

# Focus on Development

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## Ethnic Inequality as a Fundamental Obstacle to Development: Problems and Approaches

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Ethnic inequality is an often neglected problem of global proportions: worldwide, more than half of all ethno-political groups are politically, socio-economically and/or culturally disadvantaged. This not only threatens social peace within the countries concerned, but also inhibits their economic development. Against this backdrop appropriate measures are needed to reduce ethnic inequality. A wide range of relevant options is available, but so far remains underused. The major future challenge for development cooperation lies in providing better support to partner countries when it comes to the prevention of ethnic conflicts.

In recent years the topic of inequality has once again moved up the development agenda. Discussion is generally focused on the worldwide growth of inequality between individuals or households (vertical inequality). In contrast, much less attention is paid to the inequality between culturally defined groups (horizontal inequality), which mainly include ethnic and religious groups.<sup>1</sup>

This relative neglect of horizontal inequality is problematic since this is a common problem, particularly in developing countries, and often has far more severe consequences than vertical inequality. The majority of civil wars, for example, which are associated with particularly high political and economic costs, are the result of inequality between culturally defined groups, and not of inequality between

individuals.

Against this background, this article discusses the developmental relevance of horizontal inequality, with a focus on political, socio-economic and cultural inequalities between ethnically defined groups.

### What is ethnic inequality and how can it be measured?

According to Max Weber, an ethnic group is constituted by a belief in a common ancestry and culture. Currently, there are an estimated 5,000 ethnic groups worldwide, and 1,157 of them account for more than 1% of the population in their respective countries (Birnie et al., 2011). Particular attention is usually paid to "politically relevant" ethnic groups (also called ethno-political groups), i.e. groups whose members actively compete for the positions and resources associated with state power. According to the *Ethno Power Relations* (EPR) dataset, between 1946 and 2005 there were a total of 733 politically relevant ethnic groups worldwide.<sup>2</sup>

Ethnic inequality exists when members of a particular ethnic group are disadvantaged politically, economically, socially and/or culturally relative to members of other groups. Such inequality can be measured as follows:

- > *Political ethnic inequality*: A group's relative representation in the cabinet, in national/local government and in the security apparatus (police, military, etc.).
- > *Economic ethnic inequality*: A group's relative access to income, employment,

land or other economic goods.

- > *Social ethnic inequality*: A group's relative access to education, health, water supply and other social services.
- > *Cultural ethnic inequality*: The degree to which a group's own language, customs, religion, etc is publicly recognised.

### How widespread is ethnic inequality?

As yet there is no detailed primary data on the political, economic, social and cultural status of all ethnic groups. Nevertheless, from the data available there can be little doubt that ethnic inequality is a problem of global proportions.

The best source on political ethnic inequality is the above-mentioned EPR dataset. It includes an estimate, derived on the basis of expert interviews, of the degree to which members of politically relevant ethnic groups had access to political power at the national level (representation in the cabinet, government and army) in the period from 1946 to 2005. The results show that the number of ethnic groups categorized as "politically excluded" over the same period has risen from 155 to 364 worldwide (see Figure 1). On average, 62% of all politically relevant ethnic groups had no access to the state apparatus. The vast majority of these groups came from Asia, Europe and Africa, but there have also been numerous cases of ethnic exclusion in other regions of the world. Small ethnic minorities are by no means the only groups to have been affected. In fact, since 1946 around 20% of the world's ethnic populations have on average been politically marginalized. Extreme examples of political exclusion included ethnic minority regimes in countries such as Bolivia, Burundi, Sudan, South Africa, Syria, Iraq and Nepal.

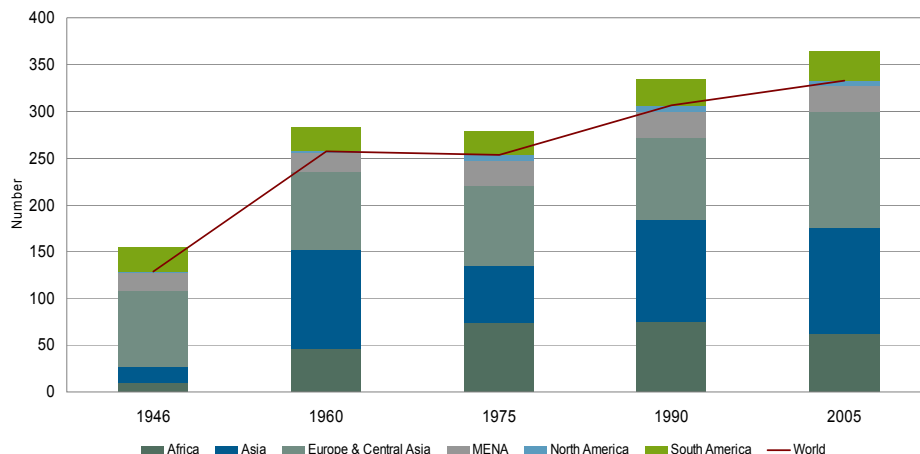
The most comprehensive primary data on ethnic socio-economic inequality can be found in national *Demographic and Health Surveys* (DHS); however, these are currently only available for 90 countries.<sup>3</sup> A study by Cederman et al. (2011) provides a wider (but also

<sup>1</sup> The conceptual distinction between vertical and horizontal inequality goes back to British economist Frances Stewart (2008).

<sup>2</sup> Detailed information on the EPR dataset can be found at <http://www.epr.ucla.edu/>.

<sup>3</sup> For an overview of the availability of DHS see <http://www.measuredhs.com/>.

Figure 1: Politically marginalized ethnic groups, 1946-2005



Data source: EPR dataset, <http://www.epr.ucla.edu/>.

more superficial) overview. Based on the *G-Econ* data gathered by William Nordhaus, this study calculates the relative economic strength of the ethnic groups included in the EPR dataset. The data shows that worldwide in 2005 more than half (51%) of all politically relevant ethnic groups were economically disadvantaged. There were particularly glaring economic disparities between ethnic groups in countries such as Russia, China, Thailand, Sudan, South Africa and Peru.

If one combines the existing EPR data on political and economic inequality in 2005, certain "hot spots" with particular potential for conflict emerge (see Figure 2). These include in particular the countries of Peru, Guinea, Sudan, the Republic of the Congo, and Syria, where more than 50% of the ethnic population suffered both political and economic discrimination.

There is less data available on cultural ethnic inequality. The *Minorities at Risk* (MAR) dataset produced by Ted Gurr and colleagues provides some pointers. Its significance, however, is limited by the small number of ethno-political groups considered (284 in 2006).<sup>4</sup> Nevertheless, according to the MAR data, between 1996 and 2006 an average of 19% of all ethno-political groups suffered discrimination on the basis of language. Moreover, an average of 26% and 11% of groups faced restrictions with respect to their religion and traditions (ceremonies, clothing).

### What are the potential negative impacts of ethnic inequality?

The assumption that ethnic inequality increases the risk of violent conflict is self-

evident. In scientific debate it dates back, inter alia, to the theory of relative deprivation (Gurr 1970), according to which group-specific marginalization leads to collective grievances and thereby significantly increases the risk of violent mobilization.

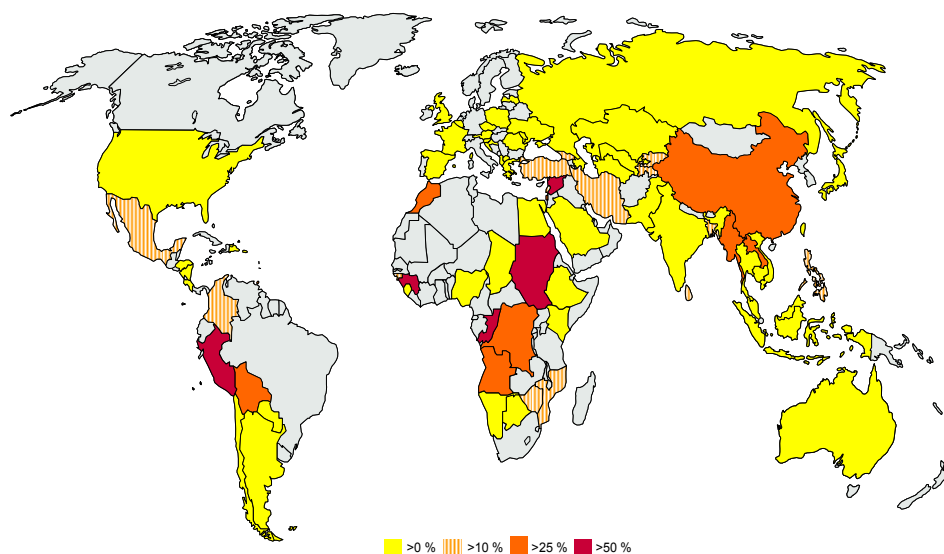
Empirically, quantitative studies based on the EPR data show that members of politically excluded ethnic groups are in fact significantly more likely to rebel than members of non-excluded groups (Cederman et al 2010; Wimmer 2013). Relative economic and social deprivation also increases the risk of ethnic rebellion (Østby 2008; Cederman et al. 2011). The combination of political and socio-economic inequality is particularly explosive, since under these conditions politically mar-

ginalized ethnic elites can easily recruit followers who themselves have strong grievances. More recent case studies also support the relationship between ethnic inequality and civil war (e.g. Langer 2005, Lindemann 2011).

If ethnic inequality adversely affects a country's peace and stability, it has also negative implication for its economic development. Various studies show that a civil war lowers economic growth by an average of 2 to 2.2% (e.g. Collier 1999). In absolute terms, a "typical" civil war generates costs of at least US\$ 64 billion for the country concerned. In this sense, ethnic inequality not only increases the risk of civil war, but also - indirectly - inhibits development opportunities.

Moreover, political ethnic inequality can also have direct adverse economic effects, since ethnic minority regimes are often characterized by a selective approach to the provision of public goods. Instead of making public goods universally available, members of the politically dominant ethnic group are systematically preferred with respect to market access, credit, legal security and infrastructure. This inhibits economic development opportunities for large parts of the population and thus has negative effects on growth. To date, relatively little research has been carried out into the assumed direct relationship between ethnic exclusion and economic stagnation, but some studies do support a link (Min et al 2010; Birnir and Waguespack 2011).

Figure 2: Politically and economically marginalized ethnic population (in %), 2005



Data source: EPR dataset, <http://www.epr.ucla.edu/>; Cederman et al. (2011)

<sup>4</sup> More information on the MAR data can be found at <http://www.cidcm.umd.edu/mar/>.

### How can ethnic inequality be prevented or reduced?

The range of options for reducing political, socio-economic and cultural ethnic inequality is extremely diverse (Stewart 2008; Basedau 2011; Wimmer 2013), but up until now these options have frequently been underused in practice.

#### Measures to counter political ethnic inequality

When it comes to political ethnic inequality, two different approaches can be distinguished: one aimed at securing power-sharing, and one aimed at integration. The power-sharing strategy recognizes ethnicity as a dividing line for political mobilization (Lijphart 1977), and the primary goal is to distribute the positions and resources associated with state power as fairly as possible between members of competing groups. This is based on the conviction that a stable peace can only be ensured by recognising and balancing ethnic interests.

"Power-sharers" specifically advocate that posts in the executive (the cabinet, administration, security forces, etc.) are allocated in an ethnically balanced manner. This can be achieved - as in Bosnia, Nigeria or Lebanon - through formal ethnic quotas, but generally involves more informal "ethnic balancing" (Rothchild 1997). As mentioned above, ethnically inclusive power structures at the national level have proven an effective means of reducing the risk of civil war (Cederman et al 2010; Wimmer, 2013).

In the case of territorially concentrated ethnic groups, power-sharing at the sub-national level is a possible alternative. On the one hand, this can be achieved through a federal structure such as in Ethiopia, India and Malaysia. Federalism per se does not, however, lower the risk of civil war (Wimmer 2013). Rather, it would seem that the decisive factor is the sharing of political responsibility between central government and federal bodies (Bakke and Wibbels 2006). On the other hand, sub-national power-sharing can also be achieved by implementing political, administrative and fiscal decentralization within unitary states. The risk of ethnic conflict is especially reduced when far-reaching fiscal decentralization is involved (e.g. Brancati 2006; Tranchant 2009).

Finally, power-sharing can also be encouraged via the introduction of proportional electoral systems since, compared to majority voting systems, these facilitate the political representation of ethnic minorities. Wimmer (2013), however, finds no evidence that countries with proportional representation actually have a

lower risk of ethnic civil war. Special election procedures might seem more promising, but so far they have found little application. These include, inter alia, separate electoral lists for ethnic groups (e.g. in Cyprus and New Zealand), reserved parliamentary seats for ethnic minorities (e.g. in India) and majority elections with compensatory elements (e.g. in Mauritius).

Others, however, warn against the institutionalization and perpetuation of ethnic differences associated with power-sharing. The strategy of integration is derived from this. It rejects ethnicity as a legitimate dividing line for political mobilization (Horowitz 1985). The goal is rather to do away with or at least limit the political relevance of ethnic boundaries.

This can be achieved, for instance, by implementing a policy of decentralization which is not based on ethnic boundaries, but instead consciously transcends them. Another approach is the use of preferential voting systems such as the single transferable vote, or instant-runoff voting (alternative vote) (Basedau 2011). The details of the rules are complex, but essentially the idea is to create incentives for politicians to seek support beyond their "own" ethnic group. However, special procedures like these have so far only been tested in a few countries (e.g. in Northern Ireland, Estonia and Papua New Guinea).

Probably the most far-reaching policy recommendation put forward by the "integrationists" is the banning of ethnic parties. Behind it lies the fear that ethnic parties are a vehicle for ethnic mobilization and polarization. Initial studies, however, have found no association between ethnic party bans and the risk of violent conflict in Africa (Basedau 2011).

#### Measures to counter socio-economic ethnic inequality

With respect to policy recommendations for reducing socio-economic ethnic inequalities, one can also broadly distinguish those who propagate redistribution and those who advocate integration (Stewart 2008).

Advocates of redistribution strive to achieve as "fair" a distribution of economic goods and social services as possible. This can be realized in particular through affirmative action in favour of disadvantaged ethnic groups. Possible approaches include special investment programmes, readier access to credit and other financial services, the redistribution of land, minimum employment quotas in both the public and private sector and minimum quotas in schools and universities. Even though little

use has been made of these instruments so far, some countries have experienced very positive results. Besides Northern Ireland, South Africa and Sri Lanka, Malaysia in particular is held up as an example of the approach's success, with the "New Economic Policy" (1971) significantly reducing socio-economic disparities between Malays and Chinese.

Integrationists, by contrast, propose to defuse existing ethnic inequalities by increasing the economic and social integration of the competing groups. One possibility in this context is to create incentives for inter-ethnic economic cooperation. This has been successfully practiced in Malaysia, for example, where the economically worse-off Malays are assigned a minimum capital share of each stock market flotation. Measures targeted at overcoming ethnic divisions can also be taken in the social domain (e.g. by promoting multicultural schools).

#### Measures to counter cultural ethnic inequality

When it comes to measures aimed at combating cultural ethnic inequality, the question that mainly arises is whether the religion, language and customs of the competing groups should be recognized or integrated. According to the first perspective, only the official recognition of different identities can ensure lasting peace. Thus, multi-ethnic countries such as Singapore and Nigeria place the languages of the major groups on an equal footing as national languages. According to the second perspective, by contrast, the creation of a national identity is the central requirement for peace within society. This approach is practised among other places in Tanzania, where the promotion of Swahili as a common language has created a comparatively strong national identity.

#### What role can development cooperation play?

Development cooperation can potentially make an important contribution to combating ethnic inequality: Especially in poorer developing countries, the official development assistance (ODA) provided by DAC donors continues to account for a significant portion of government spending, and donors therefore have considerable leeway. Even outside the allocation of their own resources, donor countries can often exert substantial influence in dialogue with their partners. Regardless of this, up until now the donor community has paid little attention to horizontal inequality (Stewart 2008; Brown et al. 2010). For this to

change in the future, the following approaches could be adopted:

#### Improve the information available on ethnic inequality

The basic requirement for measures to counter ethnic inequality is an adequate information base. This is anything but trivial: ethnic identities are often interlaced, change over time and overlap with other social categories (religion, class, gender, etc.). Before an external actor can recognize any ethnic inequality in this context, context-specific political economy analyses and sufficient data are both required.

Political economy analyses have long been neglected in development cooperation (Carrothers and de Gramont 2013). However, this now seems to be changing. For example, the German Federal Ministry for Economic Cooperation and Development (BMZ) has been working for quite some time with short, country-specific political economy analyses which also address the topic of ethnic inequality. The same applies to the UK's Department for International Development (DFID), which discusses the importance of ethnic inequality in the context of the debate on "political settlements" (DFID 2010). The availability of data has improved too, thanks to the *Demographic and Health Surveys* funded by USAID and other donors. The latter, however, are still only available for a limited number of countries and only include data on socio-economic ethnic inequality. There is still work to be done, therefore, when it comes to ensuring a sustained improvement in the information base.

#### Place political and cultural ethnic inequality on the agenda

Donors have traditionally paid very little attention to political and cultural ethnic inequality.<sup>5</sup> This is partly understandable, since these forms of inequality lie at the heart of national sovereignty and thus also represent particularly sensitive issues for partner countries. On the other hand, the consequences for peace and development are often so serious that the topic can hardly be ignored if development cooperation is to work effectively.

Specifically, political dialogue with partners can be used to address the political exclusion and cultural marginalization of particular groups. Furthermore, donors can ensure that the issue is taken into account in overarching

development strategies such as the Poverty Reduction Strategy Papers (PRSPs). An evaluation of the first generation of PRSPs reveals that there is some catching up to do in this respect (Booth and Curran 2005).

Even beyond political dialogue there is room for manoeuvre, as long as the partner government has indicated willingness to reform. In such cases, development cooperation can, for instance, offer advice on electoral and constitutional reforms. This has been practised successfully in post-apartheid South Africa as part of the constitutional process, for example. Generally there should be increased experimentation with integrationist approaches to reform, as these may at least contribute to eventually overcoming ethnic boundaries.

Moreover, political ethnic inequality is an important cross-cutting issue in governance projects of any kind (e.g. administrative reform, decentralization, military and police reform). While up until now the main focus has been on aspects such as efficiency and transparency, in the future more attention should be paid to political issues such as ethnic exclusion. Especially in fragile contexts, it should always be carefully considered whether governance reform that makes sense in principle can in the short term lead to ethnic conflicts (the "Do no harm" principle). Administrative reforms involving staff reductions, for example, often affect some ethnic groups more than others. Also, pushing for early elections in post-conflict countries can increase ethnic exclusion and polarization.

#### Give measures to counter socio-economic ethnic inequality greater priority

Donors generally have more leeway with regard to economic and social ethnic inequality, since these issues are politically less sensitive and can be addressed by traditional investment in infrastructure and the social sectors. Accordingly, there is a wide range of donor activities that are carried out for the benefit of disadvantaged groups, without these necessarily being "sold" as measures to counter horizontal inequality. Overall, however, many donors continue to focus on the more easily accessible and privileged areas in partner countries, while peripheral regions and groups are neglected (Brown et al. 2010).

Against this background, measures to counter socio-economic ethnic inequality should be given greater priority in the future. In countries

that do little themselves to combat socio-economic disparities - or even reinforce them through active discrimination - resistance to such measures is naturally to be expected. Effective donor coordination and skilful timing can help here. When economies are doing well, redistribution projects typically encounter less resistance. In general, it is also important to implement countermeasures not only as a response to armed conflict, but also to apply them preventively. The example of Nepal shows this: here, donors only started to take socio-economic ethnic inequality seriously once its centrality to the Maoist rebellion had been recognized.

#### Conclusion

The early years of development policy were marked by the modernization-theory expectation that ethnicity as a political phenomenon would sooner or later disappear. Even today, ethnic identities are often classified as backward-looking and not taken seriously enough. Regardless of this, ethnic inequality remains a problem of global proportions with explosive consequences for peace and development. Development cooperation therefore has little choice but to focus on the issue more intensively. ■

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<sup>5</sup> In some cases, the counter-measures of the partner countries were even criticized as inefficient and prone to corruption (e.g. the "Federal Character Principle" in Nigeria).



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