

Aid, growth and peace: A comparative analysis

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Abstract

The paper examines patterns of post-conflict aid in a sample of 14 countries, with in-depth qualitative analysis of seven cases. The study shows that - contrary to the findings of World Bank-supported research in this area - donors do not respond to a CNN-effect by rushing in aid soon after peace is declared while scaling back rapidly during the remaining post-war decade. Rather, post-war aid follows several patterns and can best be understood as strategic behavior designed to promote a range of economic and political objectives. This paper also questions the related policy recommendation of the World Bank research, which is that post-conflict aid should be designed to maximize economic growth during the first decade of peace. Rather, this paper argues, other aid strategies are more relevant to stabilize peace in the short run and sustain it in the longer run.

1. Introduction

Increasingly, the proper sequencing of aid in terms of timing and magnitude is seen as an important aspect of peacebuilding strategies in the aftermath of civil wars. Donors have pursued different strategies, sometimes seeking to "jump-start" the economy through massive infusion of aid in the immediate post-conflict phase (as in Bosnia); at other times favouring a slow pace of phasing in even of modest aid flows, citing absorption capacity (as in Cambodia). Recipient governments typically argue for immediate and large-scale inflows to cement the peace settlement, or, as in post-Taliban Afghanistan, to prevent structures embedded in the wartime political economy from creating a "narco-mafia state". The literature provides few guidelines. While there have been numerous case studies of post-war aid, most have been project oriented and yield little understanding of what constitutes appropriate strategies to sustain the post-conflict peace (Woodward 2002.). Research supported by the World Bank claims to have identified optimal timing and magnitude of aid required to sustain post-war peace, and which diverge markedly from actual practice (World Bank 2003, Collier&Hoeffler 2004) Their general nature (being based on statistical analysis of highly aggregated data) and a small number of observations limit the relevance of the findings, however.

This article takes the World Bank research in this area as a starting point, but disaggregates the data and supplements with a small-N qualitative analysis. We first examine overall trends in types of post-conflict aid over time, then aid identify patterns in seven country cases, and conclude by analysing the relationship between aid, economic growth and peace in light of the case studies. As other studies have shown (Sambanis 2004) disaggregated data and comparative case studies can significantly enrich the analysis. This article identifies several patterns of post-conflict aid, each of which reflects a specific historical context and related policy rationales. While several aid patterns diverge from the optimal sequencing recommended by the World Bank research, the aid nevertheless helped to stabilize peace in the short run, and all were compatible with a sustained the peace in the longer-run.

2. Patterns of aid

The World Bank supported research on the sequencing of aid in post-conflict situations is part of a larger argument on the relationship between aid, growth and peace.² To maximize the positive impact on peace, it is argued, aid to countries emerging from civil war should be massive (twice the level of aid to countries that are not post-conflict), and should be phased in slowly to peak in the middle of the first post-conflict decade before tapering back to "normal" levels. In fact, it is claimed, donors do precisely the opposite. They rush in with aid when peace is declared, but rapidly scale back instead of staying for the long haul. The reason is a generalized "CNN effect" - "politicians like to respond to the newsworthy event of peace....[while] aid bureaucracies try to get aid allocations back to normal" (Collier&Hoeffler 2004, p. 1137).

The conclusion has affirmed conventional wisdom in aid circles to the effect that donors frontload aid in a dysfunctional manner. But to what extent is frontloading typical of post-conflict donor

² The argument was initially presented in a World Bank research paper (Working Paper 2902, October 2002), when Collier was head of the research department in the Bank. The paper was in 2003 posted on the website <http://users.ox.ac.uk/~ball0144/research.htm> as Paul Collier and Anke Hoeffler, "Aid, Policy and Growth in Post-conflict Societies," and was published in the *European Economic Review*, vol. 48(2004) 1125-1145.

behaviour across the wide variety of post-conflict cases? To assess donor behaviour in more detail, we used the same kind of Official Development Assistance (ODA) data as Collier and Hoeffler did, but used annual figures rather than four-year averages, and distinguished between type of aid and historical periods.³

First, we separated relief aid from the aggregate ODA figures.⁴ As we wanted to test the "frontloading" hypothesis as precisely as possible, we used the civil war sample of Collier&Hoeffler, which contains 14 countries and 17 post-conflict situations.⁵ Altogether, the post-conflict years of the countries in the sample span almost three decades, from 1971, when the first civil war ended, to 1997, when the Collier&Hoeffler data set stops. When allowing for type of aid disbursed to post-conflict countries in these years, we see that only relief aid is "frontloaded" (Fig.I). Other types of aid – which we have lumped under the general heading of development aid – are gradually phased in to peak in the third year after the conflict ended. Admittedly, this aid then tapers off, and our findings are not necessarily inconsistent with a frontloading pattern if we aggregated the aid and used four-year averages. But from a policy-analysis perspective the disaggregated result is more useful than the gross pattern in that it recognises the separate role of – and rationale for – humanitarian aid in the immediate post-conflict period. The primary purpose of such aid is not to promote economic growth or indeed development generally. Rather it is to save lives in the short run. In this perspective, frontloading humanitarian aid is eminently rational and appropriate donor behaviour.

The rapid decline of development assistance from the fourth post-war year seems to violate the declared policy intent of many donors to the effect that aid agents must situate post-war reconstruction in a long-term development perspective and demonstrate staying-power. The explanation may in part be technical: transfers recorded by OECD/DAC as Official Development Assistance (ODA) is above all concessional assistance; loans with less than a 25% grant element are not included.⁶ Non-grant assistance may well increase in proportion of total aid as the post-war decade progresses and donors turn from the immediate tasks of reconstruction and peace implementation to "normal" development programs.

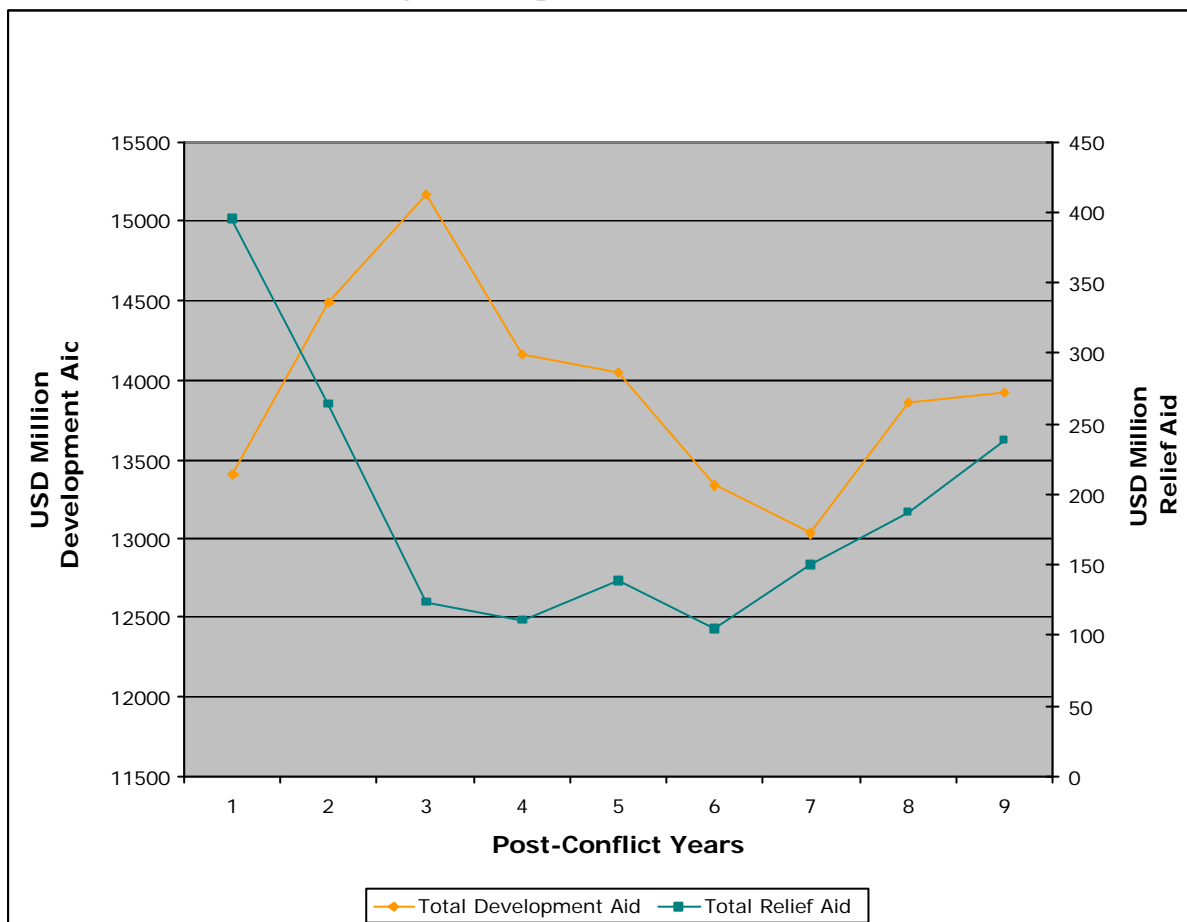
³ The Collier&Hoeffler study does not distinguish between relief assistance and other types of aid in the post-conflict decade, use four-year averages even though the entire post-conflict period covered for each country is no more than a decade (and in several cases less), and include cases that span almost three decades. Aid figures are from the OECD/DAC database International Development Statistics, available at www.oecd.org/dataoecd/50/17/5037721.htm. All values are in constant US dollars (2002). Note that ODA includes only assistance in the form of grants and loans with at least a 25% grant element. Our work and that of Collier and Hoeffler therefore capture only part of the external assistance flow.

⁴ The OECD data are disaggregated by sector. For "Relief Aid", we used emergency assistance+relief food aid+non-food emergency and distress relief. The last item also includes certain aid to refugees in donor countries, as there is no separate specification for this item. For "Development Aid" we used total ODA (all sectors), minus those we included in "Relief Aid". In the charts below, the respective post-war years for each country is coded as Year 1,2,3 etc.

⁵ Their sample lists 2 civil wars for Nicaragua, although less than a decade intervenes between the end of the first (1979) and the beginning date of the second (1982). The same applies to Guatemala, where they list 2 wars with only 5 years of intervening peace. The result is a larger N than if a rule of one post-war decade had been rigidly applied. For the analysis shown in Fig I, we used the 2004 version of their post-conflict sample, which includes El Salvador, Ethiopia, Guatemala (2), India, Indonesia, Morocco, Nicaragua (2), Nigeria (2), Pakistan, Peru, Philippines, Sri Lanka, Sudan, Zimbabwe.

⁶ See footnote 4 above. In some cases donors came over time to prefer bilateral over multilateral channels. This was the case in Bosnia, where several donors preferred bilateral transfers in order to impose more stringent political conditionality than what the World Bank recommended (Hurtic, Sapcania and Woodward 2000, pp. 347-50).

Fig I: Development and Relief Aid



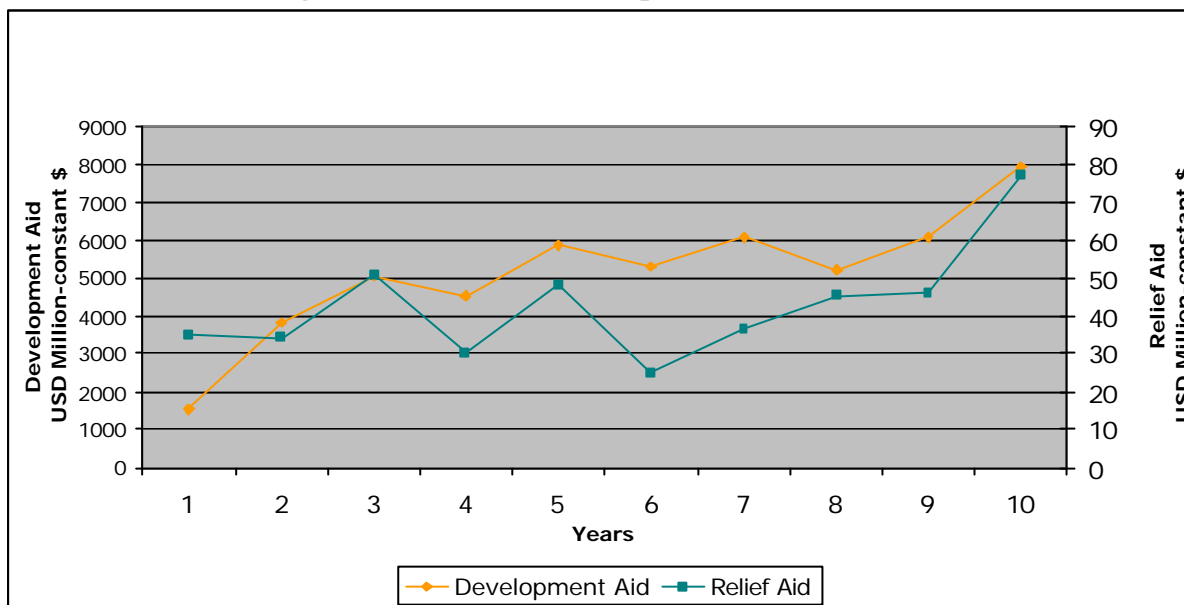
Second, we took account of the fact that the international aid regime has changed dramatically in recent years. The end of the Cold War signified a systemic change in the aid regime. Initially ad hoc and programmatically incoherent, donor responses soon developed into a comprehensive, multilateral aid regime for humanitarian and reconstruction assistance designed to consolidate peace in the aftermath of civil wars and similar violent conflict. The change entailed a progressive standardisation of aid interventions with increasingly agreed-upon formulas for the nature and sequencing of aid, improved coordination and clearer division of labour among aid agencies. As a measure of growing institutionalization, the term “post-conflict” had by the mid-1990s become a standard policy term used in the aid community as well as among scholars.⁷ When analysing aid patterns it therefore makes sense to distinguish between post-conflict situations before and after 1990. This leaves us with a rather small sample in each group, but the results (Fig II and III) are nevertheless suggestive.⁸ In the "old conflicts" (which ended before 1990), both relief and development aid was phased in gradually. The frontloading characteristic does not appear until after the new aid regime took shape in the 1990s. The change reflects the greater international involvement in forging the series of peace agreements that ended the (internationally assisted) civil

⁷ The World Bank’s Post-Conflict Unit was established in 1994, the IMF followed with a post-conflict emergency assistance program in 1995.

⁸ To get a minimally meaningful sample size, we collected data for all 26 countries on the long list of Collier&Hoeffler (2003 version), and added Cambodia, Mozambique and Bosnia. To get a longer post-conflict period in which to observe trends, we counted only 1 civil war each in Guatemala and Nicaragua. This gave us 12 new and 10 old conflicts.

wars of the Cold War, as well as those following the break-up of the Soviet Union. All of these settlements had a comprehensive peace implementation agenda, and most came with a sizable price tag and 2-4 year implementation periods that were presented to pledging conferences. As a result, peace implementation tended to become a frontloaded aid activity.

Fig II. Old Conflicts – Development and Relief Aid



Although not addressed by the Collier&Hoeffler study, the distinction between disbursements and commitments is central to the post-war aid debate. The failure of donors to match promises with disbursement has been a serious source of tension in some recipient-donor relations, as in post-Taliban Afghanistan (CIC/CARE 2004). Pledging conferences have been an important resource mobilization tool for the post-conflict aid regime, probably with the quite intended effect of driving up the level of funds committed. Whether or not a systematic gap between commitments and disbursements exists, is more unclear. Case study materials show a varied picture, with major gaps in some cases and virtually none in others (Forman and Stewart 2000). Using aid data from post-civil war aid in 12 “new” cases, (i.e. where the conflict ended after 1990),⁹ we found a marked gap between disbursement gap in the early years after peace, but a subsequent narrowing.¹⁰ By the middle of the post-war decade, commitments and disbursement levels converged, possibly reflecting increased awareness of recipient absorption capacity over time, fewer pledging conferences for the country in question, and donor fatigue more generally. Fig IV also helps explain why it is widely assumed that aid is rushed in soon after peace is declared but then rapidly fall off. The commitment curve follows the dynamic of frontloading – big promises are made in the early

⁹ The cases are Bosnia, Cambodia, Congo, El Salvador, Guare mala, India, Morocco, Moazambique, Niargua, Peru, Rwanda and Somalia.

¹⁰ Figures used include both relief and development aid, i.e. ODA totals. If loans from the international financial institutions were included, the gap between commitments and disbursements might be greater. One careful study of post-war Cambodia found that the bilateral donors had a better disbursement rate than the international development banks, mainly because the latter were withholding funds when conditions such as local counterpart funding were not met. Overall, disbursement rates improved over time, from under 60% during the first three years of peace, to over 90% in later years. Peou 2000, p. 85.

post-war years but then decline markedly - and big promises attract attention. Actual disbursements, by contrast, although steadier are less politically visible.

Fig III New Conflicts– Development and Relief Aid

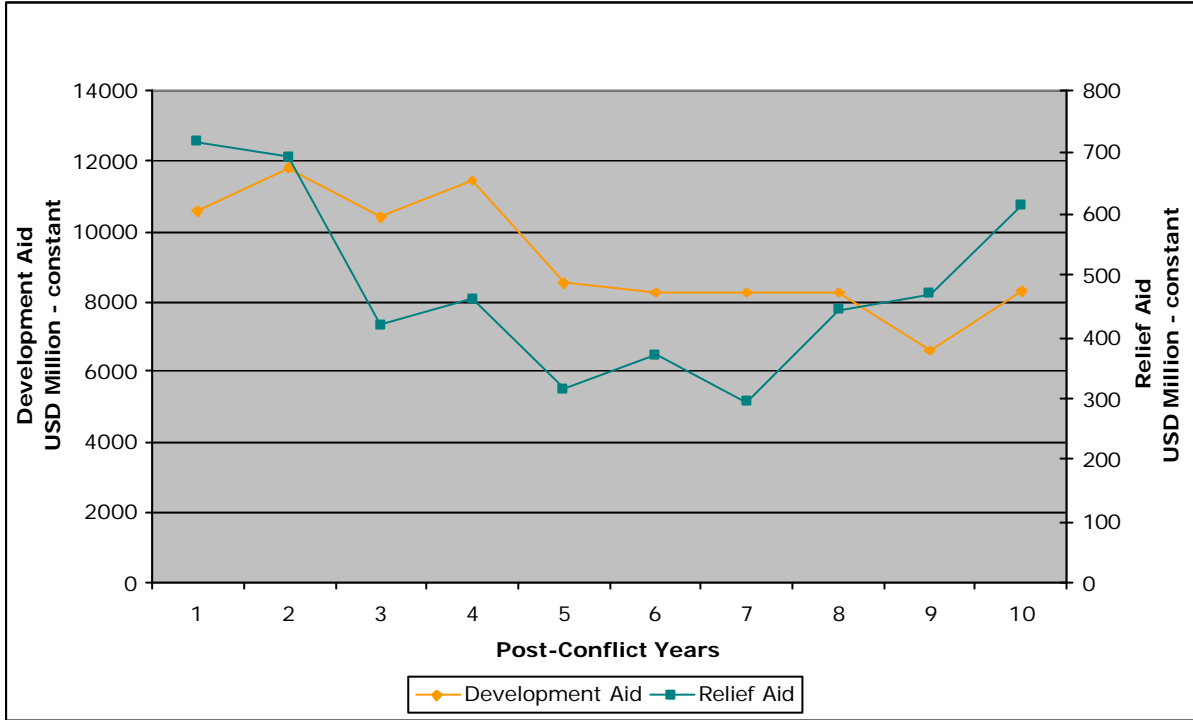
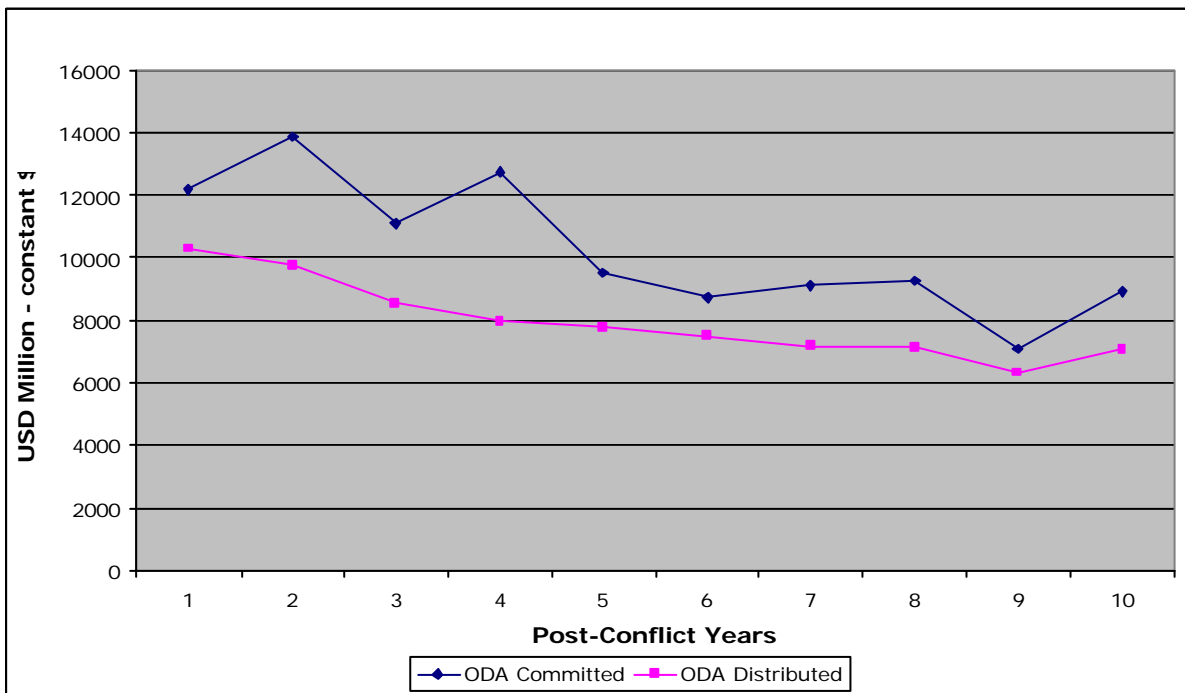


Fig IV: Official Development Assistance: Commitments and Disbursements after “New” Conflicts



3. Country cases

What kind of interests and objectives shape the sequencing of post-war aid? Such aid is typically inserted in a deeply politicized context. The principal domestic actors are often recent enemies and remain protagonists in shaping the peace. International actors have frequently been involved in both waging the war and mediating the peace and have significant interests in securing a particular kind of post-conflict order. Peacebuilding strategies, in other words, are fundamentally political in nature, as several analysts have observed (Cousens et al. 2001, Boyce 2003). In this context, it seems unlikely that a "CNN effect" by itself will significantly determine the aid policies of donors. More likely, aid patterns will reflect strategic rationales of various kinds. Donor strategic considerations - political as well as economic - would seem to be particularly pronounced in the "new" post-conflict situations of the 1990s where the UN and the major donors were heavily involved in forging the peace settlements.

To examine variations in aid patterns over time as well as among countries, we selected seven post-conflict cases for more detailed analysis.¹¹ This small-N qualitative approach enabled us to identify and explain the shape of the individual aid curves. As an expression of total assistance, each country aid curve typically masks a variety of donor interests and institutional concerns as well as different degrees of aid coordination. Nevertheless, each of the patterns that appeared seemed to suggest an overarching, coherent rationale. Of the seven cases - Bosnia, Cambodia, the three Central American post-conflict countries, and Mozambique and Rwanda - the first two immediately stand out as contrasting cases in terms of both magnitude and timing of aid. We shall therefore first consider these two, and then turn to the remaining countries.

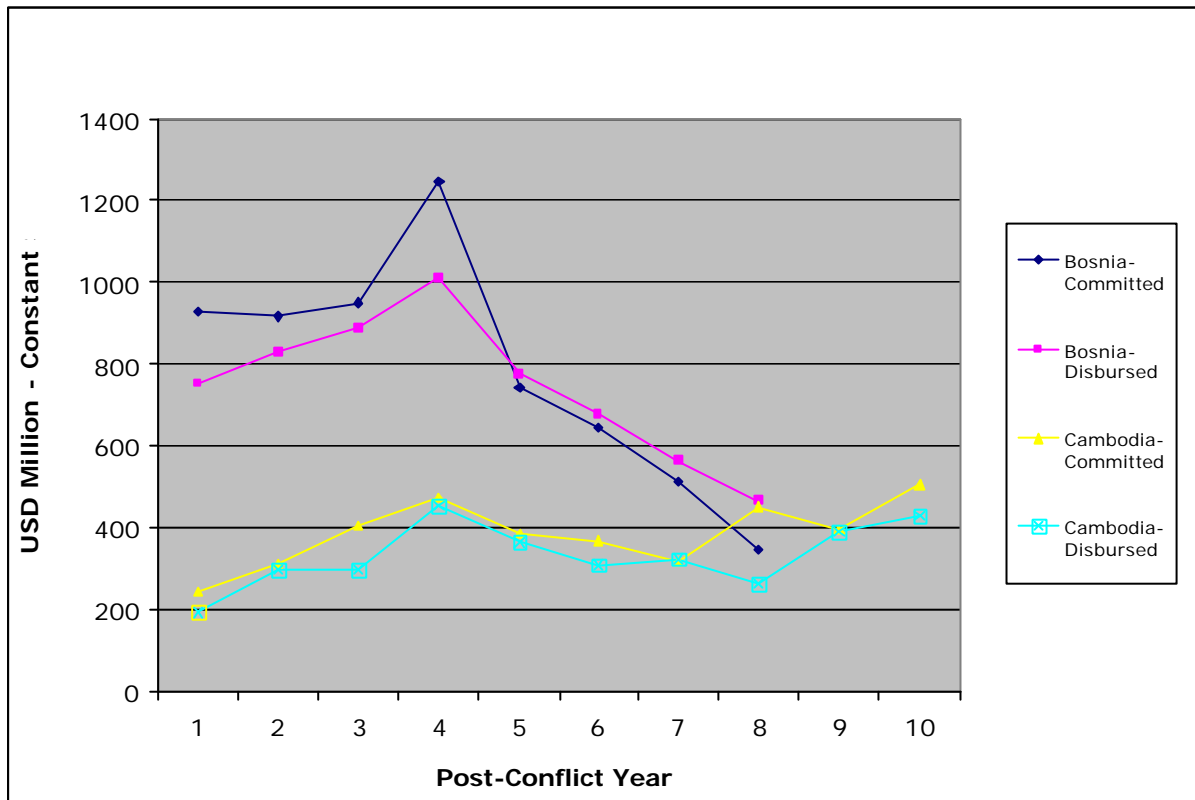
(i) Bosnia and Cambodia

The Bosnian post-war phase opened with the Dayton peace agreement, signed in December 1995. As Fig V shows, except for one year, there is little difference between aid commitments and disbursements. The remarkable aspect of the aid picture is the very high aid volume in the first four years, followed by a dramatic decline. While the curve does not suggest a sharp frontloading of aid - the build-up during the first 3 years after Dayton is rather steady - the mild frontloading is accentuated by the subsequent sharp reduction. The pattern can readily be explained with reference to deliberate aid strategies and political events. The World Bank, which along with EU had the primary institutional responsibility for organizing post-war aid to Bosnia, designed a strategy where early and massive infusions of aid for infrastructure reconstruction would "jump-start" the economy (Hurtic, Šapacanin and Woodward 2000, World Bank 1996). This resulted in a 4-year Priority Reconstruction and Recovery Program (PRP), formally launched at what turned out to be the first of several pledging conferences in December 1995. Over four billion dollars of the initial price tag of 5.1 billion were disbursed. While this was only part of the overall aid picture, and did not cover a range of separately funded multilateral and bilateral projects, the PRP set the stage for the overall aid effort. The mammoth aid program came to an end at the same time that the 1999 crisis in Kosovo and subsequent NATO intervention occurred, which presented donors with competing priorities (year 4 on the chart). At the same time, disagreements among donors (particularly on conditionality), delays (related donor requirements and institutional procedures as well as lagging cooperation on the recipient side) created a cumulative frustration in the donor community over the

¹¹ The Collier&Hoeffler 2004 sample again served as a starting point. Of their 17 civil wars, we excluded "the old" cases (which ended before 1990), as well as those that ended without a distinct, internationally supported post-war settlement. We added Rwanda, which was not classified as a civil war by Collier and Hoeffler because the 1990-94 war ended with genocide. We also added Bosnia, Cambodia and Mozambique - all major "new" post-war settlements with international involvement. Collier& Hoeffler lacked data for these countries on other dimensions of their analysis, and hence excluded them.

difficulties and dysfunctionalities of an aid program involving massive transfers in the kind of environment that prevailed post-war Bosnia . Major media reports in mid-1999, although quite possibly exaggerated, concluded that aid had generated systematic, new corruption and helped sustain the power of wartime and pre-war elites in ways that did not further the Dayton agenda of democratic development and economic recovery. The recognition that institutional developments had to precede liberalisation and effective utilisation of aid was gaining ground. So was awareness that Bosnia would be saddled with major new debt unless the grant element was increased. The various element of the aid picture came together in a formal reassessment over priorities announced in the Brussels

Fig. V Official Development Assistance – Bosnia and Cambodia



Declaration of the Peace Implementation Council in May 2000. The declaration outlined a change of aid strategy that entailed lesser volume of monies and greater emphasis on institution building (ESI 2000)

The high level of aid during the first four years is remarkable. It is about three times the aid disbursed in the equivalent post-conflict phase to Cambodia - a country with more than twice the population of Bosnia and arguably much more destruction, and where the international community a few years previously had been equally instrumental in bringing the conflict to an end. The aid engagement reflected the significance of Bosnia to the major donors and the huge political and social impact that the war had in Europe and the United States. More specifically, NATO's military intervention in the war and the US orchestration of the peace agreement had given the major donors a strong sense of ownership in the peace process. The Dayton Agreement was to a great extent "their" peace. The agreement and the government it left in place in Sarajevo represented a victory for US and European declared policies in Bosnia, and the donors had strong political incentives to

secure their investment and demonstrate their commitment. Massive aid transfers, moreover, could seem to atone for past failures to prevent massacres of civilians and ethnic cleansing during the war. Important clauses of the peace agreement presumed external financial assistance, above all elections, demilitarization, and its opposite program of military assistance to the joint Federation army. The return of refugees and IDPs was an integral part of the Dayton Accords and expressed its underlying principle of restoring a multicultural Bosnia; this process also required financing, especially after 1998. Finally, donors also cited strong economic reasons for immediate and large aid transfers, referring to the World Bank's economic rationale of jump-starting the economy (World Bank 1996). The result was a virtual competitive rush to provide aid as soon as the peace agreement was signed.

In Cambodia, by contrast, aid levels were low and the aid was phased in slowly over the post-war decade. The Paris peace agreement (October 1991) spelled out the desired sequencing in the appended Declaration on the Rehabilitation and Reconstruction of Cambodia: "The implementation of an international aid effort would have to be phased in over a period that realistically acknowledges both political and technical imperatives." (para 5). Why this cautious approach? The Vietnamese-supported incumbent regime of Hun Sen was weary of the intentions of the major donors. Hun Sen did not solicit major aid flows, evidently wanting to exercise maximum control over the post-war reconstruction program. The donors, for their part, concluded that after the destructive regime of Khmer Rouge and the at least nominally socialist regime of Hun Sen, Cambodia had few structures to support a market-based reconstruction program of the kind promoted by themselves and the international financial institutions (IFIs) (Paris 2000, pp. 82-83). Making haste slowly consequently made sense. As the aid program got under way, donors consistently – although not always correctly – cited lack of absorptive capacity and effective administrative structures as reasons for delaying aid or providing only modest amounts (Peou 2000). Corruption was another major concern. Yet, with respect to governance and absorptive capacity, it appeared that the donor community held the Cambodia post-war government to higher standards than it were to apply later in other cases. The fact that the international post-conflict aid regime at this time was just taking shape, and Cambodia was one of its first cases, might also account for the slow pace and modest level of assistance. On closer examination, also this factor explains little. The novelty factor did not prevent the UN from mounting one of its largest and at the time unprecedented peace missions (UNTAC). In economic aid, terms, moreover, another post-conflict aid operation that took place towards the end of the decade was equally slow and modest (Guatemala).

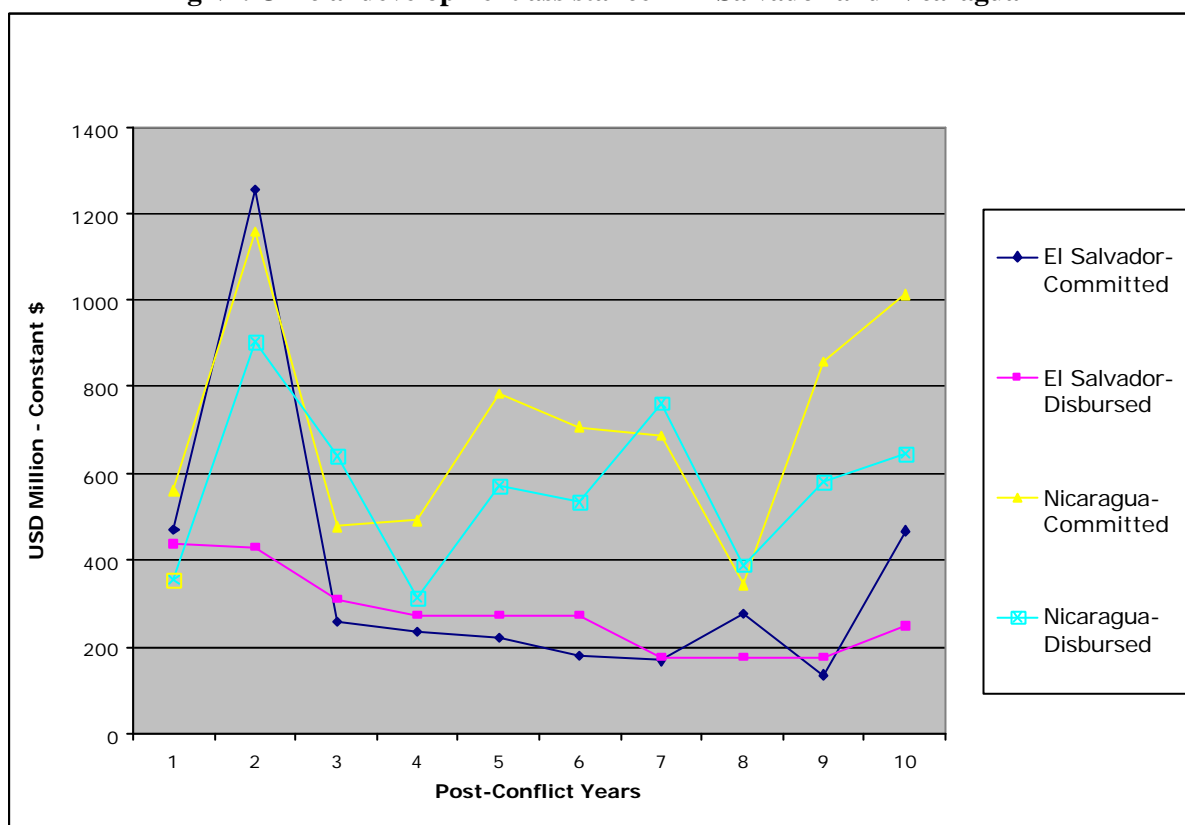
The underlying but fundamental reason behind donor hesitancy seems political. The Paris peace agreement left in power the Vietnamese-installed and supported government of Hun Sen. None of the major donors supported the Hun Sen government, and the US vehemently opposed it for reasons related to its own defeat in Vietnam (Song 1997). The peace agreement was orchestrated by the large powers, but this was not "their peace" in the same way that the Dayton agreement would be. All the major powers and donors (perhaps including Moscow), hoped that the elections scheduled for 1993 would bring to power a different government led by the erstwhile opposition to Hun Sen, and had little incentives to rush in aid in the meantime. In the event, the 1993 elections produced an uneasy compromise and a coalition that included a still powerful Hun Sen. By the end of the decade, Hun Sen was still Prime Minister but had become more palatable to the donors (particularly in comparison with other Khmer political figures) and aid stabilized at a slightly higher level than in the first post-war phase.

(ii) Nicaragua, El Salvador and Guatemala

The first of the Central American civil wars to come to an end, the Nicaraguan case attracted much attention and vast amounts of donor aid. On a per capita basis, the aid level in the post-war decade

was substantially above equivalent assistance to El Salvador and ten times higher than in Guatemala. The particular circumstances of the Nicaraguan peace settlement help to explain why. First, the war was terminated with a series of separate negotiations and pacts in which the 1990 elections assumed particular importance. The Sandinistas had agreed to abide by the election outcome, as had the political opposition, although not the armed opposition (the Contras). The unexpected loss of the Sandinistas made it easier to demilitarize the Contras, although this was not a foregone conclusion, and the transition from the Sandinistas to the “democratic conservatism” of the new, Chamorro-led coalition was fragile and uncertain. (Hartzell 2002, Anderson and Dodd 2005). As a result, donors - above all the United States - transferred large amounts of aid to secure a favourable transition. A successful transition had implications for the region as well. Peace in Nicaragua was widely expected to promote a peaceful settlement of the other two civil wars in the region, and failure to have the opposite effect. The result was a distinctly frontloaded pattern (Fig VI).

Fig VI. Official development assistance – El Salvador and Nicaragua



Having been deeply involved in the war, the United States had particular incentives to finance a transition that would entail the electoral defeat of the Sandinistas, ensconce a US-friendly anti-Sandinista regime in power and facilitate the reintegrating of Washington's previous Contra clients (Lopez-Pintor 1998, McCoy 1998). Generous aid was also a reward for the new government’s compliance with grueling IFI-demands for structural adjustment. In the first three years after the February 1990 elections, the donor community disbursed 1.89 billion dollars in concessional aid, of which the US alone provided 40%. In 1991, the first year of the Chamorro government, US bilateral aid recorded as official development assistance under the OECD/DAC rules was over 460 million US dollars. In the same year, donors gave priority to democratic consolidation by collectively

providing 350 million dollars in aid for “governance” alone. As the transition seemed secure, and the Sandinistas settled into the role of a tamed political opposition, US aid dropped markedly. By the time the Sandinistas had registered their second electoral defeat (in 1996), US aid levelled off to unremarkable figures (around 30-40 million annually except for additional aid provided in the aftermath of the hurricane Mitch in 1998). The Nicaraguan government in Managua, for its part, did not inspire sufficient confidence among other donors to attract massive aid. Apart from its cooperation on structural adjustment, the government was criticized by donors on many issues, including corruption, internal disagreement among the governing coalition partners - “raw confrontations over every issue” (Spence 2004, p.12) – and failure to make progress on social issues, particularly with anti-poverty measures (IOB 2003 pp. 56-65).

Post-war assistance to El Salvador, by comparison, was quite modest, especially on a per capita basis (see Fig VI). Apart from a large one-year commitment early on - which was not matched by disbursements - aid levels appear relatively stable throughout the post-war decade. The pattern is particularly interesting in view of widespread criticism of the early peace implementation process. Central parts of the peace agreement were tardily or only partly implemented, particularly the provisions regarding land-for-arms to resettle ex-combatants on both sides, as well as police reforms and restructuring of other parts of the judicial system. The issues disrupted the implementation negotiations soon after the final agreement was signed, created social tension and contributed to high crime levels. To cope with crime waves but constrained by the slow pace of police reform, the government chose to deploy military units to maintain public order, thereby remilitarizing the social conflict. If money were the issue, this clearly would be a case for frontloading aid in order to secure a war-to-peace transition that was as fragile as in Nicaragua, although for different reasons.

Why did not donors respond with large and early increases in funding? The national reconstruction plan presented by the government had an initial price tag of 1.5 billion (1992), and increased to 1.8 billion in 1993; by early 1994 there was a shortfall of 681 million (Boyce 1996a, p.133). The funding gap reflected donor concern with a particular type of absorptive capacity, that is, lack of commitment and capacity by the government to implement central parts of the peace agenda. (Boyce 1996, de Soto and del Castillo 1994, del Castillo 1997, Whitfield 2001). This affected both the land-for-arms exchange and police reform stipulated in the peace agreement. It was manifested in the government’s unwillingness to finance more than a fraction of its own national reconstruction plan (a modest 480 million of an estimated 1.8 billion), and its resistance to increase taxes and reduce military expenditures as donors suggested. The government also failed to institute compensatory mechanisms mandated by the peace agreement to cushion the costs of post-war structural economic adjustment called for by the IFIs, and which the regime itself fully supported.¹²

The consequences in terms of social tension and violence undoubtedly made the war-to-peace transition more difficult to the point of generate fears of renewed violence. Additional aid in this situation would have increased the government’s budgetary freedom but would not necessarily have eased the transition unless conditioned on reform. There was already some donor concern that external financing would “crowd in” domestic resource mobilization while leave aside reform unless accompanied by effective conditionality (Boyce 1996a). The striking gap between

¹² Influential critics have blamed inflexible IFIs, which demanded macroeconomic stability, and stingy donors who did not give government additional funds and thereby budgetary freedom to finance social programs. The result, it was claimed in a much-cited conclusion, was to set the World Bank and the IMF on a collision course with the UN-promoted peace process (de Soto and del Castillo 1994). Subsequent research, however, concluded that the government pursued an orthodox macroeconomic policy for reasons of its own and, within this budgetary framework, was unwilling to reallocate expenditure to finance social programs (Segovia 1996, Boyce 1996a).

commitment and disbursement in 1992 - a year of increasing tension and implementation problems with the peace agreement – indicates donor recognition that money alone would not suffice and a soft conditionality implied by the withholding of promised funds.

In the UN system, one of the lessons from El Salvador was the need to coordinate the economic and political aspects of peace negotiations. The World Bank and the IMF were brought into the UN-led negotiations at an early stage so they would not negotiate on a separate track for economic stabilization and adjustment, as happened in El Salvador. The general profile of post-war aid to Guatemala is nevertheless quite similar to that of El Salvador. The annual level in both cases is around the 250 million, although Guatemala has almost twice the population of El Salvador. Aid disbursements are steady, in fact almost identical year by year for an entire six-year period monitored after the 1996 peace agreement. Aid is not frontloaded, even though the peace agreement for Guatemala had a more ambitious agenda for socio-economic change than its Salvadorean equivalent. As in the Salvadorean case, donors held back in face of reluctance by the Guatemalan government to institute reforms related to the peace process, particularly institutional reform of the military and intelligence services and the police. The Guatemalan government was equally if not more resistant than the post-war Salvadorean government to increase taxes, despite repeated calls from donors and IFIs to this effect (Jonas 2000, chp.7). In the circumstances, it was feared that additional foreign assistance would either be wasted or also in this case "crowd in" domestic resource mobilization.

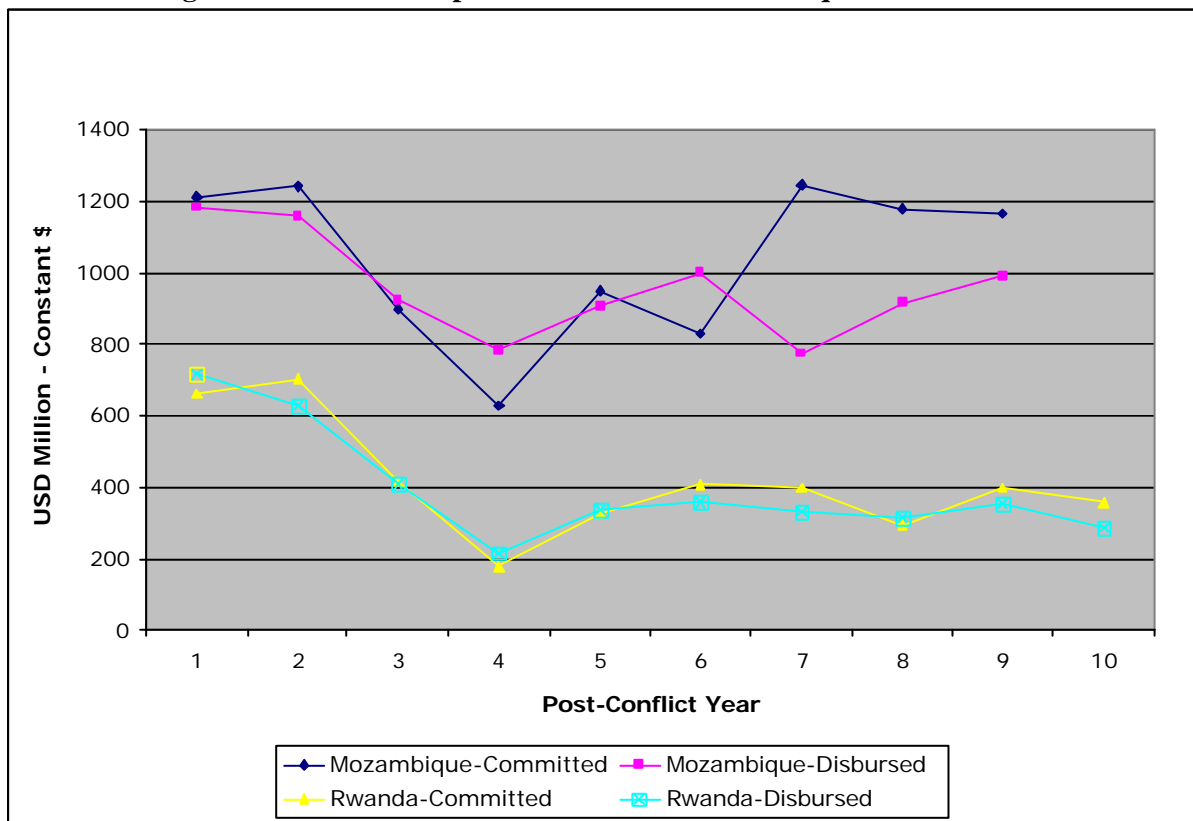
(iii) Mozambique and Rwanda

The front-loaded pattern in Rwanda's case (Fig VII) expresses a specific and unambiguous aid dynamic. The massive aid in the second half of 1994 and 1995 expresses the deep sense of guilt in the international community over its failure to stop or stem the genocide, as well as the relief needs of the enormous refugee movements that followed in its wake. The abrupt decline in 1996-97 marks the new Rwandan government's fall from grace in the eyes of several donors as Rwandan troops invaded neighbouring Zaire (DRC) and were credibly accused of committing massacres among the refugee populations linked to the *genocidaires*. At the same time, the government launched its program of forced relocation of villagers, a program that came to cause considerable concern and criticism among donors (Wageningen 2001). The steady but lower aid levels in subsequent years reflect conflicting views among the donors (Uvin 2001). Some invoked a continued obligation to help the victims of the genocide, represented by the new government, while others claimed that the authoritarian tendencies of that regime undermined the effectiveness of aid. The RPF-government's resistance to donor conditionality, and tendency to lay down a conditionality of its own for accepting aid, further cooled relations with donors.

The large inflow of aid to Mozambique (Fig VII) in the first two post-war years was a direct response to the two-year program for implementing the 1992 peace agreement, and the particular significance that the transition in Mozambique had acquired after the failure of a similar peace process in Angola. The UN had been centrally involved in both cases, and Mozambique appeared as a critical test. As in Bosnia, an external power - in this case Italy - had played a key role in organizing the peace negotiations and was prepared to take the lead in financing its implementation. The peace agreement was comprehensive and costly. It included a tight schedule for demobilisation and return of refugees, both of which were to precede and make meaningful the elections scheduled for 1994 (Hume 1994). The elections were particularly costly as the entire infrastructure for registration and voting had to be established in a country where close to 25 years of war had ravaged an already limited communications structure. Yet elections were essential to move the conflict between Frelimo and Renamo out of the military and into the political arena. In addition, donors wished to use aid to stabilize the peace agreement by cushioning the effects of the IFI requirements for structural adjustment and macroeconomic stability. Unlike in El Salvador, there

was a core of donor-government consensus on the need for budgetary outlays to institute social reforms and use economic policy (e.g. increasing the minimum wage) to soften the effects of the structural adjustment demands that the IFIs laid down soon after the peace agreement was signed. Key donors in this respect were long-time supporters of the socialist Mozambican government, especially "like-minded group" led by the Scandinavians). Donors responded with political support as well; in 1995, for instance, donors collectively sought to modify IMF threats to end ESAF support (enhanced structural assistance funding) unless the government undertook further macroeconomic reforms (Ball and Barnes, p. 195). The result was a liberally funded peace agreement and initial measures to stabilize it. After the 2-year program for implementing the peace agreement had ended, aid subsequently reverted to general development assistance at the rate of 800-1000 million dollars annually. High in absolute terms (although less on a per capita basis, see Fig. VIII), the stable infusion of aid reflects the existence of faithful donors - particularly the "like-minded" countries - who consistently had supported the Mozambican government from the time of independence and throughout the war

Fig VII: Official Development Assistance - Mozambique and Rwanda



4. Post-war aid as strategic behavior

As this analysis has shown, donors do not simply rush in with aid in the aftermath of war and then rapidly scale back. Although donors have been increasingly inclined to "frontload" aid after 1990, especially in terms of commitments (as distinct from disbursements, on closer examination a variety of post-war aid patterns appear. The magnitude and sequencing of post-war aid can in each case be explained with reference to political and economic interests of donors as these relate to - and are

shaped by - the particular post-war context of the case. The country cases examined above suggest three main patterns. Sketched as "ideal types", each expresses a dominant strategic rationale.

a) *stabilizing a favourable peace*: In this model, major donors have particularly strong interest in securing a peace settlement that is favourable but fragile. In Nicaragua, a favored, friendly regime was contesting elections; in Mozambique, an internationally applauded war-to-peace transition was fragile but had acquired great international symbolic significance as a "test case" (Mozambique); in Bosnia, the major powers had been prominently involved in both the war and in negotiating the peace and had vested interests in seeing the peace agreement implemented. In such cases, aid acquires great political and symbolic value. Apart from the humanitarian and economic rationale for financing items required by the peace agreement or identified as essential to relief and reconstruction, the overall function of aid is to stabilize and consolidate the peace. In part, this is done by funding particular projects such as supporting friendly parties in an election, buying out previous militia clients, helping refugees return to vote and ex-combatants to disarm, or giving military actors economic incentives to move into the political arena, as did the famous UN "slush-fund" established for Renamo. Importantly, the institutional and organizational activities that accompany a large aid portfolio - donors meetings and in-country coordination committees, pledging conferences, establishing aid agency offices and erecting project billboards in the countryside, and so on - serve as visible testimony to international support for the new order. It is the aid equivalent of the Powell doctrine of "overwhelming force", designed to stabilize a favourable but fragile peace. The design entails heavy front-loading of aid, but the magnitudes of the first post-war years are rarely sustained precisely because the initial response is considered an extraordinary measure and therefore of limited duration.

b) *modifying an unfavourable peace*: In other cases, major donors have reservations about a peace agreement but accept it as the best possible compromise obtainable at the time, or as a useful starting point for change. The corresponding aid dynamic, as shown in the Cambodian case, is a slow phasing-in of modest levels of assistance, coupled with strict conditionality on economic and governance criteria. A slow phasing-in or over-all modest levels of post-war aid may also suggest some indifference to the peace agreement or concern about lack of absorptive capacity. Both factors shaped the post-war aid policy to El Salvador and Guatemala. Whether intended or not, the effects contributed to a modification of the peace in the sense that central parts of the reform agenda of both agreements were not implemented.

c) *adjusting post-war policies*

Once the initial peace (whether favourable or not) seems stabilized, other donor concerns about the developing the post-war order move to the forefront. This can entail reductions in relation to human rights criteria, governance measures or aid effectiveness. When it became clear that the post-war regime in Rwanda was associated with massive human rights violations, regionalized conflict and internal political exclusion, several donors decided to reduce aid. The decline in aid gave the aid profile for the post-war decade as a whole a distinctly front-loaded profile. A similar non-sustained aid profile appears in Bosnia, reflecting in part concern with aid effectiveness.

What, then, is the effect of these aid patterns on the stability of peace in the short run and its consolidation in the longer run?

5. Post-war aid, growth and peace

The answer given by Collier&Hoeffler and reaffirmed in a principal World Bank publication on conflict and development (2003) is straightforward: economic growth is associated with peace, hence aid strategies that maximize growth in the post-conflict situation should be adopted. Aid is particularly growth-effective if provided in great magnitudes and properly phased in. To achieve this effect, aid should *not* be frontloaded but slowly phased to peak in the middle of the post-war decade.

Both the premises on which this recommendation rests are controversial. The conclusion regarding growth-effectiveness of aid in post-conflict countries is based on a small and quite heterogeneous sample. A retesting with slight variations in the sample produced a much smaller impact of aid on growth (120% less) (Suhrke, Villanger and Woodward, 2005). The diverging results indicate fragile relationships. As for growth and peace, there is a strong connection between the wealth of a nation and the incidence of civil war (World Bank 2003, Humphreys and Varshney 2004, HSR 2005,) but it is less certain that the process of economic *growth* is a source of domestic peace. The claim by Collier&Hoeffler in this regard rests on a previous study that examined the causes of civil war (Collier&Hoeffler 2002). Another study subsequently found that growth *collapse* was associated with subsequent conflict onset (Miguel et al 2004, cited in Humphreys and Varshney 2004). These findings make not be equally applicable to the risk of new violence in a post-conflict situation, however. Neither study makes allowance for the distinct nature of post-civil war situations, which include the legacy of previous violence such as a political economy of war and a culture of violence, physical destruction and issues of reconciling previous enemies. Even if the general statistical relation between growth and civil war found by Collier& Hoeffler applied, the numbers are discouraging. One percentage increase in economic growth reduces the risk of civil war with only one percent as well. Thus, if other indicators suggest a high risk of civil war – say 70% risk, as Collier&Hoeffler found for pre-DRC Zaire – a truly amazing growth rate of 20% would be required to bring the risk down to a fifty-fifty chance (Collier and Hoeffler 2002a).

The qualitative literature places more emphasis on *the kind* of growth that is taking place, particularly its distributive characteristics. One classic case is Pakistan's civil war that led to the establishment of Bangladesh. The war was preceded and partly provoked by rapid economic growth that was unevenly distributed between the contesting regions (Muscat 2002). Recent work by Frances Stewart points to the role of horizontal inequalities as a cause of civil war, and the importance of addressing such inequalities to prevent renewed new violence after the war (Stewart 2005). A systematic comparative study of post-conflict situations found that the typical growth strategies recommended by IFIs and donors in post-conflict situations – reforms for macro-economic stability and market-oriented structural adjustment – tend to generate social conflict rather than social peace (Paris 2000). Earlier work by Boyce and colleagues concluded that socio-economic equality was a significant condition of reduced social violence (Boyce et al. 1996).

Our seven country cases show no obvious relationship between economic growth and peace. Ten years after the war, all seven remain at peace in the sense understood by many civil war studies, including the World Bank research, that is, as not being at war.¹³ Yet post-war economic growth rates decade have varied markedly during the first post-war. Measures as GDP per capita, growth rates fell into three distinct categories:¹⁴

¹³ Following the Singer&Small pioneering work on Correlates of War, Collier&Hoeffler define war as as sustaining 1000 combat deaths per year, with casualties incurred on both sides.

¹⁴ Based on the World Bank's *World Development Indicators*, 2005 (CD-rom)

- (i) *boom and decline*: Bosnia's post-war growth rates starts in the 79-32% range but drops radically in the third year after peace to hover around a 2% level. El Salvador follows a similar but much milder pattern. The reconstruction boom of around 5% drops in fifth year of peace to the 0 –2 range.
- (ii) *stagnation*: Some countries did not even experience a post-war boom, but settled straight into a dismally low rate. Guatemala's growth rates ranged from slightly negative to plus 2%. Nicaragua had a negative growth rate of 2-3% during the first four years of peace, rising to 1-2% level and only surpassed 4% in 1999.
- (iii) *steady growth*: Only three countries have steady growth rates in the 3-7% range for most of the post-war decade, and higher in some years. Data for Cambodia's first two post-war years (1992-93), is not available, but for most of the next nine years the economy grew steadily at 3-5%, only once dipping to around 1%, but rebounding the next year with a remarkable 8.3%. Mozambique's steady growth rate averaged 6% annually for the first seven years of peace. Interrupted by the severe floods in 2000, the growth rate was back to over 10% the following year. Rwanda had a marked post-war economic boom but avoided the boom-and-decline pattern by maintaining growth rates in the 3-6% range for most of the subsequent years.

While it is hazardous to generalize from a small-N qualitative analysis, these cases show that a reasonably high and steady economic growth is neither a sufficient nor even a necessary condition for post-war peace. Nor does our sample show a straightforward relationship between economic growth and *the quality* of the post-war peace as indicated by UNDP's human development index, HDI (Fig VIII). Only one of the steady-growth cases (Cambodia) improved its HDI ranking during the first post-war decade, while the other two (Rwanda and Mozambique) fell further back. The two stagnating growth cases (Guatemala and Nicaragua) likewise slipped in HDI ranking position. The mild boom-and-decline case (El Salvador) improved its ranking, however. No comparable data is available for the more extreme boom-and-decline case of Bosnia, but ample evidence of post-war stagnation – including large-scale unemployment, illegal emigration and corruption – has made the area appear in other parts of the region as “the black hole of Europe” (International Commission on the Balkans 2005). The effect of aid on the quality of peace likewise seems to be equivocal. As Fig VII shows, the highest recipients of ODA per capita in the post-war decade all slipped in their HDI ranking. The third largest recipient of aid, Mozambique, not only fell slightly, but remained almost at the bottom of the scale. Of course, the slippage might have been even worse without aid. But it is remarkable that the country which received least aid (Cambodia) was the only one that made significant upward gains on the HDI ranking

Fig. VIII. Post-war aid, growth and the quality of peace

	Cambodia (1992-2001)	Mozambique (1993-2002)	Rwanda (1994-03)	Nicaragua (1990-99)	Guatemala (1993-02)	El Salvador (1992-01)	Bosnia (1996-2005)
ODA per capita ¹⁵	33 000	59 000	59 000	129 000	21 000	46 000	195 000
HDI rank at peace onset	153 (1992)	167 (1993)	152 (1993) ¹⁶	109 (1992) ¹⁷	117 (1994) ¹⁸	115 (1993)	n.a.
HDI rank 2002	130	171	159	118	121	103	68
Growth profile	steady growth	steady growth	steady growth	stagnating	stagnating	mild boom-decline	sharp boom-decline

Since economic growth and large-scale aid are not necessary preconditions for post-war peace, aid strategies that prioritize economic growth in the post-war decade may well be inappropriate if the primary objective is to stabilize and sustain the peace. But does our small-N qualitative analysis indicate which strategies are more effective in this respect?

It is useful at the outset to make a distinction similar to that made by IFIs in economic policy between short-term *stabilization* and medium-to-long term *adjustment*. The equivalent of macro-economic stabilization would be peace stabilization, i.e. to secure elements of the peace agreement relating to the immediate transition from a military to a political mode of conflict. This would include the increasingly standardized aid programs established in post-conflict situations, such as demobilization, return of refugees, reintegration schemes, and mechanisms for dealing with the conflict in political terms (elections, power-sharing), relief (especially for IDPs and refugees), and immediate reconstruction to provide evidence of a peace dividend and offer alternatives to the war economy. These stabilization schemes come with a price tag, which tend to produce a front-loaded aid profile. Rather than a problem, this strategy can be a solution. Targeted programs were critically important in stabilizing a fragile peace in several of our country cases. In Mozambique, well-placed aid helped secure demobilization prior to the elections, and early elections, with special funding assistance to the rebels, were essential to move the conflict into the political arena (CMI 1997). In Cambodia, a massive operation for early return of refugees ensured that the opponents of Hun Sen could not easily recruit manpower among the displaced masses on the Thai-Cambodian border to resume the military struggle (Williams 1997). In Nicaragua, huge aid inflows to secure and sustain electoral victory for the non-Sandinistas served, if ironically, to maintain the peace since the US probably would have continued its armed support for the Contras if the Sandinistas had retained governmental power (Hartzell 2002). By contrast, but to affirm the point, limited support for the lands-for-arms exchange in El Salvador, as well as related measures to provide employment and social security, seemed in 1992 sufficiently serious to jeopardize the newly concluded peace agreement (Wood 2003.).

¹⁵ Annual average per capita in the post-war period, as shown in top row. Values in US 2002 dollars, rounded to nearest ,000. Population figure used is from a mid-point in the post-war period.

¹⁶ Data for first year of peace not available.

¹⁷ Data for first year of peace not available.

¹⁸ The final peace agreement was signed in 1996, but peace negotiations in 1993 marked a significant decline in violence.

The importance of early, targeted aid programs to stabilize the peace has been emphasized in the general post-conflict literature as well (Woodward 2002). Their precise nature is likely to vary across cases, e.g. with employment creation being less important in Cambodia than in El Salvador, not to mention Bosnia. Whether massive frontloading of aid also has a general stabilizing effect on the peace, as the strategic rationale outlined above assumes, is more difficult to determine. As we have seen, aid patterns varied significantly among our seven cases, but peace was eventually sustained in all. Some cases nevertheless suggest that frontloading aid does have a general peace stabilizing effect, and vice versa. Of the seven, the most fragile post-war peace was probably in Cambodia, where the peace agreement was challenged militarily (by the Khmer Rouge) and politically (by the royalist faction). Cambodia also stood out for its cautious and slowly phased in aid program. Although the UN mounted a large peacekeeping mission, donor decisions not to underwrite a generous aid program immediately probably had an encouraging effect on the regime's opponents. By contrast, in Nicaragua - another fragile peace situation - massive US aid by signalling Washington's desire to stabilize a particular peace and the costs of alternative outcomes. In Bosnia, early and massive aid commitment likewise underscored the importance the major donors attached to the implementation of the Dayton Agreement.

Although peace in the sense of no war has been sustained in all the seven cases, underlying structures of inequality or political exclusion associated with past violence remain in most cases. In some cases this has produced widespread, low-level forms of violence, as in Guatemala (Prophette et al. 2003), become transposed into regional conflicts pursued across borders, as seen in Rwanda's role in neighbouring DRC (Longman 2002), or the political economy of war has left a legacy of violence associated with the illegal economy whose effects are typically magnified by massive post-war unemployment, as in Bosnia (Pugh et al. 2004). If such structural sources of violence remain, what would be the equivalent of structural adjustment for peace? The diagnosis in part gives the answer. In all our seven cases, *distributional issues* were central, underlying causes of war, whether relating to classes (Central America), regions (Mozambique), ethnic groups (Rwanda) or ethno-political entities (the former Yugoslavia). Distributional issues concerned socio-economic goods as well as access to political power. Although the post-war situation obviously is not identical to the pre-war situation, in terms of both local power relations and grievances and, perhaps above all, the international context, the proven violence-generating potential of structures of inequality and exclusion cannot be ignored. The consequent policy implication for post-war aid strategies is that structural adjustment for peace should focus on three broad areas: (i) modify systemic inequalities among groups (horizontal inequalities), (ii) promote institutional structures for inclusive political representation, and (iii) transform the structures of violence created by the war itself, whether associated with agents of the state or non-state actors.

These policy implications may not be equally relevant for all post-war cases. Our sample does not include recent African conflicts (notably Sierra Leone, Liberia). If, or when, the post-war period is prolonged in these cases, the effect of aid interventions over time could be similarly assessed.

6. Conclusion

This article has mapped the patterns of post-war aid with a view to identifying patterns of sequencing and magnitude. It found that contrary to other studies and conventional wisdom in aid circles, post-war aid is not always front-loaded immediately after peace is declared and then rapidly phased out. When this happens, the policy rests on a convincing strategic rationale and tends to have a stabilizing effect. Using a small-N qualitative analysis, we found that high levels of post-war aid and rapid economic growth are not necessary preconditions for sustained post-war peace. Nor are aid levels and economic growth rates clearly related to the quality of peace, as measured by the

HDI. More important are the nature of aid strategies, which fall in two categories (i) strategies to stabilize peace in the short run through targeted programs, and, arguably, (ii) structural adjustment to sustain peace in the longer run that focus on distributional issues and modifying the structural legacies of war.

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SUMMARY

The paper examines patterns of post-conflict aid in a sample of 14 countries, with in-depth qualitative analysis of seven cases. The study shows that - contrary to the findings of World Bank-supported research in this area - donors do not respond to a CNN-effect by rushing in aid soon after peace is declared while scaling back rapidly during the remaining post-war decade. Rather, post-war aid follows several patterns and can best be understood as strategic behavior designed to promote a range of economic and political objectives. This paper also questions the related policy recommendation of the World Bank research, which is that post-conflict aid should be designed to maximize economic growth during the first decade of peace. Rather, this paper argues, other aid strategies are more relevant to stabilize peace in the short run and sustain it in the longer run.

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