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POVERTY REDUCTION IN CONFLICT AND FRAGILE STATES: PERSPECTIVES FROM THE HOUSEHOLD LEVEL

Summary of Proceedings from a Conference
Held November 8 - 9, 2006

Except where specified, the views expressed in this publication do not reflect the views of the United States Agency for International Development or the United States Government.

The cover photo shows internally displaced persons standing in line for food distributed by USAID implementing partner Save the Children in Ardamata camp in West Darfur.

PHOTO: USAID



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ACRONYMS AND ABBREVIATIONS

CBO	Community-based organization
CFUG	Community Forest User Groups
CGAP	Consultative Group to Assist the Poor
CPIA	Country Policy and Institutional Assessment
DIW Berlin	German Institute for Economic Research
DRC	Democratic Republic of Congo
EGAT	Economic Growth, Agriculture and Trade Bureau (USAID)
FEWSNET	Famine Early Warning System Network
f-PRSP	Full PRSP
HEA	Household Economy Approach
HiCN	Households in Conflict Network
HIPC	Heavily Indebted Poor Countries
IDP	Internally displaced person
IFPRI	International Food Policy Research Institute
I-PRSP	Interim PRSP
LTTE	Liberation Tigers of Tamil Eelam
MFI	Microfinance institution
NGO	Non-governmental organization
OECD	Organisation for Economic Co-operation and Development
OECD/DAC	OECD Development Assistance Committee
PRSP	Poverty Reduction Strategy Paper
SFCL	Small-Farmers Cooperative Limited
SLF	Sustainable Livelihoods Framework
USAID	United States Agency for International Development
WDR	World Development Report

ACKNOWLEDGMENTS

The United States Agency for International Development's Office of Poverty Reduction would like to thank the many partners and participants who made the conference, "Poverty Reduction in Conflict and Fragile States: Perspectives from the Household Level," held November 8 to 9, 2006 in Washington, DC, a success. The conference not only pushed the frontier of knowledge in these areas but was the first of its kind to bring together diverse communities to discuss their linkages. Particular appreciation goes to the Households in Conflict Network (HiCN), the German Institute for Economic Research (DIW Berlin), and The QED Group, LLC (QED).

The conference was born out of USAID's interest in promoting better understanding of what happens to households in times of conflict and in areas of fragility. Borany Penh (USAID) saw the potential cross-contributions of communities working in poverty reduction and those working in conflict/fragility. With support and encouragement from the Office's director, Tim Mahoney, Ms. Penh led a dedicated team to organize the conference. Tilman Brück and Philip Verwimp, two of the Households in Conflict Network (HiCN) cofounders, along with Philip Steffen (USAID), Allyn Moushey (USAID), Christine Binzel (DIW Berlin), and Catherine Horn (QED), worked tirelessly with Ms. Penh to conceptualize the major questions facing the international community, review the enormous response to the call for papers, and encourage broad participation during the conference. The conference saw researchers, donors, and practitioners come together to share their understanding of the challenges facing households in conflict and fragile states and how the international community could better address these issues.

This summary report and accompanying CD-ROM were made possible by the efforts of the conference organizers, contributions from conference chairs and discussants, and the research and analysis of the talented conference presenters. Many individuals contributed to and facilitated production of this publication and CD-ROM, including from QED, Andrew Reuter, Colleen Popson, Anne Specca, Catherine Horn, and Christian Pennotti, and from the International Resources Group, Katherine Curtis and Eric Stephan.

EXECUTIVE SUMMARY

Conference Opening

Tim Mahoney (USAID) opened the conference by reflecting on the increasing challenge that seems to face the international development community: how to effectively deal with poverty in environments facing conflict or fragility. He observed how humanitarian assistance has been the mainstay of the donor response but the cycle of assistance and recurring conflict indicates that a different approach is needed. However, the knowledge necessary for development actors to program for poverty reduction in conflict and fragile environments, he noted, is still nascent. Furthermore, traditional development tools are not always adequate for these contexts. Can development be more responsive to these scenarios? Do markets have a role to play?

Plenary Keynote

Tilman Brück (HiCN, DIW Berlin) highlighted the serious problem conflict and fragility pose to development objectives. He showed how some development challenges of low-income countries are closely correlated with fragility. He then discussed how a microeconomic approach can yield valuable information about the behavior of poor households in conflict and fragile environments. These insights include the coping mechanisms households employ, the welfare impacts of fragility on household members, changes to the composition of a household, and the vulnerability or resilience of a household to shock. Combined with meso-, macro- or systems level studies, this approach can help discern what interventions are needed, when they should be employed, and which are likely to be effective. Finally, Brück addressed the emerging concept of “fragility.” Unlike “conflict”, “fragility” encompasses both violent and non-violent situations. Systemic uncertainties in various fields may be its main characteristic. Therefore, in his opinion, fragility need not be a state-centric concept.

Day One: Morning Sessions

In the **Governance** session participants agreed that while non-governmental organizations (NGOs) play an important role in assisting the poor; there is no substitute for the state. While NGOs can be more effective than governments in the delivery of services, they are not accountable to their beneficiaries in the same way governments are. Aid programs should work with both in order to reach beneficiaries and support rebuilding of the state-citizen relationship. Secondly, attention to context and local factors is critical. Development should look for what is still working (such as local markets) and build on these local dynamics.

The **Household Structure and Gender** session illustrated how conflict can affect the role of women in society. Conflict can give women a new sense of power as they take up arms or responsibility for their household. But it was debatable if becoming a female combatant is real power or a different type of exploitation. Furthermore, women are often pressured to return to

traditional roles after a conflict. The session also highlighted how conflict can destroy or erode the economic options and social safety nets of women. Thus, development efforts were advised to be gender sensitive and extend beyond traditional areas like health to include economic activities.

Similarly, the **Risk/Vulnerability and Coping Strategies** session found that girls and women are extremely vulnerable to violence and impoverishment. They commonly face social stigma if unaccompanied by male relatives and are the last within their households to receive food and resources. The session also highlighted how the pattern of aid relief and recurrent crises may reflect a failure of aid to adequately address conflict and fragility and the reality of aid dependence. But a “poverty threshold” can help policymakers know when to intervene, although early interventions appear more effective than later ones in keeping households from falling into poverty in the first place.

Lunch Keynote

U.S. Special Envoy to Sudan, Andrew Natsios, identified three common tendencies in conflict and fragile states that the international community should be alert to: 1) rising food insecurity, 2) widespread violence, and 3) the destruction of traditional institutions. Natsios then suggested interventions that could mitigate these tendencies:

- Develop rapid assessment tools for microeconomic conditions
- Introduce improved seed varieties to increase agricultural productivity and food security
- Bring food aid and services to the villages before the people leave
- Write livelihood activities into grant proposals
- Recognize the importance of local food production, which injects cash into the economy
- Secure the assets of the poor
- Invest in labor intensive projects that have long-term economic consequences and are relatively easy to maintain

Responding to questions from the audience, Natsios also encouraged stimulating local markets and delaying large electrification projects until recovery is well underway.

Day One: Early Afternoon Sessions

A theme of the **Agriculture and Food Security** session was how crop failure and civil war can have deleterious effects on children’s health in poor households, thus impairing their lifetime prospects. The session also highlighted how land access and use are significant for poverty reduction but inequities can keep certain groups from benefiting. Local institutions can help resolve land claims but new institutions emerging from the conflict can complicate resolution. Gender was prominent in both studies. Girls were especially affected by crop failure and in post-war Mozambique female-headed households were the most land poor. It was thought that researchers and policymakers, particularly

in the area of humanitarian aid policy, can help solve these problems if they collaborate from the design stage and inform each other of their findings. There have already been positive developments in broadening economic research to include local institutions and political-social factors.

The **Microfinance** session illustrated how the demand to borrow, invest, and safely deposit money continues even in conflict or fragile environments. Microfinance institutions (MFIs) are still learning how to adapt to these conditions, including how to deal with security issues and broadening their clientele to include marginalized groups who may not meet traditional borrowing criteria. Furthermore, MFIs must assess whether the real constraints are lack of capital or something else like weak financial literacy and business acumen. Finally, it was emphasized that microfinance is not a panacea for resolving conflict; however, it can help people cope both economically and socially. Additionally, if the proper training and leadership are in place, microfinance can even grow during conflict and provide a basis for economic recovery post-conflict.

In the **Migration and Displacement** session, the idea of spatially defined conflict was challenged. Migration extends the boundaries of those affected by conflict. Border areas around war zones are actively fragile, hosting displaced populations and sometimes serving as battlegrounds. Another insight was how insecurity affects both poor and non-poor households via their assets and livelihood options. This is because new inequities may arise as shifts in power and institutions force assets to change hands and opportunists benefit from the war economy. Migration and remittances are micro-level coping responses to conflict and fragile conditions, but not without problems. Displaced and migrating populations can overwhelm the labor markets and social services of their host areas. Remittances can be an important source of income for poor households but they may become dependent after extended periods of support and senders may face “remittance fatigue.” Participants agreed on the need for programs to assist border populations, support local economies hosting displaced populations, and provide basic financial services that complement remittances.

Day One: Late Afternoon Sessions

The **Livelihoods and the Private Sector** session began with the observation that households continue to engage in markets even in dire environments. Engaging the private sector to foster both economic recovery and social cohesion should thus be common practice. Markets, it was argued, can break zero-sum game mindsets, expand social space and actors, and offer peace incentives. Practical means of achieving this are market development programs that promote inclusive growth and market-oriented relief assistance. However, prerequisites such as access to external markets, protection of property rights, and some local production capacity should be in place.

Furthermore, programs must ensure beneficiaries do not become more vulnerable than before the intervention and that local actors are involved to ensure program sustainability. A second focus of the session was improving analysis of household behavior in conflict or fragile environments. Because no single methodology is adequate, a combined approach like the Household Economy Approach (HEA) with the Sustainable Livelihoods Framework (SLA) approach can yield valuable analysis. The joint approach tells us, for instance, that early interventions are best and that non-poor households can be more vulnerable than poor households in a conflict or fragile environment.

The session on **Post-Conflict Development in Rwanda** focused on the economic and social changes wrought by the genocide and the country's recovery to date. Poverty was shown to be unaffected at the national level. But curiously provinces experienced income convergence with the poorest growing more and the richest very little. The convergence was largely attributed to labor effects, not capital, although it was also emphasized that the genocide was a means of redistributing, not destroying, assets. The session also highlighted the centrality of land issues and the country's struggle to develop institutions to deal with land distribution and use. The *imidugudu*, or villagization, policy is having a positive output effect through increased land access and productivity. But the promotion of agricultural commercialization and individualization may reignite competition for land and food insecurity. There was agreement that attention must be given to not only what is being done in Rwanda but how, asking who is empowered or disempowered; who is excluded; who can take advantage; and how to mitigate the tension between equity and efficiency.

Bridging Plenary

Borany Penh (USAID) led a discussion on the main findings from the previous day's sessions and their inter-relation. She noted four common themes. First, addressing poverty in conflict and fragile states is about more than restoring income but also social and political relations. Second, interventions require attention to context and constant reassessment. Third, analyzing households is more difficult in conflict and fragile environments, but yields important discoveries about behaviors. Finally, a significant research-policy gap exists in this area. Two sets of questions were posed for Day Two. First, what is fragility and how does it relate to uncertainty? Second, what are the lessons learned in terms of poverty reduction in conflict and fragile states?

Day Two: Parallel Sessions

In the **Participation and Inclusion** session, the importance of inter-group relations and the interaction of political institutions with development featured prominently. The Ethiopia example showed how ethnicity can play a role in people's voting but also that there was hope for ethically based voting. The case was also made for inclusion's centrality to economic recovery and poverty reduction in a post-conflict environment. Community-based organizations were highlighted as a potential means to promote both economic recovery and inclusion.

The weak social contract between government and citizens in fragile and conflict societies was the focus of the **Public Service Delivery** session. Government accountability in the delivery of public services, whether for social services or infrastructure, is essential to strengthening this important bond. Education may be an especially important public service to invest in as it can help children replace negative behavior they may have learned during conflict with skills important for rebuilding a nation. Finally, the session echoed the call of previous sessions for better coordination of development and humanitarian aid to allow efforts to promote stronger government-citizen relationships to succeed.

Final Plenary

In this final general session, panelists and participants concluded that there was not yet a consensus definition of fragility. While many viewed fragility as the broken or weak relationship between a state and its citizens, some saw it as an environment of significant uncertainties. A second focus was the relationship of fragility and conflict to poverty reduction. Several participants emphasized how poverty reduction must be approached differently in these contexts. For example, while assets may be important for poverty reduction in a “normal” development context, they may be a liability in a fragile or conflict context, as was literacy in Khmer Rouge Cambodia. Furthermore, conflict’s cyclicity may mean that linear approaches like aid in response to specific shocks may be insufficient. A third area of discussion was the need for new knowledge on poverty issues in conflict and fragile states and connecting this knowledge to practice. Micro-level research is a good start but the community needs to take it into new and different directions. Researchers, practitioners, and donors should work together to connect research to policies and programming because they all have knowledge to contribute. Finally, the plenary stressed the need for greater synergy between relief and development assistance. The disconnect between the two has resulted too often in ineffective aid and recurrent crises.

Tim Mahoney led the **Closing Session** by commenting how the issues identified during the conference were ones the international community must deal with going forward. While concrete answers may not have come out of the conference, he said, we have learned to ask better questions. He also noted how a household level focus has enabled us to unpack the challenges but that more new thinking is required. Mahoney concluded by thanking the audience for its contributions and encouraging the diverse community formed at the conference to continue working together to generate the needed answers.

WELCOME ADDRESS

 *Listen to this address on the accompanying CD-ROM.*

Tim Mahoney opened the conference by welcoming participants. He observed that those working in development have realized that the environments they work in have become more difficult because of an increase in conflict, the inability of states to govern effectively, and natural crises. This situation has forced us to ask how to better understand these processes and program interventions according to the new environments.

Recalling how USAID had difficulty knowing how best to respond to the 2004 tsunami crisis, Mahoney identified the need in the development community for better information about the types of interventions and shifts in strategies necessary to help people in conflict and crisis environments cope. He asked, if we have a better understanding of how people cope in difficult environments and if we implement programs, policies, and strategies to help them cope, can that provide the basis for a better future?

Mahoney then described how the Office of Poverty Reduction accepted the challenge and asked who was looking at what happens to households during times of conflict. The Office worked with the Households in Conflict Network on a call for papers to see who else was looking into these issues. The huge response indicated that the development community is very interested in these questions. The conference sessions reflect those papers that speak to the most critical issues on this topic.

The researchers presenting here reached out to policymakers and practitioners. Practitioners don't have the luxury of waiting for better information; they're making the best decisions they can based on information available, as the crises are happening. They must move forward, so it is important to know what questions they need answered to get better results and to make better investments.

Mahoney remarked on the importance of markets, as households depend on them for their livelihoods. He identified market failure and imperfect competition as the challenges that households face in sustaining their livelihoods. Other challenges were power structures and other dimensions of poverty. He also acknowledged how in a conflict situation, social contracts begin to disintegrate. He closed by asking participants to consider the following questions during the conference: How do households cope with the absence of order? Are there things that they do to try to reestablish order and how can we help? In the end, are security issues first and foremost in their mind?

Tim Mahoney

*Director, EGAT/
Office of Poverty
Reduction, USAID*

PLENARY: CONTRIBUTIONS OF A HOUSEHOLD LEVEL PERSPECTIVE TO POVERTY REDUCTION IN CONFLICT AND FRAGILE STATES

 Listen to this presentation on the accompanying CD-ROM.

Tilman Brück

HiCN, DIW Berlin and Humboldt University Berlin

Fragility is a serious development trap.

Tilman Brück provided a brief overview of the network involved in organizing this conference, outlined the aims and motivations of the conference, and presented two case studies of people trying to cope with conflict and fragility. He then discussed the framework for his analysis of households in conflict and fragile states, and addressed some of the key issues that would be of importance to conference discussions.

Brück began by explaining that the objective of the Households in Conflict Network (HiCN) is to fill the research gap on the micro-level origins, functioning, and effects of mass violence conflicts in developing countries. At the moment HiCN is connecting 50 young and more established researchers from around the world who are working on applied analysis of household data from conflict areas. The organization emphasizes collecting new data on conflict areas and contributing new questions to existing surveys in areas characterized by conflict.

Brück then outlined how fragility is a serious development trap. Research has shown that the cost of fragility is US\$207 billion, which is more than the global development budget. A military coup is nine times more costly than a worst-case natural disaster. Neighboring states bear two-thirds of those costs. He then cited statistics from the Organisation for Economic Co-operation and Development-Development Assistance Committee (OECD-DAC) to show the impacts at a micro level: half of child deaths below the age of five occur in fragile states; over one-third of the world's maternal deaths occur in fragile states; one-third of people living on less than one dollar a day and one-third of those without access to drinking water live in fragile states; the HIV-infection rate in fragile states is four times higher than in other states; and one in seven of the world's population is affected by fragility.

Showing a photograph of a young female war victim ("Judith") in northern Uganda, Brück observed that as development practitioners and researchers, we may think we know Judith and her story well. We can easily imagine attacks on her village, her assets looted, her parents killed, leaving her and her baby brother without any possessions. What do we need to know about Judith to help her cope with conflict? Although her family did own some assets, Judith's family may have always been poor. She is probably not educated and had few employment options. Most likely she would have spent the rest of her life as a

subsistence farmer. What are Judith's options now? Does she have any chance of catching up with her education? Will she be able to build up her assets? Will she be supported by her community? We actually know much less about Judith than we thought, especially in terms of economics of survival at the individual level for the next few days, months and years. What does her case demonstrate about conflict and fragility? We know conflict and fragility can be intertwined. Judith appears victimized, but soon she will have to become an active agent to ensure the survival of her small, vulnerable household. Her entire future will be shaped by previous events that have almost destroyed her livelihood and life.

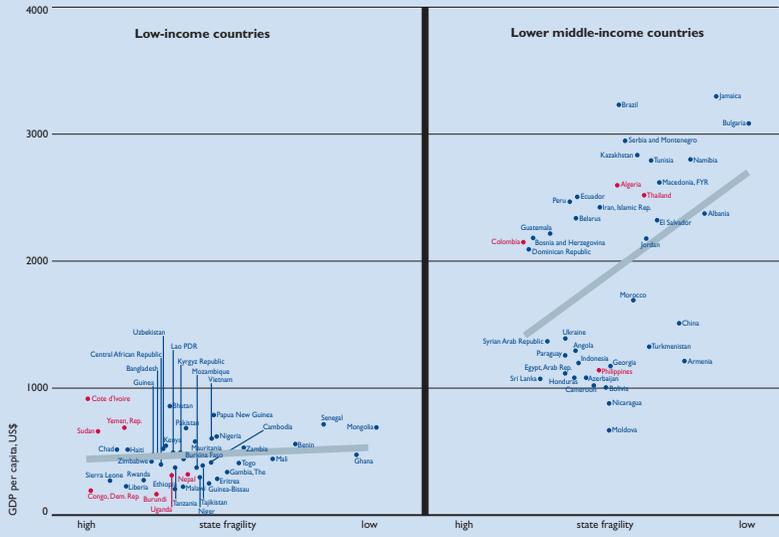
Brück then showed a slide of a young boy ("Boris") with his grandparents in Chechnya, Russia. He said that as development practitioners and researchers we may know less about him than about Judith. The circumstances in which Boris and his grandparents live are staggering. Serious economic downturn and deindustrialization have left workers impoverished. There remain ideological, language and religious divisions between populations. Boris's parents may be working illegally in Western Europe. He might still be attending primary school. His grandparents may be former professionals in the Soviet Union, with little remaining social support. What we don't know is similar to what we did not know about Judith in Uganda. What will Boris be able to do next? Will he be able to continue his education? What would happen to his brothers? Would there be community-level support to help him and his grandparents? Might he turn to violence in the future to avenge his family's fate or to seek a better future?

Brück then reviewed statistics comparing low income and lower middle income countries to give an idea of what is known about fragility at this point. In low income countries, there is no strong correlation between state fragility and GDP per capita. In lower middle income countries, there is a clear correlation. It may mean that in low income countries, fragility is already a part of the constraining factors holding back development. Brück's graphs showed a strong link between fragility and agriculture, especially in the poorest countries. The less fragile a state, the less agricultural production it has. However, this relationship does not hold for the lower middle income countries.

Social indicators are particularly worrying, according to Brück. Data show an extremely high level of infant mortality in poor fragile countries, seven times higher in less fragile, poor countries such as Ghana, Senegal, India or Mongolia. In all countries, higher fragility is associated with higher fertility. School enrollment is particularly low in poor fragile states. For all income groups, the higher the fragility, the lower the school enrollment at the secondary level, but it is lower for the poorest countries. Girls are much more likely to drop out of school in poor fragile states.

There is no consensus of the definition of fragility in the literature yet. Common associations of fragile states focus on the state's role in development. Brück defined fragility as the persistent, systematic and significant existence of social, political and economic uncertainties.

FIGURE 1. Fragility a Constraint for Middle-Income Countries



Source: World Development Indicators 2004, Failed States Index 2005/2006

FIGURE 2. Strong Link Between Fragility and Agriculture



Source: World Development Indicators 2004, Failed States Index 2005/2006

FIGURE 3. Very High Infant Mortality in Poor Fragile Countries



Source: World Development Indicators 2004, Failed States Index 2005/2006

FIGURE 4. All Countries: Higher Fragility with Higher Fertility



Source: World Development Indicators 2004, Failed States Index 2005/2006

There is a debate as to whether fragile states are aid orphans or aid darlings. In low income fragile states, there is more development assistance as a share of GDP, a circumstance driven by aid to Burundi, Liberia, Sierra Leone, Afghanistan and the DRC. The correlation does not hold in the lower middle income countries. Evidence from the 1990s suggests that there is less aid for fragile states. In particular, bilateral donors give less aid to fragile states relative to what multilaterals give. Aid to fragile states is twice as volatile as that given to less fragile states. But recent data show aid to fragile states is increasing, especially to those in conflict. He said the reasons for this increase are twofold: 1) a realization among donors that the Millennium Development Goals will not be attained if the development trap associated with fragility is not tackled and 2) an understanding that the effect of fragility on neighboring countries is massive, so to achieve regional development and global security and to reduce terrorism, you have to tackle fragility.

Brück then shared lessons he learned in analyzing conflict from an economic point of view. He defined non-violent conflict as a dispute over property rights. He cited crime as an example of a dispute over property rights where violence is applied to some extent and war as a dispute over property rights through mass violence. In discussing what mass violent conflict implies, analysis at the household level helps us realize that war and conflict are rational phenomena. There are people who gain from war and conflict.

A micro-level analysis of conflict, he explained, helps us realize that there is a broad spectrum of actors affected by conflicts, from the soldiers, individuals, and households to firms and groups. There is also a range of intensity and types of conflicts: domestic, international, long-lasting conflicts, etc. It has also become clear that conflict is a dynamic process. Conflicts stop and restart. Often countries that have been involved in conflict before will be involved again. We need to understand these dynamics in order to help countries out of conflict. Countries may or may not have an effective government and not all countries in conflict have weakened governments. In international conflicts, governments must strengthen their organizational role in the economy.

Brück then contrasted features of conflict with those of fragility. He noted that a fragile state could also be called a weak state, failed state, state under stress, or difficult environment. There is no consensus on the definition of fragility in the literature yet. Common characteristics of fragile states are issues of legitimacy, effectiveness, capacity, willingness, security, governance, development orientation,

service delivery and so on. All focus on the state's role in development. He then offered an alternative definition that moves away from a state focus. He suggested that we should understand fragility as the persistent, systematic and significant existence of social, political and economic uncertainties. There are two elements to his definition: 1) something long-term, systematically covariant across individuals and groups and in societies, and something so significant that it has a serious impact; and 2) it is not just about the state, the economy or the politics, but includes social issues of development as well. It is not about small risks, but big issues of uncertainty that are difficult to quantify. In his view, fragility is characterized by this large set of significant, serious and systematic uncertainties.

Brück identified the key point of fragility as the failure of the state to define and enforce property rights, which is different from the conflict definition. Conflict is about contesting property rights. In a war of secession, the rebels

FIGURE 5. Aid Flows to Poor, Fragile, Conflict Countries



Focusing on the household level gives us an opportunity to advance our understanding of how fragile states function, the underpinnings at the micro level, and the processes that shape fragility.

contest the authority of the state to legislate and define property rights in their areas. In fragility, it is the failure of the state to define and enforce property rights. However, fragility need not be a state-centric concept. There are various examples of non-state drivers of fragility: HIV/AIDS, dramatic demographic changes, crime, the role of elites, external actors, and economic crises and inequality. Of course the state has a role in shaping policy in these fields, but these are processes that function irrespective of the state to some extent.

He argued that fragility has similar key features to conflict. The point that conflict is based on rational agents can be transferred to fragility. At the individual level, individuals may not be drivers of fragility as they may be drivers of conflicts. Still, demographic crises are based on individual decisions of fertility. Crime is an individual decision. Many of the features of fragility are based on individual rational decisions. We must differentiate between various actors and the relationships between different actors or groups, as well as ranges of intensity. He said fragility is a dynamic process; we may not be able to overcome fragility in the short term, and state fragility may or may not be driven by or affected by conflicts.

Brück then justified the need to look at the household level. He said we know that conflict is a key obstacle to development. Furthermore, we know about the drivers of conflict, the objectives, incentives, dynamics and traps and the diversity of experience. Focusing on the household level gives us an opportunity to advance our understanding of how fragile states function, the underpinnings at the micro level, and the processes that shape fragility. Ideally, he said, we will be able to identify common trends across empirical settings and understand the microeconomic calculus of fragility.

He suggested discussing fragility in terms of a framework that focuses on four dimensions. First, we should characterize fragility from the household perspective. Is fragility a shock? We should identify drivers of fragility and issues of causality. Second, we should look inside the households. We should ask whom we are analyzing. Or whom are we helping? Are households victims or actors? What are some of the intra-household gender issues? Third, we should look at households as productive units. What are the determinants of coping strategies of fragile states? What are the roles of institutions, communities and markets? What are the dynamic ways of coping? Finally, how effective is aid in fragile states and how can we evaluate policy interventions in fragile states?

Brück concluded by posing four questions to help guide the discussion: How do households experience fragility? We should find real examples and learn from those examples. How can we differentiate policies to account for differences and experiences of household members? How do assets, institutions, network participation and behaviors shape households' coping strategies in fragile environments? How can we evaluate effectively the impact of aid on fragile states?

HOUSEHOLD STRUCTURE AND GENDER

Maneshka Eliatamby explored the issue of households and violence in the context of the female cadres of Sri Lanka's Liberation Tigers of Tamil Eelam (LTTE). She noted that the literature does not tend to address females in conflict or how women become involved in conflict. She stressed that researching the group should not be confused with advocating the group's violent actions; rather it is an attempt to understand what prompted these women to adopt violent means. As Fyodor Dostoevsky said, "While nothing is easier than to denounce the evildoer; nothing is more difficult than to understand him."

Eliatamby explained that traditionally women are seen in the background of violence, playing supporting roles, but that is not necessarily the reality. The LTTE has one of the most lethal groups of women fighters, comparable only to the women involved in the Palestinian struggle. No group of women fighters has sustained itself as the LTTE has. Half of the members of the Black Tiger Movement elite fighting force are women, and women carry out over 20 percent of the suicide bombings in Sri Lanka. But without understanding the root causes for this involvement in violence, the problem cannot be addressed.

To better understand the problem, Eliatamby looked at both internal and external factors that could have led to the radicalization of women. She described the "Lethal Intersection Theory," whereby multiple overlapping factors—structural/cultural violence, the quest for emancipation, and propaganda by LTTE—led Tiger women into violence.

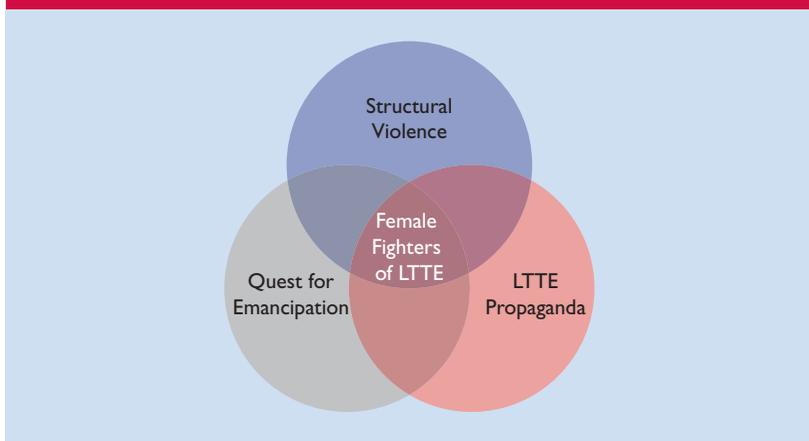
Eliatamby then gave a historical overview of how structural violence arose among this population. The LTTE formed in 1976 as a secessionist movement but initially did not allow women to participate. In July 1983 riots broke out in

Maneshka Eliatamby

George Mason University

Tamil Women
Repositioned:
The Result of a
Quarter Century
of Violence or a
Change from
Within?

FIGURE 6. Push and Pull Factors



the capital city of Colombo and its outskirts, and reports suggest that Sinhalese mobs attacked Tamil households and businesses. Some reports suggest that over 5,000 Tamils were killed in a matter of five days. After the 1983 riots, the female wing of LTTE formed. The LTTE claim that the trauma of the five-day 'ethnicide' was one of many traumas upon which the Tamils' collective identity and subsequent actions are based. Tamil women, especially those who were exposed to the rape, death and mutilation that occurred in 1983, formed a shared narrative that was gender specific.

Eliatamby continued that although women were generally seen as subordinate to men in 1982, as evidenced by the patriarchic household structure in the northern and eastern peninsula, they repositioned themselves within less than one year. In 1990, their position was seen as more equal. There was a push from the Tamil culture for women to stand up for themselves, to prove they could protect themselves. Those women who did not participate in violence indoctrinated their children and brought their sons into armed groups. Thus, women played a role from the household level straight to the battlefields.

Participation by women in the LTTE has not been looked at closely enough, argued Eliatamby. During the peace talks, women were not part of the negotiation even though they constitute 51 percent of the population in Sri Lanka, thus implying the further marginalization of women. It would be advisable for them to be more involved in the negotiations.

Ederlinda M. Fernandez

Western Mindanao State University

Conflict, State Fragility and Women's Reproductive Health: The Case of Basilan, Philippines

Ederlinda Fernandez's presentation described the nature of the conflict in Basilan, Philippines, the impact of conflict on women's reproductive health, and government and donor agencies' post-conflict rehabilitation efforts. She argued that development aid is creating more dependency while gender concerns are not sufficiently addressed by governments and donor agencies.

Fernandez explained that Basilan, an island province in the southern Philippines, has experienced intermittent conflict tied to aspirations to become an independent Islamic state and perceptions of inequity perpetrated by a centralized government. It now ranks among the poorest provinces in the Philippines and its socioeconomic indicators continue to fall, despite aid. The Abu Sayyaf terrorist acts engendered armed conflicts and massive displacement. For women, the armed conflict was particularly difficult because of kidnapping, rape, displacement, destruction of property, and other security threats. Reproductive health issues include unmet needs for family planning, miscarriage, infections, and human rights violations, including forced marriage and prohibition of family planning.

Post-conflict reconstruction efforts in Basilan have included an infrastructure assistance package, education, health, employment and entrepreneurship services, and various projects for socioeconomic development and social

rehabilitation. Despite these efforts, the people Fernandez interviewed complained of little government involvement. Local and foreign development assistance is not reaching the recipients. The absence, inadequacy or inaccessibility of basic social services is attributed to government inefficiency and corruption. Furthermore, the critical lack of health and manpower is growing because of the continuing migration of Filipino doctors and nurses. Attempts to fill the gap are being made through the use of paramedics, traditional birth attendants, and herbal medicines.

Within her study area, Fernandez found a range of problems: poor sanitation and the attendant diseases, malnutrition, few economic opportunities, low income, high illiteracy rate, high fertility rate, lack of programs for post-conflict trauma interventions, and a lingering sense of insecurity and tension. The promise of fiscal decentralization, she argued, will not improve welfare because local governments are too corrupt and/or too small to spend public money effectively. Furthermore, foreign-funded non-governmental organizations (NGOs) that fill the gaps tend to mask the inefficiency of the local government and create new dependencies.

There were two policy implications in regard to health, according to Fernandez. The critical state of the health sector and the inability of the government to respond point to a need for alternative means to deliver health care through non-state actors and a viable model of community-based health. But more importantly, all these issues pointed to the need for gender analysis in post-conflict reconstruction efforts. Programs for women are generally too focused on family planning and neglect other concerns. She recommended addressing economic issues and land reform, and implementing a law on ancestral domain. Also, community and women's organizations should be formed to foster self-reliance and empowerment, and to monitor the performance of local government officials. Finally, alternative means of health delivery could tap non-state actors and establish a viable model of community-based health.

Olga Shemyakina presented her research on the impact of civil wars on household and individual behavior, and explored the link between violent conflict, marriage markets and female reproductive behavior. She described how the first two years of the conflict in Tajikistan (1992 to 1998) were the most violent, fueled by a lack of access to economic opportunities. About 50,000 people died and about 6.2 million people, or 18 percent of the population, were displaced.

Shemyakina said conflict had an impact on a number of aspects of women's lives, including the age of first marriage, age of first birth, and educational attainment by women. Many households are female-headed due to widowhood

Gender analysis is needed in post-conflict reconstruction efforts. Programs for women are generally too focused on family planning and neglect other concerns.

Olga Shemyakina

University of Southern California

The Effect of Armed Conflict in Tajikistan on the Marriage Market

**Muneera
Salem-
Murdock, Chair**

World Bank

and the migration of men. Because many young women stop their education and develop few marketable skills upon marriage, they are very vulnerable to poverty in the event their husband dies, leaves them for another woman or moves abroad to seek work. Left to take care of their children and elderly, they have difficulty securing outside jobs that pay sufficiently well, particularly in rural areas of Tajikistan (more than 70 percent of Tajiks live in rural areas), where women traditionally have little access to land or good jobs that are “reserved” for men.

In Tajikistan where marriage has traditionally been viewed as a stabilizing social institution, a weakened “marriage market” can mean certain poverty for young women. The conflict contributed to a huge decrease in the number of men of prime marriageable age, Shemyakina explained. A higher proportion of younger women who were of prime marriageable age during the conflict were married by age 16 compared to women from earlier birth cohorts. However, if women from younger cohorts were still unmarried by age 20, they remained unmarried for a longer period of time than older women from the earlier birth cohorts. Shemyakina also observed an increase in polygamy, which had been unacceptable during the Soviet era.

According to Shemyakina, the potential impacts of a decrease in the ratio of men to women include changes in marriage and fertility behavior; decreases in bride-prices (increase in dowry), and changes in the distribution of bargaining power in marriage. She suggested future research could look at the bargaining power and distribution of income in marriage and effects of the change in sex ratios on children, especially how children benefit or are disadvantaged.

Chair Muneera Salem-Murdock, of the World Bank, began the discussion by raising a few questions. Why did conflict cause extreme violence among women in Sri Lanka, but not in Tajikistan or the Philippines? What happens after conflicts to women who were involved in conflicts? She noted that the examples are not encouraging. If we look at Algeria, women play an important role and disappear when conflicts are over.

Ana María Ibáñez compared the Liberation Tigers case with female fighters in Colombia. There are some studies pertaining to female fighters, showing that they are treated differently from their male counterparts. The conditions for women in armed groups are atrocious. Women decide to leave the group earlier than men.

Eliatamby reported not having studied the exit numbers. Some women gave up arms during the cease-fire. Some married and had children during this time. But since the war has resumed, there have been reports of these women returning to training, and to the battlefield.

Questions and Answers

Question: Regarding the LTTE women, do women undergo changes?

Eliatamby replied that there has been some repositioning. It is difficult to tell whether the repositioning is going to be permanent because the conflict is still going on.

Question: What do women in conflict do to be more represented in the group?

Eliatamby answered that after 1983, women fought significant battles. For example, in 1995 the males asked the females to leave the battlefield and the women refused. There are reports by experts such as Mia Bloom that some female Tigers are trained to carry little bombs in their vaginas, in addition to the cyanide pill that all Tigers carry around their necks.

Question: Are traditional healers more easily utilized than modern health practitioners in the Philippines?

Fernandez responded that traditional healers are not supported by the state. There are some recommendations to have them trained so that they can better address the needs of women, but the Department of Health is ambivalent.

Question: Given the fragile environment, can you comment on which policy recommendations are wishful thinking or realistic?

Fernandez felt that most policies are wishful thinking, although a number of recommendations are already in the local policies.

Comment: The Tajikistan case illustrates the potential dynamic impacts of conflict. The decrease in number of marriageable men and polygamy may be due to social changes. In some communities, social changes are moving backwards.

Question: Could Eliatamby's Lethal Intersection Theory be relevant to the Basilan case, given the elements of structural violence with disparity? Can you comment on the possibility of a lethal framework and has there been emancipation?

Fernandez answered that there are cases of female fighters but there are no studies of what these women actually do.

Question: What are the conditions that lead women to participate in violence, or practice their traditional roles or both? Did you study the social groups inside the Tamil communities and how they affect the choices of the women?

Eliatamby found a relationship. The low-caste women initially became involved in the conflicts. But not every Tamil woman adopted violence; some kept their traditional roles.

GOVERNANCE

Tahmina Rashid

*RMIT University,
Australia*

Shifting Nature
of State/Citizen
Liaison in Fragile
States: A Case Study
of Microcredit
Borrowers in Urban
Slums in Dhaka
(Bangladesh)

If the international community supports a program to eradicate poverty, it should work with both the state and the NGOs. It is futile, even harmful, to work with only one.

Tahmina Rashid began her presentation by reminding the audience that Bangladesh has the largest NGO sector in the world. The NGOs have access to the state and to the citizens, work parallel to the state, and provide services that the state should provide. Since the major civil strife of 1971, Bangladesh has suffered ongoing instability, persistent law and order deficiencies, and widespread corruption. Poverty levels remain quite high, with approximately 70 percent living on one dollar a day; and there is a continuing trend for people to migrate from rural to urban settings.

Rashid then described her research. She conducted 100 interviews in Bangladesh with the NGOs, BRAC and Proshika, and with local NGOs. Based on this research, she identified a number of challenges facing borrowers: many are not able to read their passbooks, they are not entitled to form unions, and the NGOs do not transfer the skills necessary for borrowers to make informed transactions. Women who use microcredit face an additional set of problems. While the fact that there is a majority of female borrowers might appear to be a story of empowerment, organizations often intentionally use the persuasive presence of male field workers to collect money from them.

Rashid found that local staff who work for the NGOs have few rights, are poorly paid and their jobs are temporary as NGOs can hire and fire at will. The only way for employees to keep their jobs is to maintain a 90 percent return rate. They are not allowed to form relationships with borrowers, making it hard to evaluate if in the long term the money has any sustainable impact. While donors have access to citizens in the public sphere, the state does not interfere except at election time. Law enforcement also does not intervene, showing further how the state has disengaged from the whole process. As a result, she argued, NGOs have almost total immunity.

It is time to stop looking at all organizations as development organizations, argued Rashid. Larger organizations have become innovative as over time they have learned how to arrange their dealings with the poor to benefit themselves. Grameen, noted Rashid, is one of the biggest microcredit providers in Bangladesh and uses public money, earned through non-payment of revenues. Because it is an NGO, these are tax exempt schemes. However, global business partnerships such as Grameen Phone & Nortel generate substantial revenues without contributing to the public revenues. Others have grown beyond their work with the poor and are engaged in commercial enterprises, such as real estate and exporting fruits, vegetables, fisheries, garments and handicrafts. As a result, citizens have little claim with the state for basic rights such as access to education, health services, or even phone services, yet receive these as customers of welfare services provided by the development NGOs.

Rashid concluded with several recommendations, including ensuring that development organizations be accountable not merely to donor agencies but to poor borrowers—as they are major stakeholders. If the international community supports a program to eradicate poverty, it should work with both the state and the NGOs. It is futile, even harmful, to work with only one or the other. Similarly, there must be a consistent definition of poverty to make the various actors accountable. NGOs that rely on donor money must have a way to evaluate the impact on poverty at the household level.

Joost van der Zwan looked at the causes of state crises and collapse, and the role that local NGOs play in war-torn states. His research sought to evaluate the role of local NGOs in the Democratic Republic of Congo (DRC). He examined both positive and negative aspects of development programs to determine their added value in a failed state setting.

Van der Zwan described how the DRC has had two major wars in the past decade. Violence persisted even after the 2002 peace agreement, regardless of the donor money pumped into the country. The International Rescue Committee estimates that some 4.5 million people died, the largest number of casualties since the Second World War. Additionally, as many as 2.5 million civilians were displaced by the insecurity. Markets, infrastructure, and institutions that made up the state collapsed. The state cannot provide security, offer accountability or provide goods and services to the citizens. There is only a minimal provision of the basic services upon which livelihoods depend: healthcare, education, clean water, or market systems.

Given this situation, Van der Zwan asked, what is the role of local NGOs in this setting? How effective can they be as agents of development? What is their capacity to adapt to changing circumstances in a war-torn state?

Van der Zwan recounted the limited ease of movement and travel as a researcher in DRC's rural areas. There was neither hard data, nor a baseline to use for empirical analysis. Therefore his research is mostly qualitative—based on conversations, interviews and program analysis over six months.

His study looked at three Congolese NGOs, all established in the 1980s with annual budgets of about \$150,000. They are all partners of Oxfam Novib working on sustaining livelihoods and social awareness—raising the profile of issues such as gender and health. The NGOs take a bottom-up approach. They often work in conjunction with beneficiary groups to determine the best ways to help them. Despite a lack of quantitative data, the people interviewed perceived a real improvement in their situation.

However, Van der Zwan reported, there were a number of negative findings. First were inadequate problem and needs-based analyses to prioritize activities. The organizations tried to execute an extensive range of programs and projects

Joost van der Zwan

London School of Economics and Political Science

The Role of Local NGOs in War-Torn States: A Comparative Analysis in the Democratic Republic of Congo

The role of the state cannot be overemphasized—even in war-torn states. States cannot be substituted.

simultaneously, resulting in poor implementation. Local NGOs, he explained, try to meet the basic needs of the population; promote and improve their position; stimulate sustainable livelihood activities and local economic development; raise political, economic and social awareness; and hold government agencies accountable. A lack of flexibility or capacity to adapt to changing circumstances is understandable considering the war situation, yet despite significant funds available for capacity building, results were inconsistent. A limited reach meant the organizations had no capacity to expand to larger scale projects. Poor monitoring and evaluation compounded the problems.

Another significant problem was the frequent absence of local government organizations in these efforts. Local inhabitants seemed to prefer to work with local NGOs and other non-state actors instead of looking for ways to rebuild and reinforce the state. However, the role of the state in socioeconomic development cannot be overemphasized, argued Van der Zwan—even in war-torn states. States cannot be substituted. International pressure for elections in the DRC and other war-torn states should not be seen as the solution. Holding national elections is rarely the best option because an election is only one aspect of laying the foundations for effective and accountable democratic government.

Question: Could you tell us more about the successful innovations that you referenced among the positive findings?

Van der Zwan replied that he found that some of the NGOs had provided economic development opportunities, especially in agriculture, such as the provision of different types of seeds to farmers or vaccines for cows. They also started small manufacturing projects, for example, that turned peanuts into cooking oil. These are examples of innovations that usually come from the NGOs and have positive economic linkages. Of course it is not necessarily a good idea to cut and paste certain productive activities from one NGO to another; but it is interesting to see the innovation of the NGOs working in such fragile and underdeveloped settings.

Question: What were the specific issues that limited the scope and research? Was it difficult geographic terrain, capacity, or an issue of self-limitation and importance of localized knowledge?

There was an overall problem of organizational capacity, responded Van der Zwan, not a case of financial resources, because the NGOs had backing from Oxfam. They lacked the people or expertise to expand. Ethnic differences also meant that certain population groups did not trust “outsiders” coming in to try to work with them. Geography was also a problem because there are few roads or other infrastructure.

Question: Are these NGOs dividers or connectors?

Part of Oxfam's strategy was to get people to work on reconciliation activities, answered Van der Zwan. To go into a different area they had to negotiate with local leaders and reconcile local ethnic differences. For example, two ethnic groups that traditionally fought each other worked together to improve access to markets. However, sometimes NGOs unintentionally divide communities—given their limited budgets, they cannot provide services to every segment of the population.

Question: Eastern Congo is very rich in coltan, which is a high-priced commodity. What is happening with this income?

The central state has little formal control over resource extraction, responded Van der Zwan. For example, in South Kivu, thousands of individuals dig for gold and sell it to middlemen who transport it across the border. The state receives no revenue from these activities.

Narendra Mangal Joshi began his presentation by linking forests, livestock, and farming. Historically, these linkages have changed over time. Joshi's research examined the links between natural resource management and conflict in different periods of time, including the current Maoist movement in Nepal.

The practice of property rights and forest management in Nepal has changed many times over its history. Centralization and decentralization of forest resource management has seesawed for centuries, resulting in changes in property rights and conflict in different periods. The forest was nationalized and centralized after the re-unification in 1743. Centralization occurred again in the Rana period (1846-1950), but this time was determined by the Rana family and village elites. Even though the forest was centralized during those periods, different local institutions managed the forest and defined property rights. The government that formed after the popular movement in 1950 (which overthrew the Rana regime) nationalized all forests, including privately owned ones. In the 1990s, after the democratic movement, decentralization helped introduce community-based management in the form of Community Forest User Groups (CFUG). This model defined community-based property rights for forest resources.

The recent Maoist movement has altered the CFUGs. The Maoist central working committee conferred power to the local unit of government, the village People's Government. This local unit instated a tax on forest resources from 5 to 40 percent. The tax affects the income that members of CFUG can attain from forest resources. Since the People's Government's main source of revenue is from villagers (which comes from selling animals and animal products and

**Narendra
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Natural Resources
Management and
Conflict: From
Past to Present

forest and non-forest timber products), they are able to capitalize on the efforts of the forest dependent community. The Maoist movement has also affected leadership roles in CFUGs. Leaders are reluctant to expose themselves as committee members of CFUGs, out of fear of being interrogated by Maoist and Government armies.

According to Joshi, the role of conflict must be put in historical context. Property rights have devolved, but they still have not reached the lowest level. After the conflict, power was dissolved. But rights have not spread to the local people, and the local people must be allowed access. Future policies should focus on these issues. Since the Maoists' policies are not clear regarding property rights for forest resources, they must clarify their forest policies to maintain community-based property rights.

Question: How do the forest user groups, a rather powerful force in Nepal, fit into this scenario?

Joshi replied that the Maoist conflict has had little impact compared to other government bodies. At the community level, CFUGs are the only democratic bodies functioning under the state law. It is important to note that Maoists had little influence in these committees compared to other local bodies like village development committees. But the democratic process has been affected by new rules imposed by the People's Government in community forests. The results are mixed depending on the area. For example, in the western village of Bagarkot, people were able to benefit more from the new rules imposed by the People's Government, but in the central village of Dal Choki, people were not entitled to forest resources.

Sub-atomic particles in an atom smasher are a good metaphor for these situations, began discussant **Patrick Meagher**. The way society is put together, he said, is shown by how it comes apart. The normative or idealist view is to ask: What can we do to help those parts of the state regain some of the ability to govern? In fragile states, it can be assumed that at a certain point in time the central government must have lost much of its de facto effectiveness and legitimacy. If the center fragments, the public authority and policy structures are not really coherent. This creates instability and distrust, and leads to a lack of coordinated infrastructure and the degradation of other systems.

The state may have a partially national or local system, Meagher continued, but in general there are fewer public goods than there are private and club goods. Often there are fragments of society that have innovated their own solutions. Other players, such as indigenous social groups, NGOs, local groups and international donor organizations, then come forward. At that point there is an ex-post situation. What should the donor agencies and their partners do?

Patrick Meagher, Discussant

*IRIS Center,
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Should they ignore government? Is there some way to work with government? Or is there a middle road (work in parallel without undermining government capabilities)? What is the right combination in a particular setting to meet needs and provide security? Can the government capability be nurtured and brought along?

Meagher considered the three cases. Bangladesh and Congo represent a de facto devolution of governmental accountability. Bangladesh had a massive failure in the early 1970s at the start of its independence. Despite being a very vibrant society, parallel systems were set up during a time of terrible famine and violence. However, the NGOs and microfinance organizations that comprise some of the parallel systems are not systematically accountable—and they are very strong players in the country. This is a problem where many people have contributed to effective development, but the de facto actors are not held accountable.

Rashid responded that while aid agencies are important, the state is expected to do a few things, like universal education. If the state is not held responsible for those aspects, citizens lose those rights. The private actors cannot reinstate those rights.

The DRC is in a very volatile situation following a decade of violent conflict, Meagher further observed. Shortly after the horrible civil war, plagued by disease-related deaths, the remaining working infrastructure exists in the form of small local groups that may have rather rigid frameworks. How can donors work with them? Donors want local knowledge and energy, but also need to know how these local groups are held accountable and to what extent their support to them undermines state accountability.

Van der Zwan responded that it is paramount that the donors balance service delivery and state building. It is not just about politics, but also about administrative capacity and the different institutions needed.

In Nepal, Meagher observed, the focus is on resource management, particularly localized property rights that were centralized and then de facto decentralized by the Maoist movement. The question is: are they meeting people's needs? Would Nepal have been better off if it had maintained a more decentralized framework even though a decentralized framework makes it harder to maintain national public goods? Joshi replied that throughout Nepal's history, decentralization has never reached the lower levels.

It is important for donors to look at the power structures in play in a given country because their actions might end up benefiting elites that already have economic and political power.

Questions and Answers

Question: Does the way that local elites restrict access to natural resources lead to conflict? It seems that decentralization is used to gain support and centralizing is what happens after:

Question: The two NGOs in the DRC presented by Van der Zwan are the superstars. There are not many others. How do you deal with your own personal security, a predatory government, and incompetent or semi-competent NGOs?

Van der Zwan responded that the NGOs still had a lot of improvements to make, but you are never going to find the perfect NGO. If you did, donors would jump on it, and provide too much funding, stretching capacity to deliver projects. You have to look for specific state agencies to support, he said. Start by understanding the problems in different state agencies, see what is going on both formally and informally, and at the local level. One should never generalize in these contexts—it is very specific. It is the same with elections—a state cannot hold elections and expect them to work without security or accountability.

Comment: Part of the problem is that the international community sees the situation as very state centric: “the role of state VERSUS the role of NGOs.” In a fragile state, it is more useful to understand how to best fulfill traditional government functions. We have two different approaches. If we think the government is competent and capable we channel money through the government. However, if the international community does not think the government is competent and capable, we channel money through NGOs. This approach creates polarization. How can the process of development assistance be harnessed to provide mutually beneficial results in terms of service development and in terms of means?

Question: How can you encourage and take the first steps toward making government accountable? Too often it seems like we go in and our first reaction is to reconstitute the state where there have never been state mechanisms.

Comment: The state-centric view is pushing donors to move away from the public sector viewpoint. Improving service delivery is more a question of how government and civil society, writ large, engage each other.

Comment: Thinking about using different language is an important first step. For instance, the term provider is not exact: it has many different meanings. We should adopt some of the language coming out of public finance—where there are producers and providers. If we can standardize precise terminology, we will make a lot more progress.

Question: Should we ask the donor community if we should stimulate responsible representatives from the government rather than creating another parallel structure? Denmark and Switzerland were not built by NGOs.

Van der Zwan responded that good governance is a concept that was created to talk about power and politics in a non-political way. It is important for donors to look at the power structures in play in a given country because their actions might end up benefiting elites that already have economic and political power. NGOs are not accountable to beneficiary groups. NGOs are only accountable to donors because they have to report how they handled the money. In many cases NGOs skim off money for themselves. They benefit elites with whom they work and the beneficiary groups cannot complain. The beneficiaries are simply happy if any progress is made because they do not want the aid to go away. Using a timeline with a convergence point while working with the state at critical times on critical areas could avoid putting two overlapping structures in place.

Rashid added that when the state is corrupt, groups like Transparency International publicize that fact. The problem is that NGOs can be equally corrupt. Everyone engages in political classification. NGOs pay people to stage certain kinds of political protests—as if it is a job. Everyone should be accountable—borrowers, lenders, and donors. It would make more sense to reduce all the glossy reports and project proposals to cut poverty from the top, not at the bottom.

Meagher described his personal experience looking around a town in the Congo. There was a lot of stuff that did not work. But what really worked were nightclubs and the marketplaces. Similarly, when one goes into these fragile and conflicted states, one has to look for what continues to work. Look for who understands the situation. Who is most affected? Another actor we have not talked about much, he noted, is the private sector—they know how to provide service. None of this is a panacea, he said. Decentralization isn't a panacea either. The question is: how do you give money from outside and keep accountability? Accountability always follows the money.

There should not be too strong a division between state and non-state, said Meagher. There are many layers of sovereignty, service, and governance activities. What do we do with NGOs that become pieces of the formal government structure? It helps if we do not get hung up on formal identification of the entity.

When one goes into these fragile and conflicted states, one has to look for what continues to work.

RISK/VULNERABILITY AND COPING STRATEGIES

 Listen to this session on the accompanying CD-ROM.

Michael Carter

University of Wisconsin

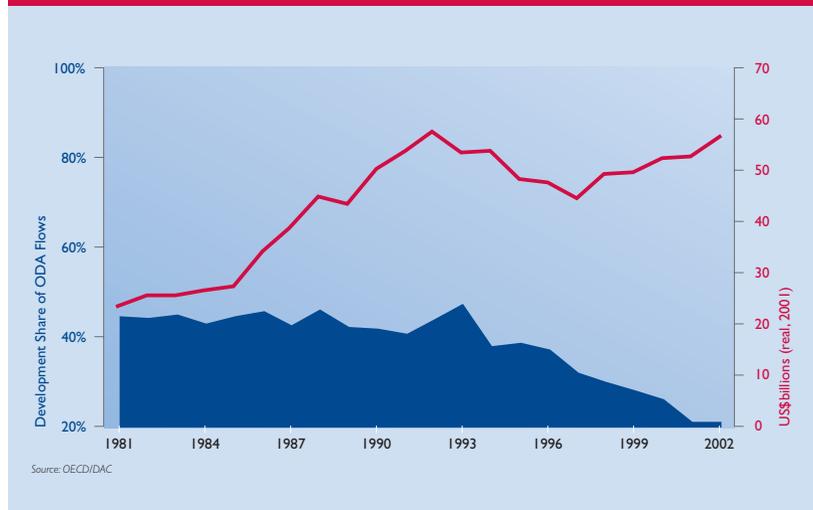
Poverty Traps and Productive Social Safety Nets: Policy Implications for Conflict Recovery

Michael Carter's presentation dealt with poverty traps and productive social safety nets. He opened with the question, Do shocks that destroy household wealth and assets have long-term irreversible impacts? The structural basis for thinking about future expectations, he said, is not an objective measure of hope; rather it is based on material circumstances, the economics of individual households.

Considering the theories about asset thresholds may help to understand these issues. By identifying the threshold, it will be more feasible to find a productive way to avoid falling below it, perhaps through two policy ideas he supported: productive safety nets and cargo nets. But ignoring the existence of a threshold can create negative effects. By not programming around thresholds, households remain exposed to shocks and vulnerability.

The theory of an asset threshold assumes that people have two livelihood strategies: high and low. Environmental characteristics influence the distinct levels of ability in individuals. Over time, three classes of individuals emerge. The Economically Disabled are trapped in the low livelihood strategy forever and considered chronically poor. The Multiple Equilibrium Poor are a middle ability group whose situation could improve or worsen, depending on circumstances. The threshold matters most to them. Unlike the first group, the middle group could most benefit from social safety nets. Finally, the Upwardly Mobile are a high ability group who will likely improve their material circumstances without intervention.

FIGURE 7. Overseas Development Assistance Flows from OECD Countries



Carter pointed out that it is important to remember that people do not have access to just one livelihood option. The most critical group of people is in the middle right now: they are currently poor, but given time their savings will increase and they could improve their situation. Is there a certain point where despite a particular level of capital in a given skill, it is not feasible to move out of poverty? Under what circumstance will people be willing to curb consumption to save enough to move them out of poverty?

A Micawber Frontier, Carter explained, is the key analytical device that is used to model the dividing line above which are individuals who will move to high equilibrium, and below which are those who will not. This line helps to open discussion about conflict and shocks, as well as to stake out social safety nets along the frontier. We don't want to let people fall below the frontier because they will not be able to escape it.

The Risk and Poverty Trap Theory accounts for shocks. What happens if two people are at the same level and one experiences shock but the other does not? The one that experiences shock does not recover and falls below the threshold and the one that did not fares much better. There are two types of poverty traps for which we need to account. The chronically poor can be categorized as either those who suffer a fundamental disability, or those who have less than the minimum assets needed to make accumulation possible.

Carter noted that natural disasters provide one sort of macabre natural experiment to indicate that these thresholds exist. The evidence shows that when asset shocks occur, those who fall below the threshold fail to recover. The behavioral response includes two coping strategies undertaken at the individual level. First, people eat less and the children are the ones who bare the brunt of lower food consumption. Second, current generations try to do something to prevent poverty, but end up affecting future generations and making them more likely to be poor. This indicates the irreversible effect of poverty traps.

Helping someone get over the threshold, Carter observed, is not making them non-poor, but making it objectively possible for them to move forward over time. Insuring people against shock is an incentive for them to avoid falling into chronic poverty. This approach may avoid creating a moral hazard, but still suffers from moral ambiguities, including the notion of triage: concentrate resources on those most likely to generate results, not the most miserable.

In terms of total aid, in a world where increasingly people fall below the threshold there may be a case for a large initial public expenditure and follow up maintenance. Maybe our pattern of aid trapped in relief mode is telling us it's time to change our approach.

When asset shocks occur, those who fall below the threshold fail to recover.

Maybe our pattern of aid trapped in relief mode is telling us it's time to change our approach.

Tom Bundervoet

*Vrije University,
Belgium*

Livestock, Crop
Choice and
Conflict: Evidence
from Burundi

Tom Bundervoet discussed how households cope with the effects of conflicts. Income is at risk, even without conflict, and this constant risk implies that most rural households face income shortfalls during conflict. His research tested the theory that households with more savings will engage in higher risk, higher profit activities. Households with little savings will not. Bundervoet used the example of Burundi to highlight the relationship between savings and activity choices during times of conflict. He compared provinces affected by the conflict with those not affected by the conflict.

The macroeconomic impact of the crisis in Burundi was massive. Income per capita fell from \$210 to \$110, and those below the poverty line rose from 35 percent to 68 percent. In this study, the value of livestock holdings in 1998 was used to proxy household savings. Households had two activity choices: cultivate a risky crop or a non-risky crop. Safe or low-value crops included sweet potatoes and cassava. Risky or high-value crops included maize and paddy rice. Within the civil war areas, he found that households that have more savings do not significantly increase allocation to higher risk and profit crops.

The results, Bundervoet explained, show that both civil war and non-conflict regions had similar amounts of savings, but conflict households did not seem to take account of these savings in determining crop choices, whereas households in non-risk provinces did. Massive increases in poverty in civil war provinces over the periods of 1992 to 1998 can be explained in part by the retreat into subsistence farming, which has negative implications for poverty in the long run. Conflict provinces had significantly more savings/wealth pre-crisis, but five years later the value of livestock was the same across conflict and non-conflict provinces.

Tom De Herdt

*University of
Antwerp*

Hiding from
Regress: Poverty
and Changing
Household
Composition in
Congo-Kinshasa

Tom De Herdt discussed his research of hidden households as a coping mechanism in Congo-Kinshasa, a fragile but not in-conflict environment. He explained that traditional one-parent households contain a single mother; in most cases she lives separately from her parents. In a hidden household the mother and her children stay in her parents' household. The usual explanation for hidden households is that they help to cope by sharing costs. Living together increases the household level of efficiency and productivity because more people are engaged in income-generating activities.

But it is also important to look at redistribution effects: burdens could be passed to young girls who are forced to go to the street and/or engage in prostitution. In this way, poverty is reproduced in the next generation: the girl-mothers' children. Underlying the efficiency hypothesis is the assumption that mothers are the decision makers, but young, unmarried mothers often lack sufficient voice concerning the distribution of entitlements and duties within their parents' household.

De Herdt explained that according to lineage logic, marriage is seen as weaving together the tissue of two lineages through the exchange of women. Free women are unmarried mothers and have no lineage status. Their low status

is reproduced in their children, who are called “plants without roots.” Though the discourse on lineages is only one of the many possibilities to make sense of life (and death) in the city of Kinshasa, it is important to tune in to such discourses as they determine people’s voice.

In fact, different kinds of practices determine intra-household resource allocation. To begin with, people are bound to hospitality norms, a kind of a guarantee you have as a family member. Every family member should be your guest, but with impoverishment the acceptable length of stays diminishes and the scope of hospitality is reduced; less food is offered, for example. Since there is not enough food, families are forced to ask the girls, “don’t the men you meet give you money?” Families prefer to host boys to girls. If a girl gets pregnant, she is viewed as a “wasted girl,” because she is losing value in the marriage market and thus her future may be compromised.

De Herdt observed a relationship between income, household wealth and the effects of having hidden households and household members. There is more vertical solidarity among family members than horizontal. Women are staying within their own lineage, by continuing to live with their parents. There seems to be a significantly negative effect on child wellbeing when the father does not live with the child. However, children are less undernourished if they are breastfed.

In conclusion, De Herdt reported that the results showed evidence of three tendencies: an increase in household size, an increasing number of children living without biological fathers, and nutritional status of children significantly determined by the absence of the father. This is probably the combined effect of an attempt to pass on the burden of poverty to young girls and the low status of unwed mothers.

De Herdt’s policy recommendations included avoiding traditional food-for-work programs because they are ineffective here. However, there may be a role for conditional cash transfers tied to children.

Philip Verwimp praised the research in the papers, and began his discussion with De Herdt’s research. Although De Herdt’s presentation noted the importance of looking below the household level and at the intra-household level, it is very difficult to collect data to figure out the intra-household dynamics. Who is actually there in the household? What is the status of the members? Presumably there is inter-household inequality. Second, researchers have to balance survey size and depth. Small-scale surveys are able to go into great detail, but the challenge is to do this on a large scale. He noted with interest the finding that the presence of parents affects the health of the child more than the level of poverty and that the social status of the child is also important in determining the child’s health.

Burdens could be passed to young girls who are forced to go to the street. In this way, poverty is reproduced in the next generation.

**Philip Verwimp,
Discussant**

*Institute of Social
Studies, the
Netherlands*

Verwimp noted that Bundervoet's paper showed that during times of violence, livestock are the main savings. If your savings are risky then you're not going to leverage or accumulate more during times of conflict. He wondered, as a matter of econometrics, why Bundervoet's analysis was limited to the three provinces. From his descriptive data, it appears that households in the conflict area invested more in the risky crops. Bundervoet responded that households in conflict areas actually invested more in high risk crops of maize.

According to Verwimp, the model that Michael Carter employed could be used by aid agencies to distribute money in environments affected by shocks. In times of shocks, households would get a one-time transfer to bring them back to pre-shock levels and prevent them from falling deeper into poverty. This approach is appealing because such transfers can be very cost-effective, and the future returns are also potentially very high. Examples could most likely include natural disasters, but it is more difficult to see how it could work in a conflict setting. Conflicts are often not one-time events; they come in cycles or recur. In times of violent conflicts, households that receive a cash transfer may end up being the target of robbery. Also, who will give the cash transfers? The state usually delivers such services, but the state may itself be involved in the conflict.

Carter responded by reminding the audience about causality—you do not do development aid until minimal government accountability exists. It is important to consider if aid is the right thing to do when a state is perpetrating conflict.

Questions and Answers

Question: Regarding refugees, have you looked at other programs that can transform the economically disabled? What are the policy implications?

Question: The last two presentations were quite weak from the policy perspective. Do you think there are mechanisms for really using these studies to help us make policy decisions? Are there practical implications of these academic studies?

Question: If not the state, then who? What about remittances?

Carter responded that if money is coming back into an environment, one needs to think generally about what the prospects are for that money. What is possible and what are the desirable shifts? Remittances are one kind of private transfer, but these are not always transparent and clear.

Question: Regarding transforming assets into savings, livestock are visible and hence vulnerable, so was there any attempt to sell the livestock in order to have less visible savings? What was going on with food and livestock markets? Bundervoet answered that a higher percentage of people reported loss of livestock to looting than to selling. He respected the good question about the food market. The policy implications of the findings point to a need for an assets insurance program. The household would have to receive some sort of guarantee of livestock and savings. Policies need to be designed to protect the security of savings.

KEYNOTE ADDRESS

Elisabeth Kvitashvili introduced Andrew Natsios, noting that high among his priorities have been improving and expanding technical leadership, focusing on conflict and development, and reforming humanitarian assistance. This conference, she said, is a manifestation of his vision and the vision of USAID's Conflict Management and Mitigation office. In 2004, their mandate was broadened to address fragile states as well as failed states. She commented that this conference is one example of what collaboration can produce, and what adapting approaches to address broader issues, such as conflict and fragile states within the context of the broader development agenda, can achieve.

At Natsios's urging, said Kvitashvili, we are thinking more about poverty reduction and livelihoods affected by drought and conflict in the Horn of Africa, and how cycles of drought and conflict affect our ability to help these countries. We struggle to find the right technical assistance to help these countries. She pointed out the attention Sudan is getting, particularly in terms of the possibility of peace in the south and the continued violence in Darfur.

Andrew Natsios opened by saying that fragile and failed states have been an area of interest to him for a very long time and asserted that the effort on the part of the different bureaus of USAID to integrate their different activities when working in fragile and failed states is working.

Natsios suggested that there are three common tendencies in fragile and failed states, which generally relate to those on the edge of failure: rising food insecurity, widespread violence, and the destruction of traditional institutions. He discussed each of these tendencies then turned his focus to the measures that could be made to mitigate the tendencies.

According to Natsios, rising food insecurity, sometimes leading to famine, occurs when the formal economy contracts on a massive scale and household income declines. A very large number of countries are defined as Heavily Indebted Poor Countries (HIPC) by the World Bank, fragile and failed states by USAID, and Least Developed Countries by the United Nations. Those living in countries found on all three lists are the poorest and most vulnerable people in the world. He observed that there are three things people need to exist: air, water and food, and this drives human behavior more than most people think. Of the three, water and food are the serious problems in most societies in conflict. In Darfur, newly displaced people are dying from exhaustion and dehydration caused just by walking. People are driven to do almost anything to get these three things, and when coping mechanisms fail, they resort to desperate measures.

Elisabeth Kvitashvili

Director, Office of Conflict Management and Mitigation, USAID

Andrew Natsios

U.S. Special Envoy to Sudan and Professor, Georgetown University (USAID Administrator, 2001-2006)

There are three common tendencies in fragile and failed states: rising food insecurity, widespread violence, and the destruction of traditional institutions.

Acute food insecurity with widespread violence, continued Natsios, often leads to chaos, when there are so many competing sides that order breaks down and you don't have a "regular" civil war. Violence and famine will lead to mass population movements, which are extremely destabilizing, then typically people's coping mechanisms fail. First, men leave for cities to look for work and later, women and children will leave the villages. People leave villages in the later stages of the famine. Natsios' point was that people leave, and when they leave, in most places, they form displaced or refugee camps. These camps expose women to high levels of violence and young men to militia movement recruiting, and people become dependent on humanitarian aid. The new disease environment exposes the displaced to diseases to which they have no resistance. The next logical stage in the continuum, according to Natsios, is the rise of warlords, the destruction of traditional institutions (religion, state, etc.), and the creation of an artificial economy of violence—guns, drugs, etc.

Natsios argued that these three stages are commonly repeated over and over again. If you studied all of the failed states you would find these characteristics present, often to a large degree, in all cases. He then suggested ways to mitigate the effect of these three tendencies and to prevent them from taking root in fragile states:

One: Develop rapid assessment tools for microeconomic conditions. It is an impossible feat to restore the macroeconomy of a failed state, so there is a need to do a rapid microeconomic market assessment. There can still be functioning markets/microeconomies and you can do development programming in areas on a microeconomic level.

Two: Introduce improved seed varieties to increase agricultural productivity and food security. Take the new technology and put it in the seed packs that you deliver to the people in the villages. Once you introduce an improved seed variety people will use and spread the newly improved seed, just as they will spread any technology themselves, even in the middle of chaos, if the benefits are great enough.

Three: Bring food aid and services to the villages before the people leave. People think we have the solution when we have well-functioning displaced or refugee camps, but these camps are so destructive to the society, economy and population that they should be avoided unless there is no other alternative. This is not always preventable in the instance of conflict, but in the case that movement is not related to civil war; we should do everything to avoid population movement that leads to camp formation.

Four: Write livelihood activities into grant proposals. For example, giving women in a refugee camp chickens makes sense, because chickens are relatively easy for them to take back to their villages, and they are less likely to be looted. It also means that people are returning to their villages with an asset and an ability to generate income. USAID has done this on a large scale through the NGOs and UN agencies in the camps in Darfur.

Five: Don't underestimate the importance of local food production, which injects cash into the economy. If there is a food surplus, it is better to buy some of the food in the local market in order to put cash back into the economy. Support the local production rather than import subsidies from far away, which is not always cost effective.

Six: Secure the assets of the poor.

Seven: Invest in labor intensive projects that have long-term economic consequences and are relatively easy to maintain, such as the building of stone roads in Afghanistan.

Questions and Answers

Question: In terms of doing new things in infrastructure projects, there are instances where the electrical grid post-conflict is in bad shape. Do you know of any instances where alternative energy infrastructures/technologies were brought in?

Natsios responded that he would not do that until after peace agreements are signed and the conflict has been resolved. Most failed/fragile countries aren't electrified and most very poor countries, Least Developed Countries, don't have the infrastructure and the people are not accustomed to electricity in the first place. This is something that comes later. When you have insecurity you want to do things that don't cause more insecurity or provide value to the warlords.

Question: What is the role of the private sector in promoting stability?

Natsios answered that he thinks we don't put enough emphasis on private market economies. Instead of importing goods, he said, we should stimulate the local markets. If you put money into people's pockets through cash for work projects, then people will spend the money in the local economy and bolster the economy. These kinds of ideas need to become standard operating procedures.

We don't put enough emphasis on private market economies. We should stimulate the local markets.

Question: I am still trying to imagine the road network you described in Afghanistan. What kind of tracks can be used for these kinds of road networks? Natsios explained he meant something like Roman roads. If constructed correctly, the road becomes a solid block of stone, with the stones layered one on top of the other. USAID built over 2,000 kilometers of these roads in rural Bolivia. He said this is better than paving because in a very poor country there isn't the asphalt for repair. This way the local population can repair them with local resources.

Question: Can you share your experiences in Ethiopia? It would inform some of the conflicts today.

If you have a situation of chronic food insecurity, responded Natsios, you need to look at the serious structural problems in the economy. In Ethiopia, a huge problem was the lack of private land ownership. Regarding the food security situation, beyond economic constraints, there is the problem of roads. Without rural road networks farmers cannot move agricultural inputs and surplus crops and have no incentive to grow extra, aid agencies cannot deliver food aid, and healthcare workers are hindered from reaching populations. The NGO and aid community need to reconsider the whole rural road issue.

MICROFINANCE

Armin Hofmann discussed his experience with the GTZ microfinance project in Nepal. He began by outlining some of the root causes of the Nepali conflict, including undemocratic structures with privileges for royalty, discrimination of lower castes and women, unequal distribution of and access to resources, and limited livelihood options for the poor. He recalled that in 1996, new conflict activities started and 13,000 people were killed. After the people's movement declared victory in April 2006, the Seven Parties Alliance formed an interim government and called a cease-fire with the Communist Part of Nepal (Maoist). Today, democracy remains weak; there is mistrust between parties; economic recovery is slow; crime and extortion are widespread; and many human rights violations occur. If people's livelihoods do not improve soon, the peace process is at high risk of failing.

Hofmann then reviewed some of the impacts conflict has had on economic behavior at the household level. Conflict has reduced available income. People have to pay both government taxes and Maoist-imposed taxes. Strikes and curfews have kept the rural population from accessing markets, further exacerbating income losses. Properties have been looted and burned down. In this environment of uncertainty demand for microfinance has grown. People want a place to safely deposit their money and their need to borrow and invest continues.

Despite demand for their services, Hofmann explained, state-owned microfinance banks suffered severe problems due to the conflict. Maoists targeted them directly as enemies, and attacked private microfinance institutions (MFIs) and some community-owned microfinance cooperatives that had been established by government programs. Community-owned cooperatives fared better comparatively. Owned and managed by community members from socially excluded groups similar to those of the Maoists, the local cooperatives have contacts with the local rebels and security personnel. If the rebels attack the cooperatives, they risk losing the community's support. Importantly, one of the Maoists' political objectives is socioeconomic development through community-owned cooperatives.

Hofmann concluded that it is important to look carefully at what people need. With capable leaders and active members, MFIs can even grow during conflict. Good practices, empowerment of women, social inclusion, open membership, proper checks and balances, cash-flow and character-based lending, and voluntary savings should be promoted and encouraged. Donors can help by building capacities of Small-Farmers Cooperatives Limited (SFCLs) and raising conflict sensitivity among their leaders and members.

**Armin
Hofmann**

GTZ

Nepal—A Fragile
State in Crisis:
Challenges and
Opportunities
of Nepal's
Microfinance
System with
a Focus on
Small-Farmers
Cooperatives
Limited

Evelyn Stark

USAID
Microenterprise
Development Office

Microfinance, Youth
and Conflict: West
Bank Study

Evelyn Stark's presentation described USAID programs for youth in difficult countries and looked at the reasons why they chose microfinance. A focus of the USAID work has been understanding the needs and behaviors of young people not only in conflict areas but also in places with widespread HIV/AIDS and poverty. The programs developed new tools to talk to young people about finance.

Using qualitative tools and financial capital service matrices, USAID program implementers assessed how young people in West Bank and Gaza find capital. The youth described their rotating and savings associations and their work doing petty trades. The studies revealed that in the West Bank young men get their money from labor and girls from family grants. Women were using ROSCAs, or rotating savings associations. However, Stark cautioned, credit alone will not solve the larger socioeconomic problems.

She also explained that MFIs tend not to want to lend to young people because they perceive them as risky. But in truth, 15 percent of MFI clients are young. Another reason MFIs have not lent to youth is their inability to legally offer savings to anyone younger than 18. Stark identified this as an access issue and asked, If we solve the issue of access, what do young people need in order to be ready? They do not need long applications or long business plans. They need financial literacy and schools can get involved in this area. She mentioned that the old school of entrepreneurship was to develop business plans, but in the West Bank young people wanted mentorship from outside families, not training programs. Stark closed by citing a USAID-funded Implementation Grant Program in Morocco that is extending financial services to youth, as well as mentorship and other services through youth service organizations.

V. Balaji Venkatachalam

Forbes Arabia
(Arabic Edition of
Forbes Magazine)

Microfinance in
Post-Conflict
Tajikistan: Issues
and Challenges

V. Balaji Venkatachalam began his presentation with background on Tajikistan. He described the country as one of the poorest in the world. It suffered a civil war soon after the collapse of Communism and has a very underdeveloped financial system, which is not trusted. Although there was no poverty during the Soviet time, about 60 percent of the population became poor overnight with the sudden collapse of their exchange rate following the end of Soviet rule in the 1990s and the onset of civil war. Sixty-eight percent of the population now lives below the poverty line.

With these issues in mind, Venkatachalam posed several questions: How was microfinance used to mitigate adverse economic effects, and other complex, man-made disasters, particularly during the post-conflict period? What sort of lessons can we learn from this? Is microfinance the appropriate instrument to improve the economic well-being of populations in these post-disaster environments?

He said most of the organizations in the microfinance sector have no commercial orientation and rely on donor funding. Staff are skilled but lack accountability. Tajikistan was the first country to adopt a law regulating microfinance organizations. According to Venkatachalam, microfinance and conflict necessitate the creation of a permanent institution that will provide ongoing financial services to an ever-wider clientele, and that will remain in operation past the crisis period to become part of the country's long-term economic development. The activities involve much more than giving loans to get poor people back on their feet economically after a conflict.

Data from MFI customers made it clear to Venkatachalam that MFIs in Tajikistan tend to approach people who already have money. He also found that for 60 percent of the MFI clients, it was the first time they borrowed money from an MFI. Typical microfinance clients are literate, married females making significant contributions to the household income. Women represent 75 percent of the existing MFI clientele and are the majority of the entrepreneur labor force in the marketplace.

Venkatachalam explained that at the household level, microfinance had many impacts. About 70 percent of respondents experienced 5 to 30 percent revenue increases, and most reinvested revenues back into their businesses. Respondents also related stories of how increased revenue gave them increased access to medication, education and safer food. However, Venkatachalam said, clients feared for the future of microfinance in Tajikistan and getting ensnared in a debt trap. He concluded by advocating for a radical change in the way lending is done.

Mayada El-Zoghbi observed that microfinance began from relief operations in conflict areas nearly 10 to 15 years ago. Through failed programs, we learned to modify what was being done. One of the best practices identified was to focus on appropriate clients, to look at entrepreneurs and those who are currently engaged. Now there is a discussion about whether we should broaden our clientele base to include marginalized groups. Are there implications for broadening and what are they? Another theme identified is that engaging people in economic activities lessens their engagement in conflicts. But is there real evidence that engaging in economic activity prevents someone from engaging in conflicts?

Hofmann believed there was great opportunity for broadening and that we need to find income activities for people in fragile states. He thought we should be more patient and not expect to achieve results in half or one year. Stark responded by saying economic engagement via microfinance is not going to change conflicts fundamentally. Microfinance is not a panacea. Every MFI has

Mayada El-Zoghbi, Discussant

Banyan Global

to choose a niche—which could be a group of people, women, men, young men—and develop appropriate products. MFIs should be looking at social performance more and more. Venkatachalam agreed that MFIs should have sustainable products that are tailor-made to regions, countries and different demographics.

Questions and Answers

Question: What is the size of the cooperatives in Nepal and do they include self-help groups? Do the state banks have coops? How are NGOs involved in microfinance?

Hofmann indicated that there are 300,000 members approximately. The loan size is up to \$1,000 per loan. Grameen Bank type organizations exist, but the geography and religious differences between Nepal and Bangladesh make their operations different.

Question: In a conflict environment such as Colombia, might there be a model adapted from the West Bank? Do you take into consideration environmental conditions in general?

Stark said microfinance is not going to solve conflicts. One has to adapt to conflict situations. Is there room for finance for young people in these countries? The answer was not clear because the economic situation is so bad. She noted that 20 percent of MFI clients are youth and that 30 percent of the population in West Bank and Gaza is defined as youth.

Question: What is the role of microfinance in recovery where there has been a peace agreement? Has microfinance been used as a tool to keep countries from going into war again? We are conducting a microcredit experiment in the Democratic Republic of Congo where the biggest issue is access and security. What are your thoughts on how to address these issues?

Stark responded that she believes microfinance is appropriate as a peace agreement tool. Regarding the second question, she said one has to look at how people manage their own security. MFIs give loans in checks that clients have to take to banks. But now we are seeing new things; for example, using mobile phones to transfer funds. She recommended looking at what projects are doing well, what the competition is doing and assess where you fit in.

Hofmann concluded by saying GTZ is looking at different products. For example, cooperatives are a great way of providing some financial services before MFIs get in.

Microfinance is not going to solve conflicts. One has to adapt to conflict situations.

MIGRATION AND DISPLACEMENT

Borany Penh opened the session by noting that conflict and state fragility can force households to migrate from their homes of origin and that the presenters would explore how displaced households survive in the long-term conflict environments of Sri Lanka and Colombia and how migration and remittances play a role during crisis for poor households in Somalia.

Azra Abdul Cader challenged the idea that only conflict areas are fragile, arguing that various levels of fragility or conflict-affectedness exist. She discussed the need to understand the social relationships that have resulted in certain livelihood strategies and maintained that changed access to assets due to war has affected—positively and negatively—the life situation of people in border villages.

Abdul Cader explained how the northeast conflict in Sri Lanka has its roots in ethnic tensions between the majority Sinhalese and minority Tamil ethnic groups. Although a ceasefire agreement signed in 2001 between the government and the rebel groups reduced the violence, there was a resurgence in 2006. Her research focused on the border region of Anuradhapura district whose northern and most eastern borders are surrounded by the war zone. Studies indicate an economy of fear, the heavy presence of armed forces, and an environment conducive to opportunistic gain. Disruption, destruction and displacement permeate the region, but livelihoods and displacement have most often been discussed in relation to the war zone and have not moved beyond that. But the border region is a receiving center for internally displaced persons (IDPs) and its own population has been displaced as a result of the fighting.

According to Abdul Cader, poverty in the border region is defined by much more than a lack of income. There is also inadequate access to physical and social infrastructure. The non-poor are better equipped to cope, but the poor remain dependent. But the war has affected both poor and non-poor more in terms of security. The insecure environment has impeded development. Loss of income through displacement has significantly impacted those whose livelihoods were agriculturally based and the ability to prove ownership has become problematic, because property rights are largely informal.

Abdul Cader explained that migration has been seen as largely something necessitated by the war, to look for work and find security, especially for children. Meanwhile, institutions have evolved in the conflict and there have been shifts in power distributions. People are building allegiances with the security forces and a significant lack of trust in formal institutional mechanisms has emerged. For some, there is an incentive to continue the war because they profit from the war economy while the control of resources is in the hands of a few. Intimidation of the poor and political connections reinforce this control.

Borany Penh, Chair

*Office of Poverty
Reduction, USAID*

Azra Abdul Cader

*Centre for Poverty
Analysis, Sri Lanka*

[Looming War
and Living on
Its Borders:
Livelihoods of the
Internally Displaced
in Border Villages
of Anuradhapura,
Sri Lanka](#)

Ana María Ibáñez

Universidad de los Andes, Colombia

The Impact of Intra-State Conflict on Economic Welfare and Consumption Smoothing: Empirical Evidence from the Displaced Population in Colombia

People have become dependent on the armed forces for security, income and survival. But security forces also negatively influence youth in the form of early marriage among women and substance abuse. There have also been allegations in the literature and in the findings of a study on security forces of their practice of using people as human shields.

Gender roles have also changed as a result of the conflict. On one hand, some women turn their victimization into a means of survival when situations of displacement give them the opportunity to exercise authority over household resources. On the other hand, the armed forces continue to exploit women, leaving them vulnerable to health insecurities and social instability within communities. This trend exposes the need to address the accountability of the armed forces and the abuse of power.

Abdul Cader concluded that there is a need for the state to recognize the realities of displacement in the border region and to address the displacement and specific needs of groups affected by the conflict.

Ana María Ibáñez observed that forced displacement has increased around the world. Focusing on Colombia, she noted the high levels of displacement, the economic effects of which have included household loss of assets. The objectives of her work were to provide evidence of the economic costs for victims of internal conflict at the household level, estimate welfare losses for these victims from forced displacement, and evaluate the effectiveness of aid programs, specifically income-generating programs.

Ibáñez argued that income variations do not necessarily translate into consumption variations. While informal risk-sharing mechanisms are widely used in developing countries, unanticipated shocks lead to difficulty in smoothing consumption. The consequences of not being able to smooth consumption, in the short and long term, include: increase in child labor; selling of assets, poor health, less investment in human capital and a push of households into poverty traps. In times of conflict, households experience loss or destruction of assets, inability to access financial markets due to lack of collateral, and the dissolution of informal mechanisms due to increased displacement and distrust in villages.

Ibáñez explained that activities by the illegal armed groups of left-wing guerillas and right-wing paramilitaries—death threats, massacres, kidnapping, forced recruitment—between 1995 and 2005 were responsible for 64 percent of the forced displacement in Colombia. Some 2.5 million people were displaced. The results, particularly on welfare, were large. Average loss is estimated at \$4,000. Consumption aggregates dropped significantly (consumption increased but never reached the level before displacement, and labor income was worse). Large amounts of land were lost. Labor markets had difficulty absorbing new arrivals and opportunities for education were lost. For displaced persons in Colombia, the harsh conditions of relocation sites and the consequences of internal displacement were huge and long term.

Ibáñez then presented empirical evidence on income generation programs. She found that the effects of the programs were short term. Although income generating programs appeared to help increase labor income and reduce dependence on assistance in the short term, the increments were not sufficient to improve aggregate consumption compared with non-beneficiaries. Furthermore, after participating in income generating programs, beneficiaries were more vulnerable than non-beneficiaries. Also, child labor was higher among the beneficiaries. These results reinforced the hypothesis that income generation programs only offer temporary relief, but their impact vanishes over time when households are forced to rely on their own means.

To conclude, Ibáñez made the following policy recommendations: create conditions for sustainable income generation, incorporate a legal framework to protect assets, provide microcredit and seed capital, emphasize rewarding small enterprises, and develop nutritional programs so people don't use seed money for food.

Anna Lindley illustrated the dynamics and effects of remittances in a Somali city. Noting there is relatively little research on remittances in insecure settings, she highlighted the few livelihood studies that have touched on remittances in insecure settings.

Setting the stage for her discussion, Lindley explained that Somalia has a population of over six million and a diaspora of one million. Many migrants send remittances to rural areas, cities and refugee camps. Estimates of the volume of remittances vary, with some claiming that US\$360 million per year in remittances is directed to family subsistence. Lindley's research focused on Hargeisa in Somaliland, which is still not internationally recognized and is, in some ways, in the process of post-conflict reconstruction. Conflict started in 1988 and ended in 1996, with secession between 1991 and 1994. People were displaced within the region, to Ethiopia and Djibouti, and to Europe and North America.

Lindley's research explored remittances in the context of changing local and transnational household relationships. Her approach included qualitative interviews and a survey of 538 remittance recipients. Three-quarters of those surveyed received remittances monthly. The senders were mainly in the UK, Middle East and North America. While 60 percent of the receivers were women, 60 percent of the senders were male. Remittances tended to benefit people of middle income; often remittances lifted people into the middle income bracket.

Anna Lindley
University of Oxford

Remittances in
Insecure Settings:
A Somali Case
Study

Asking for remittances from relatives overseas is a micro-level response to a crisis situation.

Manuel Orozco, Discussant

Inter-American Dialogue

Asking for remittances from relatives overseas is a micro-level response to a crisis situation. Lindley found that for over half the households, remittances were the only source of income. Remittances supported subsistence and were used to invest in human capital, particularly education. It was also quite common for people to send money to invest in other income-generating strategies.

Beyond recipient households, remittances circulated through market relations, generating demand for goods and services, and were invested in local business. Remittances also circulated through family and clan networks and fed into local social support mechanisms. Diaspora donations contributed to schools and hospitals and also affected the political realm.

Lindley closed with several observations about directions for future research and policy analysis. We don't know very much about remittances in crisis situations or the sustainability of the flows—and both of these issues are important to policymakers. The general hypothesis is that as they settle in the host country, people's ties with family weaken and they begin to send less money, but in the Somali case, many people feel locked into remitting and talk of remittance fatigue. Somali financial companies generally provide an efficient and relatively cheap money transfer service, but there is potential for developing greater access to basic financial services for recipients and other people in the Somali regions. Lindley closed with a question. What is the relationship between these activities and those of NGOs/international organizations and what is the potential for coordination?

Manuel Orozco led the discussion by commenting on the papers and the focus on international development policy. One of the interesting issues Orozco found in the presentations was whether these problems are due to the difficulty of managing displaced populations. What is the capacity of the local community to deal with the displaced community? What are the divergent responses to displaced communities?

For people involved in the development field, Orozco continued, it seems apparent that humanitarian responses are often overextended and don't produce positive results. He said that we need to think about who is going to be involved in the administration and the management of the project. What are the expectations of the program? What are the long-term and short-term strategies to adopt? It seems that in general, the critical issue is the local context and the local economy. How are the populations interacting? There cannot be a one size fits all response. We need more flexible models. In the case of remittances, the capacity of the local economy to absorb the remittances is very important. He also asked about the consequences of remittance fatigue.

Questions and Answers

Question: Were other services offered in income generation programs in Colombia, such as counseling, for instance?

Ibáñez responded yes, but very minor:

Question: Conflict causes diversification of income sources. Is this considered good or bad?

Abdul Cader stated that it could be good or bad, but in the Sri Lanka case the livelihood diversification has been dependent on the war economy, so it is not sustainable. A classic example of this is how women are affected. Some are resorting to prostitution and adopting other undesirable livelihoods.

Question: What is the cost of sending remittances between countries?

Lindley commented that it is usually inexpensive, somewhere between a 5 percent and 6 percent transfer fee from the UK to other countries.

Question: What are the effects of remittances on public services?

Lindley replied that there are some remittances going directly to hospitals and schools, in particular to aid the reconstruction of schools.

Question: Should remittances be considered a long-term response to development?

Lindley noted that it is difficult to answer. The idea of dependency on remittances is a bad thing and the impact of remittances is often limited to the family. They are not usually going to build factories or roads.

Question: In regard to the forced displacement number in the Colombia case, what was the cause for the other 36 percent?

Ibáñez commented that it was one of several causes, either by both guerillas and paramilitaries, or it was caused by the state.

AGRICULTURE AND FOOD SECURITY

 Listen to this session on the accompanying CD-ROM.

Philip Steffen, Chair

*USAID Office
of Agriculture*

Philip Steffen introduced the panel and described the session, stating that when we drill down to the household level of analysis, we can uncover new insights into agriculture and food security that challenge the findings of both aggregate-level research and conventional wisdom. This new knowledge is crucial for the design of policy, programs, and projects, given the importance of agriculture and the rural economy to poverty reduction and sustainable development. Two exciting presentations draw lessons from conflict-affected Rwanda and Mozambique to suggest that gender, household social and political status, and access to health and education are crucial factors in long-term food security outcomes. This research has practical implications for planning, implementing and monitoring a wide range of rural development programs—support to women and girls, social safety nets, humanitarian relief and conflict recovery—as well as efforts to revise land laws to protect disadvantaged households.

Richard Akresh

*University of
Illinois at Urbana-
Champaign*

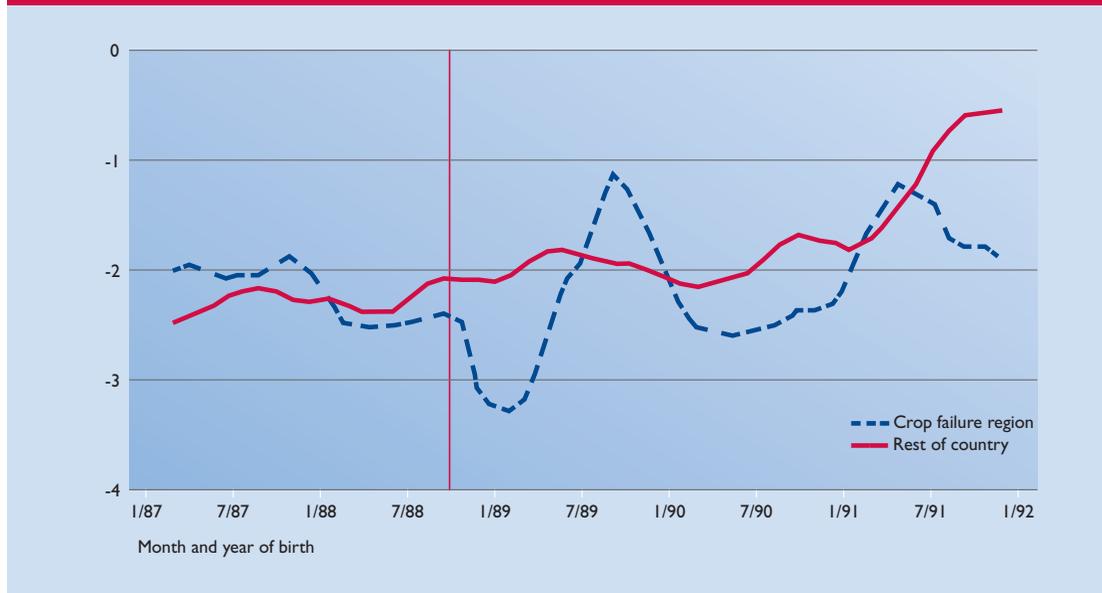
*Civil War, Crop
Failure, and the
Health Status of
Young Children:
Evidence
from Rwanda
(coauthored by
Philip Verwimp)*

Richard Akresh examined exogenous shocks on households in Rwanda and their effects on the health status of children. An extensive body of literature in labor and development economics documents that economic shocks at birth have significant negative long-run impacts on adult welfare outcomes. Akresh and coauthor Philip Verwimp identified the mechanism linking shocks at birth and adult welfare outcomes; just a few years after a shock, children already have significantly lower height for age z-scores and this impact may persist into adulthood. They also explored a type of shock, civil conflict, which has received surprising little attention in the literature despite the fact that two-thirds of all countries in sub-Saharan Africa experienced armed conflict during the 1980s and 1990s. They found that both civil conflict and crop failure negatively impact children's health, but the role of gender and poverty differs for each type of shock.

Akresh and Verwimp used nationally representative household survey data collected in Rwanda in 1992 (prior to the 1994 genocide) that combines health and agricultural data with event data from reports by non-governmental organizations. They exploited variation in the timing and location of localized crop failure and civil conflict across regions of the country and variation in the birth cohort of children who are exposed to the shock. This exogenous variation allowed them to measure the causal impact of the shocks these children experience at birth on their height several years later.

They found that rural households in areas affected by either crop failure or civil conflict were unable to protect their offspring from the impact of these shocks. Girls were particularly vulnerable in regions that experienced crop failure,

FIGURE 8. Height for Age Z-Scores by Crop Failure Region



with girls in poor households bearing the brunt of the impact. They found no evidence of a negative impact of crop failure on the health status of boys or children in rich households. However, all children exposed to the civil war shock were negatively impacted, although the estimates for boys and by poverty levels were not precisely measured.

Akresh explained that they tested the robustness of the crop failure results using two alternative measures. First, using alternative survey data on household level agricultural production for a sub-sample of these households, they confirmed that positive crop production shocks improved a child's height for age z-score. Second, they used the deviation of rainfall from the long-run province average to show that positive rainfall shocks are correlated with improved height for age z-scores. They also used an instrumental variables approach to demonstrate the causal mechanism running from rainfall shocks to crop failure to child health. The findings were robust to these alternative specifications.

Akresh maintained that these results have direct policy implications as they indicate the importance of a quick response to economic crises on the part of governments and non-governmental organizations. Children, in particular girls, are at risk of a worsened health status only a few years after birth due to their household experiencing an economic shock when they were born. Evidence in the literature suggests that a child who has shorter than normal height by age five will not be able to catch up later in life. The negative shock experienced at

Rural households in areas affected by either crop failure or civil conflict were unable to protect their offspring from the impact of these shocks. Girls were particularly vulnerable.

Kati Schindler

*Humboldt University
Berlin, German
Institute for
Economic Research
(DIW Berlin)*

Determinants of
Land Use and Land
Access in Post-
War Northern
Mozambique
(coauthored by
Tilman Brück)

birth will likely have long-run consequences for these affected children, leading to worse adult outcomes in terms of health, education, and socioeconomic status. The evidence suggests that helping these children with early interventions may have a larger payoff than the present benefit to only short-run health.

Kati Schindler began her presentation by reviewing three branches of literature and their gaps: a) studies of unequal distribution of land within the peasant sector and their failure to address exogenous determinants of diversity within the peasant sector; b) research on indigenous land tenure systems and the undefined role of different institutions in distributing land; and c) the land abundance conceptual framework, which has yet to be tested at a household level.

Schindler described how the economy in Mozambique was severely damaged by the long civil war (1976-1992). The country faced new challenges with the return of refugees and displaced people in the post-war period. It was also at this time that Mozambique underwent the challenges of transitioning from a socialist to a more market-oriented approach. This transition significantly affected land tenure issues. In the pre-colonial era traditional leaders allocated land. Since post-independence land in Mozambique has been the property of the state; only the state can allocate use rights. She noted that in the post-war setting, different and sometimes competing types of local authorities—traditional leaders, colonial leaders, and socialist party secretaries— influence the allocation of land.

The authors' major findings are that land access and use is unequally distributed across households, primarily determined by gender of head of household, household composition, asset endowments, social standing and descent, and fertility of land and markets. For example, if a household head was in a position of local authority, that household possessed more land. Female-headed households were found to be the most land-poor group. Their farm size was 38 percent smaller than male households. Another major finding was land at the household level is closer to the land scarcity rather than the land abundance end of the range. So households that grow through the addition of working-age adults can only partially adjust their land to the household's increased consumption and capacity.

Concluding with policy implications, Schindler suggested that land legislation needs to acknowledge the role and influence of local authorities in land allocation, which favors some households over others. Households that are involuntarily restricted in land access are likely to be restricted in their access to other resources so rural development policies should be designed to help these households rebuild their asset endowments.

Marc Cohen, Discussant

*International Food
Policy Research
Institute (IFPRI)*

Marc Cohen led the discussion by noting that he liked the juxtaposition of the two papers. The first paper focused on food consumption and nutrition and the effects of shocks on nutrition. The second paper looked at access to resources and at a variety of aspects dealing with food security. The first paper looked at lower intensity conflict prior to the 1994 genocide in Rwanda while the second paper looked at post-conflict adjustment and recovery in Mozambique. So the papers provided complementary insight into how to handle these situations. The theme that came across in these two papers quite clearly was that we cannot think about these questions without looking at gender discrimination. Gender inequality and gender bias have had enormous impacts.

Cohen continued by saying that one of the interesting points was that, though both papers were authored by economists, their research shows that economists are increasingly paying attention to social factors and how one relates to local authorities. Social capital is clearly a factor in access to land. The second paper, for example, proved that war had a tremendous impact on local culture, social practices and the breakdown in matrilocality (the practice where the husband moves into the wife's village after marriage), all of which contribute to the breakdown of access to land post conflict. Other issues that might have been explored in these papers were the problem with landmines, resettlement of former combatants, and resettlement of refugees.

The second paper, Cohen noted, mentioned three sources of local authority—current ruling party, colonial-era, and traditional. It would be interesting to know how much overlap there was within the study area. To what extent were these roles being filled by one person? Don't more authority figures provide more opportunities for access to land?

Referring to the first paper, Cohen asked to what extent we might be able to generalize these findings outside of Rwanda. He also posed the following questions and issues, asking the authors how these elements affect other policy implications:

- There is a big debate in the nutrition community—should the focus be on the first two years after childbirth or at various points of the life cycle? The evidence shows that, particularly in emergencies, focusing on the first two years is sound advice.
- There should be a more generalized nutrition intervention in the case of civil war.
- Gender and poverty targeting should be considered in responses to crop failure.
- If the bias against girls in emergency response is a phenomenon extending beyond Rwanda, how can we devise policies that can mitigate these problems?

We cannot think about these questions without looking at gender discrimination.

- Did crop failure turn into a famine due to lack of government intervention, caused by entitlement failure and lack of public action in addressing failure? Could we call Rwanda a democracy before the war? What about the proposition that famines don't occur in democracies?
- Did the famine contribute to genocide? If so, why was there genocide in Rwanda and not in other places where there is famine?

Akresh stated that we can generalize these findings beyond Rwanda because localized armed conflicts exist elsewhere. In general, he suspects that the results could be generalized to other areas because with the empirical strategy he used, he identified a causal link between these shocks and health outcomes. If other countries or regions experience similar types of shocks (in size and duration), it is quite possible that outcomes would be similar. However, it would still be useful to collect data from other conflict areas to see if these results are similar in other regions/cultures/conflicts.

Akresh did not look at the link between famine and genocide in his paper, so he did not have much to say on the issue, but he mentioned that it seems like a potentially interesting research question to explore.

Questions and Answers

Question: The findings are surprising, so wouldn't it be important to have a conceptual framework? It could just be convenient correlation or factor analysis, not causality. Height for age is an indicator of chronic malnutrition. Why not measure wasting, not stunting? Are there age controls? Given that you are collecting retrospective data, what is the reliability of data on date of birth? There are also issues of the selectivity of migration and selectivity of mortality. Finally, you need longitudinal prospective data or sequential cross-cutting data.

Akresh responded that his methodology exploited variation across regions and a birth cohorts' exposure to the shocks. It was the right framework to use when working with cross-sectional data because it allowed him to draw causal implications of shocks on children's health status. Because the data are cross-sectional and collected several years after the crop failure shock, it makes more sense to study a long-term impact like stunting instead of a short-term impact such as wasting. All regressions included controls for age. Robustness checks were conducted to address the reliability of date of birth. For a developing country, Rwanda has extremely comprehensive birth registration records, but they also estimated the regressions using season of birth and results were similar. The suggestion to use longitudinal panel data is an excellent one, but given the difficulty in surveying households during conflicts, there are no known panel data sets that span the time period.

As for the possibility of selective mortality, additional evidence from another dataset shows that infant mortality was higher in those regions experiencing these shocks, so that estimates of the impact of these shocks on health status (height for age z-scores) is an underestimate of the total impact of the shock. Regarding migration, at the time of the survey in 1992, migration due to the armed conflict was quite limited and only increased substantially in the two years after the survey (prior to the 1994 genocide).

Philip Verwimp, coauthor of the paper, also responded that for a sub-sample of households, production data was collected for three years (1988 to 1990) and there was minimal attrition of these households. In the civil war regions, only one percent of households dropped out of the survey over those three years. This is further evidence that the results are not driven by selective migration. Also, he added that in Rwanda, births, marriages, and deaths were recorded in a detailed manner, as in the West. Parents held identity cards with dates of birth and children's births were registered, which would explain why survey data in Rwanda are very accurate and detailed.

Question: How did you define cutoff points between poor and rich households? If wealth has such an effect on girls and boys, then one would want to know more about that for planning and implementing nutrition interventions. The data seem to indicate that we should be doing early-intervention, gender-based targeting. Intra-household gender targeting interventions are rare. Research and humanitarian actions need to inform one another.

Akresh responded by saying there are a number of variables that distinguish poor and rich, such as cattle ownership. It was not a policy focus that started this research project, but studying the impacts of these different types of shocks on children's health. Already a few years after the shocks there is a large difference in height, which is a long-run measure. The affected children probably won't catch up. Every type of shock is not the same, but there might be a need for gender targeting with response to certain crop failures.

Question: You mentioned the feeding programs for infants. Rwanda had such a program in the late 1980s but the government suspended it and stopped importing from the United States. What can we do about the chronic stunting aspect of crop failure?

Akresh noted that the focus of the project was to use an empirical methodology that compared certain regions in Rwanda that experienced shocks with the rest of the country. This, combined with variations in dates of birth, would allow the authors to pinpoint a causal relationship between shocks and health status. The project was not focused on overall stunting levels in Rwanda.

The existence of female heads of households was a cultural effect of the war, indicating they could not cope in other ways.

Question: First, since these Mozambique survey data were centered on 1995, how valid do you think the results and findings are now? Especially given the recent economic growth and cross border trade between Mozambique and Malawi that might have encouraged expanded land use or changed incentives? Secondly, it wasn't clear what actual determinants were used for the female-headed household issue. In some of our work on the ground we've found that the reason why smaller farms exist is not really because the head of household is female. Rather, it is because they don't have enough labor to farm larger farms. Did you find that as well?

Schindler responded that first, the aim of the paper was to look at the early post-war period. She was not sure of its applicability today because a new land law was issued two to three years ago. Second, there were controls for household composition, which is why they used per capita variables. The research aimed to examine determinants of land access, not determinants of female-headed households. They did not look at being female.

Tilman Brück, coauthor of the paper, also stated that the lesson to be learned even 10 to 11 years on is that we must pay attention to local land institutions. They are incredibly important and should be included in some way in national legislation. It is doubtful that the growth is as high everywhere. The point is that people do adjust their supply response and do try to increase farm size. The way the research was set up, this is a pure female-headed discrimination effect. The very small share of the sample being female-headed is due to issues such as polygamy.

Question: Being a divorced or widowed female in northern Mozambique carries profound risks in the household life cycle. Even if a woman stays where she grew up and has amassed social capital in the local community, the dynamic is likely to be one of predatory local elites and family members confiscating land after a divorce or death of the male head. Of the three land governance systems, which seem more sympathetic or responsive?

Schindler noted that the female heads of households in the study returned to their original villages to a kinship support network. She also observed that the existence of female heads of households was a cultural effect of the war, indicating they could not cope in other ways. Registering land through formal institutions was a new way for individuals to secure access to land. But she didn't know if female-headed households were able to secure land formally or if there were other constraints.

Question: Studies in other post war areas look at land titling, not just land access. Is there anything about land title in the original data? The way you pose your findings has policy implications. If there aren't policy implications, there are definitely many further research questions.

Cohen replied that it struck him that the clearest policy implication is if the land law was going to be further revised, it should address the female head of household issue.

POST-CONFLICT DEVELOPMENT IN RWANDA

An Ansoms' research focused on post-conflict Rwanda and the impact of changes in land rights on efficiency of land use, equity in land distribution and social conflict in the land arena, and the potential impact of the new land law.

She began with an overview of the evolution of land rights in Rwanda. In pre-colonial times, Ansoms explained, land was distributed along a system of patron-clientship linked to lineage. Under Belgian rule, rights were generally defined through lineage and transferred patrilineally. This system began to break down as high population growth intensified competition for land. The 1994 genocide was partly used by some to reshuffle land properties. The end of the war saw continued competition and disintegration of solidarity mechanisms with the disappearance of lineage connections, the return of refugees with diverse identities, and further individualization of land.

Turning to efficiency issues, Ansoms expressed pessimism about post-war efforts to improve productivity through agricultural intensification. She thought the expansion strategy of transforming land into arable land may be more promising. There was a 24 percent increase in arable lands during the period of 2000-2002, and a 20 percent increase in land use and cultivation. But continued improvements in efficiency are dependent on the ability of the rural sector to manage the limited natural resources. Currently, only large farmers are able to utilize new production-enhancement technology. Micro-level data showed poorer households turning to subsistence low-output, low-risk crops like cassava.

Ansoms then discussed the problem of growing land inequity between groups. Long-term trends show that the average family lived on less arable land in 2000 when compared to 1990 and that land is being shifted from the poor to the rich. Short-term analysis shows median landings increasing thanks to the relative success of the land expansion policy. However, the same data also show a large increase in the absolute gap between the land-poor and land-rich. The data are even more worrisome given the increasingly exclusionary practices that prevent "outsiders" and vulnerable groups like women and children from claiming land. The unequal distribution of what is the main natural resource for this agriculturally based population may be fertile ground for societal fracture.

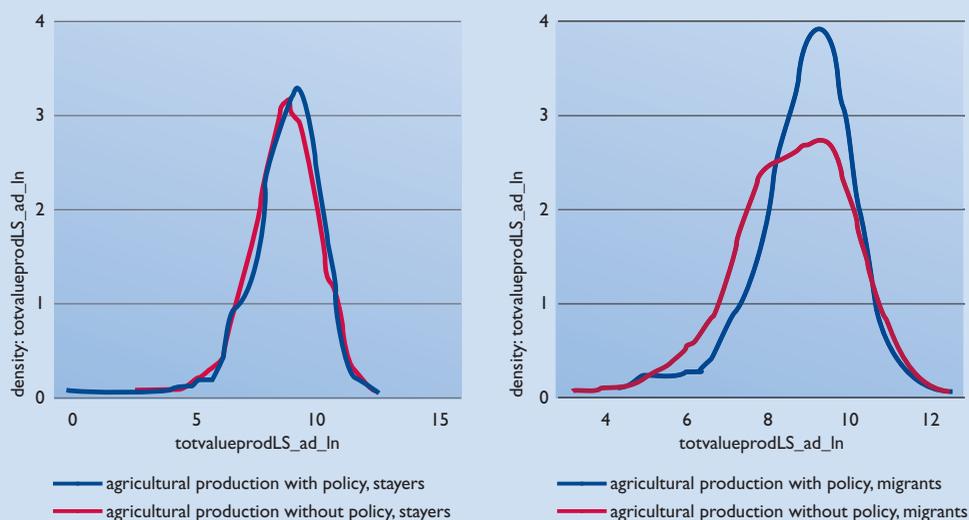
Ansoms then described the 2005 land law, which introduced official land titling to improve land tenure, productivity, and conservation. It also promotes crop specialization and the reduction of land fragmentation. Ansoms argued that the law favors large commercial farmers. Small farmers are less likely to invest in modern techniques either because of lack of knowledge or cost constraints. Regarding specialization, she asked how pushing farmers to specialize might affect food security if the crop fails. Furthermore, prohibiting the division of

An Ansoms

*University of
Antwerp, Belgium*

*Land Use,
Distribution and
Property Rights
in Post-Conflict
Rwanda: Finally
Escaping the
Malthusian Trap?*

FIGURE 9. Kernel Density Estimates of the Log of the (Raw) Annual Agricultural Production per Adult Member, by Migration and Policy Status



plots below one hectare in land transactions implies that small landholders can sell plots but they cannot buy them back. Thus, the law seems to de facto promote productivity, not necessarily equity. Yet, land scarcity remains and is more acute than before the war.

Philip Verwimp
Institute of Social Studies and University of Antwerp

What Happened to Poverty in Post-Genocide Rwanda? (coauthored by Patricia Justino)

Philip Verwimp explored the evolution of poverty in Rwanda, particularly after the genocide. Is there a difference in poverty before and after the genocide? How have poverty and extreme poverty changed over time in Rwanda?

It was clear to Verwimp that there was a change in income at the provincial level although there was little change at the national level. More than 55 percent of households stayed poor. About 20 percent moved from poor to non-poor. A small percentage of households remained non-poor. But the provinces seemed to have experienced income convergence. The poorest provinces grew the most while the richest provinces grew the least. Kibuye had been one of the poorest provinces but poverty since declined significantly. Kibungo became poorer over time and was also where fighting was especially heavy. Thus, the different shocks during the 1990s (a civil war from 1990 to 1993, genocide in 1994, mass migration from 1994 to 1998 and insurgency from 1997 to 1999) seemed to have affected the provinces differently.

Verwimp and his coauthor attributed the changes in poverty levels to changes in the labor/capital ratios at the provincial level. The ratio, in turn, determined the provincial level growth rates. He based this view on the idea that the genocide and subsequent migration had dominant effects on labor, not capital. The impact of the genocide on labor was particularly severe in provinces with a high proportion of Tutsis. Also, the large discrepancy between higher urban and lower rural poverty could perhaps be attributed to more people moving to cities.

Verwimp further explained that while people commonly think that the genocide destroyed things, in reality it redistributed assets. During the genocide, capital was redistributed most frequently from Tutsi to Hutu. Land, cattle and furniture were redistributed on a massive scale. Redistribution was common even among the Hutu.

Florence Kondylis examined the cost of conflict-induced migration in Rwanda via effects of the *imidugudu*, or villagization, policy. She particularly focused on the costs to human capital at the microeconomic level. Kondylis found that the policy may have had two effects: 1) a positive output effect through increased land access and productivity and 2) a negligible human capital effect due to participating returnees' initial lower stock of know-how and a lack of skill transfer.

In 1997 the government grouped returnees into specific housing facilities on the border of more traditional settlements. They divided fields into parcels that they distributed to some returnees in the hope of improving security. Kondylis looked at the effects of *imidugudu* on returnees versus "stayers"—those who did not flee Rwanda—as well as returnees who were not part of *imidugudu*.

Her analysis found that households living in the policy area performed better than both stayers and non-participating returnees in terms of agricultural productivity if measured by labor input. However, they had lower returns to seed consumption relative to their counterparts. Kondylis concluded that while there is evidence of a positive effect of the *imidugudu* policy on returnees' productivity, the data also suggest a "ghetto effect" whereby returnees are not able to improve their skills to incur higher returns compared to their non-policy counterparts.

While people commonly think that the genocide destroyed things, in reality it redistributed assets.

Florence Kondylis

*Earth Institute
at Columbia
University*

Agricultural
Returns and
Conflict Refugee
Status: Quasi-
Experimental
Evidence from a
Policy Intervention
Programme in
Rwanda

Alison Des Forges, Discussant

Human Rights Watch

Alison Des Forges suggested there are a few common themes around poverty. Who is poor or rich? Is anybody getting richer or poorer? And how is it linked to conflict? Are land issues currently causing further conflicts in Rwanda?

On the issue of the productivity of the villages, she said, the *imidugudus* were presented very successfully in order to attract funding. They were presented as a solution to refugees returning home. But this idea was in existence before the genocide. The new government presented it as the only way to deal with the conflict. The thinking from the party was that only capable professional farmers should control land and invest. The policy was implemented to regroup agricultural lands taken from existing farmers.

There was also the dividing land policy—people were asked to divide with people who returned. Persons whose lands have been taken for *imidugudu* would not be compensated. So, the inequity issue persists in that framework. The question becomes, who is going to profit from this policy?

Additionally, it is important to understand the complexity of local arrangements. The imposition of land title schemes creates another parallel forum. As the land law is implemented, who is going to get what? Its implementation may lead to additional conflicts. The potential of conflict is multifaceted: within family, groups, ethnic groups, returnees, etc. In response to the essential question—Is there a way to escape the Malthusian trap?—Des Forges replied, “I have to say I am not really optimistic.”

Questions and Answers

Question: Johan Pottier, in *Re-imagining Rwanda*, wrote that Rwanda is not interested in poverty reduction. We have to keep in mind that in Rwanda the farming is intensive and requires men and women. One thing that no one mentions is the prisoners and their effects on productivity. Could you comment on the recent policy to cut down banana growth along the main roads? In the colonial eras, the issue of bananas and coffee was a problem.

Ansoms responded that Rwanda has to be interested in poverty reduction. A major issue is the philosophy behind poverty reduction. The Rwandan government aims to achieve poverty reduction through increasing production and growth, while not considering the equity problem. But, the international donor community must also focus on equity, not just the government. The budget for the agricultural sector over the last few years has been limited. The main priority has been education. With the adoption of a new PRSP, agricultural development may become a priority. But with the new land policy and agricultural policies, everything points toward increasing growth with very little attention to the distribution of this growth.

Verwimp added that education is a way out of poverty, but it depends on who receives access to education. The government wants to abolish poverty by decree, by prohibiting shops and food stands on the streets. They want to become more independent of aid and collect more taxes.

Des Forges agreed that education is important. In urban settings, in the capital and other cities, informal housing is being massively destroyed. People are being pushed off rural lands and out of cities. Regarding crops, flowers and pineapple are now being grown in place of coffee and bananas. The question of banana farming is a very interesting one because it is not just about social safety nets. Bananas have enormous social importance because they are used to make beer. In one case people were asked to cut down bananas and there was no incident. But in a second case they responded with protests. On the issue of prisoners, 767 people are accused and in the process of being prosecuted. Many of them are being sentenced to jail in the Gacaca system.

Question: Is there in the new land law any provisional recognition of the large number of Congolese refugees?

Ansoms responded that there are provisions for regulating the land rights of refugees. But she predicted that people returning now and in the future would bring up disputes. There are also customary rules that should be taken into consideration. Des Forges pointed out that Rwandans are going abroad for land, to Congo or Burundi, for example.

LIVELIHOODS AND THE PRIVATE SECTOR

 Listen to this session on the accompanying CD-ROM.

Kate McKee, Chair

*Consultative Group
to Assist the Poor
(CGAP)*

Kate McKee began the session by stating that it is necessary to have clear meanings for the terminology used in the field (e.g., “relief”, “development”, “private sector”, etc.). One of the challenges is to bridge different terminology in order to craft strategies that draw from strengths of different disciplines. However, to mitigate unintended detrimental consequences, it is important to be aware of their weaknesses from the beginning.

She described how the panel would discuss issues like linking household level activity to the macro level, and drawing connections between micro-level interventions and macro-level benefits. The panel would also look at how markets play into conflicts and provide an exit from them. Additionally, it would address the question of minimum preconditions for poorer households to participate and benefit from these strategies.

McKee added that in looking at different practical options for interventions, there are many lessons about timing and sequencing. Questions that arise include: When is it appropriate to think about the private sector? What can be done at the point of full-fledged conflict? What does “market-integrated relief efforts” mean? What are some of the ways that livelihoods can be restored—and how can they establish linkages with external markets? Finally, McKee indicated that we were at an early stage in our work—so we are still in the process of defining what we mean by success. There is also a need for indicators to know what is working and what is not.

Tracy Gerstle

*Independent
Consultant*

Market
Development
During and Post
Conflict: Emerging
Lessons for Pro-
Poor Economic
Reconstruction
(coauthored by
Timothy Nourse)

Tracy Gerstle described being struck by the fact that the immediate response to conflict scenarios tends to be in the form of relief, a response focused on populations’ immediate needs with little effort made to jumpstart the economy again. Her concern was that overemphasis on relief and the prolonged delivery of poorly targeted assistance does not take into account trends in local and regional economies, so can actually delay recovery.

Gerstle observed that even in dire scenarios households continue to engage in markets. But few people seem to talk about the role of the domestic private sector and how households interact with the market. She and her coauthor wondered about the effects of applying the market development approach to fragile contexts. Would this approach generate growth? Could it be better than prior to fragility? Also, how soon can we begin to integrate this approach with relief in ways that meet the basic needs of the population while promoting recovery that does not crowd out the indigenous private sector? How can we work with the private sector and vulnerable groups?

Gerstle described market development as a subfield of enterprise and private sector development. Market development programs seek to help small

enterprises participate in and benefit more from the existing and potential markets in which they do business. This includes input and support markets, as well as final markets. Market development programs also take market forces and trends into account. They look at domestic markets, production activities, key players, consumer markets and final consumers. Market development also includes the development of the enabling environment, policy environment and tax environment that affect the market.

Unfortunately, Gerstle said, people have not spent much time exploring how markets impact households. While market development can promote inclusive growth by ensuring that small enterprises benefit from it, people may also end up worse off or the same as they were prior to intervention. So it is important to think about the risks of making groups vulnerable that were not vulnerable in the first place and creating a dependency culture. Gerstle believes that it is our duty to be aware of these issues and help people keep informed about what makes sense for their livelihoods.

Gerstle then outlined her research methodology and cases. The authors solicited geographically diverse case studies from program managers operating in different conflict environments. Organizations self-screened their programs following criteria of sustainability. In Sierra Leone a consortium of organizations is working on reintegrating the population into sustainable markets through asset restoration, enhanced business skills, and links with buyers. The organization focuses on staple crops with potential for cash regeneration. It supported market assessments to see what the communities needed to engage in these activities. Local actors in this case were very important to ensure sustainability. Similarly, in Darfur, a program run by Practical Action works with 18 communities around the capital of north Darfur to train them to do their own analysis and planning to address constraints.

Gerstle concluded with recommendations for promoting microenterprise development programs. She stressed the need for greater flexibility in funding and planning since current methods prevent programs from taking a longer term perspective. There is also a need to coordinate with the relief community so as to not undermine each other at practitioner and donor levels. She acknowledged that staffing and capacity building are challenges and urged the audience to seek ways to share knowledge and expertise.

Andrew Vonnegut opened his presentation with the following question: Can market incentives be used to draw people away from conflict modes of behavior? If yes, then how can this be done and at what point do you start to implement these types of projects? Vonnegut and his coauthor believed it is better to get these projects in place sooner rather than later. Often, economic programs in conflict areas are designed mainly to meet poverty alleviation and immediate needs. But, can programs meet these goals while also putting behavior change incentives in place?

Andrew Vonnegut

Booz Allen Hamilton

Using Markets in
Conflict Mitigation:
Conceptual and
Practical
Considerations
(coauthored by
Kim Kotnik)

Vonnegut argued that it does not matter so much in a post-conflict environment whether the conflict was initially driven by greed or grievance. In post-conflict environments, regardless of what initiated the conflict, economic grievances are often created to help fuel the conflict. Still, much of the current practice does not address these grievances when trying to bring the situation back to normality.

He continued with an analysis of institutions, both formal and informal. Formal institutions may appear more prevalent, but informal ones often dominate, especially in a weak state. Generally, laws work best when they reflect informal institutions that already exist in the economy. Resolving conflict requires realigning the formal and informal institutions and breaking patterns of behavior. The question is: how do you do this? Informal institutions are especially difficult to affect. Can market integration programs help to realign informal institutions to break patterns of conflict?

Vonnegut argued that market integration programs can have such effects, for example, by breaking zero sum perceptions of scarcity and progress by focusing on markets beyond the geographic conflict area and raising the opportunity costs of conflict (when wealth becomes threatened directly by conflict or when buyers see behavior as negative). However, requirements for the functioning of market integration programs include access to outside markets, local protection of property rights, and some local production. So market integration programs may not be the best choice for highly isolated, insecure, or failed states. Still, Vonnegut said, he is pleased with the outcome of these types of programs and believes in their capacity to change people's attitudes and behaviors, a step he views as necessary in conflict mitigation.

The goal of coauthors **Laura Hammond** and Tanya Boudreau was to think about the state of livelihoods research and ways in which certain questions can be answered using livelihoods assessment. They proposed that using the Household Economy Approach (HEA) as an assessment method in conjunction with the Sustainable Livelihoods Framework (SLF) as a conceptual model can yield results that are both quantifiable and contextually rich. In the context of fragile states, Hammond was interested in looking at: What occurred? What kinds of shocks did people experience? Who was affected and how were they affected? How have they responded? Who needs how much of what and for how long?

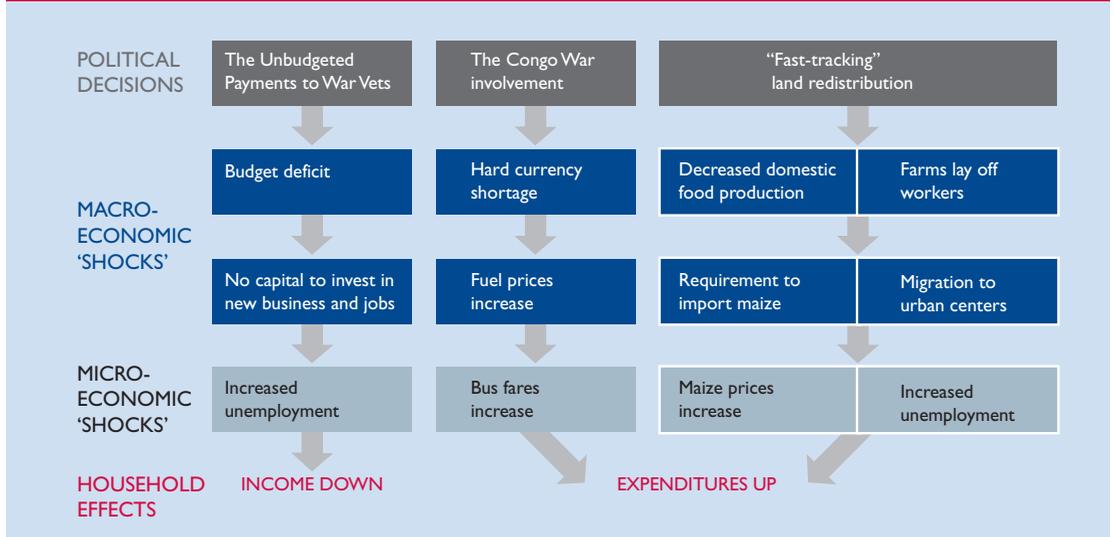
Hammond began by explaining the SLF approach, which uses people's resilience and coping strategies (both positive and negative) as starting points. Some of the basic framework steps involve looking at access to assets; factors that influence access to assets; how access to assets is mediated by where people live, structural influences, and policies; their responses to these factors; and the outcomes of their responses. She observed that the SLF is often used as a method in and of itself, which is inappropriate and does not yield the kinds of answers necessary for rapid assessment of assistance needs.

Laura Hammond

University of Reading and the Food Economy Group

Methodological Approaches to Supporting Livelihoods Programming in Conflict Situations (coauthored by Tanya Boudreau, the Food Economy Group)

FIGURE 10. Zimbabwe: Effects of Destabilization



The HEA focuses on how people respond to a particular shock or group of shocks. The approach gives a sense of what sort of reactions different wealth groups have to specific shocks. A person's level of wealth before a shock tends to dictate his or her response. But the poorest people are not always the most vulnerable to the impacts of conflict. Empirical evidence from many parts of the world (e.g., Sudan, Zimbabwe) has shown that conflict and fragility may affect most of those who are better off, since they may have more to lose or may be more dependent upon the formal sector and services.

In looking at the four basic steps to HEA, Hammond mentioned that during a crisis, it may be difficult to find pre-crisis baseline data. She indicated that it is often possible to gather secondary information (from key informants, the Famine Early Warning System Network [FEWSNET], NGOs working in the area, government ministries, etc.) to get some sense of the baseline scenario. After that, one would look at what exactly has happened. She described how war and conflict can be disaggregated into different shocks (e.g., displacement, food insecurity, closure of markets), each of them having economic effects.

The approach allows one to look at the deficits caused by conflict, explained Hammond. Once these have been identified at a household level they can be linked up to macro-level causes. Looking at households provides a basis for identifying interventions aimed not just at them, but at the numerous potential policies, practices, and inequalities that undermine the household's status and wealth. The HEA also helps to track private sector activities. Observations found that some of the first people that are the "connectors" who start to restore commerce and build social and economic linkages after conflict are the traders and entrepreneurs from opposing sides of the conflict.

Conflict and fragility may affect most of those who are better off, since they may have more to lose or may be more dependent upon the formal sector and services.

Nick Killick, Discussant

International Alert

Hammond gave an example of how HEA can be used as a monitoring tool to track market development activities. In Ethiopia, HEA was used to establish the livelihoods practices and needs of rural populations. This information was used to develop market integration projects for rural households. The same information was used later to measure how well the projects had met households' needs and whether there was any improvement in income as a result of the project. In Zimbabwe, HEA and SLF were used together to see how developments at the household level were connected to the macro level. That approach allowed the tracing of causal relationships and showed how household livelihoods have more than micro level implications.

Nick Killick highlighted the importance of the papers presented. He commended the focus on economics since traditionally those who focus on conflict have thought too little about stimulating economic growth and vice versa. Additionally, these papers provide an opportunity to start bridging gaps between these different disciplines. He stressed the importance of using the household perspective since solutions can be found in the short term and long term. He acknowledged the need for further research on this perspective.

Adopting the role of devil's advocate, Killick then questioned the assumptions of the papers presented. He said we need to remember that the economy is inherently political, and can be a political tool, as in the cases of the United States and United Kingdom, Burundi and Nepal. There is often genuine disagreement over different ways to achieve the same results (cutting taxes or raising taxes, etc). He noted how the economy could become an instrument of oppression designed to perpetuate political power. It is this oppression that helps drive many conflicts today.

Killick argued it is important to take a closer look at the economy and its primary agent, the private sector. Who has relevant contacts, networks, education? Who is in the best place to take advantage of these opportunities? If we are not aware of these issues then we are at risk of keeping and perpetuating the status quo. Most importantly, he asked, how do we stimulate economic development and growth in an overall environment that might not be conducive to economic equality? The answer to this question is very important; we need to think not only about the "what" but the "how," he maintained.

Killick then outlined some of the issues that ran through the papers. First, he mentioned timing. Gerstle's paper made a strong plea for earlier interventions. She stressed the need to know what is occurring and who is already doing what. Because the level of competition and lack of knowledge in conflict scenarios is a large problem, it is important to understand this picture early on.

Second, he mentioned the need for analysis. Hammond's message was to get the analysis right so it suits the right purpose. Killick reiterated her point that there is no single right methodology; rather we need to combine different methodologies. This in itself presents challenges, as people do not have enough resources or enough time to bring together all of the expertise. Third, he cited the need for coordination. All the papers made a plea for better synergies. He said he prefers to think of this as coherence, which is incredibly difficult to do with the current tendency to isolate issues.

Lastly, he mentioned the need to establish the right objectives. What resonated with Vonnegut's paper was looking at how enterprise development and economic development can be deliberately designed to address conflict, to transform attitudes and behavior and create incentives to transform. He believes peace and peace-building is the function of development and hence, addressing conflict is the means by which poverty reduction is possible. The larger goal should be to bring peace. If we do not have the right objectives, argued Killick, there is no way we can adequately target the people who are the biggest threat to a return to conflict.

Questions and Answers

Question: Where has your approach been used in an actual emergency setting? It seems like your examples are from post-conflict states.

Gerstle responded that in an initial emergency context one should first address basic needs. She suggested market-integrated relief and said the timeline is contextual depending on the environment. Often these things do not tend to come into play until two to three years after the fact. If you want to get in within two to three months you need to prepare, so it is important that the people doing the relief during conflict keep that in mind. Regarding the approach presented, one should look at the overall trends in the market. How do those trends affect households? What do they need to participate?

Question: Stimulating markets does not address equity problems. In regard to transforming structures, in what way can markets transform these structures rather than entrench them?

Vonnegut indicated that there are different types of conflict not covered by his presentation, where structures do not necessarily have to change but there is a need to look at processes around them. He added that significant inconsistencies between formal and informal institutions often exist. It is entirely possible for people to behave differently according to situation and context. He is not looking in this case to unravel all institutional nuances, but rather to look at broad swaths of behavior. He mentioned that the longer a society has been in conflict, the harder it is to realign.

Enterprise development and economic development can be deliberately designed to address conflict.

Question: Can you tell us some of the mechanics for linking areas in conflict with markets beyond areas of conflict? Were you able to cross conflict lines to the extent these are discernable? How do you reestablish these market linkages?

Killick referred to the example of privatization of the coffee sector in Burundi, which became the perfect vehicle for elites to capture resources. One has to be very careful to avoid that outcome. Close attention needs to be put on the foreign companies and conditions on which you bring them in and the way they operate once in the country.

Vonnegut added that privatization is not appropriate all the time. When dealing with existing elites, sometimes it can be avoided, and sometimes it should not be avoided. It is better to have money invested in the country than to scare them away. Many of the national schemes in the former Zaire, where there is a real attempt to move development away from elites, have not had a great deal of economic success.

Question: Does this kind of analysis work beyond conflict? There is still a tendency of working around conflict rather than through conflict.

McKee replied that they are thinking of this approach not just in terms of stabilization, or reconstruction, but in terms of transformation of countries.

Question: How or at what stage can aid be withdrawn to avoid aid dependency without collapse of infrastructure?

Killick responded by indicating that the way that development assistance is thought about actually breeds dependency. It has not been created to address and transform structures of dependency. He does not see a point right now where aid can be pulled out.

Hammond added that in general you can see that dependency and inappropriate aid tend to be found in cases where 'errors of exclusion' have been committed. The situation upon which assistance plans were originally based may have changed without donors noticing the change. Or targeting may have excluded people who were needy on the basis of the fact that they were not, for example, refugees, internally displaced persons, or female-headed households.

PLENARY: BRIDGING DAY ONE AND DAY TWO

 Listen to this session on the accompanying CD-ROM.

Borany Penh welcomed participants to the second day of the conference. She then outlined the objectives of the plenary: to share session experiences and address any lingering questions from Day One; identify common themes, including some of the concepts that Tilman Brück presented in the plenary session on Day One; and identify the priority questions for Day Two. Penh felt it was important to review the sessions because the topics were highly interrelated, reflecting poverty's multidimensional nature and the complexity of fragility and conflict.

Penh began the discussion by noting that the papers presented in the **Governance** session seemed to conclude that non-state actors can be effective in delivering basic services and achieving more rapid development. But they are not always accountable. Session participants asked what this meant for governance and agreed that there is no substitute for the state. The participants also agreed on the need to work with both non-state and state actors, analyze power (not just politics), and focus more on what is working locally.

Tilman Brück added that participants in that session concluded that if non-state actors provide public goods and services, they should, at the very least, be regulated by the state. If not regulated, they create uncertainty about the role of the state. If the state is absent, and non-state actors take over the duties of the state, then they increase fragility in the long term.

In the **Risk/Vulnerability and Coping Strategies** session, Penh reported, participants learned how conflict retracts the options of households, how solution-oriented policies are needed, and how research on risk in conflict and fragile states is a challenge, especially the fieldwork and data collection.

Philip Verwimp added that those in the session discussed the detailed information that one can get from surveys, but he wondered how we can get the same level of detail in large scale surveys. He said his team looked at intra-household research, but suggested that this is very difficult to replicate on a large scale. He agreed it is necessary to get policy-relevant data. He reflected on Michael Carter's presentation on poverty thresholds, saying that it may make sense with discrete economic shocks, but conflicts are more about cycles of violence.

Tim Mahoney responded that Carter's presentation was important for the kind of programs he was focused on—cash transfer programs—and the difficulty of implementing these programs in a conflict setting. Mahoney went on to say that Carter argued that we need to intervene earlier in the asset stripping—do

Borany Penh

*USAID Office of
Poverty Reduction*

not wait until the people have lost all of their assets because then it is too late and they are unable to truly recover. Also, Carter had shown a graph of the “aid trap”—that is, the percentage of aid resources going to humanitarian assistance versus development assistance. The level of resources going to humanitarian assistance has dramatically increased in the last 25 years. Mahoney agreed with Carter that this is part of the reason we are ineffective in the way we provide humanitarian assistance.

Brück summarized some of the points discussed in the **Household Structure and Gender** session. Regarding the role of women in social change, participants came to understand how in conflict situations gender roles seem to change and move forward. But once the conflict ends, women tend to move back into traditional roles. Women fighters are a special case. It may appear a case of gender equality, but upon closer inspection the usual patterns of gender inequality in the army prevail.

Another open issue that emerged, he said, is why unfulfilled basic needs lead to violence. What triggers violence? The Philippines served as a case study of everything that can go wrong when gender issues are not mainstreamed in development. The solution is not necessarily having specific gender programs, but resolving fragility issues. One example was the important role for traditional healers who could be a stepping stone until modern health services are formally established.

He said the discussion also took on the issue of behavior change: dynamics of, for example, demographic change, may occur more strongly through behavioral adaptations to shocks than through the original underlying sources of the conflict and shock themselves. Nancy Rockel of USAID found quite interesting the idea of women becoming more empowered as a result of the conflict, such as the Tamil women. This empowerment contrasts with places where the women who are traditionally more educated have less empowerment as a result of the conflict.

Penh then summarized the main conclusions from the **Microfinance** session. First, microfinance is not a panacea, but can be useful at the household level. Second, it should be inclusive and involve clients who do not already have assets. Third, the non-income benefits are just as important as the income benefits, even though in the long term they may be harder to quantify.

Mahoney observed, as a practitioner, that there was a lot of interest in providing microfinance in post-conflict situations, especially for youth and getting them employed. But finance is not often the issue. Youth are defined differently among cultures and there are many ways to work with them. We should not think that capital is the most binding constraint in these situations.

Brück commented that conflict causes a serious problem for property rights. He questioned if successful microfinance requires a fairly stable system of property rights, because otherwise you cannot have lending and borrowing. Is it possible in a fragile environment to really have successful microfinance projects? He also asked if there is a good evaluation of the poverty reduction impact of microfinance projects in a conflict setting.

Sherry Sposeep from Chemonics International responded that there are many different approaches to microfinance depending on the environment. It often involves social or peer-based lending so property rights are not necessary. For example, a project in Sudan started based purely on group lending and was not asset based.

Reporting on the **Migration and Displacement** session, Penh observed that participants learned how forced displacement can have enormous poverty consequences both in the present and the future for households, especially for vulnerable groups like women and children. Session participants agreed that the state ought to be involved in protecting border populations, assets and helping to recuperate assets. Also, the state needs to be present and effective. Finally, participants learned how remittances can be an important survival strategy. But while they can be effective for dealing with a crisis, their long-term effects can be ambiguous, by creating household dependency, for example.

Patti Petesch from the World Bank commented on the role of diaspora communities. First, she said, consider the diaspora fatigue in the Somalia case. Second, Manuel Orozco's comments brought a very different perspective. Many Central American diaspora communities have created very active hometown associations and are trying to direct funds for local development in these hometowns.

Luca Alinovi, of FAO, commented that the ambiguous long-term effects required clarification. He felt the long-term consequences depended on the objective of the remittances.

Ederlinda Fernandez reminded the audience of the human rights violations against undocumented migrants in detention centers, such as undocumented Filipino migrants held in Malaysia. Remittances prop up the economies of some countries but there is a very large social consequence.

Allyn Moushey, from USAID, related the discussions about diaspora groups to the earlier discussion about governance, saying that it brought up the questions of accountability and whether this could replace the state, and if that is a good or bad thing. Penh connected this comment to the importance of context and local factors, which seems to come up again and again.

Behrooz Ross-Sheriff, from the Winter Wheat Association, responded to a comment that in the long run, remittances can lead to higher inflation. While remittances could contribute to inflation, labor exports are seen as almost the only export in fragile regions. A geographic place cannot be sustained without exports or charity. It would behoove the development community, he argued, to look at labor exports as something that should be influenced to make the impacts more beneficial. Many people want to send remittances back through informal channels, but these can be very leaky and weak. We should identify channels for remittances that enhance their effectiveness.

Anna Lindley, from Oxford University, contended that remittances are not inherently good or inherently bad. They can cause inflation, but the important question is getting the policy frameworks right in order to manage the flows.

Penh reported that the **Agriculture and Food Security** panel seemed to reach four conclusions. First, that research and humanitarian assistance need to better inform each other of their findings and how they work. Second, research should consider policy relevance and implications from the design stage. Third, gender issues are pervasive. Finally, there have been positive developments in broadening the economic analysis to local institutions, including political-social factors (e.g., access to resources and influence).

Alinovi asked if food insecurity as a cause of conflict in fragile states came out during the discussion. Philip Verwimp responded that his research on Rwanda found that shocks occurring early in a child's life have a long-term impact. Children are negatively affected by crop failure, which is a food security issue.

Brück added that Verwimp and Richard Akresh's paper focused on the negative effects on the victims of crop failure. His own paper brought up how farmers use various coping mechanisms to deal with fragility and conflict.

Pat Fn'Piere, from USAID, reinforced the idea that political and social factors relate to food insecurity. Governance is a larger factor in food security than previously thought. Often, it is the policy in place, the way systems are running, and the governance that affect food security. Penh commented that the connection between governance and food security had been established by Amartya Sen in "The Political Economy of Famine."

Tanya Boudreau, from the Food Economy Group, recommended delinking food security from agriculture. She argued that food security is a multi-sectoral problem because it requires looking at how people gain access to food, and in many parts of the world, the poorest households do not rely on agriculture. She added that food security is much more of an economic issue, because it is about how people gain access to things and not what they eat. Another participant agreed that food security and agriculture should not go together.

The issue is not about immediate access to food, but the political economy of why people have no access to food. An analysis only of income poverty misses other dimensions. Penh responded that poverty is about more than just income; it is also about empowerment and opportunity.

Penh noted that the discussion in the **Post-Conflict Development in Rwanda** session raised a number of questions. Who is getting poorer and who is getting richer? How do these trends link to the past conflict and how do they link to future conflict? To answer this question, three points should be considered: there is greater inequality than before genocide, traditional kinship ties that regulated land use have disappeared, and there is tension between returning refugees and those that stayed. Finally, the type and space of conflict have different effects on poverty in terms of labor and capital.

Catherine Newbury, from Smith College, suggested that a post-conflict state trying to combat poverty may actually increase food insecurity. For example, the current post-genocide policies in Rwanda, including the commercialization of agriculture, are taking marshlands away from smallholder farmers who used the land for famine-resistant crops. Also, the introduction of crop specialization is difficult for small farmers who tend to diversify crops to lessen the risk of falling into poverty if one crop fails. This is an important link between power and poverty, she argued.

Penh then summarized three main points from the **Livelihoods and the Private Sector** discussion. Presenters argued for the importance of monitoring and evaluation, understanding objectives and the need for frequent review to respond to rapid change. Participants saw value in bringing together different types of analyses. They also discussed the misguided tendency to use the same market structure post-conflict that caused the conflict, deeming it a function of a market development ambivalence and failure to address the roots of conflict.

Michael Laird, OECD, commented on the importance of channeling relief funds through market-based instruments. Steve Sena, of World Computer Exchange, wondered if the diaspora communities could be encouraged to bring back skills and knowledge they have acquired. Laura Hammond, University of Reading, cautioned against assuming a certain level of fungibility or that we can funnel or direct remittances in a certain way. Often remittances are needed to maintain household incomes, and senders are sending as much as they can and cannot funnel any more to development.

Tracy Gerstle added that sometimes there is ambivalence about in-country power structures. Aid organizations have supported oppressive organizations, for example the Taliban in Afghanistan. Also, there is ambivalence to the market. Sometimes aid does not take the domestic private sector into account but instead supports unsustainable programs.

Penh concluded that four common themes emerged from Day One. First, addressing poverty in conflict and fragile states is about more than restoring income. More needs to be done to address and analyze social, economic, and political dimensions, and power relations and structures. Second, interventions require attention to context and constant reassessment. What works locally—markets, dispute resolution, etc? We must be aware of the impact of interventions on different groups at the community and household levels. Does the intervention prop up undesirable regimes, or is it an impetus for change? Third, analyzing households is more difficult in conflict and fragile environments, where roles and composition tend to be more dynamic and where there are security and accessibility concerns. Still, household research yields important discoveries about behaviors and how we should respond to household needs. Finally, the research-policy gap has come up again and again. Day Two's final plenary is a chance to address that question in depth.

Penh ended by posing two sets of questions for Day Two. First, what is fragility and how does it relate to uncertainty? What are some current, useful directions for researchers and practitioners? How critical are central state governance and local actors? Second, what are the lessons learned in terms of poverty reduction in conflict and fragile states?

PARTICIPATION AND INCLUSION

Susan Allen Nan opened the session by asking participants to share why they were interested in the seminar and voice any questions they had. Participant responses included:

- Inclusion of women in peace-building activities
- Social order in conflict and non-conflict situations, the critical nature of relational issues of groups and individuals
- The relationship between political institutions and conflict
- Participatory approaches—avoiding failure, considering all aspects, not forgetting who is being included

Marie-Anne Valfort spoke about the adverse effect of conflict on economic growth. Containing conflict in countries that are already plagued by poverty is a great challenge and is the goal of many international organizations. These poor countries show the characteristics that lead to violent conflict.

Valfort argued that policies need to focus on both the supply and demand side of the democratic framework. On the demand side, could we try to influence citizens' concern for fairness and thereby reduce resentment and the possibility of conflict? More precisely, in areas of multiethnic conflicts could crucial ethical concerns like aversion towards inter-ethnic inequity lower citizens' temptation to vote for their ethnic party?

Valfort explained that she chose Ethiopia for a variety of reasons. It contains various regions and ethnicities, the tension around voting between ethnic parties is huge, and the division of the country into nine federal states has led to the division of political parties along ethnic lines. Ethnic federalism, or institutionalized ethnicity, means people think ethnically before nationally. (Ethnic federalism was not accompanied by fiscal decentralization, leaving room for ethnic clientelism on the part of the ruling party and therefore, creating great resentment among presumably discriminated ethnic groups.) Some nationwide parties emerged at the end of the 1990s and benefit from strong support in the capital. Addis Ababa is the most diverse zone and the only zone that does not receive any federal grants, so it is not a party to policies trying to favor one ethnicity or another.

Valfort's study looked at the determinants of ethnic voting. It attempted to measure the probability of ethnic voting by taking into consideration the relative weight of ethical concerns compared to selfish interests. The evidence corresponded to expected results.

Susan Allen Nan, Chair

George Mason University

Marie-Anne Valfort

École Polytechnique, France

[Containing Ethnic Conflicts Through Ethical Voting? Evidence from Ethiopia](#)

Ethical concerns can play a role in people's political preferences.

Apparently, an aversion to inter-ethnic inequality reduces the likelihood of voting for one's own ethnic-based party. The impact of self-interest is almost twice as high. Also as predicted, subjects that trusted their ethnic group more than other ethnic groups were more likely to vote more for their ethnic-based party. However, if the subject's parents belonged to different groups, they were less likely to vote along ethnic lines. Subjects from the Oromo and Tigrayan ethnic groups had the highest incentives to vote for their own parties, and the highest costs for defecting. Apparently, the ability to renounce ethnic voting increased with wealth: richer voters were more likely to not vote along ethnic party lines.

Valfort concluded by outlining the policy implications. Since the weight of ethical concerns turns out so small compared to selfish ones, she said, promoting "ethical voting" is not an efficient policy. Still, Valfort maintains that using the media and education as a means of informing people about the importance of solidarity may be fruitful in the long term since ethical concerns can play a role in people's political preferences. Promoting ethical concerns is a promising device if accompanied by poverty reduction.

Question: Was there a gender difference in your study?

Valfort responded that the female coefficient was positive and they tended to vote ethically, but this was not statistically significant because the women were a small part of the sample.

Question: Was your question about previous voting behavior, or intention to vote in the future?

Valfort answered that it was about intention to vote. The survey was conducted one year before national elections were held.

Question: Did any of your interviewees talk about any discrimination they experienced? Did students show that? Did any speak about the controversial language policy issue?

Valfort answered that the students filled out a questionnaire with questions about national identity and ethnic divisions within the country. Many answered that Ethiopia was becoming more divided and they feared the country would break down. Many students expressed anger against the government.

Masatomo Nao Yamaguchi's presentation focused on the implication and feasibility of Poverty Reduction Strategy Papers (PRSPs) in high-conflict locations. He surmised that poverty reduction and economic growth will contribute to peace.

Yamaguchi explained that the goal of the PRSPs is to promote economic growth, especially pro-poor growth. Both economic growth and inequality are vital aspects to consider in peace-building and poverty reduction strategies, regardless of the prevalent greed and grievances argument. Empirical studies largely support the inverse association between economic growth and conflict. Studies also show that economic growth leads to poverty reduction but inequality negatively influences growth. So less inequality is good for both poverty reduction and economic growth. Participation and inclusion are thus important in helping to create accommodating policy frameworks and bridge differences between conflicting parties.

Yamaguchi took Sierra Leone as a case study. The conflict, which was not ethnically based, started in 1991 and ended in 2002. His study looked at apparent overall improvements in both income and non-income poverty and attempted to answer two primary questions: Was the level of poverty reduced by the PRSP process? What was the impact of poverty reduction on conflict risk?

Sierra Leone's macroeconomic growth seems very impressive. But, according to Yamaguchi, there is still persistent and high unemployment, accompanied by low private investment. Additionally, there has been little improvement in non-income inequality in terms of assets, social services, and justice. Few policy interventions in both the interim PRSP (I-PRSP) and the full PRSP (f-PRSP)¹ address inequality. The I-PRSP referenced limited participation although the f-PRSP created space for resolving old grievances in communities.

Yamaguchi concluded that the PRSP process dealt with few conflict-related issues. The papers contain several propositions on poverty reduction, economic growth and participation, but need to consider the dual impact of reducing inequality on economic growth and poverty reduction. Yamaguchi maintained that insufficient poverty reduction and economic growth, as well as neglecting inequality, could undermine nascent peace. The basic conditions for a PRSP process in fragile states, he recommended, are security and government administrative capacity. The PRSP process needs to be sensitive to conflict and impact analysis by addressing inequality more aggressively.

Masatomo Nao Yamaguchi

Independent Consultant

Poverty Reduction in Fragile States: Do the PRSPs Contribute to Post-Conflict Recovery and Peace-Building in Sierra Leone?

Economic growth and inequality are vital aspects to consider in peace-building and poverty reduction strategies.

¹An f-PRSP is primarily a country's strategic paper that describes three-year macroeconomic, structural, and social policies to promote growth and reduce poverty. An I-PRSP is a concise poverty reduction strategy that contains a country's poverty profile based on existing data and roadmaps the preparation process of a subsequent f-PRSP.

Sunil Kumar Regmi

Sahakarya Project, Nepal

Integrated Multidisciplinary Development Approach for Poverty Reduction: A Sahakarya Approach

Question: To what extent does the PRSP approach attempt to reduce inequality? Many economists are less concerned about inequality than growth. What about class inequality? It is not often discussed, but does this not seem to be part of the discourse in PRSP?

Yamaguchi answered that there could be an effect on conflict-related issues. Some people seem to think that poverty reduction should be more prioritized over inequality reduction. But if inequality reduction were taken into account it might help prevent conflict.

Sunil Kumar Regmi interpreted *Sahakarya* to literally mean working together. The goal of the *Sahakarya* approach is to contribute to poverty reduction in the mid- and far western regions of Nepal. He explained that his paper had two objectives. Generally, it sought to evaluate the integrated multidisciplinary development approach for poverty reduction in the western hills of Nepal. Specifically, it intended to identify and test the interrelationship between community-based organizations (CBOs) and development.

Regmi's analytical framework was an integrated CBO approach that modeled the interrelationship among savings and credit organizations, forest user groups, and health community-based organizations. While the organizations operated on a federal level, the regions in his study were remote, isolated and lacked infrastructure.

Sahakarya offered lessons learned for conflict-sensitive programming, suggested Regmi. First, given the interconnectedness of community-based organizations, the development approach needs to be multidisciplinary. Secondly, focusing on increasing farm income can help reduce the communities' reliance on the community forest. Additionally, subsistence farming may be transformed to market-oriented production through high-value commodities. Finally, the increased participation of women seemed to contribute to better gender equality.

Question: What was the time period and the activities involved?

How did you actually show that community forests are being used less?

Regmi replied that the annual progress report of these community groups show the annual data collected. This presentation covered one year, but he has data over a five-year period. The income of the producers group and the activities of the other organizations help to increase the income of the farmers. Forestry income helps the villagers construct roads and invest in the productive sector, which positively impacts the productivity of the farmers.

Question: Have the Dalits been included? What was the influence of the Maoists?

According to Regmi, all the community-based organizations formed at the grassroots level are inclusive. If a Dalit is not represented on the board or in the group, they do not receive resources for his organization. The Maoists are a big problem, he said. The armed conflict decreased the income from the forests. The Maoists also come from the same community, so the Maoists have to let them partake in the activities to keep the community going. Who manages the money is very important.

Question: Why did you choose to look at single-function organizations? Do you have any comparative results from single versus multi-function organizations? Was there overlapping membership?

Regmi explained that each has pros and cons. His organization selected single-function organizations because they were much more efficient. There are overlapping memberships. Because of multiple memberships, a family becomes a forum for information sharing. They have not done a comparative study of multi-function versus single-function organizations.

Question: What percentage of the families had at least one family member involved in at least one group? Do they have more access to health clinics? How do integrated groups reduce conflict?

Regmi answered that about 25 percent of the households, or 36,000, are involved in some type of organization. Health was always supply driven. When the communities come together to improve water and sanitation, they are working on the demand side. He said they are bringing communities closer to the health services. This also provides them with a forum to discuss the community-based initiatives.

Patti Petesch provided some concluding remarks about the themes and ideas discussed. Participation and inclusion have an integral role in breaking the conflict trap and the cycle of violence, she said. All three of these countries are struggling to be more democratic. Can a state be more democratic when the government is broken, she asked. Valfort's paper brought out a bigger question about how to consider public versus private goods. What are the conditions

Patti Petesch,
Discussant

World Bank

Without making progress on poverty one cannot address inclusion and equality.

under which people take each perspective? Without making progress on poverty one cannot address inclusion and equality. Institutional change is very hard. How do we help citizens demand greater accountability? Voting by itself is not enough. Understanding preferences means going deeper to see how political parties function and how they are structured. Party representatives tend to look up, not down to their base.

Petesch noted that there is broad agreement on the importance of pro-poor growth as presented by Yamaguchi. That PRSPs do not take on conflict issues was not unexpected. How do we make policies country-owned and country-specific? On Regmi's community-driven development presentation, she talked about new approaches to impact evaluation that compare outcomes for both treatment and control communities. She then asked about the communities that did not get NGO services. Lastly, she suggested that an approach that is organization-intensive can be a concern because it may be difficult to sustain at the grassroots level.

She concluded by saying that the evidence and examples of what works—what releases energies from below—are paramount to making headway in inclusion and poverty reduction.

PUBLIC SERVICE DELIVERY

 Listen to this session on the accompanying CD-ROM.

Dennis Wood described the session as one looking at a nexus of service delivery, fragility and poverty, which all have various technical, financial, and political dimensions. A key element at the very heart of the issues is political economy. Service delivery, he said, is part of the social contract. It can affect fragility, and is critical in a fragile environment. The different actors and players have diverse interests in it. A key question is how to accommodate those diverse interests in a very imperfect environment.

S. Tjip Walker explained that his presentation was the result of 18 months of work sponsored by the fragile states group of the OECD Development Assistant Committee (OECD/DAC). The work was intended to move donors away from trying to define fragile states to what to do about them. The team adopted a political economy approach and recognized that service delivery is at the heart of the social contract. Political leaders provide services to citizens in the expectation that by providing these services, citizens would provide them with support, which can be political, financial or military.

The 2004 World Development Report (WDR) focused on the role of service delivery to the poor and served as the starting point for the report. The WDR identified three key groups: clients who are the recipients and beneficiaries of those services, policymakers, and providers. Each group has different goals and the effectiveness of service delivery depends on resolving these competing goals. In the long route of accountability, policymakers, service providers, and clients are connected. In the short route, clients engage with providers directly.

Dennis Wood,
Chair

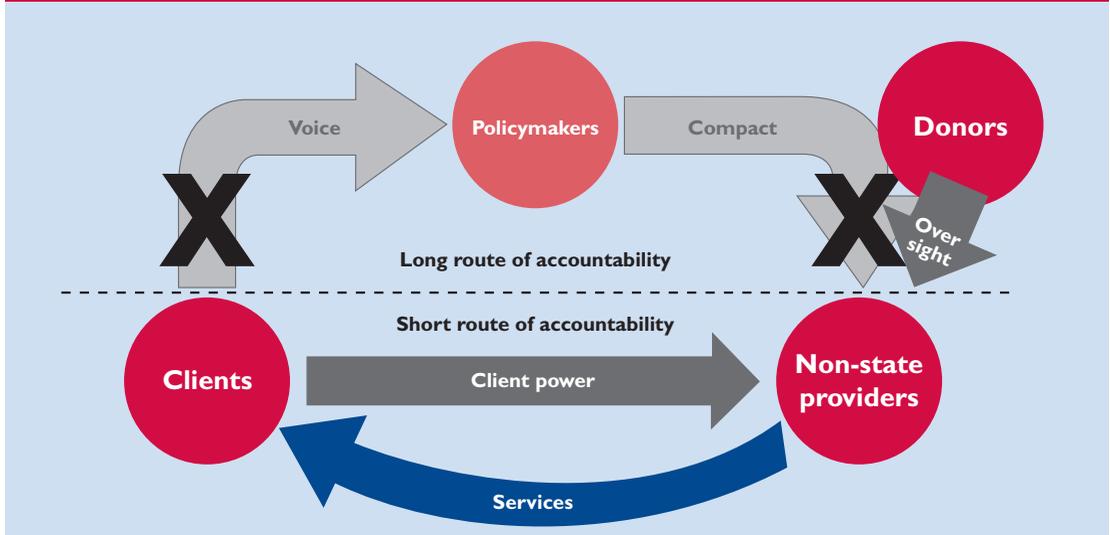
*IRIS Center,
University of
Maryland*

S. Tjip Walker

*Office of Conflict
Management and
Mitigation, USAID*

Service Delivery:
The Challenges
for Donors

FIGURE 11. Impact of Fragility on Service Delivery



Promote accountability, whenever and wherever possible.

What are the impacts of fragility on service delivery? In fragile states, the team found weak accountability, ineffective provision, reliance on non-state providers, and a complex security/justice environment. In the area of justice and security, non-state actors in fragile states provide between 70 and 90 percent of services. This means the government is a minority provider of security and justice and probably will remain so. The non-state actors include everything from private army militias to traditional leaders who may engage in alternative dispute resolutions to community watch organizations, etc. They can be fair and benign, or nasty and brutish.

When there is poor accountability, Walker continued, policymakers and politicians are disconnected from providers and clients. Donors end up using some degree of oversight to engage non-state providers. However, this provides little opportunity to rebuild the relationships necessary to get the country out of fragility. To the extent that donors are providing these services through non-state actors, they are essentially making the situation worse.

Walker argued that these challenges mean that donors must rethink their standard operating procedures. First, we should promote accountability, whenever and wherever possible. Are we providing opportunities to rebuild relationships that exist between policymakers and providers? In a fragile state, there may be an opportunity to actually improve the situation, to renegotiate some of those roles and responsibilities. Also, we need to find opportunities to embed service delivery in a broader framework of accountability including the traditional role of democracy and governance programming.

Other issues are balancing state and non-state provisions and national and local focus, said Walker. There is a tendency to assume that once a situation starts to recover the state can resume all responsibilities. But there may have been capacity built up among non-state actors that is important to leverage rather than replace. Likewise, there is a tendency, when situations deteriorate, for donors to look for local alternatives because they assume the national government is irredeemable. However, local solutions without linkages to the national government do not build the patterns and essential connections that are at the heart of fragility. An interesting study by the World Bank looks at "turnaround cases," in places like Mozambique and Afghanistan, and shows that local level capacity tends to withstand adverse situations.

Walker also discussed the need to focus on building systems. There is tension between addressing issues of long-term poverty and demonstrating to people who provide funding that aid is effective. Currently, donors are awash in international and agency-level targets. But fixation on these goals tends to shift focus to the simplest way to achieve them. This usually means relying on a contractor to provide service. There are not a lot of incentives to build up the kind of system of accountability that is harder to document because it takes more time and may complicate the ability to actually achieve those targets.

A further issue he identified was the difficulty donors have calibrating their response strategy to changing situations on the ground. We have strategies for dealing with humanitarian problems and for normal development so how do we blend and merge from one to the other; he asked. What do you do in serious and deteriorating situations? At what point do you admit that providing people with survival strategies is more important than governance? When do you accept that not everybody is going to be treated equally for reasons of political necessity (“differential access”) and you must decide how to preserve nascent and fragile states?

The recommended actions do not evolve out of the challenges, said Walker. There needs to be a reinvigorated discussion between development and humanitarian actors. We also need to come up with better analytical tools and a complementary set of capacity-oriented indicators and output-oriented indicators. We should not only be interested in immunization rates but also who provides immunization and whether the government is engaged and increasingly accountable. Another important issue is the question of security and justice, its implications for these kinds of environments and the fact that we are dealing with a whole range of non-state actors, many of whom may be service providers in their own right.

Questions and Answers

Question: Strengthening accountability could also happen through the market. For example, the paradigm suggests that parents could complain to teachers. The other way of providing accountability is if you can choose your school. Education may not be the best example of the power of market forces, but you could potentially program competition into your service delivery. Walker agreed. The terminology he used mirrored the WDR. One important point is to distinguish between providers and producers. Providers assure that a service is available and producers actually render the services. This is important because the state has a role as a provider of service but does not have to be the producer of that service. In this case what is important for the state is some degree of standards and some oversight ability.

Question: Why did social service not make it into the rubric? When we talk more about linking humanitarian and development actors, we are talking about social services. An example is the large safety nets project in Ethiopia where we utilize our NGO partners in conjunction with government employees to deliver food aid and cash transfers. One of the big issues they are facing is constant turnover of public servants, which makes it hard to ensure continuity of services and accountability.

Question: The schematic is missing the people who provide social services and who are most likely going to help make your system work, especially in conflict resolution. We tend to ignore them because we do not see them. We have not looked at those agents and what impact they have on fragile states.

There needs to be a reinvigorated discussion between development and humanitarian actors.

Walker responded that health, education, water and sanitation are considered social services. The schema identifies stakeholders and any particular relationships that may exist can be applied to any particular service delivery system.

Comment: One participant objected to only talking about security providers because security and the capacity for violence are central to the issue of sovereignty. He thought sovereignty had to be part of the definition of fragility.

Walker reminded the audience that it is important to maintain a distinction between a normative vision and a real situation. Rather than building policy into our normative vision, we ought to deal with the situation on the ground.

Tanya Bathiche

The Louis Berger Group, Inc.

Poverty Reduction and Transportation Infrastructure in Timor-Leste

Tanya Bathiche introduced the objectives of her research: 1) to show the linkages between poverty reduction and transport projects, 2) to display the results of a household survey conducted in Timor-Leste in 2005, and 3) to share lessons learned on designing pro-poor development projects in a fragile state.

She then provided a brief history of Timor-Leste. The country was a Portuguese colony from the 1500s to 1975, occupied by the Japanese during the Second World War and later invaded by Indonesia. It suffered a period of civil war and then achieved independence in 2002. It is virtually 100 percent Roman Catholic. Oil and gas are the main sources of revenue. Ninety percent of the population in Timor-Leste is poor. Fifty percent is very poor. Food insecurity is also prevalent.

Successful pro-poor transport initiatives can reduce poverty, Bathiche argued. A successful rural roads project in Peru funded by the World Bank rehabilitated the road network and funded ongoing maintenance. The project reduced travel times by one-half, decreased transport costs, improved transport services, facilitated social and political interactions, and improved access to health services, education, and markets. The project was successful because from the beginning, the project design included the poor and looked at their needs.

The link between poverty and transportation in Timor-Leste was made apparent through the study's distribution/poverty impact analysis, explained Bathiche. The road network was designed by Indonesia for military operations and is of extremely poor quality. The poor in Timor-Leste are frequent users of the roads but major portions of the road network are sometimes impassable.

The study found that many of the benefits from the Peru rural road project could also be possible in Timor-Leste, particularly the benefits of market connection. The country's rural areas have great potential for cash crops but are currently dominated by subsistence farming. If good roads were built, farmers could transition to cash crops and get their crops to market. But if the roads are

not maintained, then the farmers may revert to subsistence agriculture. Getting them to transition again to cash crops would be difficult given the breach in trust that is already hard to earn.

Bathiche identified four obstacles to successful road programs in Timor-Leste: conflict, weak government institutions, road network density, and lack of donor coordination. These obstacles impede the planning and sequencing of a comprehensive road network improvement initiative, monitoring and evaluation, and the quality of works. They also prevent more of the benefits from going to poor households. She suggested a framework for pro-poor fragile states should include engaging all stakeholder groups involved in the conflict because it is essential to reach out to them; using poverty impact/distribution analysis to achieve more equal distribution of project benefits; employing a strong project performance monitoring system; and engaging development leaders and aid agencies to coordinate.

Questions and Answers

Question: How do you define food security?

Bathiche said she separated food security for the poor and the very poor. She defined food insecurity as households not being able to obtain food for their daily calorie intake. For the poor, it was defined as having food insecurity for one month out of the year. For the very poor, it was defined as having food insecurity for more than four months out of the year.

Question: An agricultural development project in Afghanistan saw the most impact from rehabilitation and construction of rural roads. One of the reasons for the large impact was because it was part of a larger agricultural program that identified the markets for farmers' crops and products. Was the identification of markets part of the research in Timor-Leste? Was donor coordination part of planning road construction?

Bathiche replied that this project was funded by the Asian Development Bank. They did not rehabilitate the roads. This study collected the preliminary data to assess which roads were to be rehabilitated and why it was beneficial for the government to rehabilitate the roads.

Question: Different types of fragile states have different attitudes about development. Roads could be put to very bad uses. Did this analysis consider any downside or negative uses of the roads that could lead to more corruption or more mobile security forces? Was that an issue in Timor-Leste or has that been an issue elsewhere?

Bathiche answered that this issue was taken into consideration as part of the study. The study also mentions the government's lack of will to rehabilitate these roads. From the household surveys, it was clear that the population saw the benefits and that it would meet their needs. The government objective, its political will and the population's needs are disconnected.

Charles Feezel

USAID Africa
Bureau

The Role of
Education in
Reducing Poverty
in Fragile States

**Children can
learn skills from
the conflict
that may not
be the building
blocks of nation
development.**

Question: In the Peruvian case mentioned earlier, were the new roads used by armed non-state actors?

Bathiche reported that the Peruvian project started about five years ago and it is ongoing. They are in the final phase of rehabilitating the last roads. The World Bank sees this as a very successful project because they involved a lot of local groups in the rehabilitation and maintenance of those roads.

Question: You mentioned peace and stability as a prerequisite for a successful program. But there were recent riots and insecurity in Timor-Leste. What level of insecurity can you put up with as a donor or government and still be engaged and move forward?

Bathiche replied that we do not have to wait for complete peace and stability to do development.

Charles Feezel spoke about the role of education in conflict. He began with a discussion of the biology of cognition: what goes on in the brain when people learn. Learning is the accumulation of connections that allow thought processes to occur. Most of us have grown up with intentional, voluntary learning: going to school, college and universities, often with specific goals in mind. We may have forgotten that learning is going on in all of us all of the time. What happens to a child in a place that is fragile and conflicted who does not go to school? If children do not receive guided instructions, they learn how to get what they need or want, even by a gun. Children can learn skills from the conflict that may not be the building blocks of nation development.

Children who are stuck in conflicts, Feezel argued, do not get to the top of Maslow's hierarchy of human needs—self-actualization. The learner without structure is not going to get there if s/he cannot get what is needed to survive or deliver. Maslow said that if the only tool you have is a hammer, every job will begin to look like a nail. How do we really deliver the learning that serves the need of the child? If we don't manage to teach survival skills, he said—e.g., how to farm and how to make money—we are not going to have a satisfactory education system.

Feezel observed that education is usually conflict-neutral in a community, even in a nation where there are a number of conflicts and a great deal of fragility. For example, Burundi's president managed to offer free universal primary education. Overnight, he faced teacher and classroom shortages. He appealed to the donor community and there was a very good response. He responded with an assessment that used the fragility framework developed by the OECD/DAC and applied it to the education sector. It looked at the impact of education on fragility and the impact of fragility on education. What is the appropriate path for education to take in a fragile environment?

A team at USAID developed an assessment approach that looked at state goals, security and stability, and weighed them against the patterns of fragility and resiliency. This approach evolved from examining the situation of other states and their patterns of fragility. It considered how USAID might be able to contribute to the needs of a country in coordination with the other donors. This opportunity was enlightening, and inspired a group of people at USAID to extend education in fragile states earlier rather than later. They had a number of meetings that examined the issue and sifted it down into four domains: social, governance, security, and economics.

Assessments of an educational system in a fragile state before would likely have yielded answers like train teachers, provide more textbooks and build more schools. But now we know we should look at an educational system to consider social, governance, security, and economic issues to determine, for example, if there was favoritism. Who is going to school? Is there an equity problem that is going to reinforce the conflict? Before assessing the state of the education system in a country, you have to cover all these fragility basics.

Questions and Answers:

Comment: Those tools look at two patterns of fragility. This is an attempt to go beyond notions of typologies to understand patterns and behaviors in fragile states. Burundi is a particularly good example of exclusion patterns. We see this pattern not only through the education sector but also in the society. One group systematically tries to exclude the majority from access to services. So you could have adjusted the study to take into consideration how education could be used as a tool to address the question of exclusion.

Question: How is USAID approaching madrasa education in certain countries in Africa and the Middle East? Is it seen as conflicting with the type of education USAID is hoping to implement within the countries? Or a complement? Feezel thought this was an excellent question, commenting that it is delicate to go forward without sounding patronizing. One of the major issues is working constructively with these schools. Complementing what is already going on with the things USAID does best—math, language and science—has been most successful.

PLENARY DISCUSSION: LESSONS LEARNED FOR IMPROVING RESEARCH AND PRACTICE TO REDUCE POVERTY IN CONFLICT AND FRAGILE STATES

 Listen to this presentation on the accompanying CD-ROM.

Borany Penh, Chair

USAID

Tilman Brück

*Households
in Conflict
Network (HiCN),
German Institute
for Economic
Research (DIW
Berlin), Humbolt
University, Berlin*

Michael Carter

*University of
Wisconsin*

Nick Killick

International Alert

Hugh Riddell

World Bank

WHAT IS FRAGILITY?

Borany Penh opened the plenary with a challenge to the panel to define fragility. She suggested that although we have a lot of research on conflict, the issue of fragility isn't yet settled.

Tilman Brück responded that perhaps it has been so difficult to define fragility because many different aspects shape fragility. From a policy point of view, you must address peace, prosperity and participation, all of which are important in overcoming fragility. It's not just about the state; it's also about fragile markets and fragile power relations. All of these can be analyzed fruitfully at the micro, household, and group levels to improve our understanding.

Nick Killick suggested that there are two schools of thought about fragility: symptom or causality. One looks at similar characteristics and the other at why those conditions exist. He is on the causality side of the debate. It is also important to distinguish between different types of fragile states, between those that would like to change and those that are unwilling. Finally, it is important to look at why society is unable or unwilling to manage in a peaceful way the tensions that arise.

Michael Carter framed his response in terms of the household level. He thought we could learn a lot from vulnerability measures. He defined vulnerability as a sense of dread that something terrible is going to happen. How do we measure this sense of dread and how do we understand its consequences? He thought the most useful way to understand its consequences was to think about household accumulation dynamics. He argued that we need to be forward thinking about where we might be able to intervene. Fragility reduces household accumulation and increases vulnerability.

Hugh Riddell explained that the World Bank identifies fragile states quite technically, using an internal Bank system called the CPIA (Country Policy and Institutional Assessment). Countries are ranked by a set of 12 indicators. Fragile states fall in the bottom quintile and have overall and governance ratings below a certain point. In terms of strategic approaches to working with fragile states, Bank teams are encouraged to look at four trajectory categories: those gradually improving, post conflict, deteriorating governance situations, and political impasse. Within these four categories, they try to develop different ways of approaching the challenges.

Discussion

Charles Teller, USAID Global Health, urged a socio-anthropological point of view, where vulnerability is also discussed in terms of resilience. He described how there are factors that increase vulnerability to hunger and to mortality and yet there are factors that maintain resilience in the face of those vulnerabilities. He cautioned that if you don't measure both, you're missing something critical. The concept of resilience, at the individual, household and community level, is a very important concept that traditional societies understand.

Tjip Walker, USAID Conflict Management and Mitigation, asked, is our characterization of fragility of an endogenous dimension or something we impose from the outside? We also need to keep in mind whether or not there is commitment from the government to work on these issues. The nature of the relationships within the society, patterns of fragility, and the nature of the interaction between members of the society all offer an opportunity to understand the dynamics of fragility.

Philip Verwimp, Institute of Social Studies, recommended that we should take care when generalizing about conflict and non-conflict situations. For example, during conflict, a high level of education can be a liability, as was the case under the Khmer Rouge in Cambodia, though it is an asset in a non-conflict environment.

Killick explained that he was trying to get at the ability of the broader society to manage fragility, understanding the why and not the what. It's about causality, he emphasized, and that is the value of categorizing countries under a certain term.

Brück offered that sometimes it is helpful to define the opposite of a word, and asked: What is the opposite of fragility?

Carter responded that Teller's comment on resilience was well taken. Carter suggested that if you think about vulnerability correctly, resilience will be part of it. Conceptually, it is also important to think about thresholds; if people fall below a certain level, they are unable to recover. That is an important part of the dynamics if we want to get at fragility from a household perspective. Verwimp, he said, was also right, that something usually considered an asset can be a liability in times of conflict. We can talk about lack of resilience in an environmental context and talk about what the state should do, but if we're talking about disasters created by the lack of a state, then the set of possible instruments starts shrinking.

Riddell then spoke about the policy side, saying that the Bank's mandate, for example, encouraged an approach to fragility that looked at the configuration of the state, rather than society. However fragility can be both state- and society-related.

It's not just about the state; it's also about fragile markets and fragile power relations.

It is also important to distinguish between different types of fragile states, between those that would like to change and those that are unwilling.

Is our characterization of fragility of an endogenous dimension or something we impose from the outside?

FRAGILITY AND POVERTY REDUCTION

Penh continued the discussion by asking, what is the relevance to poverty reduction? She referenced Tjip Walker's comment about the importance of the relationship between citizens and states. She read a question submitted electronically from Sierra Leone that highlighted the effect of fragility on poverty: "Many African nations have resources that should make them self-sufficient, but are still very poor. How do we mobilize our resources to benefit the poor long-term?"

Killick replied that on one level, we need to reframe the proposition. How do you reduce fragility to promote poverty reduction? How can development assistance be used to address the root causes of fragility? We need to understand the root causes of fragility and how they play out in these scenarios. Until then, we can't design programs that tackle root problems.

LINKING RESEARCH TO POLICYMAKING

Noting that there is clearly more work to be done, **Penh** asked, what can be done to advance the state of research on poverty and conflict and fragility? How do we link policy and research? Is there an easy answer?

Carter observed that researchers seem to fixate on income distributions and measure certain features like inequality, yet he was not sure that was the right way to get at fragility and root causes. He advocated thinking of other dimensions of distributions that may have political economy implications, specifically polarization. He cited current Latin American countries, for example, where recent elections represent a kind of polarization that has put the societies and economies in situations that raise a lot of questions.

Brück maintained that we need to move ahead with research on the micro level, but in new and different ways. We need to think carefully about what data we can use and start from many different points. It's not good enough to take only one indicator; you need many different types of approaches and then connect the findings to really begin to understand fragility. We should identify situations where we have natural experiments and use a diversity of research approaches.

Riddell brought up supply-side issues. He thought it is important to focus on how we undertake research, how and when to bring academic actors into the policy debate. To maximize impact, it is critical to get the timing right—and it's not always obvious how to do this. He argued that simple things like terms of reference are critical. He also recommended considering how we share results with governments recognizing that this is ultimately the most important form of dissemination but also the hardest.

Discussion

Steve Sena, World Computer Exchange, suggested that part of the dilemma of studying fragility is that it's dynamic and happening in real time. He found it interesting that the World Bank has an index for classifying countries within the context of fragility, and asked if researchers should also start to map their findings on this continuum. This could help with the issue of fluidity and enable policymakers to identify when a country is moving towards a certain stage.

Tanya Boudreau, Food Economy Group, argued that "vulnerability" and poverty are not the same. Vulnerability is a dynamic factor and a person's vulnerability to a conflict shock is not always related to their level of poverty. She also advocated for a predictive, systems approach that will look at the links between fragility, poverty, and vulnerability.

Teller said development assistance organizations would appreciate more research on the reality of situations as they evolve and more program evaluation research on how people respond to poverty reduction or resilience strengthening programs. He said USAID is thinking more in terms of inequities and fragility because poverty is relative.

Brian Greenberg, Winrock International, agreed that fragility is very difficult to pin down, but perhaps a way to recognize it is the allergic reaction that it seems to provoke. One of the first signs is denial by a country that it is fragile, because no country wants to be defined as a fragile state. In terms of improving the state of practice, he suggested that research be linked to practice in order to help the applied community. Many times, the hypotheses informing our programs aren't always justified. At the same time, the evaluation and reporting is notoriously weak. If it were possible to examine program effectiveness or ineffectiveness, it would be very helpful. There has to be a continuing loop, involving dialogue.

Stacia George, USAID Office of Transition Initiatives, asked to bring the discussion to a more practical level. How do we work better between the academic and policy world? There is a lot of interest in hearing what the academic world has to say, but there is a gap that comes from not understanding each other's worlds. There are serious time constraints on the policy community. A lot of the academic presentations were wonderful, but they're not presented in the language that is spoken in the policy world. This brings up the issue of knowing your audience and presenting to that audience.

We need to move ahead with research on the micro level, but in new and different ways.

Researchers should form a tripartite alliance with donors and practitioners.

Michael Laird, OECD, commented that it would be useful for research to show what donors are doing and why they are/are not working, comparing different programs, and so on, so that we have the proof and can conduct programs better. We need to work to increase the capacity of researchers in developing countries to conduct research and identify the research agenda.

Carter believed researchers should form a tripartite alliance with donors and practitioners to do programs in a way that tests the underlying hypotheses. He acknowledged the difficulty of the task given practitioners' time and funding limitations, but added that if we're going to do something to help countries recover from fragility, it will take time because it is a dynamic process. These really are very complicated problems and that will put pressure on the tripartite cooperation.

Brück referred to a market for academic research as the reason for the communication gap between researchers and policymakers. The expectations and incentives of the two are different, he explained. Each has a comparative advantage. What is needed is a go-between to condense the research and communicate with the policymakers. Another issue is the sort of topics and the work that agencies demand. Because knowledge production is a long process, two models of commissioning research dominate: stockpiling and "just in time." Stockpiled research knowledge may not be relevant now, but could be in the future. This is very expensive so the challenge is for donors to identify those people already working in certain fields so that they can buy their research when it is needed.

Killick agreed on the point about language, saying we can also expand our understanding about what the function of research is. What we're trying to do in fragile states is to support and encourage some very fundamental cultural shifts in the way society functions, and change attitudes and behaviors. It's how you do the research as much as what the research is. How can you use the research process to engage people in debate about what to do about the problem? We should expand our understanding about what research is. We need participation and inclusion.

On the issue of how we bridge this gap, **Riddell** added that using a political economy approach to international development assistance programs yields a picture not only of the broader political economy of these countries, but also how interventions fit within a very complex system of informal and formal institutions.

Patti Petesch, World Bank, seconded Carter. She recommended researchers ask policymakers what they want to learn and present the findings in their language. She also noticed that research design doesn't usually fit well with

research topics and sometimes the results aren't always useful in policy development. She then turned to the issue of conflict mediation mechanisms and observed that different cultures have different conflict mediating institutions. The Western model of formal conflict resolution is not the only one and much more work has to be done in this area.

Penh added that policymakers' time constraints don't allow them to read lengthy research reports. They must make quick decisions, sometimes programming huge amounts in a very short timeframe. Thus, the onus is also on donors to engage in dialogue like this, read papers, and attend relevant conferences. The responsibility is on both sides to understand each other.

Brück responded that it seemed to him that it is a bit of a coordination game. He argued that we shouldn't expect the recipient to adjust to the donor. We also shouldn't think of the researcher as someone who should come to the donor and do research. He supported the idea of researchers seeking out the real world and the real world seeking out researchers.

Boudreau reminded the audience that researchers are not the only sources of knowledge and information. Practitioners are also knowledgeable although it may be a different type of knowledge. We need to develop appropriate analytical frameworks to which we can all add value.

Carter referenced the collaborative research support program that he directs, the USAID BASIS project. It is collaborative in that United States and developing country principal investigators work together, and it has a lot of the elements participants identified. They try to do stockpile research as well as short-term research. The other thing they do is try to get their researchers to speak in two-page length briefs and not talk a lot about methodology. He stressed the value of investing in programs that have host country linkages and speak succinctly to policymakers.

Penh closed by thanking the panelists and the audience participants for the rich discussion. She noted the significance of the shared value the participants place on what has been called "evidence-based policymaking." Researchers want to be sure that the policies that decision-makers institute are grounded in good research, and policymakers also want that to happen. Continuing to value evidence-based policymaking is an effort for everyone. She hoped that participants would continue to interact given the extensive need to explore the many unknowns regarding poverty and conflict and the new added complexity of fragility.

What we're trying to do in fragile states is to support and encourage some very fundamental cultural shifts in the way society functions.

CLOSING COMMENTS

 Listen to the closing comments on the accompanying CD-ROM.

Tim Mahoney

*Director, EGAT/
Office of Poverty
Reduction, USAID*

Tim Mahoney suggested that the conference topic is really tomorrow's issue. It has become the challenge in development—looking today at what will eventually become policy and what will be turned into programs. He didn't think the purpose of the conference was to come up with answers but to come up with better questions about how we solve these issues.

Mahoney commented that Andrew Natsios' presentation did an excellent job of describing the rich, complex and uncertain environment that we are trying to address and represented some of the best thinking in terms of what can be done in the early stages of conflict. What has been most important, he said, is the livelihoods framework and the focus on the household level embedded in a local context. One of the most satisfying elements of the last few days for him was the very rich discussion of markets and how they remain important in fragile and post-conflict settings. He also mentioned the discussions about power relations, but said we're still struggling to find a common language. Once we get inside the issue we have a difficult time unpacking it, and it is an important challenge for us.

Mahoney continued by saying that it was an excellent conference not only because it was an important topic, but also because all of those who participated represent different areas. There was diversity in terms of countries of origin, experiences, disciplines and backgrounds, gender, and age.

Acknowledging that there were likely more donors than policymakers in attendance, Mahoney reinforced the message that donor programs are like investment strategies, and hypotheses should underlie those strategies. He allowed that more often strategy is governed by budget, but maintained that researchers could really help donors define terms of reference and scopes of work to help us focus on what we are trying to accomplish.

Mahoney concluded by thanking the participants and attendees, the presenters and the discussants, and those who spent time putting together the excellent agenda.

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