreversibly damage the Earth's ecosystem—even driving some species into extinction. In addition, rising temperatures could spur the spread of dangerous diseases, from malaria to dengue fever.

The brunt of climate change is likely to hit developing countries hardest, because their economies are more dependent on agriculture, their resources for coping are more limited, and because many have sizable populations in areas that could be devastated by flooding. Both rich and poor nations must join in dealing with this shared strategic threat—and develop a collective sense of urgency and commitment—before it is too late.



Powering Growth: The Road to Resource Transparency

Recent years have witnessed pathbreaking efforts to hold governments and corporations accountable for natural resource transactions. In June 2002, the Publish What You Pay campaign was founded to help local citizens hold their leaders accountable for the responsible management of oil, gas, and mining revenues by encouraging oil and mining companies to disclose their payments to developing country governments. Also in 2002, the British government launched the Extractive Industries Transparency Initiative. As of 2006, more than twenty producing countries from Nigeria to Azerbaijan to Peru are following industry's lead, linking, as Prime Minister Tony Blair put it, "Publish What You Pay with Publish What You Earn."

In 2002, the Open Society Institute created Revenue Watch programs in resource-rich countries to equip civil society, the media, and the public with the tools to monitor their government's use of natural resource revenues and to train policymakers to manage these revenues wisely. At the Brookings Institution, David de Ferranti developed the Transparency and Accountability Project in the spring of 2006 to strengthen the capacity of domestic civil society organizations (CSOs) to provide substantive analysis of budget choices and the distribution of public spending. The goal is for CSOs to become effective and sustainable mechanisms for holding governments accountable, leading to the more efficient and effective use of scarce public resources, and ultimately, better development outcomes.

Visionary programs like these have helped to heighten global public awareness of natural resource transactions, but the effort must continue. Natural resource revenues have the power to fuel economic development in impoverished countries, but only if such revenues are responsibly managed, allocated, and delivered.



Inspiring Hope



An Age of Youth: The Demographic Challenge

As the United States braces itself for retiring baby boomers, and European welfare states struggle to support their aging populations, the developing world is getting younger. Nearly half the people on the planet are under twenty-five years old, and more than a billion people are between the ages of ten and nineteen. The disproportionately large share of young people in the population—the so-called youth bulge—is in absolute and relative terms the largest cohort ever to transition into adulthood, and it will remain so over the next two decades.

This fact presents tremendous challenges, particularly for the developing world. Young people often suffer the most from poverty, lack of educational and economic opportunities, poor health, crime, and armed conflict. Nearly 17 million of the world's youth are refugees or internally displaced persons, 130 million are illiterate, as many as 300,000 fight as child soldiers, and collectively, young people make up almost 60 percent of the world's poor.

Moreover, there is strong historical evidence linking youth bulges to instability and conflict. Henrik Urdal of the International Peace Research Institute in Oslo looked into conflicts dating back to 1946 to determine whether youth bulges increase the risk of conflict significantly. Using rigorous statistical analysis, he determined that for each percentage-point increase in youth population as a share of the adult population, the risk of conflict increases

by more than 4 percent. Furthermore, he argues that “when youth make up more than 35 percent of the adult population, which they do in many developing countries, the risk of armed conflict is 150 percent higher than in countries with an age structure similar to most developed countries.”¹⁰

Paul Collier adds to this assertion by noting that the mere existence of a large youth demographic lowers the cost of recruitment for rebel armies.¹¹ Jack Goldstone of George Mason University observes that rising youth bulges coupled with rapid urbanization have been important contributors to political violence, particularly in the context of unemployment and poverty.¹² Taken together, the research seems to suggest a clear relationship between youth bulges and an increased risk of conflict.

The problem may lie in the fact that in too many places, the next generation is caught in a troubling cycle where the opportunities to make a useful contribution to society diminish as the number of youth soars. Yet, this need not—and, in terms of economic theory, ought not—be the case. A youthful population can be a country's blessing instead of its curse, providing a “demographic dividend” of energetic workers to jump-start productivity and growth.

The problem is that a country hoping to achieve such a positive outcome must provide economic opportunities for its young people—and too often, those reaching adulthood face bleak prospects of employment. Saudi



“We need to provide technical assistance and support to those designing and shaping national youth policies whether they are government leaders, NGOs, or youth themselves, so that we can both create and implement programs that respond to the real demands of young people. If we do so, we can successfully create an environment where youth are perceived as potential resources instead of potential threats.”

Ehaab Abdou

*President,
Nahdet El Mahrousa NGO and
Federation of Egyptian Youth NGOs*



Arabia, for example, will have 4 million young people joining the labor force in this decade—a number equivalent to two-thirds of the current Saudi workforce. And when these young people have had their expectations raised through education, their frustration at not being able to earn a living can render them susceptible to extremists. As the Tufts University professor Marc Sommers writes, “It often seems that nations don’t know what to do with their own young people, while armed groups keep discovering new ways to make use of them.”¹³

Too often, assistance programs intended to make a difference for youth are driven more by donor priorities and preconceptions than by what young people themselves really need; for example, too many job programs are designed to lure urban migrants back to the land, instead of accepting that many urbanized youth do not want to leave the city.

The problem is compounded by policy inefficiencies at the national and multinational levels—including the lack of political priority attached to youth issues; the absence of an integrated approach involving not only youth ministries but also health, education, labor, and culture; the lack of empirical data on what works; and the mismatch between money spent on education and money spent on ensuring that jobs are available when young people graduate—through programs supporting entrepreneurship, job creation, and enterprise development.

In certain places and policy circles, the

result has been that young people, especially males, are seen only as menaces to their communities. They are often depicted negatively, as problems to be dealt with rather than potential to be tapped; and more is made of the fact that men are disproportionately responsible for violent crime than of the fact that the vast majority of young men, even those in brutally harsh and desperate conditions, never resort to violence.

The challenge, then, in crafting an effective response to the “youth bulge” is to resist the temptation to view young people solely as a threat—and instead approach them as a valuable resource to be protected and cultivated. Indeed, as those who work with disadvantaged youth will readily argue, there is much to be learned from the incredible resilience and resourcefulness of poor young people.

Increasingly, the international community is rising to the challenge. Of the UN’s eight Millennium Development Goals, seven relate directly or indirectly to the plight of young people. In addition, the World Bank’s *World Development Report 2007* addresses “development and the next generation,” which should spark further analysis and better focus assistance programs.

Innovative private sector players and NGOs are also working to engage and empower youth in underprivileged areas. For example, in 2006 the ImagineNations group received support from the Bill and Melinda Gates Foundation to develop programs that



From Exclusion to Inclusion: Engaging Youth in the Middle East

The Middle East has before it what could be one of the greatest demographic gifts in modern history—a potential economic windfall arising from a young and economically active workforce. Today, young people age fifteen to twenty-four years account for 22 percent of the region's total population, the highest regional average worldwide. With the right mix of policies, this demographic opportunity could be tapped to spur economic growth and promote stability.

Yet millions of young people are already growing up in the Middle East without significant economic prospects. Youth unemployment in the region stands at 25 percent, the highest level in the world. In many Middle Eastern countries, unemployment is at its heart a youth problem; in Syria, for example, youth account for 80 percent of the unemployed.

The Brookings Institution's Wolfensohn Center for Development recently launched an initiative focusing on youth exclusion in Egypt, Iran, Syria, and Morocco. The initiative spotlights two main youth transitions to adulthood—the transition from education to employment, and the transition to household formation through marriage and family. Through an alliance of academics, policy-makers, the private sector, and civil society, the Wolfensohn Center will help craft more effective policies to create opportunities for young people in the region.

While many Middle Eastern youth might enjoy higher levels of education compared with their peers in South Asia, Latin America, or Africa, the majority of them still lack employment opportunities that meet their rising expectations. This second-generation development challenge—where high levels of poverty are replaced by widespread exclusion from economic, social, and political life—confronts almost every country in the region. How the Middle East tackles this challenge will offer valuable lessons far beyond its borders.





provide training and capital to a new generation of young entrepreneurs. The goal is not only to spur investments in small and medium-sized enterprises but also to create incentives for larger companies to hire young people or recruit them as interns and apprentices.

Another promising initiative is Youth Business International (YBI), an international network of programs created through the Prince's Trust in the United Kingdom to help disadvantaged young people become entrepreneurs. According to YBI director Andrew Fiddaman, "There are 300 million young people aged eighteen to thirty who are un- or underemployed. Twenty percent have the potential to start a business, but only 5 percent do." YBI provides business mentoring and seed funding of between \$500 and \$10,000. Typically, the young entrepreneurs repay the YBI loan within three years. More than 13,000 businesses have been created through YBI, with a more than 70 percent survival rate; and as each new enterprise takes firm root, another young leader learns how to build a business, develop a credit history, and ultimately become an employer himself or herself.¹⁴

Other organizations are pursuing grassroots efforts to make youth an integral part of community safety and well-being. In Liberia, a local organization called Youth Crime Watch Liberia is working to assist schools and communities in establishing and sustaining crime prevention programs, including a rape awareness campaign; and in

Kibera, one of Nairobi's poorest slums, Carolina for Kibera, a grassroots NGO founded by a former U.S. marine, Rye Barcott, launched a youth recycling program called Trash for Cash, through which young people not only clean up their communities but also earn incomes.

As additional programs and policies are developed, several issues should be kept in mind. The first is the overarching obligation to ensure that youth efforts cut across many sectors. Governments need help developing effective, constructive, comprehensive national youth policies—and that depends in part on getting a better grip on what actually works and what does not.

The world also needs a concerted effort to provide employment opportunities for young people in poor countries—and this is an area where the private sector has a critical role to play, especially by ensuring that training and skill development are linked to market demands.

At the same time, policymakers must remember that poor youth, especially those in conflict situations, too often find themselves marginalized from political discussions and processes. Thus, as leaders and activists think about providing opportunities for educated youth, they must think not only in economic terms but political terms as well.

Special attention should also be paid to postconflict environments and efforts to help youth lift themselves out of poverty. Too often, assistance efforts focus on the most



“One of the most potent factors that can seriously undermine a democratization process is an alienated and embittered youth population that feels excluded and marginalized. Young people can go either way: They can become an important force for rebuilding peace and democracy, or they can turn into an army of spoilers. We do not believe enough in young people, so we don’t entrust them to have a voice and to participate. It’s amazing how articulate and precocious young people can be. Instead of paying lip service to them, we must empower and invest in youth.”

Olara A. Otunnu

President,

LBL Foundation for Children;

Former United Nations Undersecretary General and Special Representative for Children and Armed Conflict

urgent priorities of postconflict situations—reducing the numbers of weapons and soldiers—at the cost of programs to address the long-term future of combatants, many if not most of whom are young. As Jane Holl Lute, the assistant secretary general of UN peacekeeping operations, notes, “DDR” programs that disarm and demobilize fighters are useless without funding and a strategy for the “R”—the crucial process of reintegration into society.

Policymakers should position programs in the cities and places where youth actually are; and they should use new media to reach young people in meaningful ways. Youth should be encouraged and trusted to organize, lead, or govern programs as much as possible. There may be useful lessons to be learned from religious groups and even fundamentalist organizations that have proven good at mobilizing and motivating poor youth. And, crucially, the world community must also invest in letting kids be kids—with funding for programs such as recreation, leisure, sport, and the arts.



Delivering Results



Agents of Change

The challenges that can hasten insecurity in poverty-stricken environments are both complex and dynamic. Though environmental and demographic factors may serve as imminent warning signs, they by no means represent an exhaustive list of the potential causes of conflict. As we know all too well, such factors as the spread of HIV/AIDS, rapid urbanization, and fledgling institutions—among a host of other issues—may also exacerbate the risks leading to insecurity.

Such a wide array of challenges begs the question, “Where do we begin?” Regardless of whether change originates in governmental institutions, the private sector, or civil society, one constant is that leadership matters.

The Role of Leaders: Spotlight on Africa

Countries on every continent suffer from poverty and insecurity, in part because of their political leaders’ decisions and actions—and no country is immune from hapless, corrupt, or even venal leadership, as citizens from the Americas to Europe to Asia would readily volunteer. And yet, some regions with weak institutions have been more deeply afflicted by poor leadership than others. Postcolonial Africa in particular has borne the burdens of a leadership deficit.

It is true that African countries have several inherent disadvantages to overcome. Their independence from outside rule is relatively recent; the United States, after all,

has been engaged in its democratic experiment for more than two centuries. Africa is the world’s second most populous continent, comprising fifty-three countries—fifteen of which are landlocked and many of which are tropical. At the same time, many African countries possess great human and natural resources. And yet, according to the Harvard University scholar Robert Rotberg, by some measures, 90 percent of Sub-Saharan African nations have experienced despotic rule in the past three decades.¹⁵

Poor leadership can take a devastating toll on human security. In Zimbabwe, for example, Robert Mugabe has transformed a regional economic and political success story into a repressive, chaotic mess. Fifteen years ago, a quarter of Zimbabweans were unemployed; today, the figure is 70 percent, and inflation has climbed to more than 1,000 percent a year. Meanwhile, newspapers have been closed and scores of reporters thrown in jail, while Zimbabwe’s police and armed forces have forcibly eradicated slum dwellers in ways reminiscent of the horrific ethnic cleansing witnessed during the 1990s in the Balkans.¹⁶

Human agency is to blame for millions of civilian deaths in Africa in recent years from Congo to Sudan, Angola, Rwanda, and Darfur. Moreover, the “half-life” of damage done by bad leaders can far transcend the period of misrule. Perceptions matter, especially when trying to attract foreign investment from half a world away, and a





country that has been associated with instability or corruption in the past may find its public image hard to repair for years or even decades to come.

Polling data confirm that Africans desire honest leaders and effective governments. And the experience of countries like Botswana shows that such aspirations can indeed be achieved. Blessed with a strong tradition of open discussion, a cultural heritage that values collective wisdom and accountability, and, significantly, diamond wealth, Botswana had key resources to draw on in building a strong democracy. Yet, Botswana's success cannot be divorced from the leadership its presidents have provided. In the forty years since independence, Seretse Khama, Ketumile Masire, and Festus Mogae have used not only government tools but also their personal example to transform Botswana from a poor pastoral country into one of the continent's wealthiest and most stable—distributing the benefits of diamonds broadly, including the provision of free universal education and health care. Today, President Mogae is providing a model for other African leaders to emulate in his proactive and tireless crusade against the HIV/AIDS pandemic.

Likewise, Mauritius—once a poor sugar colony—today boasts one of Africa's strongest economies, thanks to creative, honest leadership, market opening, and a political arena characterized by coalition building. During the past two decades, per

capita income in Mauritius has nearly doubled, with an attendant rise in human development indicators. And Mozambique, which suffered nearly two decades of civil war, has since 1997 achieved average annual growth in gross domestic product of 8.9 percent, increased enrollment in primary schools by 25 percent, and reduced extreme poverty—even as it has built one of Southern Africa's more stable new democracies.

Enlightened leaders with vision and strength are especially important where the state's organizational and institutional capacity to govern is lacking. Unsurprisingly, states that successfully manage to provide their citizens with basic security, political freedom, transportation and communication infrastructure, medical necessities, and educational institutions—states like Botswana, Mauritius, and South Africa—possess the most farsighted and effective leadership.

African leadership must come from within, but outsiders can help. For the international community, the challenge is to help find, train, and support the leaders of tomorrow—and assist those who are making a difference today. The United States has a strong tradition of identifying and mentoring leadership, through the Truman Scholarship, the White House Fellows Program, the Presidential Management Fellowship, and many other initiatives; other rich countries do as well. Yet many African leaders have risen to power from the vanguard of military or protest groups rather than an executive

“There is a long tradition of successful mentorship and leadership programs in the United States and Europe, but so many of the great leaders that come out of Africa to non-African countries never return. We need to make sure future African leaders have incentives to return and stay in Africa.”

Mary Robinson

*Executive Director,
Realizing Rights: The Ethical
Globalization Initiative;
Former President of Ireland*



management background. Developing leadership mentoring programs for talented Africans in the twenty- to forty-year-old age bracket—not only within their respective countries but on a regional basis as well—could help a new generation of leaders hone the skills, form the networks, and internalize the ethos of public service that would serve them and their homelands in the future.

Another promising approach is to provide what the Open Society Institute and the United Nations Development Program call a “capacity-building fund” to supplement the incomes of effective public servants in poor countries—and thereby encourage expatriates and others who have many other alternatives to devote their considerable expertise to the challenge of governing in their homelands. Such funds have helped support a living wage for government officials from Serbia to Georgia to Nigeria—but they are neither intended nor designed to be a long-term solution.

The international community has other tools to encourage good governance and accountability, for example, the incentive-based approach of the U.S. Millennium Challenge Corporation (MCC). By providing aid to countries with a proven commitment to reducing poverty and strengthening democracy, the MCC seeks to reward leaders that rule justly, invest in their people, and encourage economic freedom. The MCC does not aspire to be the only tool in the development kit—but it does provide

substantial amounts of assistance to countries that can meet its criteria.

At the same time, honest observers acknowledge not only the difficulty of cultivating effective leadership from the outside but also the ways in which outside actors may contribute to the leadership problem. Strategic and diplomatic demands have prevented the United States and other Western governments from being consistent in their criticism of African and other developing country leaders around the world—and the lion’s share of U.S. assistance flows to countries based on their strategic importance, with the net result that U.S. assistance on a per capita basis actually declines as governance improves. And despite the West’s professed desire to support development in Africa and elsewhere, trade policies and agricultural subsidies are undermining many poor countries’ best hope for economic growth—thereby shackling the ability of democratically elected leaders to deliver results to their people.

Leadership from the Private Sector and the Nongovernmental Community

Although good governance and capable public institutions are indispensable, the fight against extreme poverty can only be won with active leadership from the private sector and civil society.

The global private sector has many avenues





Rewarding Good Governance

Retirement is often considered the prize at the end of a long career. But in Africa, retiring from office generally means leaving a well-paid position with extensive perks for limited and unattractive opportunities. Responding to the lack of incentives available to retiring African leaders, Mohamed Ibrahim, the Sudanese founder of Celtel International, launched a \$5 million annual prize in October 2006 to entice leaders to exit office.¹⁷ The annual prize, awarded based on a complex index devised by Robert Rotberg of Harvard University's John F. Kennedy School of Government, will go to that Sub-Saharan African leader who has demonstrated the greatest commitment to democracy and good governance during his or her tenure.

Although African leaders have tried to institute collective mechanisms to promote better leadership and more democratic governance in the past, corrupt and ruthless leaders still stand. Partnerships such as the African Leadership Council and the New Partnership for Africa's Development (NEPAD) demonstrate a commitment to improving governance, but so far the results have been mixed. For example, though NEPAD created the African Peer Review Mechanism to monitor and identify governance weaknesses, it has so far failed a critical test by proving reluctant to condemn President Mugabe's record in Zimbabwe.

Ibrahim's annual prize adds a new dynamic to the equation. By offering a financial incentive to break the pattern of long, uninterrupted, and indefinite tenure by often increasingly unaccountable leaders, the prize actively encourages leaders to rule democratically—and then hand over the reigns of power at the end of their legal terms. Limited-term appointments and peaceful transfers of power are at the very heart of democratic and effective government; they inject fresh energy and ideas into the policy arena and give citizens a reliable process for holding leaders accountable. Innovative programs like Ibrahim's prize—combined with systematic efforts to strengthen civil society and create accountable and transparent institutions—are the type of bold action required to help transform African governance.



“We have inherited a culture of open discussion, where the wisdom of a nation does not sit in one head. It is the collective wisdom of a nation that ultimately decides its fate.”

Ketumile Masire
Former President of Botswana

to engage in this vital effort. Investing in poverty-plagued areas offers tremendous opportunities to enhance both market value and social value; moreover, the private sector can bring to the fight against global poverty the same spirit of leadership, innovation, and initiative—and the same skills in scaling size up, driving costs down, and reaching out to new clients—required for success in the global marketplace. And in contrast to the slow and uncertain pace of public sector action on budget appropriations or the adoption of reforms, the private sector has the power to take meaningful steps against poverty right away.

Sometimes, the core business activity of an enterprise makes the development difference—for example, a mobile telephone service provider, a microfinance institution, or a utility company. In other cases, the peace and prosperity dividend comes more from the corporation's role and example in the community where it operates. As former UN secretary general Kofi Annan has explained, private sector decisions “on investment and employment, on relations with local communities, on protection for local environments, [and] on their own security arrangements, can help a country turn its back on conflict, or exacerbate the tensions that fueled the conflict in the first place.”¹⁸

Michael Stewart of McKinsey & Company confirms that contemporary discussions on corporate social responsibility among client companies have greatly evolved;

today, there is far more awareness that multinationals' business models can influence the prospects for local stability and that core business interests are directly tied to the stability and prosperity of the communities where they work. Though corporate chiefs might once have dismissed transparency as a government issue, there is growing recognition that the diversion of tax and royalty payments by local government officials can damage business directly by tarnishing reputations, and indirectly, by undermining local conditions. Managing risks and maximizing profits cannot come at the cost of exacerbating social problems or fueling conflict—and corporate executives are focusing more intensively on the need for collective, proactive, strategic action and business statesmanship.

Jane Nelson has described three basic categories of management challenges and opportunities for corporations—and also NGOs—doing business in countries plagued by political, economic, or physical insecurity.

First and foremost is an organization's obligation to do no harm—to ensure that the enterprise itself does not spark or exacerbate insecurity or conflict. As Nelson explains, while the media spotlight in recent years has been trained on resource extraction industries, other sectors also face challenges—for example, food and beverage companies that may strain limited water resources; manufacturing companies that may lower the bar on workplace safety for poor laborers; or tourism



PHOTO COURTESY OF TRISTAN REED



"We [Citigroup] used to operate in countries where even though 95 to 98 percent of our employees were local, we were still known as a 'U.S. company.' We are increasingly acting as though we're a local company, with local leaders and stronger relationships to local institutions and the local governments."

Lewis B. Kaden
*Vice Chairman and
Chief Administrative Officer,
Citigroup*

companies that may pose risks to local environments and vulnerable cultures.

New accountability mechanisms have been established in recent years to help corporations manage the "do no harm" imperative—including a wide array of global codes, compacts, and voluntary principles focused on integrating performance standards and accountability into the work of companies and NGOs, from the UN Global Compact to the banking sector's Equator Principles and the diamond industry's Kimberley Process. A growing number of global corporations are seeking to adhere to corporate social responsibility approaches that set standards for best practices and establish basic principles for operating in poor and insecure environments.

The second category of engagement is investing in local socioeconomic development and community resilience—by increasing economic opportunity and inclusion; providing access to credit and insurance; enhancing communications and technology infrastructure; and supplying basic resources to improve living conditions. Recent years have witnessed a welcome burst of new activity in these areas, driven by creative social entrepreneurs; innovative, socially conscious investors; and bold partnerships among multinational corporations, philanthropic institutions, government agencies, and others. Such innovative work has not gone unnoticed. In 2006, Muhammad Yunus won the Nobel Peace Prize for his pathbreaking efforts to provide credit to the poor in rural

Bangladesh. Today, the Grameen Bank, which Yunus founded in 1976, has over 6 million borrowers, 97 percent of whom are women.

There is also a growing awareness that companies and NGOs can and should play a larger role in supporting civil society organizations, the media, and such high-risk groups as youth, women, and ethnic minorities. By helping to build more effective community advocates for good governance and security, whether through philanthropy or local investment, the private sector can help develop greater opportunities while promoting high returns. And by choosing to operate in a way that focuses on addressing the grievances and needs of traditionally disenfranchised groups like women and youth, the private sector can help enhance long-term stability. As Robert Annibale, the global director of Citigroup Microfinance, explains, "We've transformed the way we think about civil society. We recognize now that civil society includes our clients, our customers, our employees. This perspective has led us to be more consultative in our approach."

The third level of engagement is for organizations to participate in the broader public policy dialogue—tackling corruption, strengthening institutions, and fortifying government frameworks. Often, these are areas where collective action is especially effective; for example, business-led groups have supported efforts from strengthening the criminal justice system in South Africa to promoting the peace and reconciliation



“Our company in Africa operates under the anticorruption motto of “not a single dollar for brown envelopes.” We only do real business. In the Democratic Republic of the Congo, it took us years to enter, but when we entered, we did it properly. We went the extra mile to show clear governance and transparency. As the founder and largest shareholder, I had only one Board seat—even though at the early stages I held some 70 percent of company shares. We used the legal system! Today we have 15 million customers in fourteen African countries. Imagine how that transformed Africa. This so-called risky environment was a heaven for us.”

Mohamed Ibrahim
Founder,
Celltel International

processes in Sri Lanka, the Philippines, and Guatemala.

Yet, despite the positive role the global private sector can play in developing countries, operating in insecure areas presents significant challenges: from dealing with corrupt governments to weak infrastructure, potential violence, currency and commodity price swings, shortages of skilled labor, and insufficient legal protections. According to a 2001 survey of the mining industry, when companies were asked why they refrained or withdrew from otherwise sound investments, nearly 80 percent answered that political instability—particularly, armed conflict—was the key reason.

To address such concerns, multilateral institutions, official donors and lenders, NGOs, and private investors must develop new tools to mitigate risk. Though the importance of microfinance programs is well understood, adequate financing remains unavailable for small and medium-sized enterprises—those with between 10 and 100 employees. New mechanisms could be created to help promote the financing of these enterprises by boosting equity or strengthening long-term loans. The aim of such ideas is not to supplant market mechanisms but to create meaningful incentives for private investors to venture into markets they might otherwise write off as hopeless—and, in so doing, help to generate results for poor countries that have embarked on the difficult path of reform.





PHOTO COURTESY OF CAROLINA FOR KIBERA, INC.



Just as global corporations are recalibrating their approach to development and social responsibility, so too are NGOs adjusting to new demands. Overall, the pressure for accountability and transparency has affected NGOs as well; the community has responded with self-regulation mechanisms, codes of conduct, more engaged governing boards, public reporting, and other improvements. In addition, NGOs are learning how to operate in a market context—forging partnerships with the private sector on behalf of mutual goals. Oxfam, for example, has helped Unilever analyze its distribution and retail chain in Indonesia, to better appreciate the company’s impact, both good and bad, on poverty in that country; and in Venezuela, Amnesty International has joined forces with Statoil and the United Nations Development Program to train judges on human rights issues.

But especially for NGOs working in volatile environments, the past decade has wrought a paradigm shift in their ability to function, as respect for the Red Cross and the Red Crescent and for the Geneva Conventions has eroded and NGO representatives have become the targets of kidnapping, assault, and terror. The cost of providing security for staff members has become a barrier to entry for many humanitarian organizations that otherwise would be on the front lines in insecure areas; for others in uncomfortable proximity to U.S. military stabilization and reconstruction operations, it has forced new thinking and revamped approaches to civil-military relations.

In Iraq—one of the places where humanitarian action and community building are most needed—Mercy Corps is one of only a handful of relief organizations still on the ground. As Nancy Lindborg explains, Mercy Corps operates entirely on the basis of community acceptance, coinvesting with local communities on the infrastructure and social services they want—whether sewage systems or Internet centers. It takes time and patience for this kind of complex, bottom-up development partnership to take root, but the result is empowered local groups that feel responsible for safeguarding their own achievements.

“Locally owned businesses and locally run groups contribute to stability. People don’t want to think they are succeeding by the grace of U.S. assistance, but by their own means.”

Nancy Lindborg
President,
Mercy Corps





“In assessing risk in developing countries, and considering the most effective methods to mitigate it, we should recognize the power of public-private partnerships. This is a dynamic model that integrates the strengths and resources of government, the nonprofit community and, importantly, the private sector, to use their unique strengths individually to lead the way to sustained growth and progress collectively.”

Robert Mosbacher, Jr.
*President and Chief Executive,
Overseas Private Investment Corporation*

PHOTO COURTESY OF MERCY CORPS



Adapting to Change



America's Role: Is Transformational Diplomacy the Route to Security?

For decades, experts have debated whether democracy or development should top the policy agenda. Today, the jury seems to have settled on a commonsense conclusion: Both democracy and development are essential, and neither can endure without the other. And yet, if there is a mounting consensus on the virtues of liberal democracies for economic development and human security, disagreement persists over whether foreign intervention can transplant democracy into societies with weak institutional foundations.

Policymakers clearly need a political strategy to compliment their poverty strategy. If poor governance and a lack of accountability are part of the reason that countries are poor in the first place, then simply throwing more money at the problem will not help—and could in fact make the situation worse by reinforcing corruption and the capture of the state by elites. Support for nation building and democracy promotion has been sorely tested in recent years by the United States' struggles in Afghanistan and Iraq, but support for transparent and accountable governance should remain an overarching goal of U.S. foreign assistance. Meanwhile, NGOs and others working at the grass roots can help cultivate poor citizens' familiarity with democratic practices and capacity to hold local officials accountable—even in repressive states, where government-to-government channels are not possible.

Starting in his second term, President George W. Bush has made “transformational

diplomacy” the hallmark of his administration's foreign policy—a commitment, in Secretary of State Condoleezza Rice's words, to “work with our many partners around the world to build and sustain democratic, well-governed states that will respond to the needs of their people—and conduct themselves responsibly in the international system.”¹⁹ One of the features of transformational diplomacy, also known as the “freedom agenda,” is the reorientation of U.S. foreign assistance policy, planning, and oversight toward the goal of democratization.

Although poverty alleviation is not explicitly stated as an objective, Bush administration officials argue that their policy addresses the root cause of hardship. “Achieving transformational development requires more than short-term charity or even the long-term provision of services,” Randall Tobias, the administration's new director of foreign assistance, explained in a June 2006 speech. “We must support citizens to make demands of their governments, and reject excuses for failure.”²⁰

To implement this strategy, the U.S. government is in the midst of reforming and restructuring the way it plans and implements foreign assistance. The process continues reforms and programs launched in the Bush administration's first term—for example, the Office of the Global AIDS Coordinator and the Millennium Challenge Corporation, which together will administer a substantial increase in U.S. foreign aid





PHOTO BY JOHN HARRINGTON AND REPRINTED COURTESY OF THE U.S. GLOBAL LEADERSHIP CAMPAIGN



“How can democracy help in fighting global poverty?”

Democracy, when functioning properly, is inclusive. It provides accountability and a set of legal structures that encourage and allow people to participate.”

Madeleine K. Albright
64th Secretary of State;
Principal,
The Albright Group, LLC

dollars. The U.S. government is also reforming to improve its response to the varied development and security challenges in states coming out of conflict, in particular through the newly created State Department coordinator for reconstruction and stabilization and new presidential and Department of Defense directives to organize and conduct stability operations in war-torn countries.²¹

It is too soon to judge whether “transformational diplomacy” is a success. The process is still very much under way, and it will need time to find its footing. That said, some challenges to the mission are evident already—from shortfalls that may be alleviated over time, such as the lack of a sufficient talent base among diplomats who are newly supposed to be agents of change; to institutional barriers still to be overcome, such as the traditional divide between “cops” and “caregivers”; to the difficulty of translating the theoretical desirability of democracy into concrete operational plans and programs; to the reality that democratization may produce results that are at loggerheads with U.S. interests—as occurred with Hamas’ strong showing in the January 2006 Palestinian elections.

In addition, many observers worry that focusing aid on democratic reforms will neglect the states that are suffering most from poverty and conflict. Democracy is important, but building the institutions required to sustain it takes time; meanwhile, many poor states in conflict confront imme-

diolate challenges from pandemic disease to resource scarcities. As Jennifer Windsor of Freedom House explains, “Why are we revisiting whether poor people have to choose between political freedom and freedom from insecurity or freedom from want? If there is anything we have learned over the last twenty years, it is that we need to pursue integrated approaches. The question is how to do that most effectively.” The United States will not be applauded for championing democracy if it is perceived as ignoring the deprivation of millions of impoverished people.

There is also a risk that U.S. democracy promotion will be seen as a self-serving strategy designed to bolster America’s national security, rather than to lift the lives of needy people around the globe. Critics do not deny the national security benefits of promoting democracy, but they argue for a shift of tone in the way the strategy is advanced—one that assumes more humility and appears less squarely “made-in-the-U.S.A.”

Similarly, some humanitarian organizations engaged in development work feel they are on a collision course with the U.S. Agency for International Development (USAID) regarding the “branding” of U.S. foreign assistance. USAID’s branding campaign was launched in late 2004, with the aim of helping American taxpayers get “the credit they deserve” for the foreign assistance programs they fund. Presumably, the hope is that global publics will regard the United States more favorably if they understand just how much



“All politics is local, but many of these issues are tremendously global. And global issues cannot be resolved without the United States. I know there is a lot of doubt about the United States around the world, but many of the same people who are doubtful are often waiting for the United States to play a constructive leadership role.”

Kemal Dervis
*Administrator,
United Nations Development Programme*

assistance comes “from the American people,” as the revamped USAID tagline reads. To promote the campaign, new federal regulations require all contractors and U.S. NGOs receiving USAID funding to ensure their “programs, projects, activities, public communications, and commodities” prominently bear the USAID standard graphic.

Some experienced NGOs argue, however, that the most effective way to promote sustainable development is to foster the local ownership of programs, and that if America’s strategic goal is promoting security and reducing poverty, then the focus should be on empowering effective local change agents, not on getting credit for U.S. taxpayers. As these NGOs suggest, the branding campaign risks undermining the effectiveness of development and democracy programs, because local communities need to feel like they are building something themselves, not be reminded at every turn that their destiny depends on the grace of the United States.

Underlying all these concerns is the continued mismatch between the United States’ stated strategic priorities and the way aid dollars are actually spent. A recent analysis by the Brookings Institution in cooperation with the Center for Strategic and International Studies counted more than fifty separate offices addressing more than fifty separate aid objectives—a laundry list that is not ranked in any consistent hierarchy.

Moreover, the bulk of U.S. assistance does not fund the things the government claims to





“Democracy is not just about having formal institutions. We’ve learned it’s about the functioning of those institutions and whether they can provide transparency and accountability to citizens.”

Smita Singh
*Special Advisor for Global Affairs,
 The William and Flora Hewlett Foundation*



PHOTO COURTESY OF TRISTAN REED

care about. The United States would like its aid to be progovernance, but even the Middle East Partnership Initiative—the flagship democracy promotion program in that region—represented only 2 percent of overall U.S. economic assistance to the Middle East in 2005; meanwhile, strategically important Egypt received an assistance package amounting to \$27 per capita, its autocratic governance notwithstanding. Ghana, in contrast, received less than \$4 per capita, even while maintaining relatively good governance.²²

In 2006, Congress launched the U.S. Commission on Helping to Enhance the Livelihood of People (HELP Commission), whose mandate is to review, over a two-year period, all U.S. foreign assistance and development programs and make recommendations to the U.S. public, president, and Congress on which foreign aid programs work and why, and how U.S. aid dollars can be made most effective. A key challenge for the HELP Commission will be assessing whether development assistance is being allocated to meet its recipients’ priorities and needs or to further America’s diplomatic and strategic ends. Ideally, the two objectives should complement each other, but the case is not always so clear.

The HELP Commission is determined to avoid the fate of previous evaluations, whose reports, in its words, “end up occupying space on a bookshelf and making little difference in policy.”²³ Yet it also acknowledges the

difficulty of assessing whether a program’s success or failure was the result of its design or implementation. During the past fifty years, the United States has learned some important lessons, yet it still knows less about the effectiveness of development assistance, or how to measure that effectiveness, than it should. The time is now to invest in development aid impact assessments, so that tomorrow’s policymakers have a solid foundation of data on which to base future initiatives.



“We need both a freedom agenda and a development agenda. . . . We need to think about the different stages of democracy and what strategies we should support. There is no generic universal solution.”

Philip D. Zelikow
*Former Counselor,
U.S. Department of State;
White Burkett Miller Professor of History,
University of Virginia*



A Common Peace



A Benevolent Web

The challenges of poverty and insecurity are not new. But we now recognize more clearly how much they matter. We have come a long way in understanding the complex relationship between poverty and insecurity, and we have made important strides in solving the problems that stem from them. Yet we still have a long way to go in addressing the root causes.

Although there is no single pathway out of poverty or toward peace, we can make progress only if we have two basic necessities: good ideas and a common commitment to action. In the words of Brookings president Strobe Talbott, “To address the problem of the tangled web of poverty and insecurity, we need to create a *benevolent* web of NGOs, private sector representatives, governments, and activists.”

In fighting against poverty and insecurity, we must confront a range of interconnected issues—from demographics to governance to resource distribution—and embrace a variety of solutions that span the governmental, NGO, and private sectors. Our fight must also include efforts too often relegated to the

security field—such as enhancing the capacity for conflict resolution and peace-keeping. There are many new avenues for research that will advance how we understand the difficult problems presented by the complex relationship between poverty and insecurity—and more important, many new opportunities for innovative action to meet these challenges.

But no single person, organization, or country can meet these challenges alone. Only by working together on multiple fronts can we hope to prevail against the scourges of hunger, homelessness, disease, and suffering. Tackling poverty and insecurity is not just a matter of doing the right thing—it is a matter of doing the sensible thing to ensure global security. For the sake of our shared security, for the sake of our shared humanity, there is not a moment to waste.



“Fighting poverty is not just important for humanitarian reasons—although it certainly is that; it’s also in our self-interest, since poverty breeds instability. Reducing global poverty is a classic example of the right thing being the smart thing.”

Strobe Talbott
President,
The Brookings Institution



Participant List

Co-Chairs

Richard C. Blum: Chairman and President, Blum Capital Partners, LP

Lael Brainard: Vice President and Director, Global Economy and Development Program, Brookings Institution

Strobe Talbott: President, Brookings Institution

Honorary Co-Chairs

Walter Isaacson: President and Chief Executive Officer, Aspen Institute

Mary Robinson: Executive Director, Realizing Rights: The Ethical Globalization Initiative; Former President of Ireland

Participants

Ehaab Abdou: President, Nahdet El Mahrousa NGO; and Federation of Egyptian Youth NGOs

Madeleine K. Albright: 64th U.S. Secretary of State; Principal, Albright Group, LLC

Robert A. Annibale: Global Director, Citigroup Microfinance Group

Rye Barcott: Founder and President, Carolina for Kibera, Inc.

Carol Bellamy: President and Chief Executive Officer, World Learning

Mary K. Bush: President, Bush International LLC; Chairman, Helping to Enhance the Livelihood of People around the Globe Commission

Derek Chollet: Non-Resident Fellow, Brookings Institution; Fellow, Center for Strategic and International Studies

David Croft: Director, Ethical Sourcing and Sustainability, Cadbury Schweppes

Kenneth W. Dam: Senior Fellow, Brookings Institution; Max Pam Professor Emeritus of American and Foreign Law, University of Chicago

Kemal Dervis: Administrator, United Nations Development Program

Dianne Feinstein: U.S. Senator, California

Andrew Fiddaman: Director, Youth Business International, International Business Leaders Forum

Al Gore: 45th Vice President of the United States

John Hewko: Vice President of Operations, Millennium Challenge Corporation

Mohamed Ibrahim: Founder, Celtel International

Steen Jorgensen: Director, Sustainable Development Network, World Bank

John William Kachamila: Former Minister, Office of the Former President of Mozambique

Lewis B. Kaden: Vice Chairman and Chief Administrative Officer, Citigroup

Colin Kahl: Assistant Professor of Political Science, University of Minnesota

Nancy Lindborg: President, Mercy Corps

Johannes F. Linn: Executive Director, Wolfensohn Center for Development, Brookings Institution

Jane Holl Lute: Assistant Secretary-General, Peacekeeping Operations, United Nations

Richard Lyons: S. K. and Angela Chan Professor of Global Management and Executive Associate Dean, Haas School of Business, University of California, Berkeley

Ketumile Masire: Former President of Botswana

Sylvia Mathews: President, Global Development Program, Bill and Melinda Gates Foundation

Edward Miguel: Associate Professor, Department of Economics, University of California, Berkeley

Robert Mosbacher, Jr.: President and Chief Executive Officer, Overseas Private Investment Corporation

Marc B. Nathanson: Chairman, Mapleton Investments, LLC

Jane Nelson: Senior Fellow and Director, Corporate Social Responsibility Initiative, John F. Kennedy School of Government, Harvard University

A. Richard Newton: Dean, College of Engineering, University of California, Berkeley

Anthony Nyong: Associate Professor and Director, Centre for Environmental Resources and Hazards Research, University of Jos, Nigeria (now at International Development Research Centre, Nairobi)

Raymond C. Offenheiser: President, Oxfam America

Olara A. Otunnu: President, LBL Foundation for Children; Former United Nations Undersecretary General and Special Representative for Children and Armed Conflict

Carlos Pascual: Vice President and Director, Foreign Policy Studies, Brookings Institution

Alan Patricof: Founder and Managing Director, Greycroft, LLC

Susan E. Rice: Senior Fellow, Brookings Institution

Robert I. Rotberg: Director, Program on Intrastate Conflict and Conflict Resolution, John F. Kennedy School of Government, Harvard University; President, World Peace Foundation

Khalid Sheikh: Senior Vice President and Chief Economist of Emerging Markets, ABN AMRO Bank NV

Smita Singh: Special Adviser for Global Affairs, William and Flora Hewlett Foundation

Marc Sommers: Associate Research Professor of Humanitarian Studies, Fletcher School, Tufts University

George Soros: Founder and Chairman, Open Society Institute

James Steinberg: Dean, Lyndon B. Johnson School of Public Affairs, University of Texas at Austin

Michael Stewart: Director of External Relations, McKinsey & Company

Erica Stone: President, American Himalayan Foundation

Bhekh B. Thapa: Chairman, Institute for Integrated Development Studies

Henrik Urdal: Research Fellow, Centre for the Study of Civil War, International Peace Research Institute, Oslo

Jennifer Windsor: Executive Director, Freedom House

James D. Wolfensohn: Chairman, Citigroup International Advisory Board; Former President, World Bank

Philip D. Zelikow: Former Counselor, U.S. Department of State; White Burkett Miller Professor of History, University of Virginia

Special Guests

Peggy Clark: Managing Director, Realizing Rights: The Ethical Globalization Initiative

Melissa S. Dann: Executive Director, Wallace Global Fund

Jamieson Davies: Special Assistant to the President, Catholic Relief Services

Hemanta Mishra: Executive Director, Newpeak Foundation; Senior Adviser, American Himalayan Foundation

Peter A. Reiling: Executive Vice President for Leadership and Policy Programs, Aspen Institute

Brooke Shearer: Senior Adviser, Global Health Strategies

Rapporteur

Vinca LaFleur: President, Vinca LaFleur Communications



Notes

1. For more information, see Susan E. Rice, "Poverty Breeds Insecurity," in *Too Poor for Peace? Poverty, Conflict and Security in the 21st Century*, ed. Lael Brainard and Derek Chollet (Brookings, forthcoming).
2. Paul Collier, "The Market for Civil War," *Foreign Policy*, May/June 2003, 38.
3. Edward Miguel, Shanker Satyanath, and Ernest Sergenti, "Economic Shocks and Civil Conflict: An Instrumental Variables Approach," *Journal of Political Economy* 112, no. 4 (2004): 725.
4. Susan Rice, "The Threat of Global Poverty," *The National Interest*, Spring 2006, 76.
5. "The Global Menace of Local Strife," *The Economist*, May 24, 2003, 23.
6. Rice, "Poverty Breeds Insecurity."
7. Simon Robinson, "Nigeria's Deadly Days," *Time International*, May 22, 2006, 20–22.
8. Edward Miguel, "Poverty and Violence: An Overview of Recent Research and Implications for Foreign Aid," in *Too Poor for Peace?* ed. Brainard and Chollet.
9. Jane Nelson, "Operating in Insecure Environments," in *Too Poor for Peace?* ed. Brainard and Chollet.
10. Henrik Urdal, "The Demographics of Political Violence: Youth Bulges, Insecurity and Conflict," in *Too Poor for Peace?* ed. Brainard and Chollet.
11. Paul Collier, "Doing Well Out of War: An Economic Perspective," in *Greed & Grievance: Economic Agendas in Civil Wars*, ed. Mats Berdal and David M. Malone (Boulder, Colo.: Lynne Rienner, 2000), 91–111.
12. Jack A. Goldstone, "Demography, Environment, and Security," in *Environmental Conflict*, ed. Paul F. Diehl and Nils Petter Gleditsch (Boulder, Colo.: Westview Press, 2001), 84–108.
13. Marc Sommers, "Embracing the Margins: Working with Youth amidst War and Insecurity," in *Too Poor for Peace?* ed. Brainard and Chollet.
14. Youth Business International, "YBI Information Sheet: Youth Employment Through Entrepreneurship" (www.youth-business.org/MainFrame.aspx?MenuID=1&pagename=contentpage.aspx&LinkID=53 [September 2006]).
15. Robert I. Rotberg, "Strengthening African Leadership," *Foreign Affairs*, July/August 2004, 14–18; the citation here is on 14.
16. Joshua Hammer, "Big Man: Is the Mugabe Era Near its End?" *New Yorker*, June 26, 2006, 28–34; the citation here is on 29.
17. For more information, see www.moibrahimfoundation.org
18. "Role of Business in Armed Conflict Can Be Crucial, 'for Good and for Ill,' Secretary-General Tells Security Council Open Debate on Issue," United Nations Press Release SG/SM/9256-SC/8059, April 15, 2005.
19. Condoleezza Rice, "Transformational Diplomacy," lecture at Georgetown University School of Foreign Service, January 18, 2006.
20. Randall Tobias, "Getting a Better Return on America's Investment in People," remarks at the Initiative for Global Development 2006 National Summit, June 15, 2006.
21. E.g., see "National Security Presidential Directive/NSPD-44," December 7, 2005 (www.fas.org/irp/offdocs/nspd/nspd-44.pdf [September 2006]); and "Department of Defense Directive 3000.05," November 28, 2005 (www.dtic.mil/whs/directives/corresp/pdf/d300005_112805/d300005p.pdf [September 2006]).
22. Lael Brainard, "A Unified Framework for U.S. Foreign Assistance," in *Security by Other Means* (Brookings, 2007), 8–16.
23. U.S. Commission on Helping to Enhance the Livelihood of People, "When and How Will the Commission Do Its Work?" (<http://helpcommission.gov/MyiBelong/EditAbout/When/tabid/66/Default.aspx> [September 2006]).



B The Brookings Institution
1775 Massachusetts Avenue, NW
Washington, DC 20036
www.brookings.edu