Throughout history, agreement between powerful leaders has been the most common strategy to prevent large-scale violence. This type of agreement, which we call an “elite pact,” does impose security for periods, but violence generally recurs. The immediate cause of the violence varies greatly by country, with many countries experiencing a combination of security, economic, and political stresses. These stresses may be internal (including low income or high inequality between groups) or they may be external (including global economic shocks, international drug trafficking, or the infiltration of foreign forces). This Report argues that in these environments, institutions and governance serve as an “immune system” and defense against stresses. When these stresses occur in societies with weak institutions and governance, violence often occurs. Reform is often difficult or impossible where violence is present. As a result, countries that fail to build legitimate institutions risk entering a vicious cycle of repeated violence and weak institutions. This chapter spells out what we know about this vicious cycle and why some countries are more vulnerable to violence than others.
Multiple stresses raise the risks of violence

Economic, political, and security factors can all exacerbate the risks of violence. Some of these factors are domestic, such as low incomes, high unemployment, and inequality of different sorts. Some factors may originate outside the state, such as external economic shocks or the infiltration of international drug cartels or foreign fighters. This Report refers to these triggers of violence as “security, economic, and justice stresses” (see table 2.1). Often related, they rarely exist in isolation.

This Report summarizes what is known about the factors associated with organized violence and development. It draws on research from a variety of fields, particularly research on the risk of civil war, largely because it is further advanced than research on violent organized crime, trafficking, gang activity, or terrorism (box 2.1).

Our approach is multidisciplinary and draws on both quantitative and qualitative evidence. Box 2.1 reviews the literature from various disciplines on causes of conflict. Often this debate has been characterized as “greed versus grievance.” This chapter describes how the stresses in table 2.1 can precipitate organized violence through a vicious cycle of vulnerability to violence. Later, in chapter 3, the framework demonstrates how countries can build institutions that are resilient to these stresses to prevent organized violence, moving the discussion beyond the base causes of “greed and grievance” and showing how justice and jobs can work together to promote confidence and help to deliver citizen security.

Where possible, quantitative and econometric work has been used to assess the importance of the stress factors listed, but there are data constraints. Data on civil wars at the national level are fairly comprehensive, but data on extreme criminal violence, normally measured by homicides, are incomplete for many developing countries, let alone parts of these countries. Cross-country data are fairly good for economic factors, such as incomes and growth rates, but the comparability of data on unemployment is poor. Data are reasonably reliable for income inequality within countries, but less so for inequality among geographical areas and among ethnic or religious groups, and for political exclusion or injustice. Therefore, new survey data, country case studies, and country consultations complement the analysis here.

Security stresses

Internal security stresses can arise when particular elites or groups feel threatened—
often as a result of past oppression—and organize to defend themselves. In interstate war, a preemptive move based on perceptions of the other state’s intentions is called a “security dilemma.” If one state believes another is preparing to attack, it may decide to strike first to give itself a decisive advantage. Understood as a trigger for war from the time of the Greeks, preemption featured strongly in Cold War strategic thinking and follows from the realist approaches to international relations, though opinions are mixed about its validity under international law. In the late 1990s, researchers asked whether security dilemmas were causing civil wars as well. If one group believes that another clan, ethnic, or religious group is preparing to attack, it may choose to make the first move. How often this occurs is debatable, but this risk is now accepted.

Manipulating fears of oppression has been a factor causing civil conflicts as distinct as the Rwandese genocide and the Balkan wars of the 1990s. And it can be an obstacle to ending violence—onece conflicts break out, perceptions of the enemy harden and societies tend to portray their opponents in distorted and fearsome terms. Security dilemmas and defensive arming are also prevalent among criminal groups. The illicit nature of drug markets means that traffickers often resort to violence to settle disputes both within and between trafficking organizations, since they do not have access to the formal legal system to adjudicate disputes and constrain the misuse of group funds or property. For these groups, violence becomes the first recourse for enforcing contracts.

External threats to security can heighten internal pressures. Many states face pressure or incursions from outside state and nonstate actors. That external actors could at any time intervene in a country makes it particularly difficult for internal actors to make credible commitments with each other—as in the “internationalized” civil conflicts in Afghanistan or the Democratic Republic of Congo. International trafficking networks can also place heavy pressures on local institutions (see box 2.2). Outside resources and armed intervention may tip the scales in favor of one actor, allowing it to renge on agreements with other actors. This can come in the form of attacks from “safe havens” in

### Table 2.1 Security, economic, and political stresses

This table is not exhaustive, but reflects major factors identified in the academic literature and raised in WDR consultations on the causes of violence. The complex relationship between factors that can trigger violence and the onset of violence is similar to the relationship between health threats and risk factors at individual, relationship, community, and societal levels found in the public health/ecological framework developed by the World Health Organization.

<table>
<thead>
<tr>
<th>Stresses</th>
<th>Internal</th>
<th>External</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security</td>
<td>• Legacies of violence and trauma</td>
<td>• Invasion, occupation • External support for domestic rebels • Cross-border conflict spillovers • Transnational terrorism • International criminal networks</td>
</tr>
<tr>
<td>Economic</td>
<td>• Low income levels, low opportunity cost of rebellion • Youth unemployment • Natural resource wealth • Severe corruption • Rapid urbanization</td>
<td>• Price shocks • Climate change</td>
</tr>
<tr>
<td>Justice</td>
<td>• Ethnic, religious, or regional competition • Real or perceived discrimination • Human rights abuses</td>
<td>• Perceived global inequity and injustice in the treatment of ethnic or religious groups</td>
</tr>
</tbody>
</table>

Source: Compiled by the WDR team from the literature cited in box 2.1 and from WDR team consultations.
Vulnerability to violence

Violent conflict has been the subject of large and long-standing literatures in many academic disciplines, and this report draws from many strands of that literature.

Rapid change and rising expectations
One common perspective has been the importance of drivers such as rapid economic and social change. Drawing on research by psychologists and sociologists, Gurr argued that social and political conflict arises when groups experience feelings of “relative deprivation” and the frustration of expectations for deserved or anticipated economic or social status. Huntington agreed that economic modernization raises expectations and mobilizes members of traditional societies toward national politics, contending that conflict occurs when political institutions lack the capacity to accommodate and manage rapidly rising demands.

Failing to credibly agree to abstain from violence
Many economists and political scientists see violence as originating from “commitment problems”—situations where organized groups have opposing interests but cannot credibly agree to abstain from violence for a variety of reasons. The focus in these theories is on the difficulty of groups or individuals in some settings to commit themselves to not using force when it would be advantageous to do so. This thinking can be traced back as far as Hobbes, who contended that violent civil conflict is a consequence of low state capacity to deter challengers and manage conflict among groups in society. Recent theories on opportunistic arming and consequent violence can be found in Hirshleifer, Skaperdas, Grossman, and Fearon. Becker developed a rational actor model of crime. Thinking on the “security dilemma”—that arming for defense can also be used to attack, leading to violence—can be traced to Schelling, Posen, Snyder and Jervis, and de Figueiredo and Weingast.

Greed or grievance
These contending theories have led to debates over the relative importance of normative and economic motives for violence, which has recently led to debates on whether economic incentives or broader social and political motives drive societies to violence. This question was formulated as “Greed and Grievance” by Collier and Hoeffler, who suggested that primary commodities, diasporas, low earnings, human capital, and dispersed populations were positively correlated to the outbreak of civil conflict, suggesting support for the “greed” hypothesis. Further exploration, review and critique of these issues can be found in Nathan and Sambanis, as well as Satyanath, Miguel, and Sergenti and Blattman and Miguel.

Horizontal inequality and identity
Significant contributions to this debate include recent theories of polarization and horizontal inequality and analysis of violence based solely on identity, such as nationalism and ethnicity. Theories of horizontal inequality as developed by Stewart, and polarization proposed by Esteban and Ray argue that inequality alone does not predict civil war—violence may be driven by relationships between inequality and identity that contribute to the onset of civil violence. In addition, national or ethnic identity may lead to a violent response to oppression or marginalization and need not include any equity concerns, but may be motivated instead by a disposition for self-government.

Ethnic divides and commitment problems
Bridging the arguments on grievance and rational choice motives for conflict, Fearon contends that ethnic polarization is most likely to precipitate conflict when ethnic groups cannot make credible commitments to abstain from violence. This is consistent with the philosophy in this Report: both political and economic dynamics are often at play, and neither greed nor grievance alone is sufficient to explain the incidence of violence.

Avenues for peaceful contests
The question remains: why do some societies avoid violence when others do not? To answer this question, we build on the hypotheses put forward by North, Wallis, and Weingast, who focus on impersonal institutions with open access to political and economic opportunities, creating avenues for peaceful and credible contestation. Besley and Peresson contend that investments in legal systems and state capacity can reduce the incidence of violence. Keefer argues that violence occurs when societies cannot collectively punish leaders who engage in predatory behavior or collectively build a capable counterinsurgency force, suggesting that institutionalized political parties serve as a bulwark against conflict by resolving these problems of collective action and credibility. Recent empirical quantitative evidence supports these hypotheses—Goldstone and others find that the quality of political institutions is an order of magnitude more important than other factors in determining risks of political crises and civil wars, while Brückner and Ciccone suggest that institutions are necessary to accommodate shocks in prices to avoid violence. More work is needed to confirm these findings thus to better understand the channels through which institutions contribute to resilience to violence.
Institutions matter in preventing violence

This chapter draws on existing research on the risk factors of violence across the political science, social science, and economic disciplines and extends understanding of violent conflict in two ways:

- It presents the risk factors associated with violence, organized into security, economic, and political factors. This adds to existing work on drivers of conflict, with an emphasis on the role of external stresses—those outside a country’s control. Examples are international organized crime and trafficking, infiltration of foreign fighters, and economic shocks.

- It then presents empirical findings that support arguments by theorists (such as North, Wallis, and Weingast) that institutions matter for violence prevention. It concludes by hypothesizing why and how the failure to develop legitimate, capable, and accountable institutions causes repeated cycles of violence.


The stress posed by transnational organized crime and drug trafficking

Jorge Montaño, Member, International Narcotics Control Board; former Ambassador of Mexico to the United States; WDR Advisory Council Member

The diversification and sophistication that characterizes the challenge of transnational organized crime demands coordinated global action. Drug and human trafficking, money laundering, illegal exploitation of natural resources and wildlife, counterfeiting and violations of intellectual property rights are lucrative criminal activities which facilitate the penetration by organized crime of the already vulnerable sociopolitical, judicial, and security structures in developing countries.

In Central America, for example, several countries that regained political stability two decades ago are now facing the decay of the state, whose institutions lack the strength to face this onslaught. Transnational organized crime has converted some Caribbean countries into corridors for the movement of illegal drugs and persons to Europe and North America. Bolivia, Colombia, and Peru continue to be the main global cocaine producers, while Mexico is presently facing an unprecedented wave of violence given its border with the largest immigrant, drug consumption, and arms producing market. West Africa has become the newest passegeway for drugs coming from South America destined for Europe. Several African countries suffer the illegal exploitation of their natural resources, while Asia is a hub for tons of opiates originating from Afghanistan. It is evident that there is a lack of a coordinated multilateral strategy against a phenomenon that cannot be dealt with in a fragmented way.

In industrialized countries, organized crime syndicates operate with minimal use of violence, thus assuring that the heavy hand of the law does not interfere in their activities, both in the banking system as well as satisfying the insatiable market for illegal drugs. In developing countries, on the other hand, organized criminal groups take advantage of apparent impunity to acquire access to a limitless supply of arms, with which they destabilize national and local institutions.

The unprecedented progression of organized crime could spell the collapse of many weak states as their institutions fall prey to the associated violence. The precarious economic development observed in many regions of the world provides a stimulus for consolidating these illegal activities, which will continue to thrive as a consequence of the impunity they encounter in developing countries.
Vulnerability to violence

**Box 2.3 Spillover of conflicts in Central Africa**

The countries of Central Africa have been engaged for decades in a variety of conflicts that often spill across borders. The maps here show the locations of major conflict events involving rebel groups that operate across borders for two periods: 1997 to 2000 and 2006 to 2009. Each colored circle indicates a geospatial information system-coded conflict event involving groups originating from a given country, identified in the legend (usually a battle, though establishing a headquarters and recruitment campaigns are also included). Many conflict events involve groups active across borders.

Highlighting the spillover of conflict across borders in Burundi, the Democratic Republic of Congo, Rwanda, Sudan, and Uganda, and increasingly in the later period, in the Central African Republic and Chad, these maps show how violent groups can disperse and commingle in areas of weak governance. These groups make common cause when it suits them to do so and shift their bases of operations to conform to local political opportunities. Much of their *raison d’être* has become profit, plunder, or simple subsistence, with political goals at times stronger, at times weaker. Such groups as the Lord’s Resistance Army no longer have a strong domestic base, so they continue moving opportunistically among areas of instability.

**MAP A** Cross-border political violence spreads across Central Africa

*Violence is not easily contained. The colored circles represent conflict events by those militant and rebel groups that are active across borders. Recent violence has spilled across many borders in Central Africa, most notably those of the Central African Republic, Chad, the Democratic Republic of Congo, and Sudan.*

b. October 2006–December 2009

Source: Raleigh and others 2010; Raleigh 2010.
Economic stresses

Low incomes reduce the opportunity cost of engaging in violence. From an economic perspective, it is important to understand the cost-benefit calculus for decisions by those who become involved in violence, as the literature on criminal motives has traditionally highlighted. Much recent research on civil war has focused on economic motives, with rebellion perceived to offer economic rents to rebel leaders and a viable living to followers who have no other source of livelihood. Capturing this perspective, the leader of the Sudan People’s Liberation Movement, John Garang, said, “Under these circumstances the marginal cost of rebellion in the South became very small, zero, or negative; that is, in the South it pays to rebel.” In a low-income environment the opportunity costs of engaging in violence may be small.

Slow-developing low-income economies largely dependent on natural resources are 10 times more likely than others to experience civil war. Reviewing these results for this Report, Fearon again finds a strong relationship between income and the risk of civil conflict. Of course, low per capita income is also highly correlated with low institutional capabilities, as evidenced by the Worldwide Governance Indicators and International Country Risk Guide indicators. More recent work by Keefer and by Fearon for this Report indicates that the income links with violence may be the joint product of other underlying factors. Thus, countries have political and institutional characteristics that determine both their capability to address violence and the level of governance necessary for economic growth.

High unemployment, particularly youth unemployment, appears to increase the risk of violence. The World Development Report 2007: Development and the Next Generation points to how young people’s initial failures in finding a job can lead to persistent joblessness, a loss of interest in further schooling, delayed family formation, mental distress, and “negative manifestations of citizenship.” Findings from the Voices of the Poor Project affirm
this: presence of unemployed and frustrated young men in post-conflict situations is often linked to higher levels of violence, substance abuse, and gang activities. In surveys for this Report in areas affected by violence, unemployment and idleness was cited as the most important factor motivating young people to join rebel movements. The issue was also raised as important in every WDR consultation: Liberia’s President Ellen Johnson Sirleaf summarizes, “[Without] jobs for our very young population, we run the risk of having their vulnerabilities exposed and the risk of them once again being recruited into conflict, undermining all the progress we have made.” But econometric work has consistently failed to find any correlation between unemployment and violence, perhaps because data are poor or because the link is indirect rather than direct (box 2.5).

Exploitative employment is also a risk factor in violence. The relationship between unemployment and violence often involves social identity and exclusion. Several qualitative studies on Latin America and African gangs and rebel movement recruitment point to links between employment, respect, and identity (box 2.5). This mirrors a larger literature on unemployment and domestic violence, showing how power relations and perceptions of “dignity” can be more important than simple pecuniary motives as drivers of violence. This is consistent with employment being more than a purely financial transaction. It is also a social interaction carrying aspects of personal status and expectations of how one should be treated. In other words, the nature of work relationships on offer matters a great deal. As with the causes of rebel movements, unemployment and a sense of low status also emerge as risk factors for recruitment into gangs (box 2.6).

Research has found a strong relationship between income inequality and criminal violence, measured by homicide rates. Many scholars have investigated whether income inequality and civil war are related and found no statistically significant relationship. However, there is evidence that horizontal inequalities (between regional, ethnic, or reli-

**Box 2.5 Does unemployment cause violence? Arguments for and against**

The proposition that unemployment can lead to involvement in violence is often traced to Becker, who applied an “economic calculus” to criminology, with the aim of improving policies toward crime. In such an opportunity-cost argument, scholars like Cincotta, Engelman, and Anastasion and Grossman consider unemployment a cause of violence and conflict. Urdal argues that the risk of violent conflict can be correlated with a high population proportion of young adults and poor economic performance.

More recently, simplistic cost-benefit approaches have been questioned by Berman and others on the motives of groups claiming ideological inspiration:

Most aid spending by governments seeking to rebuild social and political order is based on an opportunity-cost theory of distracting potential recruits. The logic is that gainfully employed young men are less likely to participate in political violence, implying a positive correlation between unemployment and violence in places with active insurgencies. We test that prediction on insurgencies in Iraq and the Philippines, using survey data on unemployment and two newly available measures of insurgency: attacks against government and allied forces and violence that kills civilians. Contrary to the opportunity-cost theory, we find a robust negative correlation between unemployment and attacks against government and allied forces and no significant relationship between unemployment and the rate of insurgent attacks that kill civilians.

Other research suggests that unemployment and violence may be related through respect, social justice, and social identity dynamics rather than pure cost-benefit motives. Contemporary case studies emphasize how employment, identity, and perceptions of social justice are intertwined. Padilla’s work on Puerto Rican drug gangs in Chicago stresses the insecure and demeaning nature of legal work opportunities compared with gang membership—which offered not only income but social respect and a sense of belonging. Similar motives are echoed by those joining gangs in Guatemala, who “did so because they were searching for the support, trust, and cohesion—social capital—that they maintained their families did not provide, as well as because of the lack of opportunities in the local context.”

Evidence on recruitment into the FARC (Revolutionary Armed Forces of Colombia) suggests that many recruits, employed before joining, were motivated by status and the excitement of the rebel life in comparison with the drudgery of agricultural wage labor. Gutiérrez Sanín quotes a rancher kidnapped by the FARC: “The guerrilleros say: we, work with a machete? Never! Then they say: Peasants speak with us because of this. And they kiss their weapon! And they say that women love arms [sic]: the police, the army, the guerrilla.” Ethnographic work on militias in rural Sierra Leone and insurgents in El Salvador suggests that oppressive work relations can be a key motive for rebellion.

Another understudied element of these dynamics is the time necessary for such interventions to be effective. A WDR study in southern China tests how long it takes migrant workers to develop social networks, finding that broad social networks are developed only after five years of secure employment.

Further research is needed to test the links between unemployment, idleness, the temporal effects of unemployment, the differing forms of employment, and recruitment into violence.

BOX 2.6 Do similar economic factors create risks for political conflict and extreme levels of violent organized crime?

The most reliable indicator to compare violence across countries is the homicide rate, which has risen markedly in Latin American and Caribbean countries since the early 1990s—from 12.6 homicides per 100,000 inhabitants to almost 20 homicides in recent years. Analysis of global data confirms earlier work by Loayza, Fajnzylber, and Lederman on homicide rates in Latin America, revealing that:

- Institutional capacity and accountability is associated with lower risks of civil war and homicide rates.
- Higher country GDP, like civil wars, is associated with lower homicide rates, even comparing periods within countries.
- Democratic collapses, as with civil wars, are associated with increasing homicides.
- Oil production, associated with civil war risk, does not predict higher homicide rates.
- Countries with higher income inequality tend to have more homicides, a pattern that holds when comparing countries in the same region. These findings are the principal factor that distinguishes criminal violence from civil wars, which are not found to be correlated with income inequality, but exhibit some relation to horizontal inequalities across ethnicity or other identity groups.

In qualitative studies, unemployment and idleness also feature as risk factors that spur recruitment into both rebel movements and gangs. Surveys showed remarkably similar perceptions about motives for participation in gangs and in rebel movements (see figure). In both cases, unemployment and idleness were cited as the primary reasons for young people to join gangs or rebel movements, reinforcing the links between social inequality and violence.

Rebel movements and gangs attract people with similar motives

Surveys found that the main motivations young people cited for becoming rebels or gang members are very similar—unemployment, idleness, respect, and self-protection, all well ahead of revenge, injustice, or belief in the cause.

![Graph showing percentages of respondents by reasons for joining rebel or gang participation](image)

Sources: Fearon 2010b; Baás, Tiltines, and Flate 2010; Neumayer 2003; Loayza, Fajnzylber, and Lederman 2002a, 2002b; Messner, Raffalovich, and Shrock 2002; WDR team calculations.

Notes: Figure shows aggregates of the most common responses for the questions, “What is the main reason why young people join rebel groups?” and “What is the main reason why young people join gangs?” for surveys conducted in Colombia; the Democratic Republic of Congo; Côte d’Ivoire; Gaza; Mali; Sierra Leone; and West Bank. Survey methodology described in Baás, Tiltines, and Flate 2010.
Countries with significant natural resource wealth may face armed attempts to capture the benefits. Because control of the state or specific areas is needed to benefit from revenues from the sale of oil, timber, or minerals, countries with significant natural wealth are particularly vulnerable to conflict. This is demonstrated by the prolonged struggles between rival militias in the Democratic Republic of Congo, from the civil war period of the 1990s to present-day rebel “taxation” of artisanal mining of coltan, tin, and gold deposits in the eastern part of the country. Subnational contests over resources are important in country cases, although cross-country data are not available. Once again, the key is the cost-benefit calculus associated with engaging in trafficking and the violence that can accompany it. In addition, leaders of countries with significant natural resources may be reluctant to invest in the institutions to mediate or suppress violence, since these same institutions can challenge their regime and reduce their share of the rents. For example, a strong military in a country with weak civilian oversight is associated with the capture of natural resource rents by military leaders.

Economic shocks can also arise from factors beyond the control of the state—and food and energy price shocks can increase the risk of conflict. Work on rainfall shocks in Sub-Saharan Africa concludes that civil conflict is more likely to occur following years of poor rainfall. Using rainfall variation as a proxy for income shocks in 41 African countries between 1981 and 1999, Satyanath, Miguel, and Sergenti found that a 5 percent decline in economic growth increased the likelihood of conflict by half in the following year. A majority of fragile states are food importers—and average household expenditure on food is higher in fragile developing countries (57.5 percent) than in other developing countries (49.4 percent). Sharp food price increases, in particular, have a long association with urban instability. But there is less risk of violence where institutions protect exporters and consumers against these economic shocks.

Economic factors are important—but do not tell the full story. Many developing countries face multiple economic challenges, with low or stagnant growth, high exposure to global commodity price trends, and rapid population growth. Potent as these factors are, explanations for conflict based purely on economic motives are inadequate—to avoid violence, societies must do more than just create growth. The attention in recent years to quantitative correlations between economic factors and conflict has led some to argue that economics is all that counts. Not only is this facile—it misrepresents the state of the research. It is much more difficult to test the importance of identity, ideology, injustice, and political motivations using statistical methods, but current research suggests that these are very important in explaining violence and conflict.

**Justice**

Humans value justice and fairness, the most obvious example being political inclusion of all citizens. When fairness is absent, injustice and exclusion can act as stresses. Justice and fairness are difficult concepts to measure, though psychological experiments show that they can have value beyond pure material self-interest (see box 2.7).

One aspect of injustice and unfairness is pure political exclusion of particular groups based on race, ethnicity, religion, or geographical location and origin. Political exclusion was clearly an important motive for armed resistance in the anti-colonial wars and the anti-apartheid struggle. Today, few areas of the world have systems of political representation so obviously inequitable. But recent research by Cederman, Wimmer, and Min and Goldstone and others suggests that countries with high political exclusion or ethnic exclusion are more likely to experience violent upheaval.

Economic and social inequality and perceived injustice matter. Security and economic stresses may be amplified by the way people perceive their identity—and their treatment by others may be based on that identity. Data are incomplete on horizontal
BOX 2.7 People expect fairness and punish inequity

Using the Ultimatum Game, a two-player experimental psychology game conducted under laboratory conditions, economists have demonstrated that many people from a wide variety of cultures are willing to punish others at a cost to themselves in order to sanction unfair behavior. In this game, one bargainer makes a proposal on how to divide a sum of money with another bargainer—who has the opportunity to accept or reject the proposed division.

The first bargainer is called the proposer, the second the responder. If the responder accepts the proposed division, each bargainer earns the amount proposed; but if the responder rejects it, each bargainer earns nothing. If the only consideration is material interest, responders could be expected to accept quite a low percentage of the “pie” since this will still result in a net gain to them.

The Ultimatum Game has been run hundreds of times in diverse cultures around the world and the results have been surprisingly consistent, which suggests widespread consensus on interpretations of fairness and equity. From semisedentary Dolgan/Nganasan hunters, to wage laborers of Siberia, to sedentary Sanquianga fishermen of the Colombian Pacific coast, to Hadzan nomads in Tanzania—and from sedentary laborers in rural Missouri to urban wage workers in Accra—the offer from the proposer consistently averages 26 to 48 percent, while the responder is willing to punish if the offer is less than 12 to 17 percent.45

The responders would rather have both players get nothing than accept a small share while the proposer gets a much larger one. The results suggest that many individuals react strongly to what they perceive to be unjust—and are willing to forgo material benefit to punish behavior they perceive as unfair.

Sources: Hoff 2010; Henrich and others 2010.

inequalities (for example, inequalities between identity groups based on religion, caste, ethnicity, or region).46 But analysis across 55 countries for 1986–2003 reveals a significant rise in the probability of conflict in countries with severe horizontal inequalities, both economic and social.47 Côte d’Ivoire illustrates the connection, where decades of socioeconomic inequalities persisted between north and south. After President Houphouët-Boigny’s death in December 1993, a confluence of economic and political factors eventually led to civil war.48 The rebels’ Charte du Nord clearly expressed the economic grievances of northerners as well as their resentment over insufficient state recognition of the Muslim religion. To portray identity as driven by economic considerations alone is to ignore the consistency with which the qualitative literature identifies such features as humiliation, pride, and desire for affiliation as motivators for action.49

State oppression and human rights abuses often accompany authoritarian approaches to prevent violence fueled by injustice. Are such tactics sustainable? Surprisingly little quantitative research has been done on the links between human rights abuses and political violence. A review of evidence suggests a strong correlation between past human rights abuses and current risks of conflict (box 2.8). Additional quantitative work is needed to determine the direction of causality and control for possibly omitted variables, while further qualitative work would be needed to understand the links between abuses and risks of violence. It is not clear whether human rights abuses affect the motives of those who engage in armed oppo-

BOX 2.8 Human rights abuses and future conflict risk

Are improvements in human rights correlated with lower risks of conflict? Countries with recent human rights abuses are far more likely to experience conflict than countries with a strong history of respect for human rights. Each one-step deterioration on the Political Terror Scale—which measures arbitrary detention for nonviolent political activity, torture, disappearances, and extrajudicial killings—resulted in a more than twofold increase in the risk of civil war in the subsequent year.

Holding large numbers of political prisoners makes a renewal of civil war twice as likely, while significant numbers of extrajudicial killings make it three times more likely.50 This is best summed up by Walter: “A reasonable interpretation of these results is that greater repression and abuse by a government creates both grievances and signals that those governments are not dependable negotiating partners; suggesting that less coercive and more accountable approaches significantly decrease the risk of civil conflict.”51

Sources: Fearon 2010a; Walter 2010.
Vulnerability to violence

On the contrary, some research finds that perpetrators of terrorist attacks are more likely to be well-off, with advanced education.\textsuperscript{61} While the motives for individuals to join ideology-based groups may be linked to beliefs in larger causes, the ability of these groups to garner local support also depends on relating these larger narratives to local claims of injustice.\textsuperscript{62} The Taliban gained support in Pakistan’s Swat valley in part by building on a variety of local grievances, including weaknesses in local law enforcement and justice institutions.\textsuperscript{63} Leaders of militant ideological groups often espouse narratives of injustice or exclusion, and this appears to have popular resonance. Mali and the West Bank cited “belief in the cause and injustice” as far more important for recruitment into militant religious groups than for recruitment into gangs or rebel movements (figure 2.1).

Injustice and inequity are often cited as motivations for terrorism. Invasion, occupation, political repression, and the curtailment of human rights and civil liberties form much of the rationale that terrorist organizations give for their attacks. Much of the empirical literature validates the relevance of these factors.\textsuperscript{64} Some scholars posit a relationship between poverty and terrorism,\textsuperscript{65} but many others find no direct evidence that poverty (or a lack of education) leads to terrorism.\textsuperscript{66}

On the contrary, some research finds that perpetrators of terrorist attacks are more likely to be well-off, with advanced education.\textsuperscript{61} While the motives for individuals to join ideology-based groups may be linked to beliefs in larger causes, the ability of these groups to garner local support also depends on relating these larger narratives to local claims of injustice.\textsuperscript{62} The Taliban gained support in Pakistan’s Swat valley in part by building on a variety of local grievances, including weaknesses in local law enforcement and justice institutions.\textsuperscript{63} Leaders of militant ideological groups often espouse narratives of injustice or exclusion, and this appears to have popular resonance. Mali and the West Bank cited “belief in the cause and injustice” as far more important for recruitment into militant religious groups than for recruitment into gangs or rebel movements (figure 2.1).
Thus, stresses related to security, economics, and politics can increase the risk of violence, and they tend to combine and precipitate actual violence. But the actual combinations of stresses and the pathways to violent conflict are highly specific to country circumstances. As discussed earlier, recent research, while in its infancy, points to the importance of institutions in mediating disputes and reducing violence. Where societies fail to reform institutions and insulate themselves from stresses associated with violence, they risk repeated cycles of violence.

The vicious cycle of weak institutional legitimacy and violence

Much good work has been done on conceptualizing the relationship between institutions and violence, both historically (North, Wallis, and Weingast and many others); in contemporary analysis of the coercive capacities of the state (Fearon and Laitin); and in relation to processes of democratization (Goldstone and others). The policy world has also focused on the relationship between state-building and peacebuilding, including work by the Organisation for Economic Co-operation and Development (OECD) International Network on Conflict and Fragility, as well as other bilateral, regional, and multilateral institutions. New research for this Report from Fearon, Walter, and Hoeffler, von Billerbeck, and Ijaz explores how the characteristics of state-society institutions and governance outcomes are associated with risk of violence (box 2.9). Meanwhile, recent research supports the finding that states with weak institutions run the greatest risk of the onset and recurrence of civil war, and of extreme levels of criminal violence. These studies should be further expanded and tested, but, taken together, they provide compelling early evidence that institutions are indeed critical for avoiding violence.

The capacity and accountability of institutions both matter. The accountability of institutions—expressed, for example, in the results described above on human rights, corruption, and the presence of a written constitution—appear to matter as much as their capacity. Both capacity and accountability are applicable to security, political, and economic systems: political scientists typically use the term “accountability” to refer to processes or political representation, for example, while economists more often use the term to refer to responsible use of public funds and responsiveness to citizen needs and complaints. For this Report, “legitimacy” refers to the responsiveness of institutions and is used as shorthand for capacity, inclusion, and accountability. Several sources of legitimacy have been identified in the state-building literature. The most important are as follows:

- **Political legitimacy (accountability) and inclusion**, or the use of credible political processes to make decisions that reflect shared values and preferences, provide the voice for all citizens equally and account for these decisions. This includes providing information to citizens and mechanisms for legal recourse to resolve disputes and complaints, including complaints against the state. This can also be considered to include international legitimacy: the state’s exercise of responsible sovereignty as laid out under international law.

- **Performance legitimacy (capacity)**, earned by the effective discharge by the state of its agreed duties, particularly the provision of security, economic oversight and services, and justice.

Recent events demonstrate how different aspects of institutional legitimacy can relate to conflict and violence. The Middle East and North African countries generally possess relatively strong institutional capacity, but their systems have historically scored low on indicators of accountability. In some countries, such as Libya, institutions have remained more personalized than in neighboring states such as Egypt and Tunisia, and perceived tensions between regional, ethnic, or tribal groups are
Vulnerability to violence

85

Definitions of state fragility. The World Bank, for example, uses indicators of institutional strength to identify fragile situations. And the last decade has seen a sharper international focus on the developmental and security implications of “fragile situations,” and a focus on the links between state-building and peacebuilding.

Why does the lack of legitimate institutions open the risk of recurring violence?

All societies face stresses, but only some succumb to repeated violence. Unemployment, income shocks, rising inequalities between social groups, external security threats, and international organized crime—all of these have plausible causal relationships with violence. The analytical problem in identifying higher. This may help explain why initial demands for change in Egypt and Tunisia were managed largely peacefully, whereas protests in Libya escalated into civil conflict.

Fragile institutions and poor governance help explain why similar external shocks can produce violence in one country but not in another. Consider external economic stress and the long association of sharp food price increases with urban instability. In mapping food protests during the 2006–08 period of price spikes against government effectiveness data, the occurrence of violence was much higher in developing countries with less capable governance (figure 2.2).

The essential links between institutional weakness, governance, and violence are captured in the concept of “fragility” (box 2.10). Weak capacity, accountability, and legitimacy of institutions are the basis of many definitions of state fragility. The World Bank, for example, uses indicators of institutional strength to identify fragile situations. And the last decade has seen a sharper international focus on the developmental and security implications of “fragile situations,” and a focus on the links between state-building and peacebuilding.

**Box 2.9 Quantitative research on institutions and violence risk**

For this Report, Fearon and Walter tested whether the rule of law, government effectiveness, low corruption, and strong protection of human rights, as measured by the Worldwide Governance Indicators (WGI), correlate with a lower risk of onset and recurrence of civil conflict. This test involved a more detailed statistical examination of these governance indicators than undertaken before.

Because countries with high incomes generally have stronger governance indicators, it has been difficult for previous researchers to distinguish the effect of institutional weakness from the effect of low income. Fearon approached this problem by controlling the sample for national incomes, and then identifying “surprisingly good” governance—when a country has higher governance ratings than other countries at the same per capita income. The attempt to identify the impact of governance on the risk of violence then comes from seeing whether surprisingly good or bad governance in one period is associated with the onset or recurrence of conflict later.

Fearon finds that a country with “surprisingly good” governance indicators has a 30–45 percent lower risk of civil war in the next 5–10 years than its peers with more modestly rated governance. Once institutions are added to the analysis, they become a more important factor than income as a correlate of civil war. Similarly, he finds that institutions are highly related to the risk of extreme levels of criminal violence, proxied by homicides, with countries that had measures of better governance in 1996–98 experiencing lower homicide rates in 2000–05, even when controlling for income.

Walter finds a similar governance impact on the risk of recurring civil war. A formal constitution—a simple measure of the rule of law and the expression of societal values through formal institutions—reduces the odds of renewed conflict by 64 percent. Measures of accountability are as important as measures of capacity in this calculation: as described earlier, past human rights abuses have a particularly strong impact on the risk of future conflict, and measures of rule of law and corruption are as important as, or more important than, those of bureaucratic efficiency.

Sources: Fearon 2010a, 2010b; Walter 2010.
may vary, but the underlying reason for societies’ inability to resist stresses is that their institutions are too weak to mediate them peacefully. Durable solutions to violence, therefore, require more than addressing each individual stress—they require action to address the underlying weaknesses in institutional legitimacy.

Solutions that do not involve transforming institutions may postpone rather than solve problems. Throughout history, agreements between powerful leaders have been the most common strategy to prevent large-scale violence—“I’ll prevent my armed men from attacking your territory if you prevent yours from attacking mine, so that we can all profit from trade or selling natural resources.” As North, Wallis, and Weingast suggest, if these arrangements create sufficient incentives for powerful leaders and organizations, they can contain violence.

Such arrangements, however, lead to a political system that manipulates the economy, so that economic rents are an essential component of the stability. Unfortunately, such arrangements are personal and rarely lead to the development of impersonal institutions that can act irrespective of whether a particular leader is still in power, or to wider governance improvements that protect citizens’ interests. These “elite pacts” can establish limits on violence, but this type of agreement is subject to constant renegotiation as circumstances change, and the threat of violence remains.

Does violence recur because, without impersonal institutions, elite pacts have difficulty in adapting to change? This Report’s work on institutional correlations is new, and more research is needed on why countries with weak formal institutions experience repeated bouts of violence. One hypothesis is that these systems have difficulty in adapting to change—because agreements are personal and need to be renegotiated when leaders die or lose power, or when new internal and external pressures force a change in the division of economic or political benefits. A further consideration is that these systems may lead
to the buildup of grievances over time—possibly because corruption and coercion attract external condemnation and domestic protests. These factors are surely becoming more important as the global pace of change quickens, the vulnerability to external shocks increases, and the tolerance of corruption and coercion diminishes.

Institutional economics offers a wide body of theory and evidence on how institutions to capture state fragility, the World Bank and other multilateral development banks have used measures of institutional weakness, such as their Country Policy and Institutional Assessment (CPIA) frameworks. The CPIA indicators attempt to measure, however imperfectly, the quality and influence of key state and society institutions and the policies they implement. Low-income countries with scores below a composite 3.2 in the CPIA are coded as fragile. Nothing in the indicators themselves directly measures the levels of political or criminal violence. The figure illustrates that countries lacking the institutional capacity and accountability to absorb systemic stress are more likely to experience violence—and less able to extract themselves from it or to contain its effects.

Of 17 countries that remained fragile between 1990 and 2008, 14 experienced major civil war violence in the same period and 2 experienced minor civil wars, as shown in the figure. In other words, nearly every country with prolonged periods of weak institutional capacity experienced organized political violence. Of course, this violence is in turn likely to compromise development and further erode institutional capacity (similarly to the “conflict trap” identified by Collier and others (2003)). Even though the CPIA indicators do not include direct measurement of political and security institutions and policies, there is a striking correlation between “fragility” as defined in the CPIA scores, and the incidence of major episodes of organized violence. By measuring institutional fragility, the CPIA is in effect measuring the presence or risk of organized violence.

Source: Mata and Ziaja 2009.

**Countries that remained fragile were very likely to experience civil war**

Of 17 countries that were fragile five or more years between 1977 and 1989 and remained fragile until 2009:

- 1 remained fragile with no conflict
- 2 remained fragile and experienced minor civil war (battle deaths exceeded 25 per annum)
- 14 remained fragile and experienced major civil war (battle deaths exceeded 1,000 per annum)

Source: WDR team calculations.

Note: Throughout this report, major civil war includes conflicts with more than 1,000 battle deaths per annum and minor civil war includes conflicts with more than 25 battle deaths per annum. A fragile country has a CPIA of less than 3.2.

*Correlation statistically significant at $p < 0.01.$
(formal and informal rules) facilitate and constrain the behavior of economic and political actors (individuals, groups, and firms). 72

In relation to violence, this Report offers three key hypotheses for institutions to matter in shaping the incentives for violence:

- **Institutional capacity.** Strong policing and defense capacities give states the power to overcome armed threats from rebel or organized criminal groups. If an individual is contemplating political or criminal violence, the knowledge that the country’s security forces have weak intelligence and coercive capacity will make that person more likely to pursue violent options. Conversely, if the country’s formal institutions do not deliver local justice, education, or employment, an individual has a greater incentive to turn toward nonstate groups that can deliver, even if the groups are violent. Social and family cohesion can also be a critical national capacity: if an individual feels no sense of national pride, or if the family and community place no value on abiding by national laws, there is less to constrain that person from taking up arms against the state or engaging in criminal activities. But increasing the capacity of the state is fraught with risks: particularly when some leaders perceive a threat to their own interests from well-organized security forces and economic institutions, and where citizens are fragmented and unorganized, unable to insist that economic, justice, and security services be provided equitably to all citizens.

- **Inclusion.** Government capacity alone is not enough, however: many of the stresses described in this chapter relate to the failure of institutions to make all ethnic, religious, or social groups feel equally served by the actions of the state. If the geographic, ethnic, or religious community an individual belongs to is excluded from political or economic opportunities (for example, from taking part in political decision making, civil service appointments, education, health care, social protection, access to infrastructure, or business opportunities), that person will have less to lose by resorting to rebellion or crime. Accountable and inclusive political, social, and economic institutions can mediate contests between different classes or ethnic, religious, or regional groups peacefully—ensuring that each party feels adequately represented in decision making, that demands are heard, and that rights are protected. But inclusion is less likely for groups that are fragmented and unorganized—indeed, their very fragmentation could explain the ease with which the political system abuses them.

- **Active abuse and institutional accountability.** If a person or a family member is tortured or arbitrarily imprisoned or preyed upon by corrupt officials, that person may have little to lose by risking injury or further imprisonment by taking up a life of crime or rebellion. Accountable security forces and government agencies avoid the human rights abuses and corruption that can fuel grievances and create incentives for violent opposition.

Societies that rely on elite pacts, coercion, and patronage to control violence risk repeating a vicious cycle. Where agreements among elites to end fighting do not result in a transformation in state-society institutions and better governance outcomes, they remain vulnerable to the same stresses that precipitated fighting in the first place. In these circumstances, any stresses that shift the balance of power—such as the death of a leader, external security threats, or economic and demographic pressures—risk further violence. At some point this violence will be ended through another elite pact, but without broader and deeper institutional transformation, the cycle will repeat (figure 2.3). The vicious cycle can become more difficult to escape over time, as each successive bout of violence further weakens institutions and destroys social capital. In countries where children have been brutalized as victims or witnesses of violence, or, worse yet, as perpe-
Historically, large-scale episodes of violence have been a feature of all human societies. This cycle is doomed to repeat until societies find collective institutions to mediate and control violence. Escaping this vicious cycle is the focus of the rest of this Report.

The challenge for these societies is escaping this vicious cycle of repeated violence. The lasting trauma and lost human and social capital become an impediment to future social progress.73

FIGURE 2.3 The vicious cycle of violence, elite pacts, weak institutions—and vulnerability to repeated violence

Source: WDR team.

VIOLENCE and FRAGILITY

Weak institutions not transforming
New pact
New stresses

Vulnerability to violence
Chapter 2 argued that organized violence is likely to occur when internal and external stresses are not countered by capable, legitimate institutions. Despite an evolution in the nature of violence and the intensity and variety of stresses faced, the weaknesses and exclusion in Nepal’s institutions leave the country continually vulnerable to renewed risk of conflict, as shown in table 1.

### TABLE 1 Interlinked stresses in Nepal

<table>
<thead>
<tr>
<th>Stresses</th>
<th>Internal</th>
<th>External</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security</td>
<td>• Mistrust of security forces</td>
<td>• Cross-border criminality in the Tarai region</td>
</tr>
<tr>
<td></td>
<td>• Culture of impunity</td>
<td>• Refugees</td>
</tr>
<tr>
<td></td>
<td>• Legacy of violence and trauma</td>
<td>• Floods and other natural disasters</td>
</tr>
<tr>
<td></td>
<td>• Lack of legitimate security presence and public crisis</td>
<td>• Price shocks</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Illegal trade in natural resources</td>
</tr>
<tr>
<td>Economic</td>
<td>• Low incomes, joblessness</td>
<td>• Regional or international involvement in internal affairs</td>
</tr>
<tr>
<td></td>
<td>• Electricity, food, and fuel shortages</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Corruption and extortion</td>
<td></td>
</tr>
<tr>
<td>Political</td>
<td>• Ethnic, gender, caste-based, regional exclusion</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Discrimination in access to opportunity and in representation in institutions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Human rights abuses</td>
<td></td>
</tr>
</tbody>
</table>

Sources: Thapa 2010; Sharma 2008; Jha 2010.

### Political stresses and the continuation of elite politics

Feudalism is a system of governance designed to restrict power and wealth to a very small minority. Conflict in Nepal is rooted in struggles to depart from the country’s feudal past and move to a more inclusive and open society. Nepal is home to more than 100 ethnic groups, speaking 92 languages, and a caste system dictating group-based opportunity and achievement. The groups most marginalized constitute the majority of Nepal’s population—nearly 70 percent.74

Nepal’s recent history can be described as a protracted struggle between the country’s elites and the groups, classes, and ethnicities that believe they have been excluded from the national patrimony and institutions. The modern era in Nepal began in 1950, with the overthrow of the autocratic Rana regime by a coalition of political parties supported by newly independent India. This action restored the authority of the Nepalese monarchy within a constitutional framework, and ushered in a period of democratic politics. The distribution of power between Parliament and the Palace remained contested, however, and in 1960, King Mahendra dismissed the parliament, assumed full executive powers, and instituted the “party-less” Panchayat system. Nepali nationalism was modeled after the ruling elite—one religion (Hinduism), one language (Nepali), and the authoritarian Panchayat system kept dissent in check.

This political settlement withstood pressures for democratization until 1990. In that year, the first Jana Andolan (People’s Movement), led by a coalition of leftist and democratic parties and endorsed by the international community, forced King Birendra to reinstitute open national elections and to accept a severe curtailment of royal power. A series of governments led by the Congress Party and coalitions of leftist parties followed, all committed to modernization, equitable economic growth, and broader social justice. Yet the political parties that came to power in the wake of this movement failed to sustain public confidence—instead relying on a small group of political party elites to draft the new constitution and retain the preeminence of the Hindu religion and an army under the continued control of the king (see table 2).

As the high expectations for meaningful change turned to disenchantment, the Communist Party of Nepal Maoist75 launched its People’s War in February 1996 to bring about the country’s “social and economic transformation.” The Maoists drew their supporters from marginalized groups in the countryside, long left out of Nepal’s political structures and lacking socioeconomic opportunity. In 2006, the Maoist movement joined with political parties to overthrow the king and create a
“New Nepal.” With the signing of the Comprehensive Peace Agreement in November 2006, the Maoists and the political parties committed themselves to a democratic transition and the reform of Nepal’s traditional structures. Yet, in the years since the signing, the elected Constituent Assembly made little progress, and minority groups became increasingly frustrated with the continuation of Kathmandu’s elite-driven politics.

In 2007, Madhesi groups across the southern Tarai belt of Nepal began calling for regional autonomy through a federal Nepal, a notion that has since then gained traction. But questions remain about the impact of ethnic federalism on national unity, minority protection, and administrative functioning.

Security stresses and weaknesses in security and justice institutions

The Maoist movement raised a new consciousness in Nepal. But the movement’s tactics—coercion, intimidation, extortion—left Nepali society deeply bruised. Across the countryside, Maoists set up parallel security and judicial structures, such as people’s courts and the People’s Liberation Army. The failure to address the crimes and human rights abuses by both sides during Nepal’s 10-year civil war (1996–2006) has resulted in citizen distrust of the police, armed police, and army by significant groups in society, compounded by a lack of representation of marginalized groups in leadership positions in the security forces. Nepal’s political establishment has also had to manage its external relations very delicately, given its strategic location. The multitude of actors, competing interests, and demands, as well as the long, porous borders between Nepal and its neighbors, add to the complexity.

Against this backdrop, insecurity in Nepal has evolved from a Maoist insurgency to opportunistic violence and criminality. This sense of lawlessness is most clearly manifest in the southern Tarai region, where the government has identified more than 100 violent groups and criminal gangs (the map shows how the epicenter of violence shifted from the middle hills during the Maoist insurgency to criminality in the southern Tarai).

### Table 2: Officer-level entry into Nepal government service by caste/ethnic group (percentages)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bahun-Chhetri</td>
<td>69.3</td>
<td>69.9</td>
<td>80.5</td>
<td>83.1</td>
</tr>
<tr>
<td>Newar</td>
<td>18.6</td>
<td>18.8</td>
<td>10.7</td>
<td>9.4</td>
</tr>
<tr>
<td>Non-Newar Janajati *</td>
<td>3.0</td>
<td>1.6</td>
<td>2.5</td>
<td>1.7</td>
</tr>
<tr>
<td>Madhesi</td>
<td>8.5</td>
<td>9.0</td>
<td>5.3</td>
<td>5.5</td>
</tr>
<tr>
<td>Muslim</td>
<td>0.6</td>
<td>0.2</td>
<td>0.6</td>
<td>0.2</td>
</tr>
<tr>
<td>Dalit</td>
<td>0</td>
<td>0.5</td>
<td>0.4</td>
<td>0.1</td>
</tr>
</tbody>
</table>

*Source: Thapa 2010.*

* a. Pre-Hindu conquest ethnic groupings.

### Map A: The shifting epicenter of political violence in Nepal

**a. Violent events, 1996–99**

**b. Violent events, 2006–07**

**Percentage of the population living below poverty line:**

- 0–10%
- 10–20%
- 20–50%
- > 50%

**Source:** Raleigh and others 2010.

**Note:** ACLED = Armed Conflict Location and Event Database.
**Economic hardship and exclusion**

Nepal remains the poorest country in South Asia, with the exception of Afghanistan. In the mid-1990s, after decades of “development,” 42 percent of Nepal’s population still lived below the internationally established absolute poverty line. But this figure declined to 31 percent by 2003–04. The main driver: remittances from young men working in the Gulf, India, and Malaysia, which account for about a half of Nepal’s strong recent GNI growth (5.3 percent in fiscal year 2008 and 4.7 percent in fiscal year 2009). Ironically, this increase was spurred in part by flight from the violence of the civil war.

More recently, political insecurity and extortion have caused disinvestment in the Tarai and investor hesitancy elsewhere. Kathmandu, with an influx of rural migrants and rising energy demands, also has frequent rolling blackouts, disrupting economic activity. In 2008, the government had to declare a nationwide power crisis, with blackouts lasting up to 16 hours a day.76

**Continuing vulnerability to violence**

Despite some progress in institutional development and peacebuilding, Nepal remains vulnerable to different manifestations of violence and fragility. Table 1.1 in chapter 1 showed how multiple forms of violence co-exist in many fragile states. Reproducing it for Nepal reveals the following (table 3).

### TABLE 3 Nepal’s multiple forms of violence, 1960–present

<table>
<thead>
<tr>
<th>Localized or subnational intergroup violence</th>
<th>“Conventional” political violence (contests for state power or for autonomy or independence)</th>
<th>Localized criminal or gang-related violence</th>
<th>Transnational crime or trafficking with accompanying violence</th>
<th>Local conflicts with transnational ideological connections</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Repressed” intergroup conflicts over land, access to political power</td>
<td>Clandestine opposition to the Panchayat regime; reactive imprisonment, denial of human and political rights</td>
<td>Gang-based extortion, theft, smuggling in Tarai, major increase in levels of violence after 2006</td>
<td>Human trafficking (prostitution) from the 1960s</td>
<td>Revolutionary left cross-fertilization with “Maoists” from the 1960s</td>
</tr>
<tr>
<td>Caste and ethnic exclusion underpinning People’s War (civil war) of 1996–2006</td>
<td>People’s War of 1996–2006</td>
<td></td>
<td>Heroin transshipment from the 1960s</td>
<td></td>
</tr>
<tr>
<td>Regionalism and Tarai Andolan of 2007</td>
<td>Jana Andolan I 1990</td>
<td></td>
<td>Illegal trade in timber, opium cultivation post-2006</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Jana Andolan II 2006</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Party-related extortion, intimidation post-2006 (activities of the Young Communist League)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Compiled by the WDR team.

**Exiting the vicious cycle**

Following the Comprehensive Peace Agreement, a broad-based constitutional assembly was created, which has been trying to create a new settlement that will divide political and economic power more equitably between Nepal’s many ethnic and caste groups. This process represents a major attempt to broaden the nature of Nepal’s polity and move it beyond the high-caste elite competition that has dominated the country’s history. While there has been undeniable progress from a series of more-or-less exclusive elite pacts toward a more permeable and inclusive approach to statehood, curtailing today’s lawlessness and preventing further episodes of political violence requires the creation of broader based coalitions, transformation of national institutions, and a process that delivers improved political, security, and economic outcomes to all citizens.

Sources: Thapa 2010; Sharma 2008; Jha 2010.
Notes

2. In addition, for example, there are structural factors that increase conflict risk, which include features of the physical terrain that make rebellion easier. These features do not cause war in the common sense of that word, but simply make it more possible. Mountainous terrain has been shown to increase risks by increasing the feasibility of rebellion. See Buhaug and Gleditsch 2008; Gleditsch and Ward 2000; Salehyan and Gleditsch 2006. See also Murdoch and Sandler 2004. On terrain and neighborhood effects, see Fearon 2010a; Fearon and Laitin 2003; Goldstone and others 2010. On the effects of neighborhood on civil wars, see Hegre and Sambanis 2006; Gleditsch 2007.
9. Much of this response has taken the form of critical discussion; see, for example, Nathan 2005. A particularly useful “study of studies” is Sambanis 2004, which finds that GDP per capita and political instability are the only variables that consistently predict civil war onset. Researchers looking at natural resources have found mixed results—oil being most consistently associated with civil war outbreak. Recent work by Satyanath, Miguel, and Sergenti 2004 tied rainfall and agricultural shocks to the onset of civil war, while Besley and Persson 2009 explore the effect of international price shocks on the onset of conflict. Arnson and Zartman 2005 cover much of the core arguments in the greed versus grievance debate.
11. Thinking on this topic can be traced back to Gellner 1983; recent responses to the debate include Toft 2003; Laitin 2007.
12. Brückner and Ciccone 2010 are also noteworthy in highlighting that institutions help societies to weather natural resource price shocks to avoid violence.
15. See, for example, Menkhaus 2007; Lockhart and Glencorse 2010.
17. The presence of weak neighbors, rival neighbors, and refugee diasporas can play a crucial role in the emergence of transnational rebel (TNR) organizations, bargaining failure, and civil conflict; see Salehyan 2007.
18. See Becker 1968.
27. Labor market data in developing countries are irregular and unreliable. For example, very few Sub-Saharan African countries have carried out labor force surveys. Population censuses (an important source for claims about labor force participation and unemployment rates) are commonly out of date, and often unreliable even when recent. Further, wage employment in agriculture in poor countries is “invisible” in most conventional databases. See Cramer 2010.
29. This is consistent with Relative Deprivation theory; see also Solow 1990; Argandoña 2001.
32. Berman and others 2009, 1.
35. World Bank 2010n; Willmann 2010.
38. See Keefer, forthcoming.
39. Fearon 2005 argues that oil predicts civil war risk not because of its role as a source of start-up finance for rebels but, instead, because producers demonstrate relatively low state capabilities given the level of per capita income.
42. See Besley and Persson 2010.
43. Furthermore, there is a complex relationship between motivations for and incidence of violence, as noted in Fearon and Laitin 2003.
44. Cederman, Wimmer, and Min 2010; Goldstone and others 2010.
45. These results are from the second comparison study collected by Henrich and others 2010.
46. The difficulty of studying this phenomenon is compounded by the fact that our understanding of and data sets on identity are weak; as Hegre and Sambanis have shown, slight changes in how different features of ethnicity—language groupings, affiliation measures, and so on—are operationalized in studies have major effects on findings about causality and the direction of causality (Hegre and Sambanis 2006). On how identity affiliations form, see Fearon 2006; Berman and Iannaccone 2006.
47. See Østby 2008 who defines groups alternatively by ethnicity, religion, and region, and finds a significant relation between horizontal inequalities (HIs) and the onset of violent conflict for each definition. Economic HIs are measured by average household assets and social HIs by average years of education. The effect of HIs is quite high: the probability of conflict increases threefold when comparing the expected conflict onset when all variables have average values, compared to a situation where the extent of horizontal inequality of assets among ethnic groups is at the 95th percentile. In the case of inter-regional HIs, the probability of conflict increases 2.5 times as HIs rise from the mean value to the 95th percentile value. See also Stewart 2010.
50. The data on political prisoners and extra-judicial killings were obtained from the Cignarelli and Richards Human Rights data set (Cingranelli and Richards 2010). Each indicator is coded from 0 to 2, with 0 denoting large/significant degrees of human rights abuses and 2 denoting no abuses.
52. See Gurr 1968; Herbst 2000; Stewart 2010; Strom and MacDonald 2007; Brown 1996; Stedman 1996. On recent quantitative literature on this topic, see Bhavnani and Miodownik 2009. See also Abbink and Herrmann 2009; Kalyvas 2006; Sambanis 2001.
55. Barron and others 2010.
56. Qualitative and case study literature as well as WDR input from national officials and leaders consistently highlight political injustice, social exclusion, and inequity between social groups as key correlates of conflict. Among the many qualitative and case-based studies, see, for example, Heraclides 1990; Murshed and Gates 2006; Salehyan and Gleditsch 2006. On measurement difficulties, see Laitin 2000; Cramer 2002; Posner 2004.
63. World Bank and ADB 2010; also WDR team consultations with government officials and representatives from donor community, multilateral organizations, and civil society in Pakistan, 2010. See also Abbas 2008, 2010.
64. North, Wallis, and Weingast 2009; Fearon and Laitin 2003; Goldstone and others 2010.
65. See Fearon 2010a; Walter 2010; Hoefl er, von Billerbeck, and Ijaz 2010. A range of indicators can be used to measure governance and institutional capacity. The Users’ Guide on Measuring Fragility provides an excellent contemporary stocktaking of the literature and concepts (Mata and Ziaja 2009). The World Bank Country Policy and Institutional Assessment (CPIA) scores are prepared internally and are publicly available for International Development Association (IDA) countries for the years 2005 to present. The World Bank has recently undertaken an annual harmonizing exercise to align the definitions of fragility with regional development banks (the Asian Development Bank and the African Development Bank). Other well-known measures of governance and quality of institutions include the Worldwide Governance Indicators measures of government and the International Country Risk Guide (ICRG) measures compiled by the PRS Group. The Worldwide Governance Indicators are an index comprising multiple sources, whereas the ICRG measures are expert assessments on multiple dimensions of political, economic, and financial risk. It locates three common attributes of states, “legitimacy, authority, and effectiveness,” among a variety of indexes and definitions of fragility and compares the results across indices. See Kaufmann, Kraay, and Mastruzzi 2010b. There is a blurred line in the indicators between the measurement of governance outcomes (actual levels of representation and participation, accountability for decisions and for illegal actions, and corruption and human rights abuses) and institutional characteristics (whether there are systems and capacities that regulate state-society relations within the rule of law, provide for prosecution of abuses, and so forth). Most governance indicators actually measure both: whether a system is in place (for example, a constitution or anti-corruption law, government policy on equitable service provision) as well as some measurement, often imperfect, of whether these systems deliver good governance outcomes in practice (low corruption levels, free and fair elections, avoidance of impunity for human rights abuses, and so on).


67. State legitimacy is tied to agreed rules and processes that promote accountability to its citizens, whether through participation or through patronage. Patronage is particularly pervasive in fragile situations where state capacity is weak; yet, it can also weaken state legitimacy if seen as unfair and reinforcing horizontal inequalities (OECD 2010g, 2011). Shared beliefs are essential to link the state and its society in constructive ways (Bellina and others 2009); for example, elections only become more than a formal tool to collect opinion when there is a common and entrenched belief that they express the “will of the people.” Together with collective identities and religion, “tradition” is a very important way to “ground” state legitimacy (Clements 2010). These sources of legitimacy do not exist in isolation: improving service delivery does not necessarily increase state legitimacy if the other elements are missing. State legitimacy results from a combination of these sources and may take various forms, depending on context.

68. The development community’s focus on fragility is related to pioneering work undertaken by Paul Collier and Ngozi Okonjo-Iweala under the Low Income Countries Under Stress initiative. The policy implications of this original work were extensively elaborated by INCAF, an organization within the Development Assistance Committee (DAC) of OECD, as well as by the UN and various bilaterals, most notably the U.K.’s DFID (Department for International Development). INCAF has produced innovative thinking on security system reform, service delivery in fragile situations, the legitimacy of the state, and the role of donors. The United Nations identified the need for institution-building for a more secure and developed world at an early stage, particularly in the fields of conflict prevention and peacebuilding. New thinking on fragility and state-building has received significant support from research funded by DFID over the past 10 years; for a synthesis, see Garassi 2010.


70. The current CPIA cutoff was normalized by year to account for the changing methodology in CPIA over time.

71. For further discussion on measurements of governance, institutions, and fragility, see Mata and Ziaja 2009.


73. Maynard 1997.

74. The high-class group of Bahun-Chhetri constitutes 28 percent of Nepal’s population.

75. The Communist Party of Nepal (Maoist) was renamed Unified Communist Party of Nepal (Maoist), or UCPN (Maoist), following its merger in January 2009 with the Communist Party of Nepal–Unity Centre (Masal).

76. Sharma 2008.