7. Financing security in a global context

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I. Introduction

With the end of the cold war, the focus in the global security environment has shifted from superpower confrontation in a bipolar environment to the sources of insecurity in the developing countries in the South.[1] In parallel there has been a gradual reconceptualization of security, particularly in the North. Apart from the war in Iraq and a few other interstate conflicts, the predominant form of armed conflict today is intra-state armed conflict in low-income countries in the South,[2] although most such conflicts also have an international dimension.[3] People in the South are also exposed to a range of other threats, risks and challenges, such as criminal violence, hunger, infectious disease, environmental degradation and other consequences of bad governance and lack of development. For the countries of the North, the reduced risk of attack by conventional armed forces in the post-cold war environment has allowed them to shift focus from external military threats to other types of threat to the functioning of their states and societies. A range of vulnerabilities in other, non-military domains are increasingly becoming part of their security agendas, leading the countries of the North to consider such concepts as economic security, information security and environmental security. This broader concept of security has been further reinforced after 11 September 2001, when the threat of transnational terrorism became more prominent.

While there is still a lack of consensus on the exact nature and scope of current threats and, in particular, on their causes and how to address them, there is an emerging common understanding of two basic elements in the new security environment. First, there is an increased perception of the ineffectiveness and growing irrelevance of military means to address many of the current security threats, with a parallel recognition of the need to apply non-military policies and policy instruments instead.

Second, there is a growing recognition of the global nature of security and thus of the need for global action to address threats to security. In particular, the North has become more receptive to the argument, which has long been

[1] The terms South and North are used here for the developing and high-income countries, respectively, following the use of these terms by international organizations such as the United Nations Conference on Trade and Development (UNCTAD). See, e.g., UNCTAD, Follow-up to UNCTAD XI: New developments in international economic relations, President's summary, UN document TD/DB/51/L.7, 14 Oct. 2004, URL <http://www.unctad.org/>.

[2] See appendix 2A in this volume.

[3] On the internationalization of intra-state conflict and the increasing irrelevance of the categorization of armed conflict as intra- and interstate, see chapter 2 in this volume.

voiced in the South, that it has a shared interest in addressing the security problems and sources of insecurity in the South.[4] Intra-state armed conflicts in the South are increasingly perceived as having actual or potential consequences not only for the neighbouring countries but also for the countries in the North, for example through drug trafficking and refugee flows. Economic and environmental security and organized crime have a strong transnational dimension. The threat of transnational terrorism has also contributed to increased awareness of global interlinkages in security.

While there is broad consensus on the diagnosis at a general level, the recommendations for cure differ. According to one view, there is a need for a new doctrine of 'cooperative imperialism' by the North to address the security threats originating in the South.[5] Another view is to regard the new threats as a common challenge to global security. Acknowledging that some of these problems can be solved only by cooperating and that the economic resources and domestic capacity of the countries of the South are insufficient for them to properly address their security problems, the logical consequence would appear to be that the countries of the North need to make a significant investment in helping to address the insecurities of the South. This is one of the rationales behind the idea of 'global public goods', public goods whose benefits cut across borders.[6] It is also reflected in the analysis of the United Nations (UN) High-level Panel on Threats, Challenges and Change, which reported its findings in December 2004.[7] Inherent in the reconceptualization of security challenges according to this view is a global reallocation of resources, from the national to the international level and from military to non-military activities.

The aim of this chapter is to discuss the implications of the reconceptualization of security for the financing of security. Since great costs are associated with the provision of security, resource allocation must constitute a fundamental basis for this reconceptualization. While it is not possible to look at all relevant resource flows because available statistics are not adapted to

[4] See, e.g., Council of the European Union, 'A secure Europe in a better world: European Security Strategy', Brussels, 12 Dec. 2003, URL <http://europa.eu.int/comm/research/security/>. Other national security and defence strategies and policies also reflect this view.

[5] Robert Cooper, a former senior British diplomat, identifies the main threats to the postmodern world (Europe and Japan) as coming from the modern and pre-modern worlds (the South). He calls for a new liberal imperialism involving a doctrine of humanitarian intervention and based on the acceptance of a need for double standards: 'Among ourselves, we operate on the basis of laws and open co-operative security. But when dealing with more old-fashioned kinds of states . . . we need to revert to the rougher methods of an earlier era—force, pre-emptive attack, deception, whatever is necessary to deal with those states who still live in the 19th century world of "every state for itself".' Cooper, R., 'The post-modern state', ed. M. Leonard, *Re-Ordering the World* (Foreign Policy Centre: London, 2002), URL <http://fpc.org.uk/publications/>, pp. 11–20; further developed in Cooper, R., *The Breaking of Nations: Order and Chaos in the Twenty-First Century* (Atlantic Books: London, 2003).

[6] Kaul, I. *et al.*, *Providing Global Public Goods: Managing Globalization*, published for the United Nations Development Programme (Oxford University Press: New York, 2003).

[7] United Nations, 'A more secure world: our shared responsibility', Report of the High-level Panel on Threats, Challenges and Change, UN documents A/59/565, 4 Dec. 2004, and A/59/565/Corr. 1, 6 Dec. 2004, URL <http://www.un.org/ga/59/documentation/list5.html>. For the synopsis of the report see the appendix to the Introduction in this volume.

this purpose, examination of some of these flows can be productive at this stage, not least in order to stimulate further research and demand for data that are better adapted to the needs of such an analysis.

This chapter continues in section II with a survey of the main threats, risks and challenges in the current security environment. The available statistics on relevant types of resource flows are examined in section III with a view to evaluating the extent to which resource allocation meets the needs of the current security threats. Section III also presents models for the international financing of common global activities to promote security. Section IV provides a summary and the conclusions.

II. Threats, risks and challenges

Changes in the actual security environment and the consequent reconceptualization of security are still ongoing. These developments are composed of different strands, which makes it difficult to summarize them briefly. This section attempts to capture some of the major elements in these changes. It gives a brief description of the post-cold war conceptualization of threats, risks and challenges, outlining the main developments in four areas: military territorial threats, terrorism, intra-state armed conflicts, and a range of broader and deeper challenges to security, including functional security and human security.

Military territorial threats

During the early post-cold war period, the reduced external military threats to state and territorial security led to a profound reduction in military expenditure in many of the major powers that had previously been involved in the East–West arms race. The security debate in the North was shaped in terms of disarmament, the peace dividend and conversion of military resources to non-military use. There was a gradual shift in focus to other security problems, in particular to the threats from weapons of mass destruction (WMD) and to intra-state armed conflict in the South and in the disintegrating European states. Threats from WMD have continued to be perceived as a major concern, but non-military policy instruments are increasingly being seen as relevant for addressing such threats.[8] Security strategies and military doctrines have been adapted in many countries in order to integrate new military and non-military tasks that address these security problems.

During the cold war, cooperation within international organizations for collective defence played an important role in territorial security; today the North Atlantic Treaty Organization (NATO) is the major remaining organization of this type. International cooperation for new military tasks is more limited. Peacekeeping within the UN framework, which began in the after-

[8] See chapter 11 in this volume.

math of World War II, has in recent year been complemented and supported by a range of peace missions carried out by other international organizations, such as NATO, the European Union (EU), the African Union (AU) and the Economic Community of West African States (ECOWAS).[9]

The concept of military intervention for humanitarian purposes emerged in the early post-cold war period in response to the massive killings in intra-state armed conflicts in several countries, including Bosnia and Herzegovina, East Timor and Rwanda. However, military intervention has so far been limited. The main exception to this rule is the USA, which has integrated out-of-area pre-emptive strikes into its national security doctrine, most recently implemented in Afghanistan and Iraq. While the objective of the war in Afghanistan was to combat terrorism, the official objective of the war in Iraq was to pre-empt an attack by WMD; when this threat was proven to be non-existent, the objective was reformulated as regime change and democratization. Australia, the United Kingdom and a range of other big and small states have also shown their readiness for military intervention, but only in US-led operations such as the war in Iraq.

While the emerging post-cold war military security environment is still far from reaching final definition, current trends indicate some paradoxes. The major military powers in the North have moved from a collectivist approach to military territorial and state security to a situation in which some countries are reverting to a unilateralist approach. Territorial defence remains an important element of national security strategies, while new military tasks in out-of-area locations have been added. The result is a fragmented notion of military security in the North, which suggests that further significant changes are to come.

Terrorism

Contemporary terrorism is predominantly transnational and has a strongly transnational economic foundation. A recent study of the economic resources involved in the financing of activities by terrorist groups and other non-state armed actors illustrates the economic scale and nature of the problems.[10] It is argued in the study that the roots of terrorism are economic rather than political or religious and that contemporary transnational terrorism has become possible as a result of three main developments since World War II: (*a*) the growth of state-sponsored terrorism, in particular during the early cold war period when both superpowers fought wars by proxy; (*b*) the privatization of terrorism during the late 1970s and early 1980s, when armed organizations made themselves independent of their sponsors and developed strategies of

[9] See chapter 3 in this volume.

[10] Napoleoni, L., *Modern Jihad: Tracing the Dollars Behind the Terror Networks* (Pluto Press: London, 2003). An even more radical view of the emerging fragmentation of the global economic system is provided by Peter Lock, who argues that the world economy is now split into 3 segments: the regular, the informal and the criminal. Lock, P., 'Gewalt als Regulation: Zur Logik der Schattenglobaliserung' [Violence as order: the dynamics of shadow globalization], eds S. Kurtenbach and P. Lock, *Kriege als (Über)Lebenswelten* [Wars as worlds of existence/survival] (Dietz-Verlag: Bonn, 2004), pp. 41–52.

self-financing; and (*c*) the globalization of terrorism in the 1990s, when the deregulation of the international financial markets made it possible for armed groups to raise money in more than one country and to operate across borders. The study maps out how different types of armed organizations have built their own economies with the support of income from illegal trade in narcotics, natural resources and people as well as from legal activities. It is claimed that what has emerged is an international economic system, run primarily by armed organizations, which is termed the 'new economy of terror', with a turnover of the magnitude of $1.5 trillion, corresponding to about 5 per cent of world gross domestic product.[11]

Consensus is emerging that military means are ineffective in fighting international terrorism. The issue is instead one of finding the proper balance between means of protection from terrorist activities and means of combating terrorism through long-term policies that address its sources. The USA's National Strategy for Combating Terrorism, adopted in February 2003, identifies four counter-terrorism goals: (*a*) defeating terrorist organizations with global reach; (*b*) denying sponsorship, support and sanctuary to terrorists; (*c*) diminishing the underlying conditions that terrorists seek to exploit; and (*d*) defending US citizens and interests.[12] It explicitly states that the strategy must also include long-term measures against the 'underlying conditions that promote the despair and the destructive visions of political change that lead people to embrace, rather than shun, terrorism'.[13] The EU's security strategy identifies a range of complex causes of global terrorism, including the pressures of modernization, cultural, social and political crises, and the alienation of young people living in foreign societies.[14]

A range of internal security instruments have been developed at the national level for the prevention of and protection against terrorist attacks. In the USA the relevant agencies for combating terrorism have been brought together in the Department of Homeland Security, established in 2003.[15] Budget allocation for homeland security in the USA has increased significantly since 11 September 2001,[16] but it is still criticized for being insufficient.[17] In particular, the relative priorities assigned to military expenditure and spending on

[11] Napoleoni (note 10).

[12] The White House, 'National Strategy for Combating Terrorism', Washington, DC, Feb. 2003, URL <http://www.whitehouse.gov/news/releases/2003/02/20030214-7.html>.

[13] The White House (note 12), p. 29.

[14] Council of the European Union (note 4), p. 3.

[15] On the Department of Homeland Security's activities in 2004 see chapter 1 in this volume.

[16] The US budget proposal for financial year (FY) 2005 included $31 billion in outlays for homeland security, more than twice the sum spent in FY 2001. Office of Management and Budget, 'Department of Homeland Security', *Budget of the United States Government: Fiscal Year 2005* (The White House: Washington, DC, 2004), URL <http://www.whitehouse.gov/omb/budget/fy2005/homeland.html>.

[17] This was the conclusion of a 2003 study by the Brookings Institution and by both Democrat and Republican members of the United States Congress. 'White House accused of shortchanging security budget', *New York Times*, 3 Feb. 2003. Others argue that nearly one-third of the Department of Homeland Security's budget goes to non-homeland security functions, while at the same time less than 60% of funding for homeland security purposes is covered by the department's budget. Berteau, D. J., 'Homeland security budgeting: can confusion produce priorities?', *ECAAR NewsNetwork*, vol. 16, no. 2 (July 2004), URL <http://www.ecaar.org/Newsletter/July2004.pdf>, pp. 1, 4–5.

homeland security are seen as being misguided. In Europe the waves of terrorist activity since the 1970s have meant that a range of measures for the prevention of terrorist attacks have been introduced.[18] European countries do not have a specific budget heading for 'homeland security'. Instead, such expenditure falls under a variety of budget headings, such as internal security, intelligence and border controls, so it is not possible to identify the amount of public spending on homeland security. The EU itself has responded to threats of terrorism with policies affecting not only the security of citizens but also the broader economic infrastructure and environmental areas.[19]

In the longer term, measures focused on domestic protection and prevention are insufficient. Furthermore, it is increasingly acknowledged that such measures have a range of adverse consequences at both the national and international levels, and that some of these may even aggravate the problems and introduce new risks. As argued in a recent survey of the problems inherent in this approach, if they go too far, many of these measures will erode domestic civil liberties and alienate minority groups, whose cooperation is crucial in the domestic counter-terrorism effort. They will also undermine Western moral authority and the West's ability to pressure others to adhere to international norms and standards, thus hindering the creation of broad international anti-terrorism coalitions.[20]

In parallel with approaches at the national level, there is broad agreement that transnational terrorism must also be combated by international means. Since 11 September 2001 a range of measures have been introduced for this purpose. The Organisation for Economic Co-operation and Development (OECD) has developed guidelines for the international community and governments on how to address linkages between terrorism and development.[21] It has a comprehensive approach: 'OECD governments need to rally actors in trade, defence, foreign affairs, finance and development agencies to work together to articulate clearly roles in combating terrorism'.[22] Four main tasks are identified: (*a*) to bolster long-term structural stability; (*b*) to dissuade disaffected groups from embracing terrorism and other forms of violent conflict; (*c*) to deny groups or individuals the means to carry out terrorism, in particular to reinforce governance; and (*d*) to promote policy coherence and complementarity. These guidelines are not uncontroversial but have raised a number of issues, including whether development policy should be directed

[18] For a detailed overview of these measures see Dalgaard-Nielsen, A., 'Civil liberties and counter-terrorism: a European point of view', Opinions series, Center for Transatlantic Relations, Paul H. Nitze School of Advanced International Studies, Johns Hopkins University, Washington, DC, 2004, URL <http://transatlantic.sais-jhu.edu/Publications/opinions/>.

[19] Burgess, N. and Spence, D., 'The European Union: new threats and problems of coherence', eds A. J. K. Bailes and I. Frommelt, SIPRI, *Business and Security: Public–Private Relationships in a New Security Environment* (Oxford University Press: Oxford, 2004), pp. 84–101.

[20] Dalgaard-Nielsen (note 18).

[21] OECD Development Assistance Committee (DAC), 'A development co-operation lens on terrorism prevention: key entry points for action', DAC Guidelines and Reference Series, Paris, 2003, URL <http://www.oecd.org/dataoecd/17/4/16085708.pdf>.

[22] OECD DAC (note 21), p. 8.

towards countries where terrorism is a problem or towards countries from which terrorists have come; whether aid to such countries creates an incentive to 'deliver terrorists'; and whether development aid should be used for purposes other than aid for the poor.[23]

Most importantly in the international context, the UN has adopted several resolutions that address international terrorism.[24] In particular, UN Security Council Resolution 1373, adopted on 28 September 2001, obliges all UN member states to enact domestic legislation that criminalizes terrorist acts and the support and financing of such acts; denies safe haven to terrorists and prohibits any other support for terrorists, such as the provision of arms; and requires prompt cooperation with other states in the implementation of such measures.[25] To monitor implementation of this resolution, the UN Security Council established the Counter-Terrorism Committee (CTC).[26] However, as argued in a recent analysis, the CTC lacks both the authority and the resources required to undertake its tasks.[27] According to its first chairman, Sir Jeremy Greenstock, the goal of the CTC is 'to help the world system to upgrade its capability to deny space, money, support, haven to terrorism, and to establish a network of information-sharing and co-operative executive action'.[28] A major obstacle to this is that many countries cannot afford to strengthen their weak border controls or do not have the capacity to police their territories effectively. For the effective implementation of Resolution 1373 these countries would need help to finance and set up counter-terrorism programmes. The failure to set up an assistance trust fund for these purposes, because the USA rejected the proposal, has so far restricted this type of assistance.

Resource allocation requires policies. While policies for national protection are comparatively easy to design, long-term policies to address the causes of international terrorism are much more difficult to develop, not least because of the lack of a commonly agreed definition of terrorism and the lack of consensus on its sources. The UN High-level Panel on Threats, Challenges and Change reported that many of the governments and civil society organizations consulted expressed fears that approaches to terrorism which focus wholly on military, police and intelligence measures risk undermining efforts to promote

[23] Canadian Council for International Co-operation (CCIC), 'A CCIC commentary on "A development co-operation lens on terrorism prevention: key entry points for action"', Ottawa, Oct. 2003, URL <http://www.ccic.ca/>. This paper also argues that the link between terrorism, poverty and failed states has not been demonstrated and that the DAC guidelines may well undermine donor approaches to preventing violent conflict by being overtaken by a Northern-driven agenda that targets significant resources to the 'war on terrorism'.

[24] For an overview see Biersteker, T. J., 'Counter-terrorism measures undertaken under UN Security Council auspices', eds Bailes and Frommelt (note 19), pp. 59–75.

[25] UN Security Council Resolution 1373, 28 Sep. 2001, URL <http://www.un.org/Docs/sc/>.

[26] On CTC activities see URL <http://www.un.org/Docs/sc/committees/1373/>.

[27] de Jonge Oudraat, C., 'Combating terrorism', *Washington Quarterly*, vol. 26, no. 4 (autumn 2003), pp. 163–76.

[28] Greenstock, J., Chairman of the UN CTC, Press briefing, New York, 19 Oct. 2001, quoted by de Jonge Oudraat (note 27), p. 169.

good governance and human rights, alienate parts of the world's population and thereby weaken the potential for collective action against terrorism.[29]

Intra-state armed conflicts

Most armed conflicts today are intra-state conflicts—although often with strong international elements—in low-income countries. In order to develop policies to reduce the incidence of armed conflict, it is necessary to understand the causes and dynamics of such conflicts. A considerable amount of research has been devoted to this subject in recent years. While there is some divergence in the findings of these research efforts and there are still major gaps in knowledge, partly because the pattern and causes of conflicts are not homogenous, it is generally believed that there is now sufficient knowledge to develop appropriate international approaches to reducing the incidence of intra-state armed conflict.[30]

This subsection provides a brief account of the main current findings on the resource-related causes of intra-state armed conflict and of the recommended policies and policy instruments emerging from this research. In order to indicate the potential benefits that might be gained from successful policies, rough estimates of the costs of intra-state armed conflict are presented.

The causes and remedies: conflict and development

In a review of recent research on the relationships between economics and armed conflict, this subject is categorized according to the five main economic factors that are considered as having an impact on the incidence of intra-state armed conflict: poverty and wealth, economic inequality, natural resources, economic policies and trade.[31] There is some disagreement on the importance of these factors and in some cases on whether the relationship is positive or negative. However, there is rather broad consensus on one point: economic growth is associated with lower levels of conflict. Consequently, policies to promote growth in developing countries are 'likely to act as agents for conflict prevention'.[32]

The two main schools of thought on the economic sources of intra-state armed conflict have developed from the research teams of Frances Stewart and Paul Collier. Stewart focuses on armed conflict in poor countries, claiming that 80 per cent of the world's poorest countries are suffering or have recently suffered from large-scale violent conflict.[33] She argues against the tendency to

[29] United Nations (note 7), paragraph 147, p. 48.

[30] Collier, P. *et al*., *Breaking the Conflict Trap: Civil War and Development Policy*, A World Bank Policy Research Report (Oxford University Press: New York, 2003). See also chapter 2 in this volume.

[31] Humphreys, M., 'Economics and violent conflict', Program on Humanitarian Policy and Conflict Research, School of Public Health, Harvard University, Feb. 2003, URL <http://www.preventconflict.org/portal/economics/>.

[32] Humphreys (note 31), Executive summary.

[33] Stewart, F., 'Root causes of violent conflict in developing countries', *British Medical Journal*, vol. 324 (9 Feb. 2002), p. 342.

attribute armed conflict in developing countries to ethnic divisions, since it diverts attention from important underlying economic and political factors. According to Stewart, the major root causes of conflict include political, economic and social inequalities, extreme poverty, economic stagnation, poor government services, high unemployment, environmental degradation and individual economic incentives to fight.[34] In particular, horizontal inequality (i.e., inequality among groups) has been identified as the fundamental source of organized conflict.[35] Against this background, the policies recommended to reduce the likelihood of wars include the promotion of inclusive development; the reduction in inequalities between groups; the tackling of unemployment; and, via national and international control over illicit trade, the reduction in private incentives to fight.[36]

The Collier team has identified four basic types of conflict situation: (*a*) sudden economic crashes in middle-income countries; (*b*) low-income countries with stagnant or declining economies; (*c*) countries in conflict; and (*d*) countries in the first decade of post-conflict peace, about half of which will fall back into conflict.[37] Strategies for risk reduction need to differentiate between these different types of conflict. They also need to consider a range of policies, including not only development policy but also peacekeeping, domestic military spending and the design of political institutions, and to take an integrated approach when implementing these policies. According to the assessment of the Collier team, international intervention to reduce the incidence of conflict has the greatest chance of being effective in the fourth of these situations, through a combination of external military peacekeeping during the first few years following the end of a conflict and large aid programmes. In the second situation, the low-income countries, the risk of conflict would be reduced if development could be ignited, but this is likely to be difficult for historical reasons.

International responses to intra-state armed conflict are increasingly focusing on the challenges of state-building and the practice of governance.[38] This is the result of the current emphasis on the economic dynamics of conflict and the structural approach to understanding the persistence of intra-state conflict. This structural approach, which focuses on a state's lack of capacity to deliver basic security and welfare to its citizens, has led to increased attention being paid to the relationship between security and development and to the legitimacy of external intervention in state-building.[39]

The relationship between globalization and armed conflict is complex and contested. According to one view, globalization contributes to the reduction of

[34] Stewart, F. and FitzGerald, V. (eds), *War and Underdevelopment*, vol. 1, *The Economic and Social Consequences of Conflict* (Oxford University Press: Oxford, 2001).

[35] Stewart, F., 'The root causes of conflict: some conclusions', QEH Working Paper Series no. 16, Queen Elizabeth House, University of Oxford, June 1998, URL <http://www.eldis.org/>.

[36] Stewart (note 33).

[37] Collier *et al.* (note 30).

[38] Dwan, R. and Gustavsson, M., 'Major armed conflicts', *SIPRI Yearbook 2004: Armaments, Disarmament and International Security* (Oxford University Press: Oxford, 2004), pp. 95–131.

[39] Dwan and Gustavsson (note 38), pp. 100–101.

armed conflict because it is assumed that 'liberal globalization' is likely to strengthen rather than weaken states and democratic forces in the long run. This view is based on the belief that most decisions about resource allocations are best left to the market.[40] According to another view, globalization increases the risk of armed conflict because deregulation and other aspects of globalization have contributed to unemployment, poverty and unequal development;[41] it thereby 'generates conditions that are conducive to the emergence of extremist movements, instability and conflict'.[42] According to a third view, globalization is a major factor in the causation of internal armed conflict because it is the major reason for the erosion of state capability to govern, which in turn is seen as the predominant cause of internal armed conflict.[43]

The costs of intra-state armed conflict

There is a dearth of information on the costs of armed conflict since such costs are extremely difficult to estimate: first, because it is difficult to identify all the component costs, in particular the indirect ones, which as a rule are higher than the direct costs; second, because it is difficult to distinguish the impact of war from the impact of other factors; and third, because there is a lack of data. Even existing data are often unreliable; for example, the official figures on military expenditure are severely understated in countries in armed conflict.

A rough calculation to estimate the cost of some major components of armed conflict showed that the average cost of intra-state armed conflict in low-income countries during the post-cold war period amounted to at least $64.2 billion over a period of 21 years.[44] This estimate includes those economic and social items that it was possible to make estimates for within a reasonable degree of certainty, namely the increase in military expenditure, the impact of armed conflict on economic growth in both the conflict-affected

[40] de Soysa, I. and Gleditsch, N. P., 'The liberal globalist case', eds Hettne, B. and Odén, B., *Global Governance in the 21st Century: Alternative Perspectives on World Order*, Swedish Foreign Ministry Expert Group on Development Issues Study no. 2002:2 (Almkvist & Wiksell: Stockholm, 2002), URL <http://www.egdi.gov.se/>, pp. 26–73.

[41] This was the conclusion of the 1995 Global Summit in Copenhagen and has been reinforced by further research since then. See, e.g., United Nations Research Institute for Social Development (UNRISD), *Visible Hands: Taking Responsibility for Social Development* (UNRISD: Geneva, 2000), URL <http://www.unrisd.org/>; the theoretical chapters and case studies in Veltmeyer, H. (ed.), *Globalization and Antiglobalization: Dynamics of Change in the New World Order* (Ashgate: Aldershot, 2004); and the seminal findings reported in Cornia, G. A. (ed.), *Inequality, Growth, and Poverty in an Era of Liberalization and Globalization* (Oxford University Press: Oxford, 2004).

[42] Sandbrook, R. and Romano, D., 'Globalisation, extremism and violence in poor countries', *Third World Quarterly*, vol. 25, no. 6 (Sep. 2004), pp. 1007–30.

[43] Brzoska, M., '"New wars" discourse in Germany', *Journal of Peace Research*, vol. 41, no. 1 (2004), pp. 107–17.

[44] Collier, P. and Hoeffler, A., 'The challenge of reducing the global incidence of civil war', Copenhagen Consensus Challenge Paper, Apr. 2004, URL <http://www.copenhagenconsensus.com/Default.asp?ID=221>, pp. 6–10. The period of 21 years was chosen because the average length of armed conflict in low-income countries during this period was 14 years and it was assumed that the impact of war lasted 7 years after the end of conflict. See also Bohnstedt, A., 'Why civil wars are costly—and what could be done to reduce these costs', World Markets Research Centre, London, Nov. 2004, URL <http://www.pwcglobal.com/>.

country and the neighbouring countries, and the cost of health deterioration in the conflict-affected country. The impact of war on economic growth arises primarily from five main factors: (*a*) the crowding out of productive expenditure by the rise in military expenditure; (*b*) destruction of infrastructure; (*c*) looting and destruction by soldiers; (*d*) loss of private capital as a result of population flight; and (*e*) reduced constraints on criminal behaviour.[45] In addition to these factors, $10.2 billion of the estimated average cost of conflict arises from the 'conflict trap effect', a concept devised to capture the increased risk of resumed conflict in countries that have been affected by conflict.

Few intra-state major armed conflicts remain self-contained; they often have an impact on neighbouring countries and on the wider international community.[46] Roughly half of the above estimate is assigned to costs borne by neighbouring countries, which are often strongly affected, for example, by the disruption to their economic activities and by refugee flows. However, the estimate does not include the global cost of conflict because of the insurmountable difficulties of estimation. It is nevertheless argued that the global costs are very high since intra-state armed conflicts have facilitated the spread of three global social evils: drugs, HIV/AIDS and terrorism.

These regional and global costs of intra-state armed conflict point to the potential cost-effectiveness for richer countries of investing in measures that reduce the incidence of armed conflict in low-income countries. This is also the conclusion of another study, which has estimated both the external costs of armed conflict and the potential costs of prevention.[47] It concluded that the external costs of armed conflict—that is, costs incurred by countries that are not parties to the conflict—exceed the cost of potential measures to reduce the number or scale of armed conflicts, in some cases by a large factor.

Broader and deeper security challenges

With the broadening and deepening of the concept of security, traditional security agendas are being complemented with a range of additional risks and challenges.[48] The broader security agendas expand the spectrum of vulnerabilities in the functioning of state and society. The deeper security agendas shift the focus from states to individuals, under the rubric of 'human security'.

The broader security agendas give more attention to risks to life, property and the environment. These include risks to economic and environmental security and threats from organized crime, as well as the risks of disturbance to or destruction of critical infrastructure and information technology. In general, there is a stronger focus on the vulnerabilities of societies, in particular

[45] Collier, P. *et al*. (note 30).

[46] Dwan and Gustavsson (note 38), p. 96.

[47] Brown, M. E. and Rosecrance, R. N. (eds), *The Costs of Conflict: Prevention and Cure in the Global Arena* (Rowman and Littlefield: Lanham, Md., 1999).

[48] For a discussion of the broader and the deeper conception of security see Hagelin, B. and Sköns, E., 'The military sector in a changing context', *SIPRI Yearbook 2003: Armaments, Disarmament and International Security* (Oxford University Press: Oxford, 2003), pp. 281–300.

complex societies. These risks must be met by almost exclusively non-military means, mostly in the domain of internal security. Many of the policy instruments for protection and prevention in the area of broader security challenges coincide with those developed for protection from and prevention of terrorism. Thus, the USA's homeland security budget is devoted not only to anti-terrorism measures but also to a range of other threats to internal security. In Europe different types of crisis-management instrument are being developed to cope with such broader security challenges.[49] In the Nordic countries a so-called 'functional security' agenda is being developed to address security issues in the areas of critical infrastructure, information technology, nuclear, biological and chemical issues, and terrorism.[50] Some of these broader security risks have domestic sources, but many also originate abroad, and their reduction thus requires international cooperation.

Policies to address new types of threat to security are being widely discussed at the national level and, in Europe, by the EU. Rather than looking at ways to remove or diminish man-made and structural sources of insecurity, governments and regional organizations tend to think primarily in terms of their own immediate security: border controls, rescue services and domestic crisis management. This reflects a view of security that focuses on domestic or regional security and for which the solution is to seal the territory off from international threats. While such measures better reflect the new security challenges than military defence, they suffer from the limitations of only addressing the symptoms and of imposing restrictions on domestic freedom.

Human security agendas focus on the security of the individual rather than on state security. The concept of human security became widely known with the publication of the *Human Development Report 1994* of the United Nations Development Programme (UNDP).[51] It has subsequently developed in two directions, one that covers challenges to the basic needs of people, sometimes described as 'freedom from want', and another that is more narrow, focusing on the threat of force and violence to people's everyday lives, which can be described as 'freedom from fear'.[52] While the first of these encompasses issues

[49] For analysis and proposals on how to deal with broader internal security challenges within the EU see, e.g., the writings of Heather Grabbe, Centre for European Reform, London, URL <http://www.cer.org.uk/>.

[50] Holmgren, J. and Softa, J., 'The functional security agenda in the Nordic states', Threat Politics, Swedish Emergency Management Agency, 2003, URL <http://www.threat-politics.net/>; Bailes, A. J. K., 'New challenges to human security: how relevant is the "Nordic model"?', Statement at the Conference Exploring Functional Security: National Responses and Prospects for Nordic and European Collaboration, 24–25 Oct. 2002, Swedish Institute for International Affairs, Stockholm, URL <http://www.nnss.org/functionalsecurity_seminars.htm>; and Ekengren, M. (ed.), *Functional Security: A Forward Looking Approach to European and Nordic Security and Defence Policy*, Proceedings of the conference held at the Swedish National Defence College, 5–6 Dec. 2003, SI Acta B no. 30 (Försvarshögskolan: Stockholm, 2004).

[51] United Nations Development Programme, *Human Development Report 1994: New Dimensions of Human Security* (Oxford University Press: New York, 1994), URL <http://hdr.undp.org/>.

[52] Krause, K., 'Is human security "more than just a good idea"?' and Mack, A., 'The concept of human security', eds Brzoska, M. and Croll, P. J., *Promoting Security: But How and For Whom?*, Bonn International Center for Conversion (BICC) Brief no. 30 (BICC: Bonn, Oct. 2004), URL <http://www.bicc.de/publications/>, pp. 43–46, 47–50.

of economic development, the latter does not. However, that does not mean that the proponents of the more narrow version see no links between human security and human and economic development. On the contrary, they acknowledge the interconnections between security, development and governance.[53]

The UN Millennium Declaration includes goals related to both freedom from want and freedom from fear.[54] The latter class of goals is difficult to discuss in terms of resource allocation, but the goals related to freedom from want are more suitable for this. The UN established eight Millennium Development Goals (MDGs) to consolidate the development targets in the Millennium Declaration. They range from the universal provision of primary education, gender equality, reduction in child mortality and improved maternal health, to stemming the spread of HIV/AIDS and ensuring environmental sustainability, with the overarching aim of reducing extreme income poverty by half, all by the deadline of 2015. The eighth goal, a global partnership for development, comprises a set of commitments by developed countries to support these efforts through increased aid, a non-discriminatory trading system and debt relief.[55]

III. Resource allocation

Resources allocated for security purposes have traditionally meant public expenditure on military forces, that is, military expenditure. The new threats and challenges identified during the post-cold war period have implied a need for reallocation of resources from military to non-military means and from measures applied domestically to assistance to other countries to help them address their security problems and sources of insecurity. In particular, it has been argued that it would be cost-effective for the North to invest the resources needed to prevent armed conflict and promote peace and security in the South because of the negative economic impact if they abstain from doing so. For example, this is the rationale behind the global public goods initiative, originally conceived by the UNDP.[56] It is modelled on the concept of public goods in economics: goods whose benefits are not limited to a single consumer, as with private goods, but which are available to all and are thus open to a 'free ride', and for which, therefore, no single individual is prepared to pay. At the national level, public goods are paid for via a system of public budgets and taxes. Similarly, it is argued that there are global public goods that no individual country is prepared to pay for. These are defined in relation to challenges, or global public 'bads', exemplified by many of the world's main crises, from armed conflict and terrorism to climate change. These affect many indiscriminately, but they hit those with the fewest resources more

[53] Mack (note 52), p. 50.
[54] UN General Assembly Resolution 55/2, 8 Sep. 2000, URL <http://www.un.org/ga/>.
[55] United Nations, Millennium Development Goals, URL <http://www.un.org/millenniumgoals/>.
[56] Kaul *et al.* (note 6).

Table 7.1. Patterns of military expenditure and armed conflict, 2003

Country income group	Share of world military expenditure (%)	Number of major armed conflicts[a]	Total number of armed conflicts[b]
High income	*76.5*	2[c]	1
Upper middle income	*9.1*	0	0
Lower middle income	*10.3*	8	8
Low income	*4.1*	9	20
Total	***100***	**19**	**29**

Notes: [a] A major armed conflict is defined as a contested incompatibility concerning government or territory that results in the use the military forces of 2 parties, at least 1 of which is the government of a state, with at least 1000 battle-related deaths in any single year.

[b] An armed conflict is defined as above, but with at least 25 battle-related deaths in one year.

[c] This includes the USA–al-Qaeda conflict, while the figure for total armed conflicts does not. This is the result of different interpretations of the conflict in the two series.

Sources: **Military expenditure**: SIPRI Military expenditure database; **major armed conflicts**: Eriksson, M. and Wallensteen, P., 'Patterns of major armed conflicts, 1990–2003', *SIPRI Yearbook 2004: Armaments, Disarmament and International Security* (Oxford University Press: Oxford, 2004), pp. 132–143; **total armed conflicts**: Eriksson, M. and Wallensteen, P., 'Armed conflict, 1989–2003', *Journal of Peace Research*, vol. 41, no. 5 (Sep. 2004), pp. 625–36; and The Uppsala Conflict Database, Uppsala Conflict Data Program, Department of Peace and Conflict Research, Uppsala University, URL <http://www.pcr.uu.se/database/>.

severely than those with private or national means to protect themselves. Therefore, they need to be addressed by global public goods, that is, by measures to promote peace and security. The global public good initiative raises the question of which global public goods need to be jointly produced in our age of open borders and increasingly intertwined national public domains.[57] The rationale behind an approach along these or similar lines is not humanitarian charity but enlightened self-interest.[58]

This section analyses, as far as the available data allow, some patterns of resource allocation that are relevant in this context. It also presents a menu of different mechanisms that could be used for public and private international financing of measures to promote global peace and security.

Military expenditure

In spite of the reduction in external military threats to national territory since the end of the cold war, most governments still assign high priority to military strength. After a nine-year post-cold war decline in military expenditure,

[57] Kaul *et al.* (note 6), p. xvi.

[58] Müller, H., 'Farewell to unilateralism', *Internationale Politik Transatlantic Edition*, vol. 5, no. 2 (summer 2004), pp. 54–58.

world military expenditure has been rising again since 1998, and in recent years at a particularly high rate.[59]

The global pattern of armed conflict does not correspond to the pattern of military expenditure. Since poor countries can afford to spend less on military security than rich countries can, the global pattern of military expenditure corresponds roughly to the pattern of national income rather than to the pattern of conflict. There is a consequent profound mismatch between the pattern of provision of military force and the distribution of armed conflict. As table 7.1 shows, while roughly half of major armed conflicts and more than two-thirds of all armed conflicts take place in low-income countries, more than three-quarters of world military expenditure is spent by high-income countries. On a regional basis, it is only in the Middle East and Latin America that there is a correspondence between the incidence of conflict and the level of military expenditure.

This discrepancy between patterns of military expenditure and armed conflict is subject to a range of explanations. Some would argue that it is because of the high military expenditure in the North that there is a lower incidence of armed conflict and a higher degree of security in the North than in the South. According to this view, military forces prevent conflict through deterrence, their internal security roles, positive effects on nationhood and collective security in the region. Others would argue that military expenditure does not always provide military security and that, indeed, the expenditure is often made for reasons other than security: economic, industrial, technological, social and regional policy reasons. In addition, official figures on military expenditure do not always reflect the full extent of actual military expenditure, since they exclude off-budget and hidden spending.[60] This is especially true in countries in conflict or affected by conflict.

The burden of military expenditure, measured as its share of gross domestic product, is better correlated with the pattern of armed conflict. The majority of the countries with the highest known military burden are countries that are, or have recently been, involved in armed conflict or are located in regions with major security problems.[61] The regions with the highest military burden are the Middle East, North America, Central and Eastern Europe, and Africa.[62]

In comparison with military expenditure, the resources devoted to multilateral peace missions in locations of intra-state armed conflict are small. However, the full picture of expenditure on peacekeeping is not available. The UN's budget of $2.3 billion for peacekeeping, financed by national contributions, often via ministries for foreign affairs, covers only part of these resources. Military peace missions provided by the EU and NATO are funded according to the principle that 'costs lie where they fall'; that is, member

[59] See chapter 8 in this volume.

[60] Omitoogun, W., *Military Expenditure Data in Africa: A Survey of Cameroon, Ethiopia, Ghana, Kenya, Nigeria and Uganda*, SIPRI Research Report no. 17 (Oxford University Press: Oxford, 2003).

[61] Sköns, E. *et al.*, 'Military expenditure', *SIPRI Yearbook 2004* (note 38), p. 309.

[62] Sköns, E. *et al.*, 'Military expenditure', *SIPRI Yearbook 2003* (note 48), table 10.2, p. 303.

states pay directly for the missions they provide.[63] While it may be possible to identify the share of military expenditure that some countries devote to peacekeeping—both the deployment costs and the cost of equipment and training—there are no international statistics available that would allow an assessment of the global expenditure on peacekeeping.

Peace missions carried out by the AU and ECOWAS are eligible for funding from the African Peace Facility, established by the EU in 2003.[64] Access to the facility—to which the EU has allocated an initial sum of €250 million—means that, unlike its predecessor, the Organization for African Unity, the AU does not need to rely on wealthier member states to lead and finance missions or to ask for UN approval in order to obtain UN funding.

Although it is difficult to estimate the total costs of peace operations, since they are funded in a variety of ways and by a range of sources,[65] it is nevertheless evident that the funds committed to peace operations within multilateral organizations are still small in comparison with total military expenditure. The total number of military personnel in UN peace missions was only 55 909 in December 2004; the four NATO operations deployed another 25 565 military personnel; the EU operation with a military component another 7000; and other regional organizations another 10 390 military personnel.[66] Even if the full cost of sustaining a peace mission is three times the cost of deployment, spending for peace operations still constitutes a relatively small proportion of total military expenditure. The US-led military intervention in Iraq, organized and funded by the coalition countries, had 173 000 troops deployed at the end of 2004. The expenditure on the military operations in this war, not to mention the expenditure on reconstruction, is many times greater than the combined spending on peacekeeping by multilateral organizations. By the end of 2004, supplementary expenditure by the USA for military operations in Iraq had reached $126 billion.[67] The size of the war expenditure by the coalition partners Australia and the UK is also significant.[68]

[63] For overviews of the financing systems for peace missions see Missiroli, A., '€uros for ESDP: financing EU operations', Occasional Papers no. 45, European Union Institute for Security Studies, Paris, June 2003, URL <http://www.iss-eu.org/>; and Future of Peace Operations Project, 'Funding for post-conflict operations: NATO and the EU', Peace Operations Factsheet Series, Henry L. Stimson Center, Washington, DC, Mar. 2004, URL <http://www.stimson.org/fopo/?SN=FP20020610372>.

[64] European Union, 'Decision no 3/2003 of the ACP-EC Council of Ministers of 11 December 2003 on the use of resources from the long-term development envelope of the ninth EDF for the creation of a Peace Facility for Africa', *Official Journal of the European Union*, L345 (31 Dec. 2003), URL <http://europa.eu.int/eur-lex/>, pp. 108–11.

[65] Efforts to create a measure for national (monetary and personnel) contributions to peacekeeping have been made by the Center for Global Development; see URL <http://www.cgdev.org/rankingtherich/> and, in particular, O'Hanlon, M. and de Albuquerque, A. L., 'Note on the security component of the 2004 CDI', Center for Global Development, Washington, DC, Apr. 2004, URL <http://www.cgdev.org/rankingtherich/details.html>.

[66] See table 3.2 in chapter 3 in this volume. Other regional organizations that lead peace missions include the AU, the Commonwealth of Independent States, ECOWAS and the Organization of American States.

[67] Kosiak, S. M., 'Funding for defense, military operations, homeland security, and related activities since 9/11', Center for Strategic and Budgetary Assessments, Washington, DC, 18 Oct. 2004, URL <http://www.csbaonline.org/>.

[68] See chapter 8 in this volume.

In view of the scale of resources devoted to traditional military security in the North, it is reasonable to argue that it is in the enlightened self-interest of the North to reallocate some of its military expenditure to the financing of other types of security. This reallocation would acknowledge the broader and deeper security dimensions as well as the strong interdependence between sources of insecurity in the South and the security of the North

Internal security expenditure

While there are no international statistics that are specifically designed to capture expenditure related to the broader security challenges, the data provided by the International Monetary Fund (IMF) on 'public order and safety' are the most relevant data existing today, although they have a much broader scope than is desirable for this purpose.[69] The year 2000 is the most recent for which a comparison can be made between government spending on 'defence' and on 'public order and safety' for more than 20 countries.[70] Measured in this way, this comparison shows a great variation between countries in the priorities assigned to external and internal security expenditure. However, most countries spend more on defence than on public order and safety. The countries in this small sample that give higher priority to public order and safety than to defence are Germany, Italy, Kenya and the Philippines.

As regards expenditure for other broader security areas, such as economic and environmental security and the security of critical infrastructure and information technology, it is extremely hard to identify relevant data.

External support for development

Development cannot be achieved by development assistance and other external resource flows alone. Debt cancellation, the removal of barriers to trade in goods and services from low-income countries and increased technology sharing would go a long way towards promoting economic development in low-income countries.[71] Furthermore, without proper domestic economic development policies, these flows will not have any great positive impact. However, for many low-income countries external resource flows represent a significant share of the economic resources available for their economic development, so it is of interest to study these flows. Table 7.2 shows that total net resource flows from member countries of the OECD to aid-recipient countries have declined from $264 billion in 1995 to $151 billion in

[69] Public order and safety includes police services, fire protection services, law courts, prisons, and research and development on public order and safety. International Monetary Fund (IMF), *Government Finance Statistics Manual 2001* (IMF: Washington, DC, 2001), p. 76.

[70] International Monetary Fund (IMF), *Government Finance Statistics Yearbook 2003* (IMF: Washington, DC, 2003).

[71] United Nations Development Programme, *Human Development Report 2003, Millennium Development Goals: A Compact Among Nations to End Human Poverty* (Oxford University Press: New York, 2003), URL <http://hdr.undp.org/>, chapter 8, pp. 145–62.

Table 7.2. Resource flows from member states of the OECD Development Assistance Committee and multilateral agencies to aid recipients, 1995–2002

Figures are in US$ b., at current prices and exchange rates.

Type of flow	1995	1996	1997	1998	1999	2000	2001	2002[a]
Public flows[b]	93.0	77.5	80.2	97.7	90.1	73.4	71.5	61.2
ODF[c]	87.4	73.5	75.4	89.3	86.0	65.6	68.7	62.7
ODA[c]	58.9	55.8	47.8	50.6	52.1	49.6	50.9	59.1
Export credits	5.6	4.0	4.8	8.4	4.1	7.8	2.8	–1.5
Private flows	171.1	273.1	241.4	130.7	221.9	143.1	149.2	89.8
Direct investment	59.6	68.9	102.3	117.1	145.5	124.4	134.8	103.6
Grants by NGOs	6.4	5.9	6.4	7.2	8.9	9.5	10.4	12.3
Total net flow	**264.1**	**350.6**	**321.5**	**228.4**	**312.0**	**216.5**	**220.7**	**151.0**

Notes: ODA = Official development assistance; ODF = Official development finance; NGO = Non-governmental organization; OECD = Organisation for Economic Co-operation and Development.

[a] Figures for 2002 are provisional.

[b] All figures for public flows include bilateral and multilateral flows.

[c] ODF includes ODA to developing countries, official assistance to other countries and other ODF.

Source: OECD Development Assistance Committee (DAC), 'Aid from DAC members', Statistics, data and indicators, URL <http://www.oecd.org/>.

2002, in nominal terms. This is the result of reductions in both public and private flows. Official development assistance (ODA) to developing countries declined during the second half of the 1990s but has increased since 2000 in current dollars. Total public flows continued to fall as a result of reductions in non-ODA development finance. The decline in private flows is the result of cuts in international bank lending and other types of lending, while direct investment and grants by non-governmental organizations (NGOs) have been increasing in nominal terms.

Out of the total ODA flows in financial year 2001/2002, around 43 per cent addressed the MDGs specifically.[72] A World Bank study has estimated that the resources required to attain the MDGs by 2015 would correspond to an additional $40–60 billion per year in foreign aid.[73] This should not be taken to mean that, if this amount is made available, it would guarantee that the MDGs will be reached. The World Bank study emphasizes that 'if the aid goes to countries with poor policies and institutions, it is likely to be wasted'.[74] According to the August 2004 UN report on the implementation of the Millen-

[72] United Nations, Implementation of the United Nations Millennium Declaration, Report of the Secretary-General, UN document A/59/282, 27 Aug. 2004, URL <http://www.un.org/millennium goals/>, paragraph 46.

[73] Shantayanan, D., Miller, M. J. and Swanson, E. V., 'Goals for development: history, prospects and costs', Policy Research Working Paper Series no. 2819, World Bank, Washington, DC, Apr. 2002, URL <http://econ.worldbank.org/working_papers/13269/>.

[74] World Bank, 'The costs of attaining the Millennium Development Goals', Paper summarizing Shantayanan *et al.* (note 73), URL <http://www.worldbank.org/html/extdr/mdgassessment.pdf>, p. 1.

nium Declaration, progress towards the MDGs varied between countries.[75] For example, most countries in Asia and North Africa were largely on track to meet the target of halving extreme poverty by 2015 and to achieve many of the social targets, while many countries in sub-Saharan Africa and the least developed countries in other regions were far from making adequate progress on most of the goals.

Armed conflicts have a major impact on the effectiveness of development aid.[76] The international donor community now acknowledges this linkage between security and development, a perception that 'opens the way to mainstreaming security as a public policy and a governance issue' and 'invites greater public scrutiny of security policy'.[77] In April 2004 the OECD Development Assistance Committee endorsed a policy statement to that end.[78] Thus, in future it is likely that the international donor community will provide more financial resources to security-related development assistance.[79]

International financing mechanisms

Any significant increase in the support for peace and security, in particular through means that reach out to the countries most affected by insecurities, requires rethinking of the mechanisms for generating international finance for this support. There are a number of different potential approaches to the international financing of common activities, also thought of as global public goods. Table 7.3 presents a typology of financing mechanisms, grouping these into four categories based on their basic function or source of funding.

The first category, 'internalizing externalities', consists of measures to make the suppliers or recipients of support instruments finance them directly in two ways: by creating a market for them or through taxes, fees or levies. While the purchasing power of the recipients constitutes part of the problem to be solved, various forms of global taxes have been suggested. As early as the 1980s the Brandt Commission developed the idea of raising revenues from taxes on international trade (e.g., the arms trade) for development purposes.[80]

[75] United Nations (note 72), paragraph 41.

[76] Stewart and FitzGerald (note 34).

[77] OECD Development Assistance Committee (DAC), 'Security system reform and governance: policy and good practice', DAC Guidelines and Reference Series, OECD, Paris, 2004, p. 12, URL <http://www.oecd.org/>.

[78] OECD DAC (note 77).

[79] See also chapter 8 in this volume.

[80] Brandt, W. (chairman), *North–South: A Programme for Survival*, Report of the Independent Commission on International Development Issues (Pan Books: London, 1980). See also the papers presented to the United Nations Ad Hoc Expert Group Meeting on Innovations in Mobilizing Global Resources for Development, UN Headquarters, New York, 25–26 June 2001, URL <http://www.unpan.org/>; and Broadway, R., 'National taxation, fiscal federalism and global taxation', WIDER Discussion Paper no. 2003/87, World Institute for Development Economics Research (WIDER), UN University, Helsinki, Dec. 2003, URL <http://www.wider.unu.edu/>.

Table 7.3. International financing mechanisms

Category of financing mechanisms	Financing mechanism
Internalizing externalities	Market creation or strengthening Taxes, fees and levies
Private sources	Corporations: for profit Corporations: not for profit Private foundations Non-governmental organizations Individuals
Public sources	National: developed countries National: developing country International financial institutions International organizations and agencies
Partnerships	Combination of various sources

Source: Adapted from Sagasti, F. and Bezanson, K., *Financing and Providing Global Public Goods: Expectations and Prospects*, Development Financing 2000, Study 2001:2 (Swedish Ministry of Foreign Affairs: Stockholm, 2001), URL <http://www.egdi.gov.se/dev_financing/financing.htm>, table 3.3, p. 41.

This idea surfaced again in 2003 in a proposal by the presidents of Brazil and France.[81]

In theory it is possible to imagine the financing of activities that promote peace in other countries from private sources, for example, from private foundations and NGOs. Grant-making foundations finance practical programmes in preventing violent conflicts. Considerable resources are provided by NGOs for humanitarian activities, financed from a variety of sources such as membership dues, grants from governments and international institutions including development assistance agencies, grants from private foundations and donations from corporations and wealthy individuals. While some of the private funding schemes are of considerable size, they are still small in relation to the needs. Furthermore, it is difficult to ensure sustainability in the provision of financing from private sources.

Public finance remains the main source of funds for the provision of security, whether for military or non-military means and whether at the national or international level. Donor countries provide finance through four different mechanisms: (*a*) ODA, (*b*) debt-reduction schemes, (*c*) assistance from non-ODA agencies and ministries, and (*d*) tax incentives for private firms to encourage their support for peace and security measures. International financial institutions, such as the IMF and multilateral development banks, and international organizations, such as the UN, make significant contributions to peace and security. A large part of their income is generated from contributions from member states. Major issues include how to design the system of

[81] 'Lula proposes hunger fund', BBC News Online, 2 June 2003, URL <http://news.bbc.co.uk/2/2954990.stm>.

contributions from member states and how to design the decision-making system for the allocation of resources between different activities.

IV. Conclusions

The internationalization of security problems in the globalized context requires changes in security policies. While thinking on security problems is undergoing fundamental transformation in a variety of directions, there has been less rethinking of the required reallocation of resources for security purposes, either at national, regional or global level. Although statistics on resource allocation are not designed to enable comparisons of the different ways of promoting security, some tentative conclusions can be drawn.

The pattern of security financing is still strongly focused on traditional national military security objectives. Most obviously, a large proportion of public resources is spent on military forces for territorial security purposes, much of it by countries facing the lowest level of immediate threat. There is still a strong emphasis on financing security measures at the national level. For example, although international statistics do not allow a strict comparison, the resources allocated to international peacekeeping are small compared with military expenditure for territorial defence.

In low-income countries, armed conflict cannot be resolved exclusively by military means. Linkages between armed conflict and the lack of development in such countries are sufficiently strongly established to allow the conclusion that a range of non-military means is required in order to reduce the incidence of conflict there. The resources required for this are not available in the countries affected by conflict and little has been done to establish a resource base for addressing the development problems. Although development assistance has increased since 2000, the net resource flow to aid-recipient countries is falling, and the level is still very low in comparison with the needs.

International financing of peace and security on a fundamentally different scale than today would require new thinking and priorities in resource allocation. Furthermore, governments are likely to be neither willing nor able to invest the full amount of required resources. Thus, innovative new means of financing will probably be considered, including taxation of international flows and private sources of funding, from private industry as well as NGOs. In order to enable coherence, legality, timeliness and cost-effectiveness in the allocation of resources generated from such a diverse system of funding, new forms of governance would be needed.

A North–South shift of resources for these purposes would have to be based on the enlightened self-interest of the North. However, that would require substantially improved knowledge about how to promote security and, even more, wide dissemination of such knowledge to the broader public in the North, which in one way or the other would have to finance this investment in future security. In particular, more knowledge is needed: (*a*) of the sources of different types of insecurities, both internal and external, and of both the

immediate and the more long-term structural insecurities; (*b*) of the linkages between sources of insecurity in regions which lack the resources to remedy them and the security of countries where such resources are available; and (*c*) about the relative effects of different security policy instruments. These are important areas of future research. In addition, since available statistics are not adapted to the purpose of examining priorities in resource allocation for security purposes outside the military domain or through multilateral organizations, it might be useful to begin thinking about designing new types of public expenditure categories, such as for non-military spending for the securing of peace and contributions to international activities for such purposes.