

3233



ECONOMIC COMMISSION FOR AFRICA  
COMMISSION ECONOMIQUE POUR L'AFRIQUE

//EMBARGOED UNTIL DELIVERY, approx. 17:00 hrs  
PLEASE CHECK AGAINST DELIVERY//

"The Economic Causes and Consequences  
of Civil Wars and Unrest in Africa"

Address

to the

70<sup>th</sup> Ordinary Session of the Council of Ministers  
of the Organization of African Unity

by

K. Y. Amoako  
UN Under-Secretary-General and  
Executive Secretary of ECA

Algiers, Algeria, 8 July 1999

Mr. Chairman,

Your Excellencies, the Council of Ministers of the Organization of African Unity,

Excellency and esteemed colleague, Dr. Salim Ahmed Salim, Secretary General of the Organization of African Unity,

Your Excellencies, Members of the Diplomatic Corps,

Ladies and Gentlemen,

I would like to express my deep appreciation to my distinguished brother, Dr. Salim Ahmed Salim, for inviting the Economic Commission for Africa to this 70<sup>th</sup> Ordinary Session of the Council of Ministers of the Organization of African Unity, and for again inviting me to address this uniquely important gathering. I would also like to thank the Government of the People's Democratic Republic of Algeria for the wonderful hospitality and the excellent facilities made available for this meeting.

My appearance before you, Honourable Ministers, is a regular highlight of my calendar, one I look forward to with pleasure.

For the last few years, I have emphasized the significance of the economic recovery of Africa, but I have also warned that our growth needs to be stronger. ECA's review of the past year confirmed our conclusions at my last meeting with you, that African countries have continued to make significant progress towards economic and political liberalization. This, in turn, has sustained the very encouraging growth performance, particularly over the past four years. We found that out of the 50 countries for which we have data, 32 experienced some improvement in 1998, while 17 were worse off at the start of 1999 than they had been a year before.

However, almost without exception, the countries in the region are growing at less than 7 percent per annum, the rate needed for Africa to meet the international development target of reducing poverty in half by the year 2015. What is more, there are significant sub-regional differences in Africa's growth performance. The majority of Africans live in countries where performance fared poorly or declined last year.

Of the five sub-regions, only two, accounting for only about 25 percent of the continent's population -- enjoyed a positive growth performance. Growth decelerated in the remaining three sub-regions where the overwhelming 75 percent of the population reside. The evidence also clearly shows that a key factor accounting for this sub-regional differences in economic performance was the incidence of war and civil unrest.

This, Mr. Chairman, brings me back to the theme we discussed together two years ago, when in Harare I shared with you my thoughts on the relationship between the fields of diplomacy and economic policy. Foremost, I urged us to seek synergies

between conflict prevention and conflict management on the one hand and economic reconstruction, recovery and development on the other.

Since that address two years ago, Africa's political stability has deteriorated, with 20 percent of Sub-Saharan Africa's population affected by civil war today. And now, of course, we have interstate conflicts. It is obvious that the damage of conflict is going up.

It is against this background that I would like to continue today the dialogue I started with you in Harare, by briefly discussing the causes of conflict, particularly its linkages with poverty; the economic consequences of war; and the imperatives for coordinated and holistic action for post-conflict rehabilitation and reconstruction.

There continue to be common misperceptions as to what are the fundamental causes of the conflicts, which have set back national development in so many African countries. We owe ourselves a closer look at their causes -- as well as, if you will, the determinants of peace. Various analysts in political science, anthropology and other sciences have looked at the causes of all our conflict, so perhaps it is only fair that we economists are having our turn, aided by regression analysis and other tools of our trade.

At least four hypotheses have been advanced to explain why civil wars happen:

- The first is innate ethnic and religious hatred, where these hatreds are then exploited by ambitious leaders;
- The second is national grievance, where the performance of a government is held to be against the national interest;
- The third is distributional grievance, where government performance is held as having been particularly discriminatory against a given group or groups in society;
- The fourth is employment, where rebellion is an employment choice motivated by the opportunity cost of employment and the prospective gains from capturing the state and its resource base.

Each one of these hypotheses has been subjected to rigorous econometric testing where appropriate proxy variables are used for the occurrence of war and for the implied explanatory variables. Since the most significant and crosscutting explanatory variables are socio-economic, let me briefly run you through some of those that deserve your attention.:

First, conflict is inextricably related to poverty, particularly the lack of human capital, which influences the probability of a civil war. Poverty means that young men have no stake in staying where they are. Joining a rebel army becomes a viable employment opportunity where job markets do not incorporate youth.

Second, conflict is related to the inequitable sharing of valuable natural resources. This failure has led to a number of conflicts and exacerbated many others. And, whenever territories rich in natural resources are captured by marauding militias, these resources are most often looted, providing the private funding to continue conflict.

Third, conflicts are more likely to break out where there are dysfunctional governments – characterized by weak, undemocratic economic and political institutions.

There are many cases where the failure by governments to address national grievances has led to conflict and war. Clearly, civil conflict is less probable in a full democracy. The more democratic the society, the more it has outlets for frustration and ways to seek solutions. The more governments respond to the issues people have, the lower the risk of civil war.

Fourth, polarized societies risk fracture. Contrary to what so many analysts have said about how Africa can never be stable with so many ethnicities, the evidence is that ethnic and religious diversity is a stabilizing force. There is a higher risk of civil wars in polarized societies (even if they are ethnically more homogeneous) than in more diverse societies. Diversity makes societies safer by reducing the probability of ethnic conflicts, as it is simply more expensive and complicated to foment trouble in diverse societies. Even if conflicts do break out in pluralistic societies, they tend to last for shorter periods, as it is harder for rebels to be cohesive.

Mr. Chairman  
Excellencies

We know the results when poverty is high, natural resource endowments are not managed equitably, governments are undemocratic and societies are polarized. The results are conflicts and the costs are terrible.

War is undoubtedly the destroyer of economic development on our continent. As we saw so tragically in Rwanda, Liberia and Sierra Leone, civil war not only devastates the lives of civilians: it damages the environment; it wreaks havoc on social, education and health services; it traumatizes whole generations of youth; and it forces people to abandon homes and farming land, engulfing once stable family units in a flood of refugees.

Indeed, the empirical evidence is now overwhelming that:

- Armed conflict destroys capital, leaving shattered infrastructure in its wake;
- Armed conflict, being as it is a negative shock on economic systems, reduces savings even when the levels of these savings are most fragile;
- Armed conflict diverts portfolios away from domestic investment, and triggers massive capital flight – which, by the way, relative to GDP, is higher in Africa than in any other region of the world;

- Armed conflict also distorts foreign aid budgets which now increasingly are devoted to emergencies; and, most fundamentally,
- Armed conflict massively diverts government expenditures away from provision of economic services towards military expenditure. In one far from worst case, a current conflict is estimated to be consuming 50% of a country's GDP.

I also know that there is a theory that wars can reap high rewards, be they in the form of gold, diamonds or oil. But I would submit that almost any economist would come to a different conclusion if all the costs to the populations involved were added up against the gains from such looting. In any case, the gains of wars are generally illegally siphoned off so they usually should be counted as a loss to the public. All loss, no gain.

Mr. Chairman  
Excellencies,

When we all took economic courses, our professors would talk to us about the choice between "guns and butter". Well, we face that choice daily throughout our continent. And more often than not the winners are guns for civil and international conflict.

These reflections on the causes and economic consequences of civil strife and warfare should lead us to a wider appreciation of the inter-linkages between development and peace. It is with this new evidence in hand that I would like to revisit the recommendations I presented to you two years ago.

At that time I emphasized that the fight against poverty was a battle for peace, and recommended that:

- donors and national resource managers invest more in the peace process;
- peace building and conflict prevention efforts be under-girded by more equitable development;
- cooperation between Africa's three main regional organizations be enhanced to promote recovery of economies;
- the Abuja process be considered as important for the political rationale for peace, as for growth and development; and
- the United Nations be reinvigorated to play an even more effective role in peace building in Africa.

Given the new evidence of what increases the chances for conflict and what strengthens the chances for peace, plus our history over the last year, I hope you agree that these recommendations are even more timely now that they were in Harare two years ago.

Mr. Chairman,  
Excellencies,

The central conclusion of our most recent economic assessment of the continent is that despite recent positive economic trends, most African countries do not as yet have the conditions to sustain growth, at a level required to meet the target of reducing poverty, by half by the year 2015. We also know that growth alone will not be sufficient.

Growth must be coupled with policies that deliberately attack poverty and promote education, health, and social safety nets. This requires an appropriate balance between short-term stabilization and adjustment measures, and longer-term considerations, including capacity building, institutional reform, human resources development and good stewardship of the environment. These are all points we elaborate in our most recent Economic Report on Africa, which I commend to your attention.

But being able to concentrate on reducing poverty and expanding growth depends upon meeting a set of shorter term challenges. We need to end ongoing conflicts, prevent new ones, build a sustained peace and rebuild countries that have been in conflict.

The international community has not been particularly well prepared for these tasks, and frankly, neither have we here in Africa. The international community has been caught off guard by conflicts. Relief organizations like UNHCR, the international committee of the Red Cross and the World Food Programme have had to stretch their mandates by building roads and water supplies. There have been overlaps between peacekeeping and providing basic services in conflict and post-conflict situations.

Development banks and similar long-term development donors are in a bind because they often depend upon the re-establishment of basic services and on a reviving financial system before they can operate. In addition, lenders find that disrupted loan repayments cause eligibility issues.

All of this calls for a level of seamless coordination and program innovation beyond traditional mandates and practices. Out of the agony of experience and the prospect that many countries may well soon be emerging from emergency situations, there is a new consensus arising on how to better manage the transition from crisis to development. Three underlying principles are now generally understood.

First, there is a continuum between pre-conflict, where there is normal development; conflict, which requires humanitarian relief; and post-conflict, where rehabilitation of physical and institutional foundations and transformation from a war economy to a developing economy takes place. There are economic, social and political aspects to all of this.

Second, while conceptually separate, these three phases actually overlap and it is critical that we manage the bridging of these phases far better. This overlap underscores the need for a holistic approach to assisting countries emerging out of

conflict. It is clear that the tasks at hand in all these phases are so multi-dimensional, multi-disciplinary and interlinked that they go beyond the capabilities of any one agency.

Third, since most conflicts spread across borders no matter how internal they seem, any effort to assist affected countries must necessarily factor in the sub-regional and regional dimension of the problems they confront. Yet most agencies wanting to be of help are geared to act only within national legal and operational frameworks.

These issues have been studied and experience has been collated in order to design an appropriate framework for multi-agency assistance to countries and regions in, or emerging out of conflict. This is reflected in the UN Secretary-General's April 1998 report on the "Causes of Conflict and the Promotion of Durable Peace and Sustainable Development in Africa", and in subsequent guidelines issued towards implementing this framework.

In that strategy, and in view of the sub-regional and regional dimensions I referred to earlier, regional organizations have been explicitly enjoined to play a lead role in ensuring co-operation among States and in guiding support from the international community. This is consistent with the position my esteemed colleagues, Salim Ahmed Salim and Omar Kabbaj, and I took at our annual consultation in Abidjan in February 1998.

With the emerging consensus about the important role of regional institutions in this area, the challenge at hand is to see how we can best assist African countries emerging out of conflict towards sustained and durable peace in Africa. An appropriate point of departure is to draw on the work and experience of our regional economic communities in this field.

In the last few years, the world has seen a greater willingness among our countries and sub-regional groupings towards committing human and material resources to putting out fires in their own backyards in the interests of peace and economic development. Africa's leaders show an increasing sensitivity to the sub-regional and regional dimensions of conflict, to the realization that what affects our neighbours today may be our undoing tomorrow.

The experience of these groupings also clearly suggests the importance of greatly enhanced and well co-ordinated diplomatic efforts. It is in this context, Mr. Chairman, that we must salute the work of the OAU in this area. The Organization needs to be further supported and strengthened to enhance its pivotal role in working for peace on our continent.

Let me now turn to what role ECA can play and intends to do in this field. Taking into account our regional mandate and comparative advantage, the overall objectives of ECA's work in this area are to assist countries emerging out of conflict to undertake economic rehabilitation and reconstruction, as well as social integration.

In this vein, Mr. Chairman, often in cooperation with other agencies, we plan to carry out activities that focus on:

- Assisting countries in rehabilitating and strengthening national capacity and institutions for economic policy-making and management, including reorienting new leadership in basics of governance and economic relationships with international financial institutions;
- Facilitating the sharing of experiences in post-conflict peace-building, with particular emphasis on economic rehabilitation, reconstruction and development;
- Identifying national and regional expertise on the continent, as well as globally, who could participate in post-conflict peace-building and development activities in a country or sub-region emerging out of conflict; and
- Addressing and supporting regional and sub-regional dimensions of post-conflict rehabilitation, reconstruction and development – activities that will also provide an entry point for our bilateral and multilateral partners, whose programmes tend to be country focused, so they can contribute to sub-regional rehabilitation and reconstruction programmes.

In this framework, Mr. Chairman, as a first step, ECA is organizing a preparatory workshop this Fall to bring together stakeholders including representatives of governments, UN agencies, bilateral and multilateral organizations, and civil society. The workshop will forge a consensus, develop a strategy and design steps towards a programme of post-conflict economic rehabilitation and social integration in response to the emerging peace prospects in the continent. We are very much encouraged by the outcome of the intensive consultations we have had to date in this regard.

Mr. Chairman,  
Excellencies,  
Ladies and Gentlemen,

The world has come to understand that the making of peace in Africa must be led by Africa's leaders and institutions. I believe we are on the threshold of understanding that the making of economic recovery and reconstruction must also be defined and led within Africa. This is a key development as we seize the future with both hands.

It is with these weighty matters in mind that I come to you today, Honourable Ministers: Grateful for the honour of addressing you, wishing you every success in your deliberations, and hoping that we economists and development experts can help you do what is both necessary and sufficient for the peaceful and progressive Africa to which we are all devoting our lives.

Thank you.