

The Security Challenge in Poor Countries

A brief Challenge Paper for the Copenhagen Consensus

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Introduction

The high profile of the security challenges facing rich countries has tended to crowd out the rather different security challenges facing poor countries. A discourse on international security that does not address these challenges is one-sided and less likely to gain acceptance.

The key security challenges facing poor countries are civil wars and coups. Currently, governments respond to these risks by military spending. Both the risks and the response are highly costly. If there are cost-effective international interventions that would substantially reduce the risks of wars and coups, and reduce military spending, the payoff to poor countries would be enormous. Yet even among the international interventions designed to help such countries, security has received less policy attention than the 'photogenic' topics like health and education. International security interventions, though numerous and expensive, have not been guided by cost-benefit analysis. Especially with the establishment in September 2005 of a permanent *UN Peace-building Commission*, there is a real opportunity for more informed and coherent international action. There is the potential to build on recent advances in the quantitative study of security issues in poor countries as exemplified by the contributions to the new *Handbook of Defence Economics*, (Hartley and Sandler, 2006).

This short challenge paper will first estimate the costs of these phenomena in poor countries and then investigate four possible ways of ameliorating them: increasing aid; making aid conditional upon limits to military spending; expanding peacekeeping forces; and guaranteeing security from 'over-the-horizon'. Given the constraints of space the paper unavoidably merely sketches work new results. If the topic is selected for further work these can be properly substantiated and related results presented. Other than the costs of civil war, the results presented here are new rather than a repetition of our previous challenge paper for the *Copenhagen Consensus*, (Collier and Hoeffler, 2004). Since that paper was written we have completed five new studies which are used as building blocks. Specifically, we have quantified how military spending, aid, coups, the risk of war and peacekeeping forces are interlinked using the most recent data. From these new studies we are able to estimate the costs and benefits of the four proposed interventions. Since these are the first such estimates, not only will they directly inform policy, but they will open up a new area for future researchers so that over time this further research will reveal the credible range of answers.

The three scourges: civil wars, coups, and military spending

Civil wars

Civil wars are far more likely to break out in poor countries, and once started they tend to last longer and are more likely to recur. Their costs are enormous, both to the country itself and to neighbours. In our previous study for the *Copenhagen Consensus* we estimated the cost of a typical civil war in a poor country at around \$64bn., (Collier and Hoeffler, 2004). The risks of civil war have now been estimated quantitatively by

scholars, and the results published in reputable, peer-reviewed journals (Fearon and Laitin, 2003; Miguel *et al.*, 2004; Collier and Hoeffler, 2004a). These studies very largely agree. From them we can infer that three recent international developments have raised the risk of new outbreaks: the discovery of oil in fragile states (such as Chad), the current high international prices for primary commodities, and the recent fragile settlements that have brought a number of civil wars to an end (such as Sudan). It is an urgent matter to reduce these risks.

Coups

There have been over 200 coup attempts just in Africa in the past 30 years. Coups continue to plague the region: for example, recent successful coups have occurred in Mauritania (2005) and the Central African Republic (2003), and a failed coup led to the present civil war in Cote d'Ivoire. The phenomenon has recently become researchable by quantitative techniques thanks to a comprehensive dataset compiled by McGowan (2003). Coups are costly: they sharply reduce growth, by around 3% of GDP during the year of the coup, and this loss is long-lasting (Collier, Goderis and Hoeffler, 2006). Further, even when coups do not transpire, the risk of a coup inflicts costs. In low-income countries governments respond to coup risk by pre-emptively increasing military spending (Collier and Hoeffler, 2006b). These costs are concentrated in low-income countries: coups, like civil war, are far more likely at low levels of income. Unfortunately, the risk of a coup is significantly and substantially increased by aid, a factor which evidently complicates policy interventions.

Military spending

Military spending in low-income countries has recently been the subject of some substantial published quantitative studies (Dunne and Freeman, 2003, Collier and Hoeffler, 2006, 2006a). They find that military spending does not in general reduce the risk of civil war: on the contrary, in post-conflict conditions it sharply increases the risk. Due to neighbourhood arms races it is a regional public bad, since increased spending by one country produces responses by neighbours which ricochet around the region. Inadvertently, around 11% of aid leaks into military budgets, so that in low-income Africa around 40% of military budgets are aid-financed, again making aid interventions problematic. Hence, there is a grim interconnection between aid, coups, military spending, and civil war.

Possible international interventions

Increasing aid

As will be apparent, increasing aid is a two-edged sword. In post-conflict situations it is very effective in helping to rebuild the economy (Collier and Hoeffler, 2004b). In turn economic recovery is the single surest way of reducing the risks of further conflict. However, aid also increases the risk of a coup, and inadvertently finances additional military spending, both of which reduce peace prospects. The ideal is therefore either to

redesign aid in post-conflict situations (the next proposal), or to combine aid with other interventions (the remaining two proposals).

Introducing new conditions for aid

Potentially, in post-conflict situations aid could be made conditional upon the government not exceeding some ceiling level of military spending. Guidelines on government military spending in post-conflict conditions could be set by the new *Peace-Building Commission*, enabling a coordinated donor response. By eliminating the adverse effect of aid through increased military spending, this leaves a large positive effect of aid on security. We estimate the cost-benefit ratio at better than 1:2.

Expanding the role of peacekeeping forces

We are the first researchers to have received comprehensive data on peacekeeping expenditures from the UN. From this we have been able to estimate the efficacy of peacekeeping. Despite some failures, the more that is spent on peacekeeping forces in post-conflict situations the lower is the risk of further conflict (Collier, Hoeffler and Soderbom, 2006). On average, doubling expenditure upon international peacekeepers from \$5 per inhabitant to \$10 per year over a decade reduces the risk of renewed conflict by around 15 percentage points. We estimate that given the cost of a typical civil war in a post-conflict country this reduction is worth around \$8bn. Its cost is around \$1.1bn., yielding a cost-benefit ratio of around 1:7.

Guaranteeing security from ‘over the horizon’

The supply of effective peacekeeping troops is limited. A simple way of economizing on them is to base them in their home countries but to provide ‘over the horizon’ guarantees of rapid intervention should this be necessary. As peace has taken hold in Sierra Leone, following several years during which peacekeeping forces were needed on the ground, the peacekeepers are being withdrawn but an ‘over the horizon’ guarantee for the next ten years has been provided by the UK. This reinvents and refines a much older strategy of the French government which until the late-1990s provided a less explicit security safeguard for the whole of Francophone Africa. Because this French policy was in place over a large area for a long period it is possible to evaluate its effect quantitatively. Using the new models of conflict risk we have quantified the efficacy of the French guarantee. We find that it was highly significant and effective in reducing the risk of civil war in Francophone Africa. Over the entire period 1965-2005 the risk facing these countries was only one quarter of what it would have been otherwise (Collier, Hoeffler and Roemer, 2006). There are 13 Franc Zone countries, and so this reduction in risk across so many countries is worth a substantial amount, of the order of \$5bn. One estimate of the costs, which is probably on the high side, puts them at around \$1bn., so that the cost-benefit ratio would have been around 1:5. It provides a reasonable guide to the payoff from introducing a more general and international security guarantee.

Packaging Interventions

As will be apparent, these interventions are far more cost-effective as packages than individually. There are numerous complementarities. Peacekeeping and post-conflict aid reinforce each other. Ceilings on military spending and aid reinforce each other. Security guarantees and aid reinforce each other. Security guarantees at some stage become cheaper substitutes for peacekeeping. Both peacekeeping forces and security guarantees complement the imposition of ceilings on military spending by the governments of low-income countries. In the present short paper we can only point to these complementarities. However, in a full paper we would be able to quantify them and apply the techniques of cost-benefit analysis. We would be able to show that the packages are highly attractive opportunities for enhancing the security of the poorest countries.

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