Developing a More Effective Conflict Prevention Capacity in an Increasingly Unstable World

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Introduction

USAID wants to be proactive in developing a more robust capability to:

- Identify the root causes of deadly violent conflict and economic and political crises.
- Use analytic and programmatic tools at USAID's disposal to mitigate and, to the extent possible, prevent potential economic and political crises and deadly violent conflict.

This paper lays out a potential framework for accomplishing both tasks. It begins with a discussion of the increasingly complex threat environment in which USAID must operate overseas. It defines the various types of instability the United States is most likely to confront and describes a process for identifying the key variables that are either driving a country toward conflict or acting to inhibit the potential for conflict. The paper proposes a comprehensive strategy for reducing a country's vulnerability to deadly violent conflict by more closely matching assistance programs to the root causes, drivers, and inhibitors of instability. It concludes with a discussion of what is required to implement a successful strategy and the issues that have to be addressed to bring such an ambitious agenda to fruition. (A case study of how the conflict prevention model could be applied appears at Annex.)

The Expanding Threat Environment

During the Cold War, international relations were governed by the interaction within and between groups of nation states led by the United States and the Soviet Union—albeit tempered by the interests of the non-aligned states. Multilateral organizations and NGOs exerted some influence, especially in the developing world, but the political climate created by the superpowers dominated the system.

With the fall of the Berlin Wall, the mechanisms guiding the interactions between states has been supplemented by a dynamic, evolving, and increasingly complex set of relationships. Nation states increasingly find themselves sharing the stage with non-state actors who often play critical roles and can bring as many or more resources to the table (see Figure 1: The Expanding Concept of National Security). In fact, U.S. officials have increasingly found that they need to deal with non-state actors to move their particular agenda forward effectively.

Figure 1: Expanding the Concept of National Security

Simpler, State-Dominated World

Source of Threat	Mechanism of Engagement: Use of Military Force (Threat or use of force to impose or defend national will)	Policing / Monitoring (Peacekeeping accords, treaties, and other agreements that maintain order with penalties for non-compliance)	Collaboration (Self enforcing agreements, voluntary standards)
Nation States (States) - Countries - Alliances - Ad hoc coalitions	Vietnam Desert Storm	CIVPOL (Haiti) NPT IMF Conditionality	Hurricane Mitch Disaster Relief Biological Weapons Convention
Sub-National Actors - Ethnic groups - Guerrilla groups - Refugees	Bosnia Kurds/Iraq	Rwanda PLO Sanctions	MPRI (Bosnia) ReliefWeb
Organizations - Transnational criminal organizations - Terrorist groups - International business	Colombia Drug War Bin Laden	INTERPOL WTO	Transnational Toxic Waste Monitoring
Informal Networks and Individuals - WTO protestors - Currency speculators - Computer hackers - Migrants	Information Warfare US Coast Guard interception of Haitian migrants	Clipper Chip International Currency Exchange Protocols	Internet Virus Protection Internet Domain Name Assignments
Systemic Challenges - Infectious diseases - Natural disasters - Global warming	US SpaceCom Asteroid Tracking Guam Brown Tree Snake Quarantine	Montreal Protocol on CFC Reductions Convention on International Trade in Exotic Species	Cairo Population Conference Eradication of Smallpox

Conflict <----------> Cooperation

Non State Actors <----------> States

Complex, Globalized World

Classic Security Threats
Emerging Security Issues
Future Security Challenges

The range of threats has expanded dramatically. Although some nation states still pose serious threats to U.S. interests, the United States does not face a peer competitor, and one is not likely to emerge in the next ten years. What is more striking is the wide range of non-state actors that can do serious damage to U.S. interests. These range from transnational criminal organizations including drug lords and terrorist groups to individuals like computer hackers and currency speculators. Last, but not least, are the "faceless" threats or systemic challenges posed by such phenomenon as global climate warming, infectious diseases, and natural disasters. Once purely the concern of civilian agencies, these systemic challenges have increasingly come to be perceived as posing threats to U.S. national security interests. President Clinton, for example, has declared the spread of HIV/AIDS a national security concern, and given the speed by which international air travel could spread an ebola-like virus, the outbreak of such an infection anywhere in the world is no longer just a local concern but a cause for mobilizing civilian and military assets around the globe.

As the threats to U.S. interests become multifaceted, the mechanisms for dealing with the broad range of threats are expanding as well. Although the use of military force remains a key tool in the national security arsenal, the Department of Defense finds itself devoting substantial resources to non-military missions such as international policing, peacekeeping, and humanitarian assistance missions. The world also has come to rely less on formal treaties to police their activities (in part because they have become increasingly difficult to ratify) and more on informal agreements that are self-enforcing (particularly in the area of international finance and the environment) and consensually developed norms and standards (a key characteristic of the information technology sphere). The focus is shifting from "Let's negotiate a treaty codifying the rules of international behavior" to "Let's develop some informal standards or protocols to guide our behavior and only require those who want to participate to play by such rules."

Finally, there is a rapid movement away from a state-centric view of dealing with threats to a recognition that success will increasingly require aggregating the resources and talents of a broad coalition of stakeholders to include nation states, multinational institutions, multilateral lending and development organizations, NGOs, PVOs, and businesses. The world is getting sufficiently complex that no one organization can provide the solution. In fact, many organizations will be needed to work problems at different levels of engagement with overlapping spheres of authority. As the source of the threat becomes more diffuse, the slogan "You need a network to combat a network" will increasingly ring true.

Defining Instability

In such a world, patterns of conflict and interaction also become complex. As a result, the concept of political instability needs to be better understood and disaggregated into its various forms. Instability can most simply be defined as the inability of government (and society in general) to adequately address the grievances of the population or a particular subset of that population (see Figure 2: Conceptual Model of Political Instability). The

source of grievance can be domestic or international, economic or political depending on the circumstances. Discontent alone, however, does not necessarily generate instability. Individuals and mechanisms must be present to articulate the grievances and mobilize the aggrieved to demand redress from the government. The society's ability to alleviate the problems and/or stifle the discontent is determined by four key factors: the legitimacy of the regime and the quality of its leadership, resource availability, the strength of civil institutions, and the government's monopoly over coercive force.

As tensions mount within a society, the interplay of these factors can stimulate at least five different outcomes:

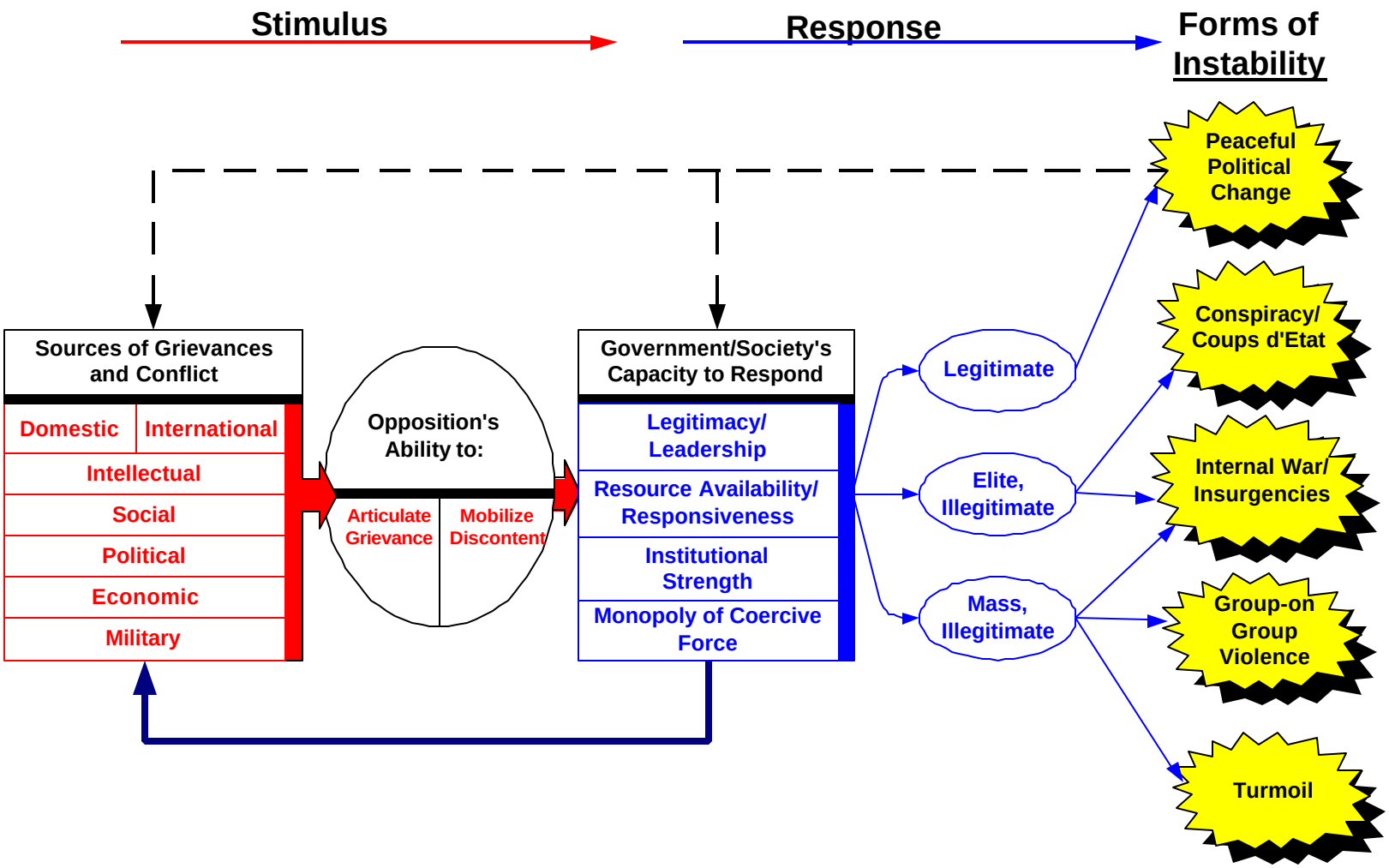
- **Peaceful political change.** Characterized by peaceful, constitutional, and legal political change that occurs without the use of force (the ouster of Milosevic via elections, recent votes of no confidence in Israel).
- **Internal war.** Large-scale, organized political violence in which the opposition is challenging for power or control of the state (insurgencies like the FARC in Colombia, Palestinian terrorist campaigns).
- **Conspiracy.** The use or threat of violence by an national elite seeking to topple the government or senior political leader (coups d'etat in Fiji, autogolpe in Peru)
- **Turmoil.** Relatively spontaneous and unorganized violent mass strife (violent demonstrations in Tiananmen Square, small-scale terrorist acts in Algeria).
- **Group-on-group violence.** Violence between or among ethnic, religious, racial, or other communal groups (ethnic conflict in Burundi, religious violence in East Timor).

Increasingly, such forms of instability do not necessarily conform to national boundaries. Ethnic violence, for example, can be contained to a portion of a country (Chechnya) or spill across the borders of two or more countries (Azerbaijani spillover into Armenia). This argues that it is important to assess the potential for instability not only at the level of the nation state but at the sub-national level and as a cross-border phenomenon.

Identifying Key Drivers and Inhibitors

Identifying the key drivers and inhibitors of conflict is perhaps the most critical step in the conflict prevention process. Once the forms of instability have been defined, expert knowledge or more rigorous analytic techniques (or both) can be applied to identify the key factors or "drivers" contributing to each form of instability as well as those variables or "inhibitors" that are most likely to mitigate or reduce the prospects for violence. For example, if a key concern in a given country is the emergence of an insurgent movement then the question that must be addressed is: "What factors are making the insurgency viable or causing it to gain members?" Numerous explanations

Figure 2: Conceptual Model of Political Instability



could be posited, including the exclusion of an important group from the political process, dire economic or social conditions, discontent with widespread corruption in the government, repression, or ideological cleavages. Answers could be obtained from a variety of sources including U.S. government officials working in the country, academics specializing on that country or region, or intelligence analysts.

Opinions among such experts might vary, however. Another approach would be to conduct an empirical analysis by identifying a list of variables most likely to be associated with turmoil in that country, collecting time series data on each variable, and using quantitative analytic techniques (such as a logit regression) to isolate those variables most closely associated with the emergence of an insurgent movement in that country. Government-sponsored conflict vulnerability studies have previously identified numerous such drivers and inhibitors including:

Drivers

- Ethnic Exclusion in Government
- Severity of Human Rights Abuses
- Internal Migration
- Unemployment
- Foreign Direct Investment

Inhibitors

- Competitiveness of Political Participation
- Government Expenditures on Social Policy
- Annual Percent Growth in GNP
- Confidence in Political Institutions

Developing a Comprehensive Strategy

Having identified the key drivers and inhibitors most closely associated with the various forms of instability that could break out in a country, the next step is to develop a comprehensive strategy for reducing that country's vulnerability to conflict. In some cases, such strategies may already exist. For example, the World Bank or USAID may have already published a country assessment that sets out a long-term strategy and establishes program priorities. In such cases, the task at hand may be as simple as reviewing the strategy paper to ensure that programs are being implemented that would have a direct impact on the key drivers and inhibitors that have been identified—and making any adjustments as appropriate. Agency-specific strategies could prove inadequate to the task, however, if they fail to establish up front the overall political and socio-economic context for engagement, focus too narrowly on project development, or fail to take into account initiatives being carried out by sister agencies or non-government organizations.

In most cases, a more comprehensive approach would be required that brings together key policy agencies of the U.S. government, including NSC, USAID, functional and regional Bureaus of the Department of State, Treasury (representing the World Bank, IMF, etc), and the Department of Defense (OSD, relevant CINCs, etc.). Intra-governmental working groups could be established for particular countries or regions with oversight provided at the "Deputies" level. In essence, such groups would function as a non-crisis equivalent of the Excomm process established under PDD-56 that provides the framework for U.S. engagement in complex contingency crisis operations.

Partnering for Success

Once a basic strategy has been developed and key programmatic needs have been tentatively identified, a much larger meeting would be held, involving the major stakeholders already providing developmental assistance to that country. The number and identity of participants probably would vary considerably from country to country and issue to issue. Organizations such as USAID, the State Department, World Bank, and relevant NGOs almost certainly would be included in any group but circumstances could easily require expanding the list to include representatives from the U.S. military, other U.S. Government agencies, other multilateral organizations, foreign governments, and business. In some cases, the list of actors could become quite extensive (see Figure 3: Responses to Complex Humanitarian Emergencies).

Once identified, the stakeholders would be convened to:

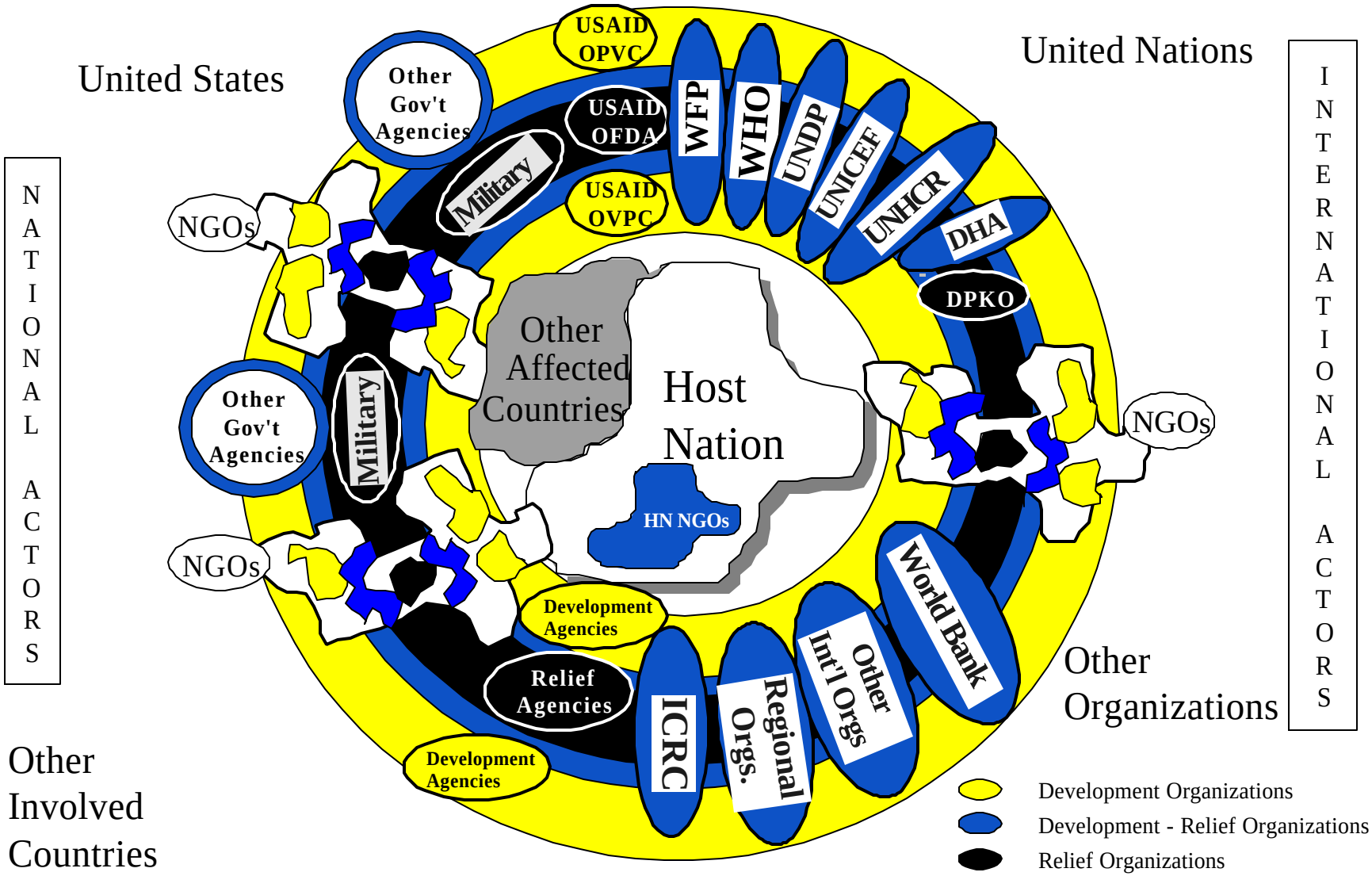
- Validate the analysis of key drivers and inhibitors.
- Compile a list of existing programs that already address these factors.
- Identify gaps that are not covered.
- Assess which organizations are best positioned to fill the gaps.
- Develop an implementation strategy and appropriate monitoring mechanisms.

Implementing the Strategy

Successful implementation of the strategy involves:

- Effectively transmitting "Washington's" strategic vision of what needs to be done in a given country to those in the field tasked with implementation.
- Ensuring that those involved in various aspects of the program are communicating effectively with each other. Past experience has shown that this can be accomplished quite effectively through the establishment of a dedicated (and password protected) website on the Internet.
- Developing metrics for tracking the status of implementation both within and among programs.
- Periodically reconvening the stakeholders to assess progress/revise strategies.

Figure 3: Responses to Complex Humanitarian Emergencies



Opportunities and Challenges

Developing consensus within—and beyond—the U.S. government on what constitutes the best framework for conflict prevention presents a major challenge. Identifying the necessary resources and appropriate mechanisms for implementing such a strategy may prove even more daunting. Success will depend largely on how quickly and effectively questions such as the following are answered:

- Do we have the right tools to assess the root causes of instability? To identify the key drivers and inhibitors of conflict?
- Do we need to create a new interagency mechanism to support conflict prevention capability and oversee/coordinate USG activities in this arena? Does our experience with PDD-56 offer any insights?
- How do we best integrate USG efforts with the myriad of other players on the international stage? What mechanisms exist to bring such a diverse assortment of players together to jointly validate critical needs, develop a common strategic vision, and calibrate a comprehensive, multi-agency response?
- How do we engage more effectively and directly with civil society, grass roots leaders, and other local organizations in the host country?
- Should Congress be an outside observer or an integral player? Should their role differ at various stages of the process?

Annex

Assessing Conflict Vulnerability:
A Peruvian Case Study

Introduction

The following paper describes how conflict vulnerability analysis can be applied to a concrete case: the USAID program in Peru. In particular, this case identifies the various types of violent conflict likely to break out in Peru, the key drivers and inhibitors believed to be associated with vulnerability to each form of instability, USAID programs that address these drivers and inhibitors, and the implications of this approach in light of recent dramatic developments in that country.[1]

Disaggregating the Concept of Instability

The first step in a conflict vulnerability analysis is to identify what type of instability a country is most likely to face within the time frame of interest to USAID. In the case of Peru, four distinct categories of conflict were identified.

- **Internal War.** Organized violence in which an armed opposition attempts to challenge and/or topple a regime (guerrilla warfare, separatist rebellion). For a conflict to be considered internal war, three conditions must be present:
  - Opposition tries to seize power or gain autonomy for a portion of the state
  - Violence must target agents of the state or government
  - Opposition must have mobilized popular support
- **Civil Unrest.** Violent strife directed against a government in order to effect a change in policy or government (labor strikes, riots, violent demonstrations). While often organized, such action does not have the organization of a war, but does contain the following components:
  - Occurs in more than one locality or is sustained for at least two consecutive days
  - Involves at least several hundred participants
  - Involves violence as a primary tactic (i.e., police, private or public property)
- **Anomic Violence.** Unorganized, episodic criminal violence without an explicit political purpose (looting, armed robbery, assault, murder, drug trafficking and racketeering by individuals and groups) but has political significance.

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[1] The data drawn for this paper were taken from *Conflict Vulnerability in Peru: An Assessment*, written by Dr. Bruce H. Kay of EBR for Management Systems International (MSI) under contract to USAID. Other relevant information came from documents published by USAID, the World Bank, and the Inter-American Development Bank.

- **Coup d'Etat.** A successful attempt by insurgent elites to remove ruling regimes from power by extraconstitutional means, and is accompanied by actual or threatened resorts to physical violence. Coups are relatively covert actions that ignore or bypass the regular channels or "rules of the game" concerning succession. A coup is an event in which a regime is suddenly and illegally displaced by an insurgent elite group without overt mass participation in the event itself. It may not involve a military seizure of power.

Each conflict category represents a different challenge for the state and donor agencies seeking to advance their development assistance efforts. For each type of conflict, different combinations of variables drive the causal dynamic leading to the eruption of violent conflict. In the Peruvian case, unresolved cases of human rights violations, such as the Barrios Altos and La Cantuta massacres of the early 1990s, were identified as having increased vulnerability to internal war and civil unrest, but were not clearly related to anomic violence. For example, a strategy that exclusively targets the strengthening of rights groups and domestic ombudsmen may stem political violence, but not crime waves sweeping the country. Similarly, some factors inhibit certain types of conflict, but not others. A greater police presence may deter anomic violence, for instance, but will not necessarily prevent civil unrest.

Identifying Drivers and Inhibitors of Conflict

Conflict drivers and inhibitors are those pivotal variables that can spark or prevent instability within a country. Their critical importance dictates that their identification should be taken utilizing a variety of methods, applied with rigor.

The Peruvian case study identified conflict drivers and inhibitors for each type of conflict. Potential conflict drivers and inhibitors were originally proposed by USAID

Peru Quantitative Analysis: Findings On Civil Unrest

Variable	Sign	Relation to Conflict
Regime Disaffection (% Invalid vote)	(+)	Driver
Human Rights Abuses (#, Severity)	(+)	Driver
Rule of Law Perception	(+)	Driver
Corruption Perception Index	(+)	Driver
Centralization	(+)	Driver
Unemployment, Underemployment	(+)	Driver
Foreign Direct Investment	(+)	Driver
Elections (Disputed)	(+)	Driver
Confidence in Political Institutions (incl. police)	(-)	Inhibitor
Government expenditures on social policy, infrastructure	(-)	Inhibitor
Economic growth % GDP	(-)	Inhibitor
Aid as % GDP	(-)	Inhibitor

personnel and vetted by experts and the academic literature. The researcher presented plausible conflict scenarios to experts and assigned probabilities based upon respondent input for each scenario. The researcher then conducted a series of open-ended focus group sessions in two regions of the country deemed to be at higher risk for conflict. Complementing the qualitative assessment, the researcher collected data at the national and subnational levels on a number of potentially important political, social, demographic, and economic variables and assessed the relative effects of each factor on the vulnerability to each type of conflict. Findings of the case study were therefore derived from both qualitative and quantitative techniques applied to an eclectic mix of data.

Among the key drivers and inhibitors identified in the Peruvian case study include:

Corruption

- Perceptions that there was a growing problem with official corruption (as measured by a Corruption Perception Index) and the Weak Rule of Law were identified as key drivers for internal war and civil unrest.
- Judicial Corruption was noted as a key complaint by respondents across the social, demographic, and political spectrum. It was singled out by a focus group of young, university-educated Peruvians as a major flaw of the political system.

Political Participation

- Government Disaffection (% invalid vote) correlated strongly with both civil unrest and anomic violence.
- Disputed Elections also served as a driver for vulnerability to civil unrest.
- The perception that the Fujimori government had been transformed into an authoritarian regime and that institutions like Congress, the Judiciary, and the Media were not operating independently of the Executive Branch were the most frequent complaints among young, university-educated Peruvians in a focus group.
- Public Confidence in Political Institutions as measured by opinion polls was identified as inhibiting civil unrest and anomic violence.

Unemployment

- A key driver of vulnerability for both civil unrest and anomic violence.
- Listed as the primary concern of individuals in Latinbarometer (33%, twice as often as next closest indicator).
- Job opportunities were the fourth most frequent complaint of young, university-educated Peruvians in focus group.
- Employment Growth (annual %) was identified as an inhibitor for anomic violence.
- Economic Growth was an inhibitor for both anomic violence and civil unrest.

Regional Implications

In addition to isolating the drivers and inhibitors for the various types of conflict a country might expect, it is important to assess which regions of the country are most vulnerable to the various forms of instability. Subnational analyses can also reveal trends not readily apparent when analytic attention is focused at the national level. Loreto, the comparatively quiescent jungle department that was relatively unaffected by terrorist violence in the 1980s and 1990s, was projected to have a higher potential for both civil unrest and anomic violence over the next five years, due to a mixture of government disaffection and nationalist passions inflamed by a controversial peace accord with Ecuador and the economic crisis exacerbated by the cessation of oil drilling. The subnational analysis also identified several other primarily urban "danger zones" (Lima, Junin, Ancash, Arequipa, and Lambayeque) as vulnerable to both civil unrest and anomic violence in the aftermath of the disputed 2000 general elections.

In some cases, findings at the subnational level were counterintuitive. Ayacucho, the birthplace of Sendero Luminoso and the department most severely affected by violence during the 1980s, for example, was found to have substantially reduced its vulnerability to internal war, civil unrest, and anomic violence. The explanation was that concentrated government spending and a sensible pacification strategy had had a major impact in holding conflict to a minimum.

Conducting analysis at the subnational level avoids the pitfalls of a "cookie cutter" approach, which often assumes little regional variation in the social, economic, and political fabric of society. Analysis of the department of La Libertad, for example, found a low vulnerability to civil unrest, but a high vulnerability to anomic violence. It can be suggested, therefore, that strategies designed to increase state capacity to combat crime in La Libertad would go a lot further in solving the area's problems than a plan to boost political participation (a recommendation for a region plagued by civil unrest).

Value also can be gained by focusing on cross-border drivers and inhibitors of conflict. The Peruvian study revealed that narcotrafficking has played and continues to play a key role in the country's vulnerability to instability; the strength of the illicit drug economy was identified as a driver of internal war. But such events are not limited to drugs and criminal activity. The conflict in Colombia and the still-simmering dispute with Ecuador and its domestic repercussions along the affected northern border areas could have an impact on the potential for civil unrest and even internal war in regions including Loreto. Increased military and police presence in the region could curb anomic violence, but spark a backlash if human rights abuses occur.

Matching Programs to Key Variables

USAID has several programs in place that address aspects of all three variables: corruption, lack of political participation, and unemployment. As part of Program 527-SO-01, USAID has worked to combat judicial corruption by nurturing civic education curriculum development, diversity sensitization activities, and alternative dispute resolution mechanisms.

To enhance political participation, USAID focused part of its Program 527-SO-01 on a variety of initiatives designed to facilitate citizen interest and institutional responsiveness.

- Participatory Democracy (PARDEM) provides assistance to:
  - Government electoral bodies and NGOs to strengthen the electoral system.
  - The Controller General to improve public accountability.
  - Local NGOs specifically designed to promote civic awareness.
  - Congress to improve its functionality and citizen outreach.
- Justice Sector Support (JU.S.T) provides assistance to local human rights groups to:
  - Defend individuals unjustly accused of terrorist activity.
  - Provide rights information to citizens.
  - Promote the development of an Ombudsman Office (known as the Defensoria del Pueblo).
- Local Government Development (LGD) programs:
  - Support decentralization by enhancing local government institutionalization.
  - Promote community participation in government.

To combat economic problems associated with unemployment, USAID instituted Program 527-SO-02 which seeks to improve:

- The policy environment for private sector growth, especially in marketing and exporting both agricultural goods and nonagricultural products (shoes, handicrafts) by reducing private sector taxes to make prices more competitive for trading purposes and encouraging government purchasing from small businesses.
- Access to credit for microenterprises and entrepreneurs.
- Government spending on human capital investments, especially education.

Additionally, USAID Program 527-SP-01 (Alternative Development) provides for the training of 5,500 municipal officials and community leaders in municipal management, as well as program planning and implementation of a project to help farmers shift from coca production to other types of crops. Local officials also are involved in the construction of over 250 social infrastructure projects, including schools, health clinics, and water systems.

Sharing the Burden

As noted earlier in this paper, cooperation among assistance agencies and donors is a key component of any strategy designed to help a country overcome problems associated with instability, particularly given the constraints USAID must operate under (Congressional benchmarks, limited funding, etc.). Pooling resources among donors and coordinating their disbursement with local authorities may produce a more effective response.

In the study, collaboration across international assistance agencies is cited as an effective component of any Democracy and Governance policy. In particular, cooperation between the Organization of American States and local rights groups is seen as an effective response toward human rights abuses (a driver of both internal war and civil unrest). Forging international-domestic links, such as support for Transparencia's proposal for a National Accord, is also offered as a solution.

USAID's efforts to improve Peru's legal system and combat judicial corruption were also backed by several agencies:

- The World Bank, which approved a $22.5 million package, designed to improve access, quality, independence, efficiency and integrity of the Peruvian judicial system.
- The Inter-American Development Bank (IDB), which installed a $20 million program to modernize judicial institutions in the poorest communities.
- The European Union, which assisted by developing the Judicial Academy and providing grants to local NGOs.

Each donor is tackling a different element of the problem to avoid unnecessary duplication of efforts. The donors also recognized the impact judicial reform has on the economic sector. The World Bank reported that in a 1993 survey of 108 Peruvian businessmen, 90 percent said that they would not use the judicial system to resolve their legal disputes, and 32 percent expressed reluctance to purchase from new suppliers because they could not rely on the contract enforcing mechanisms of the judiciary.

Seeking Public-Private Partnerships

Although nation-states usually are the key players in both providing and distributing aid, awareness of the value of partnering with the private sector is growing.

- USAID has funded private sector organizations and nongovernmental human rights groups in order to address legal defense issues for poorer Peruvians in battling judicial corruption.
- Programs such as PARDEM and JU.S.T, designed to increase political participation, involve interactions with private volunteer organizations (PVOs) and NGOs.
- Local commercial organizations such as the Exporters Association and the Businessmen's Association worked with USAID to implement programs such as 527-SO02 (Increase Incomes of the Poor) in conjunction with NGOs such as the Relief and Development Agency of the Adventist Church (ADRA) and Private Voluntary Agencies Collaborating Together (PACT).

The Value of Metrics

All programs need to be evaluated to determine if a project is successful or needs to be retooled or abandoned. In the Peruvian case, several metrics or yardsticks were developed to assess programs in each key area:

Combating judicial corruption

- Number of incarcerated citizens who were "unjustly" accused of terrorism fell from 1,048 (1996) to 250 (2000).
- Number of citizens from disadvantaged groups who know their basic rights nearly doubled from 1996 to 2000.

Political Participation

- The percentage of citizens who actively participate in resolving community problems jumped from 32 percent to 48 percent.
- Results showed a 10 percent increase in the number of valid votes cast in an election from 1995 to 2000, representing a decline in government dissatisfaction.

Unemployment

- Labor statistics showed that 32,000 new jobs were generated from exports and another 45,000 employed through government policies designed to alleviate poverty in the highlands.
- The value of expenditures (per capita) of the poor and the value of exports of selected nontraditional export products registered increases from the mid-1990s.

Implications for Conflict Vulnerability

Since the Peru study was published in August 2000, Peru has been shaken by a series of dramatic events; namely, the September corruption scandal involving Fujimori's intelligence ex-chief, Fujimori's firing of the intelligence chief and call to hold new presidential elections in April 2001, his resignation in December while on an official visit to Japan, and the appointment of an interim head of state to preside over a major political transition. Peru's interim government under Valentin Paniagua is confronted by a monumental challenge: dismantling the antidemocratic features of the old regime and implementing wide-ranging reforms, while holding new elections and transferring power to a duly elected head of state.

USAID programs targeted on the key variables identified in the Peru case study probably reinforced public sensitivities about corruption and the need for good governance that helped sparked dramatic events of September to December 2000. Increased public sensitivity to corruption[2] helped spark the public outcry, which convinced Fujimori to leave. Although the former President might have relied upon a strong economy or low unemployment to temper people's demands, such a scenario was clearly not present. Demand also was building for long-delayed reforms to increase political participation at the local and national levels, overhaul the judiciary, decentralize government, and basically shift Peru away from the autocratic style of governance that Fujimori popularized. USAID has contributed to this effort by helping strengthen civil society and support NGOs and PVOs like Transparencia, ProMujer, and the array of human rights organizations that are currently playing an active role in the reconstruction of democratic governance. It is this demand for a more inclusive and participatory regime that appears to be guiding the post-Fujimori transition, as preparations for new elections get underway. The challenge is whether a sufficient foundation has been laid to propel Peru on a more stable path.

The case study also demonstrates the importance of identifying contingencies and generating alternative scenarios. Although the potential for a military coup in Peru was rated as low by experts because the military was perceived to be weak, the research effort did uncover evidence of growing civil-military tensions—an area which would have received more attention if alternative scenarios had been generated as part of the project. Such contingency analyses might also have addressed how a significant trigger event such as the revelation of corrupt activity at the highest levels of government could have undermined Fujimori's political standing.

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[2] In previous studies conducted by EBR, corruption was predicted to be highly destabilizing if four conditions were met: (1) the evidence was publicly visible, (2) it involved the head of state, (3) it is perceived to pervade the entire executive branch and judiciary, and (4) it involves the coercive institutions which maintain the regime (military, police, palace guard). In the Peruvian case, the last two conditions had been present for some time. The public viewing of the Montesinos bribery videotape significantly increased the salience of the first two criteria, stimulating the crisis.