Practical Long term Decision Making: Countries at Risk of Instability Programme
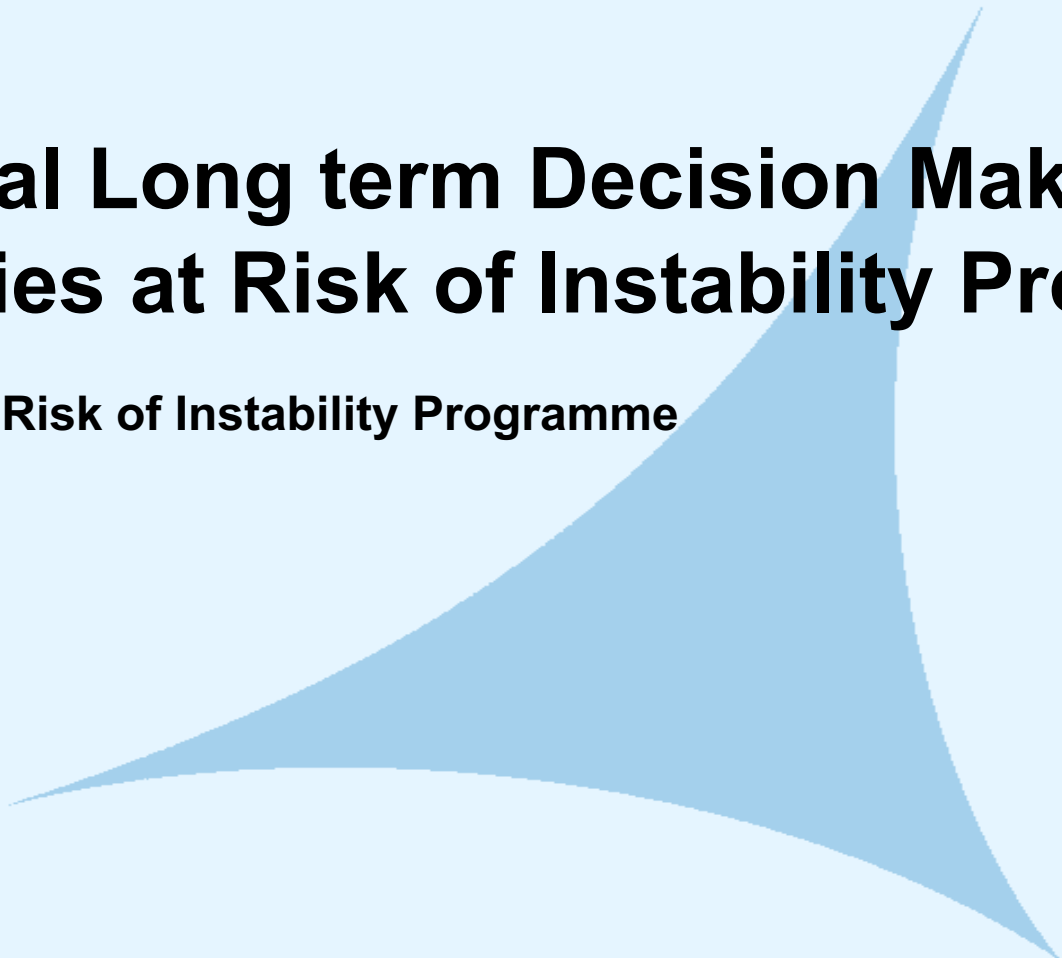
Countries at Risk of Instability Programme

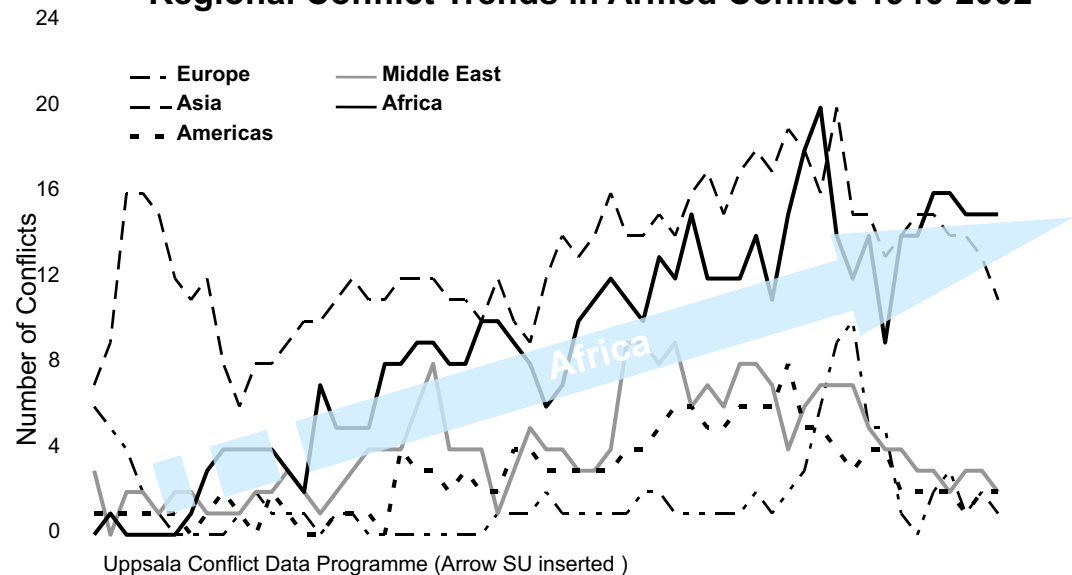**July 2005**

- **Instability impacts strongly on a broad range of HMG objectives** such as security, economic prosperity, energy security, organised crime, humanitarian protection, international development and social cohesion

- **Instability is likely to continue:**
  - » Armed conflict levels remain high
  - » Many countries in transition from autocracies to democracies
  - » HIV/AIDS destabilises particularly Africa
  - » Climate change
  - » Globalisation of organised crime
  - » Increased competition for energy resources

Regional Conflict Trends in Armed Conflict 1946-2002

Legend:
- – · Europe
- – – Asia
- – · · Americas
- —— Middle East
- —— Africa

Y-axis: Number of Conflicts (0, 4, 8, 12, 16, 20, 24)

Uppsala Conflict Data Programme (Arrow SU inserted)

- **Strong invest to save case for preventive activity** as responding to crises as they emerge is very costly in terms of human suffering and high financial costs of intervention.

- Need **practical approaches to prevention:** requires early and long term investment in a range of measures by governments and a variety of international institutions

Critical decisions to invest in tackling instability and build capability for crisis response require long term planning
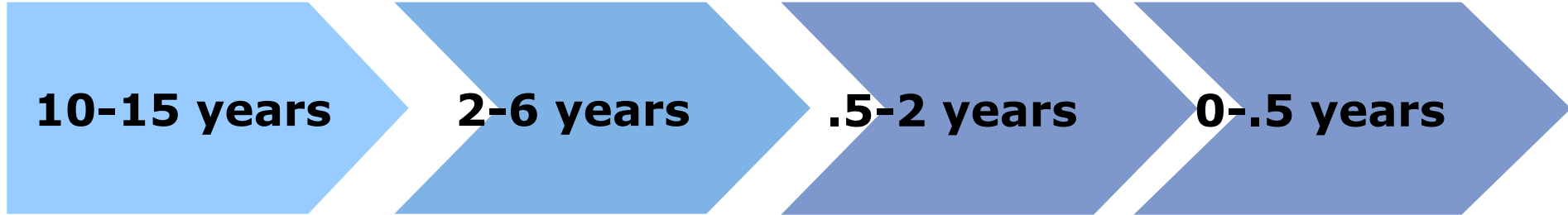
10-15 years

- Broad International system change
- Broad Regional system change
- National institution building
- UK military capability investment
- Economic investment

2-6 years

- Focused international system change
- Force reorganisation
- National governance strengthening
- Aid programmes
- Regional military strengthening

.5-2 years

- Military Contingency planning
- Disaster/aid Contingency planning
- Criminal operations
- Preventive diplomacy

0-.5 years

- Military intervention/strengthening
- Diplomatic intervention
- Humanitarian support
- Macroeconomic crisis support

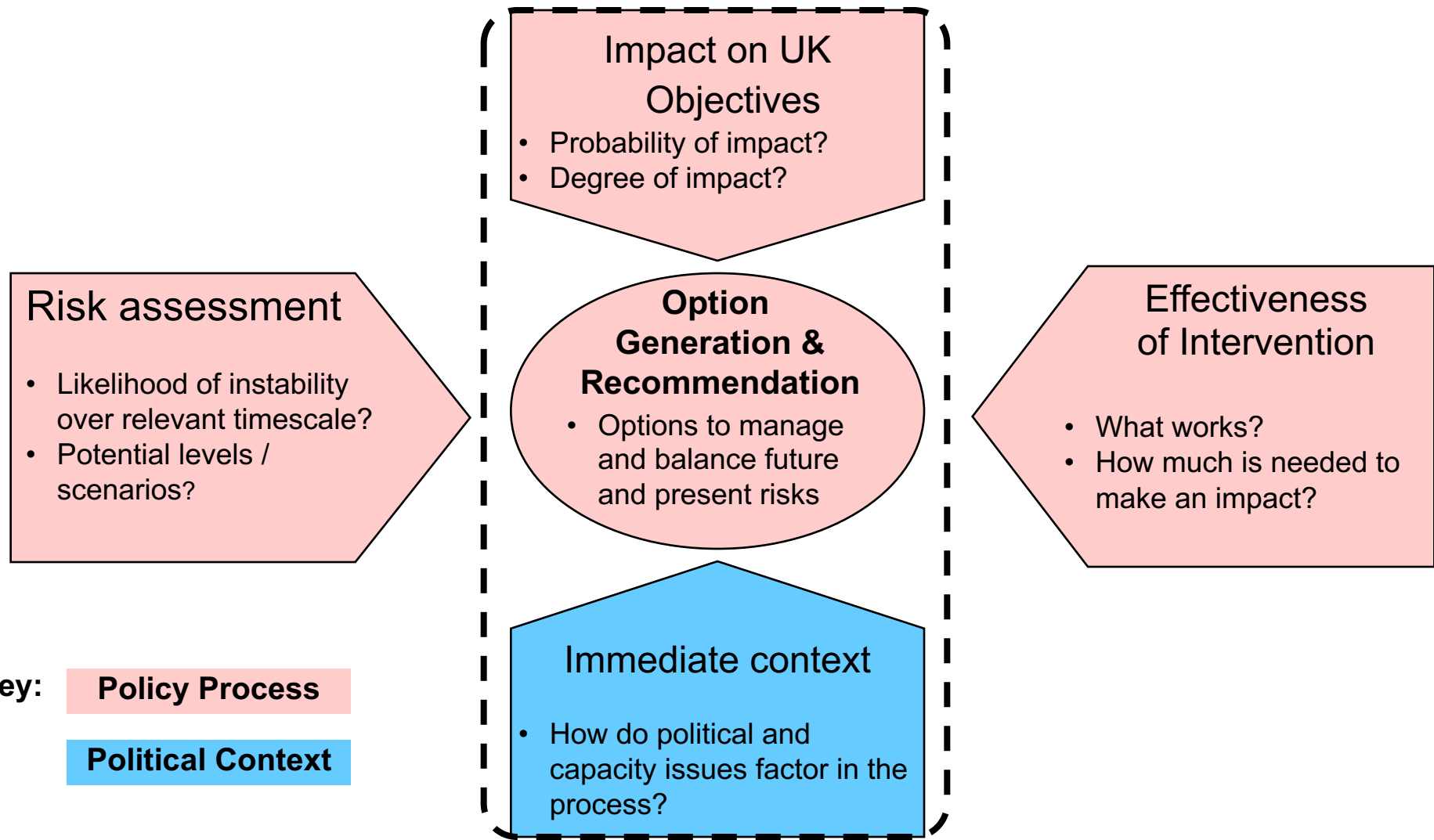# Politics is vital – but tackling systemic issues will reduce political barriers to prevention

- "Received wisdom" focuses on a lack of <u>political will</u> as the primary cause of underinvestment in prevention and slow response to crises

- Political will to act is deterred by a number of factors:
  - » Clashes of country interests
  - » Costs and benefits of action don't add-up
  - » Perceived lack of public support for action
  - » Choices for action seem unattractive and /or levers of influence are too small to make a real impact or too complex to deploy

- All of these problems can be heightened by <u>systemic failures</u> to provide timely, attractive options that spell out the relative costs of action and inaction coupled to efficient effective implementation mechanisms.
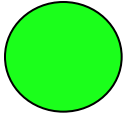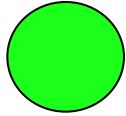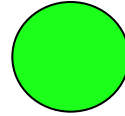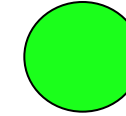
Improving Decision Support Systems
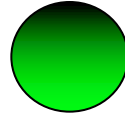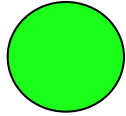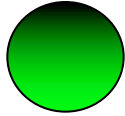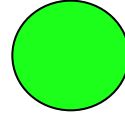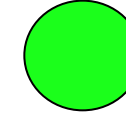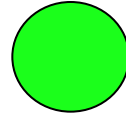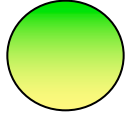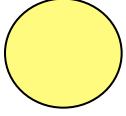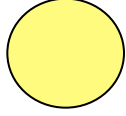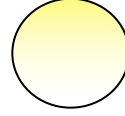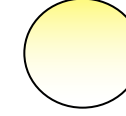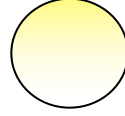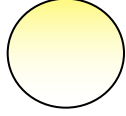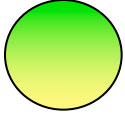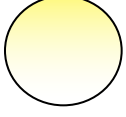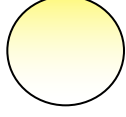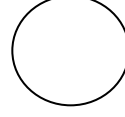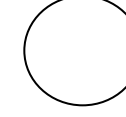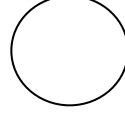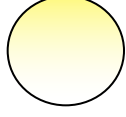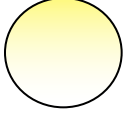
- Need whole government solutions as:
  - » Instability impacts across objectives

  - » Solutions require expertise and resources from multiple departments working together.

- Need to impact several timescales:
  - » long run strategic decisions on defence spending, strategic political focus and institution building

  - » medium term resource allocation and departmental choices

  - » short term diplomatic, deployment and spending decisions

CRI Project focused on understanding the needs of decision makers (using structured interviews) and then defining possible system improvement

Effective decision support requires several elements in order to generate robust response options to CRI

Impact on UK Objectives
- Probability of impact?
- Degree of impact?

Risk assessment
- Likelihood of instability over relevant timescale?
- Potential levels / scenarios?

Option Generation & Recommendation
- Options to manage and balance future and present risks

Effectiveness of Intervention
- What works?
- How much is needed to make an impact?

Immediate context
- How do political and capacity issues factor in the process?

Key:
- Policy Process
- Political Context

Joint SU/Departmental assessment of decision support across UK objectives indicates that risk and impact assessment is patchy, and evaluation & option generation/strategy formulation are relatively weak

	Terrorism and WMD	Migration drugs & crime	UK economic prosperity	Energy security	European security & stability	Wider peace & stability	Sustainable develop-ment
Risk Assessment	Evolving	Evolving	Evolving	Evolving	Strong	Evolving	Strong
Impact Assessment	Strong	Strong	Evolving	Evolving	Strong	Evolving	Evolving
Evaluating Effectiveness	Evolving	Evolving	Slight	Slight	Slight	Slight	Evolving
Option Generation	Slight	Slight	Slight	Slight	Slight	Slight	Slight

Effectiveness of Decision Support across HMG

● Strong

● Evolving

○ Slight
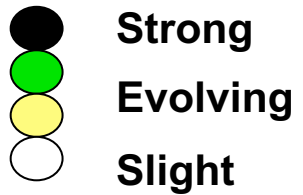
Future <u>risks</u> of instability can be estimated, but specific <u>crises</u> cannot be predicted. Need to framework to <u>manage</u> future risks of instability.

- Strong correlations exist between instability and economic, political and social factors – but complexity makes simple causation models inappropriate

- Risk factors (e.g. poverty) are mediated through political and institutional actors who exploit opportunities and grievances to increase their power and status

- Therefore, the <u>risk of instability</u> can be predicted with some accuracy, but the <u>timing and emergence</u> of political crisis or conflict cannot – even though a casual chain may be apparent afterwards

Need a **risk management** framework for understanding and responding to long term risks of instability

Decisions are made over the long term, but current risk and planning systems only give rigorous evaluation of the short term

- Resources are currently focussed on short term analysis
- Support to longer term decision-making is less rigorous than that for crisis response

Scope

Global

Military capability requirements

FCO strategy / supporting analysis

Energy security

MOD I&W

Regional

Defence planning assumptions

JTAC threat assessment

Drug supply

Poverty reduction

FCO risk update

JIC assessment

Local

DFID conflict assessment

Country credit risk

Long   10 years   **Medium**   3 years   **Short**   1 year   **Now**
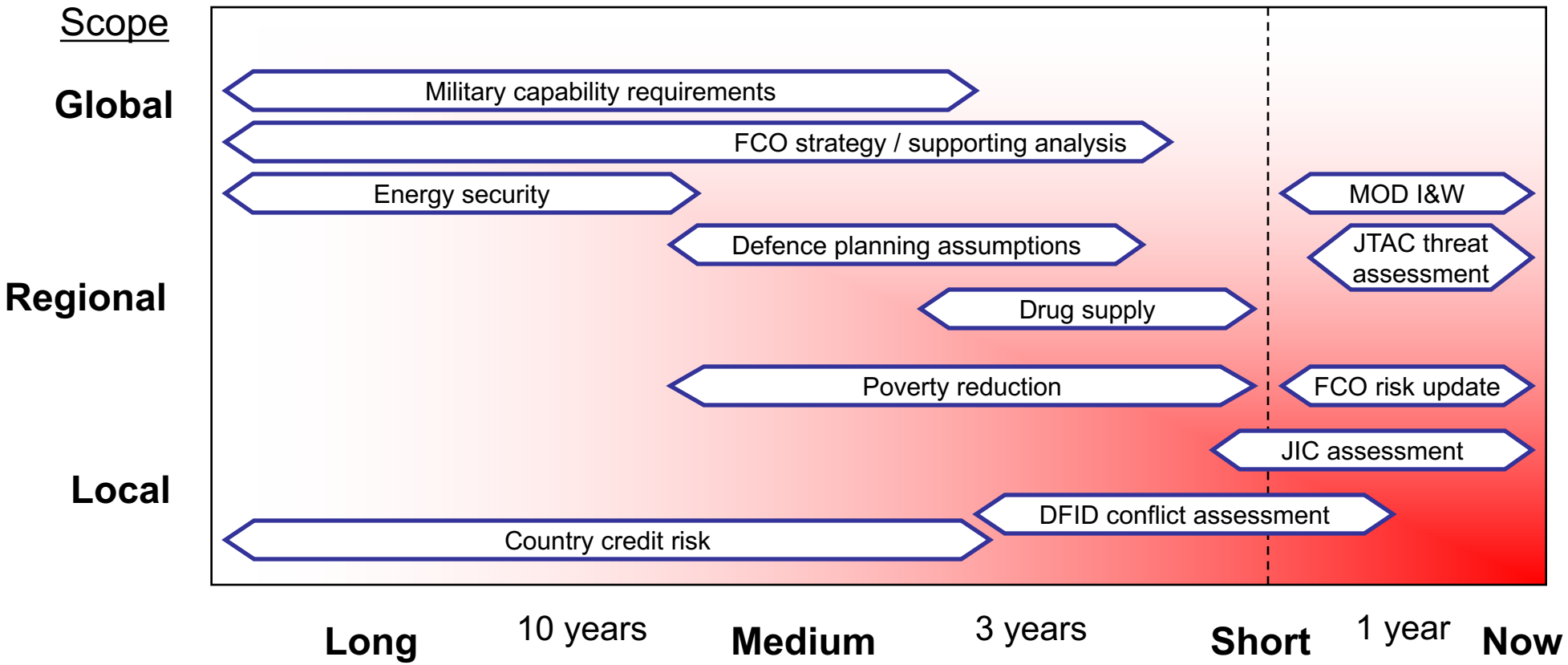
Improving risk assessment requires different tools to be used at each stage
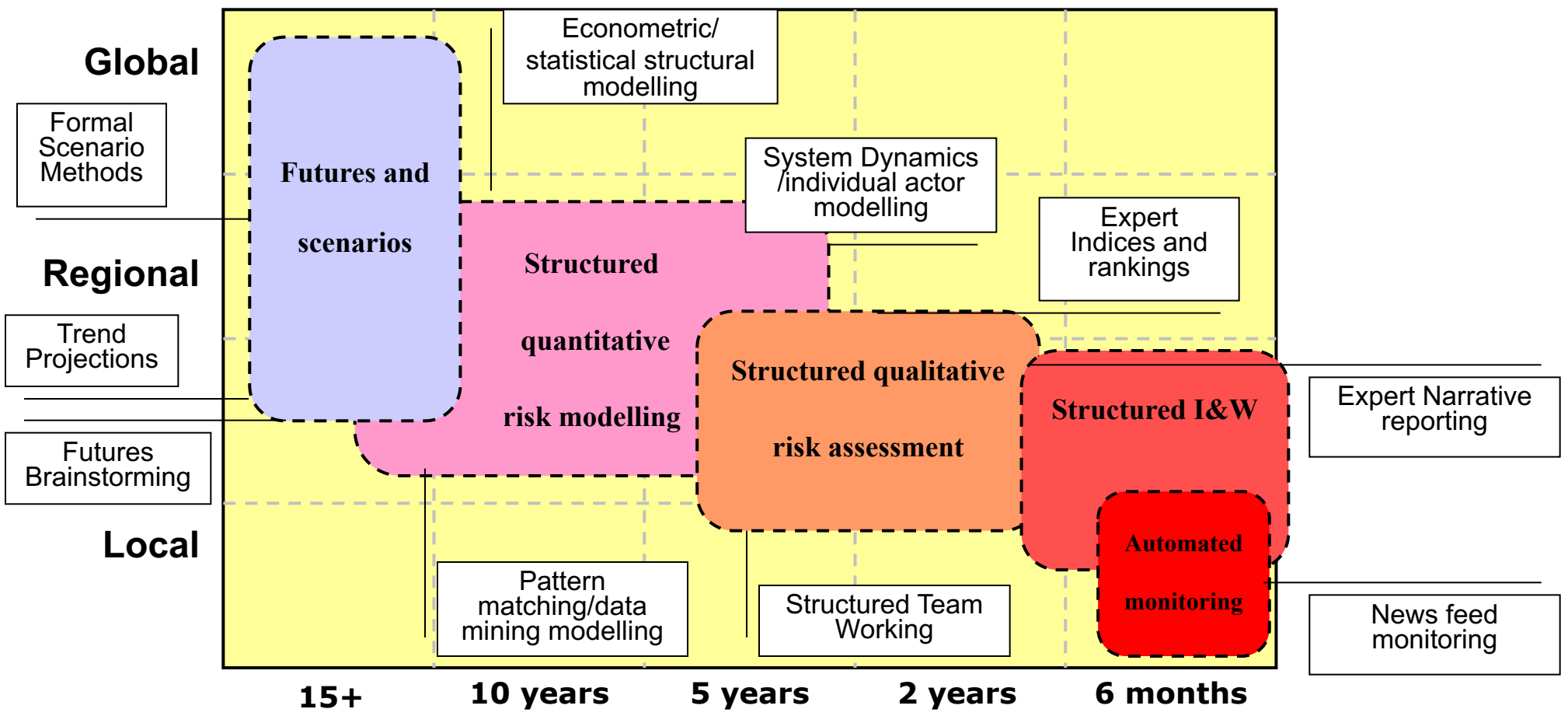
How do we envision the future?
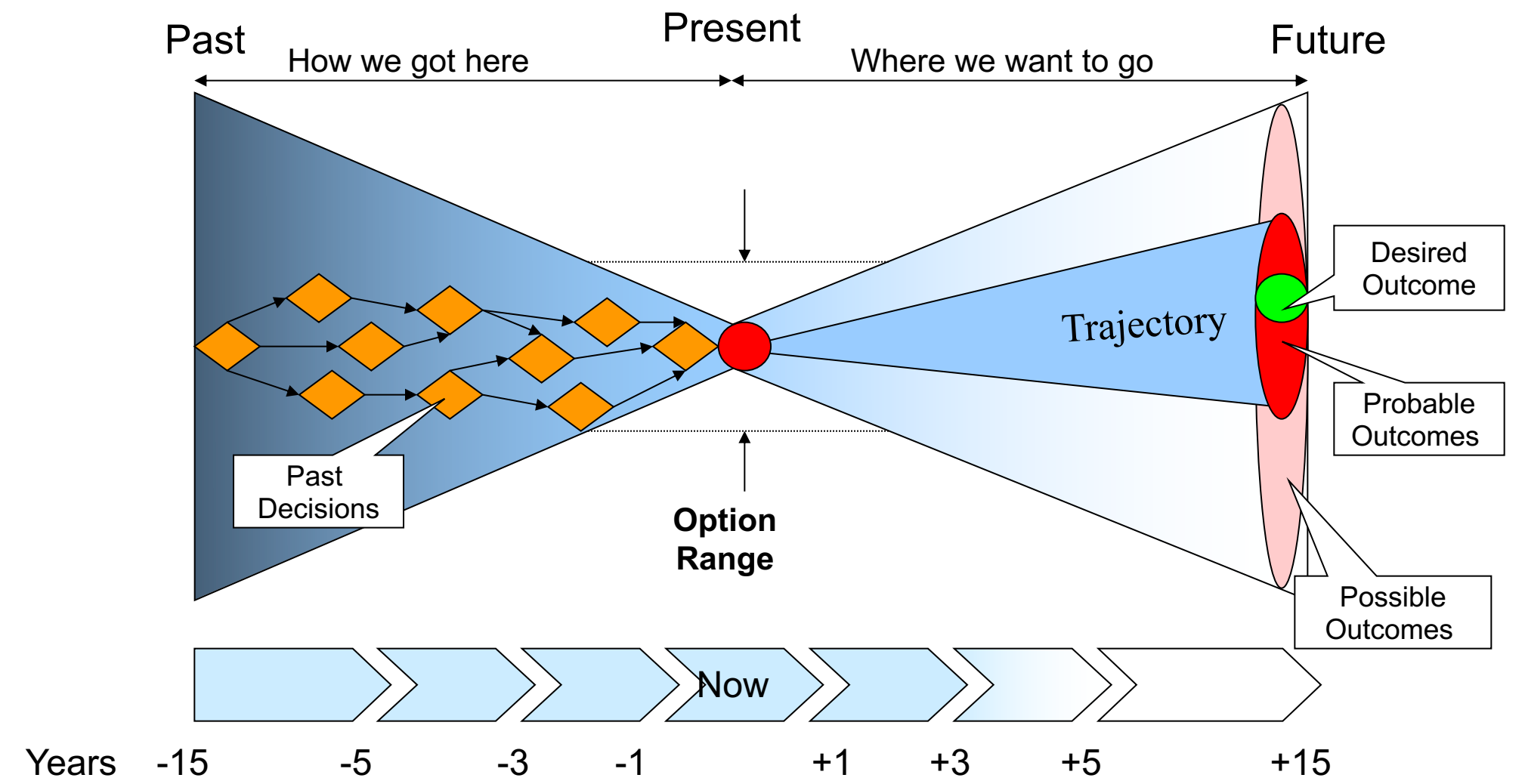
Departments have <u>legitimately</u> different approaches to time and risk management

- **MOD**: "Predict and provide"
  - » Anticipates UK military capability needed to respond to future strategic threats (central case plus tested outliers)
  - » Timescale 15 years planning horizon; 30 year strategic futures.

- **FCO**: "React and deploy"
  - » Responds to threats/opportunities to UK interests as they arise
  - » Timescale: 3 years planning; 10-15 years strategic horizon.

- **DFID**: "Target and resource"
  - » MDGs provide medium term targets – resources and policies deployed to meet these goals
  - » Timescale: 5 years planning; 10 years strategic horizon.

Producing cross-departmental working requires a process and framework that can absorb all of these ways of working – it is not about finding a common language

Key to making system work is an integrated framework for structured analysis – the CRI "Instability Framework"

Design Criteria behind CRI Instability Framework

- Provide a simple and robust high level framework for structuring discussion between different departments, analysts, disciplines and assessment methods

- Incorporates a clear understanding of the emergent dynamics of crisis and conflict

- Makes explicit critical assumptions around how risks will be effectively managed over time – allowing contest and challenge.

- Prompts analysts to consider all key generic factors (based on research) as well as country/region specific issues - preventing disciplinary bias and analysts focusing on easily available data

- Can be used to drive the full strategic country assessment process from risk assessment, futures and generating strategic options

A draft manual laying out how the Instability Framework can be used to drive an integrated assessment process in practice has been produced as one of the key outputs of the CRI project

Relative balance of factors changes over time as country risks change, crises emerge and are resolved

Shocks
- natural disasters
- global/regional financial crisis
- commodity price shocks
- assassinations

Risk factors for instability

External

Generic
- Bad regional neighbour-hood
- International terrorism
- Geopolitical competition
- Conflict financing
- Off-shore financial havens
- Low quality MNCs

Internal

Generic factors
- Low GDP/
- Economic decline
- Previous conflict
- Natural resource dependence
- Horizontal inequality
- Organised Crime

Future factors
- HIV/Aids
- Resource scarcity
- Climate change
- Demographics

Country capacity and resilience

State Capacity
- Security
- Macroeconomic fundamentals
- Public good provision

Civil Society
- Civil society orgs
- Traditional systems

Rules of the Game
- Political Institutions
- Legal/economic institutions
- Executive checks & balances

Social Contract
- Leadership
- Legitimacy
- Expectations vs delivery

External stabilising factors

Political/Institutional
- Bilateral relationships
- Regional groupings
- Standards in regional /global institutions

Economic
- Open external markets
- Good quality FDI

Security
- Security guarantees

Feedback of instability into risk factors creating vicious circle

Violent Conflict, Political instability, Loss of Territorial Control, Economic Crisis

Emerge when country capacity is weak, large risk factors of instability exist, and external stabilising factors are limited

strategy unit

14

Stages in undertaking a full cross-government Strategic Assessment Process

Risk and Impact Assessment

Option Generation and Analysis

Key Outputs to Decision Makers

1. Structural analysis of the dynamics of country stability

2. Risk analysis and assessment of medium-long term stability over 5-15 years

3. Identification and mapping of key instability scenarios and possible warning indicators.

4. Assessment of UK interests (relative priority, sustainability, compatibility) under different scenarios.

Develop Options to manage potential risks, based around different inputs & wider partnerships.

Option Analysis - based on costs, benefits, effectiveness & probability of success.

Threat Monitoring System for Country

Areas for Contingency Planning

Proposed Stability Strategy for Country

Risk Assessment Process

Strategic Analysis process

Lesson I: Produce Compelling Propositions

- Most propositions for long term action fail to meet test of:
    - » **Credibility**: will it <u>really</u> make a difference?
    - » **Delivery**: can we actually make this <u>happen</u>?
    - » **Desirability**: Do the costs and benefits (including politics) add up?

- Problems are often stuck in "impossible" loops which need breaking:
    - » "**Reframing the problem**" to bring in new constituencies and approaches: e.g. "more prevention and better intervention"; "risk management of instability"; "invest to save".
    - » **Looking hard at the long term**: e.g. "what is the impact on UK interests in the Caribbean of trends in HIV AIDS, climate change, demographics and trade liberalisation?"
    - » **Bundling multiple policy benefits**: e.g. "investment to reduce global instability and conflict benefits "hard" security outcomes, UK economic interests and poverty reduction"

Lesson II: Change the Operating System

- Understand the politics/institutions as well as the policies. 70% of CRI project was spent piloting new approaches and tools inside HMG.

- Throwing more uncertainty at a decision maker without a <u>clear framework for managing risk</u> will motivate short term reactive approaches

- Improved outcomes require decision support systems and tools which can motivate investment in both preventive and reactive strategies.

- Complex change does not happen in a day – need to define a feasible pathway to making progress and not over complicate solutions.

- Professional cultures must be understood and if possible incorporated into new approaches, or change is unlikely to happen. Though that does not mean biases and false assumptions should not be challenged.