

Helpdesk Research Report: The Impact of Radicalisation/Violent Extremism on Poverty and Development Outcomes

Date: 12.02.2010

Query: Please provide evidence on the impact of radicalisation/violent extremism on poverty, development outcomes, and the lives of poor people and identify any gaps in knowledge.

Enquirer: DFID

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1. Overview

Identifying the impact of violence arising from radicalisation processes and extremism upon poverty and development outcomes is difficult due to the lack of literature which deals with the subject matter specifically. The discussion concerning radicalisation and extremist violence tends to focus on the following areas: 1) Islamic extremism and religious fundamentalism; 2) specific terrorist incidents; 3) the role of poverty as a *driving force* in radical or extremist violence. The literature which discusses the impact of terrorism and Islamic extremist violence upon poverty and development is presented in this report where relevant. However, this report adopts a broader understanding of radicalisation and extremist violence: 'political violence' is a term widely found in the literature and is the concept adopted here in order to offer a more comprehensive assessment of the literature available. It should be noted that the more general literature on the impact of conflict also offers relevant insights, thereby highlighting the importance of not viewing the impact of 'radical' or 'extremist' violence in isolation of the consequences of violence in general.

That violence creates adverse socio-economic effects in conflict settings enjoys a relative consensus. Paul Collier emphasises the 'conflict trap' which civil violence generates by creating conditions from which a society will find it hard to recover socially, politically and economically. Violent conflict has both immediate effects, such as the destruction of infrastructure and loss of life, and long-term effects which act as 'legacies', such as continued lack of investment in public services and a generation of children who have suffered a disrupted education. Displacement of peoples is a consequence of violent conflict which has stark short and long-term effects, destroying social makeup and consigning the next generation to poverty due to a lack of assets and productive capacity.

In economic terms, it is possible to analyse the effects of political violence in two ways: at the macroeconomic level and household level. On the macroeconomic level, violent conflict often leads to a significant drop in a country's GDP (e.g. Somalia between 1989-2002), as well as disrupting foreign direct investment, tourism and national productive capacity (as in the case

of Mozambique). Aid architecture is a further, indirect consideration here due to the potential for development aid funding to be diverted to the security agenda, potentially creating negative development outcomes in the country suffering violent conflict and in other regions.

These factors can be read as implicitly affecting levels of household poverty, the second unit of analysis. Although Bellows and Miguel (2006) argue that in the case of Sierra Leone household consumption increased in the aftermath of the political violence perpetrated by the Revolutionary United Front, in general the literature indicates that household level income and consumption is negatively affected by violent conflict. It should be noted however that Justino (2009) highlights how comprehensive research on the effects of violent conflict at the household level is still lacking in comparison to macroeconomic level data.

The literature reflects a key concern for the impact of violent conflict upon women who, largely as civilians, would appear to carry the burden of many of the negative consequences of armed conflict. This is seen in terms of health outcomes such as maternal and child mortality, increased responsibility as heads of households following the death of male heads, as well as violations of human rights. Relatedly, there is a relative lack of literature which considers the impact of political violence upon the justice system.

2. Socioeconomic effects of violent conflict: general literature

Collier, P., 2003, 'Chapter 1: Civil War as Development in Reverse', in 'Breaking the Conflict Trap: Civil War and Development Policy', World Bank/Oxford University Press, Washington D.C/Oxford, pp13-32

http://books.google.co.uk/books?id=NkzJO_84_x0C&pg=PA53&lpg=PA53&dq=paul+collier+conflict+poverty+violence+trap&source=bl&ots=J1CI6LuYOY&sig=oL46pyrvHCvzlvUs9gJrKV sSfDM&hl=en&ei=GRGaS8qcC4NjAftgem1Ag&sa=X&oi=book_result&ct=result&resnum=5&ved=0CB4Q6AEwBA#v=onepage&q=&f=false

This book focuses on violent civil wars, their causes and consequences. Using the concept of the 'conflict trap' in order to explain how the consequences of civil war form a breeding ground for the outbreak of further violence, the first chapter explains how civil wars cause 'a persisting legacy of poverty and misery' (p20) due to their economic and social costs. Breaking out of the 'conflict trap' should, Collier argues, be a primary objective in development policy despite not being explicitly targeted in the Millennium Development Goals.

Economic costs: when a society in conflict diverts some of its resources from production to destruction it both forfeits the gains which were to be made from the resource, and suffers from the consequences of the destruction it inflicts. Using resources for conflict-related purposes means that public expenditures on social services are likely to decrease. Productive resources are also taken by rebel groups, further compounding a nation's productive capacity (e.g. in Mozambique, where 40% of immobile capital in agriculture, communications and administrative sectors were destroyed). Economic costs further escalate as a result of fear: people flee violent areas, losing assets and encouraging people to invest their assets abroad. Collier argues that after a civil war of seven years duration incomes would be an estimated 15% lower than prior to the war, indicating a 30% increase in the incidence of poverty.

Social costs: The most fatal consequences are fatalities and population displacements, with nearly 90% of contemporary war victims being civilians (Cairns, 1997). Often migration is forced by rebel groups, or occurs due to a fear of recruitment (e.g. Nepal). Internally displaced persons (IDPs) in Afghanistan represent the highest proportion of a national population in the world, with almost 40% of the population living in refugee camps during the 1990s.

Legacy effects: After the cessation of conflict, military expenditure does not resume its pre-war levels but continues at an inflated level, with 17% of a country's GDP being 'lost' to military expenditures in a country's first decade of peace (p21). A second major cost is capital flight, with asset migration continuing. Thirdly, loss of social capital is a significant legacy of conflict, with an escalation in corruption. Politically-speaking, civil war does not seem to have a positive impact on political institutions, but rather leads to 'policy deterioration' rather than improvement (p22). Indeed some evidence (Sambinis, 2000) indicates that post-conflict countries tend to revert to their pre-war political conditions. Collier argues that the occurrence of civil war makes a future civil war more likely due to the difficulties in realising rapid recovery. An increase in mortality rates is the primary social legacy of civil war, with mortality rates often higher after conflict than before in countries such as Liberia, Afghanistan and Iraq (Guha-Sapir and Van Panhuis, 2002). Health is also adversely affected, with shorter life expectancy and a reduction in the efficiency of health budgeting. A rise in the level of HIV/AIDS is another significant legacy of war. Lastly, Collier identifies psychological trauma and the presence of landmines as further consequences which prolong a the destabilised nature of conflict contexts.

Turner, M., Ginifer, J., and Cliffe, L., 2005, 'The Impact of Armed Violence on Poverty and Development', Full report of the Armed Violence and Poverty Initiative, Centre for International Cooperation and Security, University of Bradford
http://www.undp.org/cpr/documents/armed_violence/AVPI_Synthesis_Report.pdf

This synthesis report presents the findings of 13 case studies (Somalia, Southern Sudan, Nairobi, Northern Kenya, Nepal, Sri Lanka, Northeast India, Sierra Leone, Nigeria, Algeria, El Salvador, Brazil, and Chechnya) in which the impact of armed violence upon poverty and development were assessed. Armed violence has almost entirely negative consequences in regard to displacement, educational outcomes, health and agriculture, and impoverished sections of the community. Specifically the report identifies the following:

- Casualties and disabled: Although civilian populations are often the targets of armed violence, it is young male perpetrators who are often more likely to die from armed violence, e.g. in Colombia. The removal of large number of young men from the productive economy has a huge impact at national and household level. The large numbers of female-headed households in places such as Algeria, Southern Sudan and Somalia are significant for poverty levels.
- Displacement: This entails loss of access to services, as well as assets, jobs, households, and land. In Somalia over 50% of the 'food insecure' are internally displaced persons. It is hard for displaced peoples to find employment, and therefore the displacement plays a large role in the intergenerational transmission of poverty.
- Impact on children: Children face particular vulnerabilities as a result of armed violence, such as orphanhood and the breakdown of social services, as well as facing the threat of recruitment as young soldiers. These factors often lead to a disruption to education, and thereby the reduction of a child's capacity to recover from poverty.
- Impact on women: Women suffer from all of the consequences noted above. Specifically, women are affected in the following ways in the event of armed violence: sexual violence; recruitment as combatants; and an expanded economic/household role, which is often transferred onto young girls.

In terms of socioeconomic effects the report highlights the following:

- Macroeconomic effects: Armed violence is thought to be a drain on the economy for a number of reasons. National efforts are placed on military expenditure (e.g. Sudan) or combating criminal violence (e.g. Colombia). Perceptions of armed violence can

- also lead to loss of tourism and investment, as well as leading to the abandonment of productive areas, such as the large farmlands of Benue in Nigeria, which are considered to be the 'food basket' of the country (p24). Consequently, economic growth and household-level consumption falls in such contexts (e.g. Somalia's vast drop in GDP from 1989 to 2002) and unemployment is considerable (e.g. 70% of the population of Sierra Leone in 1999).
- Diminished social expenditure and increase social needs: Where there is armed violence government expenditure in the security sector invariably increases, meaning that less funds are available to maintain sectors such as education, health and housing. Where armed violence is linked to social exclusion, diminishing investments in social services is likely to exacerbate tensions. In all of the case studies the impact of armed violence on the provision of social and public services was 'negative' (p25).
 - Trade, exports and exchange: Loss of trade and access to markets due to armed violence (e.g. Sierra Leone) had a negative impact on people's livelihoods.
 - Loss and depletion of livelihoods: Agricultural assets are often destroyed, stolen or lost in countries such as Sierra Leone, Somalia and Sudan. This has a huge effect on national and household-level productive capacity, leading to food shortages and thereby malnutrition.

3. Impact on poverty

Kohut, A., Doherty, C., Wike, R., 2006, 'The Great Divide: How Westerners and Muslims View Each Other', 13-Nation Pew Global Attitudes Survey, Pew Global Attitudes Project, Washington D.C. <http://pewglobal.org/reports/pdf/253.pdf>

This report, which seeks to explore the deep attitudinal divides between Westerners and Muslims, makes a number of relevant points in regard to how we may view the impact of radicalisation on poverty. For instance, Muslims living in Europe are more likely than Westerners to view little contradiction between Islam and the modern world, and those in Islamic countries say that 'democracy is not just for the West' (p5).

Posing the question of why the Islamic world is lacking in prosperity to respondents of 13 nations, the following percentage of respondents indicated that the principal reason was Islamic fundamentalism: Indonesia (11%); Egypt (14%); Jordan (19%); Pakistan (10%); and Turkey (9%). Western publics are more likely to blame Islamic fundamentalism as the principal reason for the lack of prosperity in Muslim countries (e.g. Germany, 53%). These results suggest that the Western world is more likely to view poverty in Muslim countries as a result of religious radicalism than those from these countries.

Given the prevalent argument that democracy is the best system for promoting both economic growth and poverty reduction, it is interesting to note that achieving a 'liberal [democratic] peace' is made difficult on the back of terrorist activity.

Justino, P., and Verwimp, P., 2006, 'Poverty Dynamics, Violent Conflict and Convergence in Rwanda', HiCN Working Paper 16, Households in Conflict Network, Institute of Development Studies, Brighton
http://www.povertyfrontiers.org/ev_en.php?ID=1609_201&ID2=DO_TOPIC

This paper analyses the impact of the 1994 genocide in Rwanda on household income and poverty dynamics by measuring changes in the poverty profile of Rwandan provinces over a ten year period (1990-2000). The paper's findings indicate that:

- Poverty increased 2.3% in the rural areas. However these increases vary across the country, with poverty in Gikongoro, Cyangugu, and Kibuye decreasing, whilst poverty levels in rural Kigali, Kibungo and Byumba increased.
- Poverty increased for the female headcount in the rural areas.
- Although average income increased over the time period, this increase only benefitted the upper quartile of the population.
- Richer provinces have become poorer, and poorer provinces have become richer. However, all provinces have become more unequal following the political violence in 1994.
- Female headed households remain largely trapped in poverty and 'should be a prime beneficiary of development aid' in these circumstances (p30).
- Losses of capital (house, income, land) lead to decreased incomes per adult equivalent at the household level.

Justino, P., 2009, 'The Impact of Armed Civil Conflict on Household Welfare and Policy Responses', HiCN Working Paper 61, Households in Conflict Network, Institute of Development Studies, Brighton <http://www.hicn.org/papers/wp61.pdf>

Recognising the debate surrounding the term 'armed conflict' this paper presents a framework for analysing the direct and indirect household effects of armed civil conflict. The impact of civil war has been discussed widely (Stewart et al, 2001; Fearon and Laitin, 2003), as have the impact of economic shocks at household level. There is however less comprehensive data on the effect of armed conflict specifically upon household welfare – largely due to the difficulty of obtaining data which goes beyond discussions of either state agency or macro-level analysis.

The paper discusses how conflict shocks are transmitted at household level. Direct effects include changes in household composition due to death, forced displacement and changes in household economic status due to loss of assets. Indirect effects include changes in a household's surrounding institutional environment, such as changes in social networks or the destruction of exchange and employment markets, and effects on political institutions. Further, the paper identifies two additional channels through which armed conflict impacts upon household welfare: a) national economic growth; and b) distributional channels. As for longer-term effects, armed conflict is 'bound' to create forms of destitution from which households will find it impossible to recover from (e.g. Hoeffler and Reynal-Querol, 2003).

Hakapit, H.J.L., Clemente, T.S., and Yunzal, C., 2003, 'Does Violent Conflict Make Chronic Poverty More Likely?', Draft paper to be presented at the conference 'Staying Poor: Chronic Poverty and Development Policy', University of Manchester, 7-9th April 2003.
http://www.chronicpoverty.org/uploads/publication_files/CP_2003_Malapit_Clemente_Yunzal.pdf

This article investigates whether areas which experience intense conflict are more likely to suffer higher rates of poverty. The case study used here is that of Mindanao in Indonesia, an autonomous Islamic region which has seen a high level of radicalised violence. Using education and health outcomes, the Human Development Index (HDI) and Quality of Life Index (QLI) as the principal determinants of whether an area displays chronic poverty, the results of this study indicate that areas experiencing conflict have significantly lower HDI outcomes in comparison to those that do not experience conflict.

Three of the five administrative regions which comprise Mindanao have the highest incidences of chronic poverty in the country. Whereas the question of whether poverty is a driver of conflict in the area is well-researched, further investigation needs to be done to

quantify the hypothesis that civil war worsens poverty over an extended duration of time. Whilst initial links between HDI and the existence of conflict can be made (e.g. Reyes, 2002; Adriano and Adriano, 2002) efforts do need to be taken further. The paper goes on to highlight that more detailed conflict-related data is needed in order to make explicit links between conflict as cause and specific poverty-related consequences.

Bellows, J., Miguel, E., 2006, 'War and Local Institutions in Sierra Leone', Department of Economics, University of Berkeley, California
http://www.sscnet.ucla.edu/polisci/wgape/papers/10_BellowsMiguel.pdf

In contrast to many scholars of economic development who have argued that war is likely to have adverse effects on growth through the destruction of physical and human capital, as well as institutions, this paper argues that the effects of armed rebel conflict in Sierra Leone from 1991-2002 do not follow this pattern. The authors find that three years after the end of the civil war there 'are no lingering impacts of war violence on local socioeconomic conditions' (p3). Based on local household data the report argues that local community mobilisation and collective action are significantly higher in areas which experiences higher levels of violence. This echoes the claims of other observers in Sierra Leone who have asserted that the war generated social and institutional change.

If anything, areas that suffered from greater violence have a slightly higher postwar consumption. More indicative is the data showing community mobilisation: in areas which experience a higher level of violence, attendance at community meetings was found to be higher, as was voter registration. The authors do however identify three caveats: 1) NGO activity as an explanation of living standards; 2) soil fertility on empty land; 3) the effects of displacement.

The results imply that local political mobilisation could lead to greater postwar mobilisation, and thereby greater political accountability and more robust public policy. This relates to the *developmental* impact of armed conflict in the longer term rather than the *humanitarian* costs however.

4. Impacts on women, education and health

Wali, S., Gould, E., and Fitzgerald, P., 1999, 'The Impact of Political Conflict on Women: The Case of Afghanistan', American Journal of Public Health, Vol. 89, No. 10, pp. 1474-1476 <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC1508799/>

This short paper seeks to explain how women in Afghanistan have suffered through political violence, particularly in the wake of the Taliban's assumption of power in 1996. A major consequence of this political change is that women are 'brutally and systematically suppressed' (1475). Specific impacts of the Taliban's violent takeover include:

- Female poverty and unequal access to resources has increased, for instance 62% of women were employed before the Taliban gained power; now only 20% of these women are employed.
- The war has also devastated the lives of children, with UNICEF arguing that a majority of Afghan children are suffering trauma-related stress as a result of the violence they have witnessed.
- Many children are affected by landmines, which kill 10-12 people every day. Women bear the responsibility of looking after children who are left disabled by landmines, making a situation characterised by poverty and malnutrition more severe.
- Health resources assigned to womens' health services have been significantly reduced, with the Taliban actively denying women care in hospitals and clinics. This

has further entrenched Afghanistan's poor maternal and child mortality rates, which in 1995 were among the highest in the world.

- Women's ability to benefit from human development processes is clearly constrained, with little or no ability to uphold their human rights. This is particularly evident in the case of violence against women who do not conform to the Taliban's standard.

Hashmi, T.I., 2004, 'Islamic Resurgence in Bangladesh: Genesis, Dynamics and Implications', in Limayke, S., Malik, M., and Wirsing, R., (eds) 'Religious Radicalism and Security in South Asia', Asia-Pacific Center for Security Studies, Honolulu, pp.34-72

<http://www.apcss.org/Publications/Edited%20Volumes/ReligiousRadicalism/ReligiousRadicalismandSecurityinSouthAsia.pdf>

Islamic movements in Bangladesh are rural-based, agrarian and 'reflect peasant culture and behaviour' (p38). From page 56 onwards the discussion turns from a historical account of Islamic groups in the area to a consideration of women, the rural community and NGOs in the Islamic context. Radicalised Islam during the 1990s sparked a high level of persecution of women in countryside, in the name of 'Islamic justice' (p57). In terms of human rights this obviously alarmed activists and other related parties. These traditional courts (or *salish*) led to a number of deaths. Further, the advancing of microcredit to women by international NGOs led to an anti-Western sentiment amongst Islamists. *Mullah* groups are perceived by NGOs as fundamentalist, anti-women and anti-liberation (p58). In this way, the impact of radicalisation upon poverty can be seen to affect women at household level, for it constrains their access to economic opportunity, as well as polarising society at community level.

Yach, D., 1988, 'The Impact of Political Violence on Health and Health Services in Cape Town, South Africa, 1986: Methodological Problems and Preliminary Results', American Journal of Public Health, Vol. 78, No. 7, pp. 772-776

<http://ajph.aphapublications.org/cgi/reprint/78/7/772.pdf>

Cape Town's upsurge in political violence in 1986 had a profound effect on health services in the area. Using a survey of 1,540 randomly-selected households this study offers the following findings:

- Political violence caused huge disruptions to basic services in high-impact areas (water, sanitation, lighting, and transport);
- High-impact areas had three times higher rates of gunshot wounds than low-impact areas;
- The ability of nurses to offer normal services during the months of political violence were constrained due to transportation problems and the threat of violence, with preventative clinics, post-natal hospitals and sexually transmitted disease clinics having their services severely disrupted;
- High numbers of ambulance service disruptions were recorded in high-impact areas;
- This data does not take into account the 60, 000 displaced however.

World Bank Conflict Prevention and Reconstruction Unit, 2003, 'The Economic and Social Costs of Armed Conflict in El Salvador', Dissemination Notes No. 3, Social Development Department, World Bank, Washington D.C.

http://www.wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2003/03/29/000094946_03031804015730/Rendered/PDF/multi0page.pdf

This brief estimates that the impact of the civil war in El Salvador (1979-91) has been felt in terms of national economic growth, higher instances of poverty and worsened social

indicators. If the conflict had been avoided income per capita would be almost double what it was in 2000, the poverty rate 15 percentage points lower, and the nation further on the way to achieving the Millennium Development Goals. Health indicators in particular were affected: high child malnutrition levels can largely be attributed to the effects of the conflict. The World Bank also estimates that in the absence of conflict secondary and tertiary education enrolments would have been 6 and 10 percentage points higher.

O'Malley, B., 2007, 'Education Under Attack', UNESCO, Paris.

<http://unesdoc.unesco.org/images/0015/001505/150548e.pdf>

This study reports on targeted political and military violence against education staff, students, teachers, union and government officials and educational institutions and reports on the impact this has had in the education sector of countries where there is a high level of violence. Examples of damage to the education sector include Afghanistan, Colombia, Iraq, Thailand, Nepal and Myanmar, where in these worse-affected countries the result are described as devastating. Iraq has suffered the most in terms of education provision, with only 30% of Iraq's 3.5 million students attending classes, with 3000 academics having fled the country. Overall, 40% of the world's 77 million children who are not attending school are found in conflict or post-conflict countries. Reduced education for children in these contexts has an adverse effect on the ability of a country to re-stabilise and ultimately recover from the impact of previous political violence.

Akresh, R., and de Walque, D., 2008, 'Armed Conflict and Schooling: Evidence from the 1994 Rwandan Genocide', Discussion Paper No. 3516, Institute for the Study of Labor, Bonn <http://ftp.iza.org/dp3516.pdf>

This report details the findings of two cross-sectional household surveys conducted in (2000; 1996) which have been combined to assess the impact of Rwanda's 1994 genocide on children's schooling. The findings indicate a strong negative impact upon schooling, with children exposed to violence completing one-half year less education representing an 18.3% decline. The armed violence had immediate negative economic impacts, with GDP falling by almost half (although it had returned to pre-war level by 1996).

In addition to completing one half-year less than children not exposed to violence, children who experienced the genocide were also 15 percentage points less likely to complete grades three of four. Based on the existing literature detailing the consequences of lessened educational opportunities, this paper argues that the adverse effects of the genocide upon children's schooling will have a long-run welfare impact. The authors argue that the crucial task for policymakers is in understanding the specific mechanisms through which the genocide had such an impact on children's schooling. They suggest a number of mechanisms:

- the genocide killed a disproportionate number of 'educated' individuals (p18);
- orphanhood was the underlying reason for a raise in drop-out rates and lower educational attainment;
- households were made poorer due to the conflict and this had an impact on access to education; and
- the genocide functioned to destroy educational infrastructure.

5. Political impact

Croissant, A., 2007, 'Muslim Insurgency, Political Violence and Democracy in Thailand', *Terrorism and Political Violence*, Vol. 19, No. 1, pp.1-18

<http://www.informaworld.com/smpp/1920595728566787/content~db=all~content=a770745124>

The ethnic insurgency in Thailand's southeastern provinces has widespread political consequences, which this article discusses. The Muslim-Malay extremist insurgency, and corresponding counter-insurgency, effectively erodes liberal democracy in the country by undermining human rights, deepening Thailand's socio-political divide and ultimately contributing to the emergence of a one-party state. Terrorism in 'young, not yet firmly consolidated democracies can be pivotal in undermining the political regime by aggravating strains and weakening fault lines' (p12). The actions of insurgents have functioned to polarise radicals on both sides of the political spectrum and 'forced' a government overreaction in the form of heavy counter-insurgency. Thai security forces who have been deployed in the South intimidate citizens and add to a gradual political militancy. Croissant warns that the government's 'heavy-handed' tactics serve to exclude other social and political forces from decision making and legitimising the President's personal power.

6. Impact on economic growth and aid

Bodea, C., Elbadawi, A., 2008, 'Political Violence and Economic Growth', *Policy Research Working Paper 4692*, World Bank, Washington D.C.

http://www.wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2008/08/14/000158349_20080814083949/Rendered/PDF/WPS4692.pdf

This paper analyses the economic growth impact of organized political violence. First, the authors articulate the theoretical underpinnings of the growth impact of political violence in a popular model of growth under uncertainty. The authors show that, under plausible assumptions regarding attitudes toward risk, the effects of organised political violence are likely to be much higher than the effect of direct capital destruction. Second, using a quantitative model of violence that distinguishes between three levels of political violence (riots, coups, and civil war), the authors use predicted probabilities of aggregate violence and its three manifestations to identify their growth effects in an encompassing growth model. Panel regressions suggest that organised political violence (particularly civil war) significantly lowers long-term economic growth.

Moreover, unlike most previous studies, the authors also find ethnic fractionalisation to have a negative and direct effect on growth. The results show that Sub-Saharan Africa has suffered disproportionately from civil war, which explains a substantial share of its economic decline, including the widening income gap relative to East Asia. Civil wars have also been costly for Sub-Saharan Africa, such as in Sudan, where the cost of war amounts to \$46 billion (in 2000 fixed prices), which is roughly double the country's current stock of external debt. Using Collier's 'conflict trap' concept the authors suggest that to break free from its conflict-underdevelopment trap, Africa needs to better manage its ethnic diversity.

Frey, B., Luechinger, S., and Stutzer, A., 2004, 'Calculating Tragedy: Assessing the Costs of Terrorism', *CESIFO Working Paper No. 1341*, *IEW Working Paper No. 205*

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=599742

Terrorism is not restricted to Islamic militias and despite its confluence with post-9/11 discussions, acts of terrorism occurred throughout the twentieth century. Terrorism is directly

associated with the loss of human life and destruction of economic and social capital. Further, counter-terrorist responses can also generate greater socioeconomic effects. This paper proceeds on the basis that the impact of terrorism can be measured empirically, analysed here in terms of the impact of terrorism on:

- Tourism, e.g. the 2002 bombing of a tourist disco in Bali
- Direct foreign investment, e.g. an estimated reduction of 11.9% in Greece following the activities of two major terrorist organisations
- Savings, consumptions, and investments, e.g. Fielding (2003) on the impact of political tensions and instability upon consumption in Israel
- Stock markets
- Foreign trade
- Urbanisation, where despite the threat of terrorism having raised transport costs there is little to suggest that terrorism has a negative effect on the urban economy.
- Overall economic development, which is thought to affect developing country growth more than developed countries. The relation between national economic growth and terrorism would seem to be reliant on 'country fixed factors' (p18).

Clearly, the focus of this paper is upon the direct economic impact of terrorist violence. However the authors are aware that the overall effects of terrorism are likely to well exceed the economic consequences. Quantifying these effects requires a different approach however. In response to the difficulties faced in estimating the utility losses from terrorism the authors propose a new approach to measure the impact of terrorism, focusing upon life satisfaction or subjective well-being. It is estimated that, on the basis of result gathered in Northern Ireland, that terrorism leads to a 'considerable reduction in life satisfaction' (p25). The task is to distinguish indirect and direct consequences of terrorist acts.

Sandler, T., and Enders, W., 2009, 'Chapter 1: Economic Consequences of Terrorism in Developed and Developing Countries', in Keefer, P., and Loayza, N., (eds) 'Terrorism, Economic Development and Political Openness', Cambridge University Press, Cambridge.

http://books.google.co.uk/books?id=tzQobMXnNAC&dq=impact+of+terrorism+on+poverty&printsec=frontcover&source=in&hl=en&ei=7NUS5fFGuCrjAfUs4z0DQ&sa=X&oi=book_result&ct=result&resnum=11&ved=0CDYQ6AEwCg#v=onepage&q=impact%20of%20terrorism%20on%20poverty&f=false

The economic costs of the 9/11 terrorist attacks have been calculated at \$80-\$90 billion dollars. Terrorist activities can have a number of consequences upon economic growth, such as a reduction in foreign direct investment (FDI) and trade, the destruction of infrastructure, and the redirection of public funds to the security sector. Terrorism may lead to a 'spill over' economic effects in neighbouring countries, or directly affect a particular sector (e.g. air travel). When a small developing country's economy is tied to relatively few sectors, this effects of a terrorist attack on this sector (and thereby the whole economy) are clear.

The literature on the costs of conflict and violence is vast (e.g. Collier, 1999; Collier and Hoeffler, 2004). Costs of terrorism can be direct (e.g. loss of property) or indirect (e.g. higher insurance premiums). The authors use a different approach however, measuring the economic costs of macroeconomic and microeconomic variables. Developed countries such as the US are able to withstand the effects of terrorism better than developing countries and small economies (e.g. Colombia and the Basque region of Spain). For these latter countries terrorism can curb GDP and reduce the rate of development (p26). For instance, although African countries display the least amount of terrorism in an average year (Enders and Sadler, 2006) they experience a greater economic impact. This suggests that less-diversified economies are more vulnerable in the aftermath of a terrorist attack than diversified economies.

Cosgrave, J., 2004, 'The Impact of the War on Terror on Aid Flows', Action Aid, London
http://www.actionaid.org/docs/terror_aid.pdf

The global War on Terror has had a significant impact on the nature of aid: aid has now been securitised, with foreign policy rather than humanitarian goals determining aid allocations. Aid budgets may be increasing, but the extra funds are being channelled into security budgets, with the US likely to spend as much as 8 times as much on the war on terror than on overseas development assistance. Further, assistance is being diverted from existing programmes in order to fund programmes in Afghanistan and Iraq – deemed a case of 'robbing Peter to pay Paul' by the author (p10). Cosgrave argues that this state of affairs may lead to the Millennium Development Goals being subordinated to security aims.

This paper implies the following considerations relevant to this discussion:

- What impact does aid to arguably 'radicalised' countries such as Afghanistan and Iraq, as well as Pakistan, have on poverty and development outcomes?
- Is the securitisation of aid a positive step in achieving development aims (e.g. the Millennium Development Goals)?
- What effect does 'robbing Peter to pay Paul' have on global development (e.g. in Sub-Saharan Africa)?

7. Additional information

Author

This query response was prepared by Emma Broadbent: emma@gsdrc.org

Contributors

Karin von Hippel, Senior Fellow, Center for Strategic and International Studies

Sarah Ladbury, Independent Consultant

Professor Jude Howell, Director, Non-Governmental Public Action Research Programme, London School of Economics

Dr. Peter Neumann, Director, International Centre for the Study of Radicalisation and Political Violence

Professor Anatol Lieven, Department of War Studies, Kings College London

Alex Krueger, Professor of Economics, Princeton University

Websites visited

Small Arms Survey, Centre for International Cooperation and Security, Centre for the Study of Radicalisation and Contemporary Political Violence, Brookings Institution, RAND, Islam Watch, IGAD Capacity Building Programme Against Terrorism, Save the Children, Israel Palestine Centre for Research and Information, International Centre for the Study of Radicalisation and Political Violence, Center for Economic Policy Research, Center for Strategic and International Studies, University of Princeton, World Bank, GSDRC, CRISE, Brooks World Poverty Institute, Research 4 Development, Chronic Poverty Research Centre, The Poverty Site, Europa, Oxfam, MICROCON, JStor, Eldis, Institute of Development Studies, OECD, UNIFEM, UNICEF, UNDP, International Poverty Centre, UNU-WIDER, South Asia Analysis Group, FRIDE, Mercy Corps, UNRISD, Google Scholar, Kings College London War Studies Department, UNESCO, Institute for Security Studies, various journals.

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