Conditioning Peace?
The scope and limitations of Peace Conditionalities in Afghanistan and Sri Lanka

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Synthesis Study

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Table of contents

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About the author

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Acronyms

ADB	Asian Development Bank
ANA	Afghan National Army
ARTF	Afghan Reconstruction Trust Fund
CLJ	Constitutional Loya Jirga
DDR	Disarmament, Demobilization, Reintegration
DFID	Department for International Development
DIAG	Disbandment of Illegal Armed Groups
ELJ	Emergency Loya Jirga
EU	European Union
FDI	Foreign Direct Investment
GCPP	Global Conflict Prevention Programme
GWOT	Global War on Terror
IMF	International Monetary Fund
IDP	Internally Displaced Person
ISAF	International Security Assistance Force
ISGA	Interim Self Governing Authority
LTTE	Liberation Tigers of Tamil Eelam
MDG	Millennium Development Goal
MRRD	Ministry of Rural Rehabilitation and Development
NGO	Non-Governmental Organisation
ODA	Official Development Assistance
OEF	Operation Enduring Freedom
PRSP	Poverty Reduction Strategy Paper
PRT	Provincial Reconstruction Team
P-TOMS	Post Tsunami Operational Management Structure
SIDA	Swedish International Development Agency
SSR	Security Sector Reform
UK	United Kingdom
UN	United Nation
UNAMA	United Nations Assistance Mission to Afghanistan
UNSMA	United Nations Special Mission to Afghanistan
UNP	United National Party (Sri Lanka)
US	United States
USAID	United States Agency for International Development

Executive summary

1. Background

This study examines whether, how and with what effects aid donors may apply peace conditionalities in two contexts affected by armed conflict; peace conditionalities, for the purpose of this study are defined as the use of formal performance criteria or policy dialogue between aid donors and recipients, with the aim of supporting peacebuilding processes.[1] Aid is conditioned through a combination of persuasion, support and pressure and varies along a spectrum from hard, ultimatum conditionality at one end towards softer, more informal forms of conditionality at the other. This study adopts a broad definition of conditionality in order to examine the less visible forms of disciplining and signalling that take place between donor and recepient. Whilst donors may not associate terms such as policy diologue, selectivity and benchmarking with conditionality, in practice these measures may constitute conditionality by another name.

As well as broadening the notion of conditionalities, this study also adopts a more complex model for understanding the conditioning process - it seeks to go beyond a bi-polar, unitary actor model involving a principal-agent relationship. Viewed in these terms conditionality is a zero sum game in which one side imposes their preferences on the other. The model used in this study conceptualizes conditionalities as a complex triangular relationship involving international actors, domestic elites and societal groups (with each point of the triangle needing further disaggregation). The (dis)incentives applied by international actors may have a critical effect on the capacities and legitimacy of domestic elites and their relationships (and bargaining processes) with societal groups. Although conditionalities may sometimes be unilateral impositions, they can also represent opportunities for building alliances or contracts between actors with shared objectives. Conditionalities therefore have their 'importers' as well as their 'exporters'.

The classical definition of peace conditionality only referred to post war situations, defined by the signing of a peace settlement. A successful war to peace transition may be characterized by a series of aid for peace 'mini bargains' which aim to enforce the overarching or 'grand bargain' represented by the peace accord.[6] However this study adopts a broader definition, which subsumes three sub types[7] i.e. conditionalities for conflict prevention, conflict resolution

[1] Boyce (2002:19)
[2] Anderson et al (2002); de Renzio (2006)
[3] UK government (2005)
[4] Boyce (2002:19)
[5] Boyce (2005)
[6] Boyce (2002:19)
[7] Boyce (2005)

and post war peacebuilding. In the absence of a peace settlement donors do not have ready made criteria on which to base conditionality and must therefore develop their own conflict-related benchmarks. These constitute a series of 'mini bargains' which aim either to prevent conflict from breaking out, or to move the conflict parties incrementally towards a 'grand bargain'.

Peacebuilding is understood here as a process that involves statebuilding, or state reform, and is concerned both with the 'degree of the state' and the 'kind of state'.[8] In Afghanistan peacebuilding in the first instance is about creating or re-building the institutions of the state i.e. 'the degree', whereas in Sri Lanka it is primarily concerned with the kind of state and specifically the need for political reform. Going back to the triangle, both facets of the state may be shaped by the kinds of relationships or contracts that develop between international actors, domestic elites (state and peripheral) and societal groups. Peace conditionalities can help forge 'mini bargains' between actors at different points in the triangle, and in so doing 'crowd in' pro peace groups and actors.

The study draws together two distinct though increasingly overlapping areas of academic inquiry and policy debate. Firstly, in development circles as the discourse has shifted towards notions of partnership, policy conditionalities are increasingly associated with 'old style' donorship.[9] Donors such as DFID are said to have adopted a 'post conditionality' position, which emphasizes policy dialogue and ownership.[10] Secondly, aid donors find themselves increasingly working in areas affected by armed conflict. In fragile state settings, characterized by fractured governance and competing centres of power, it is less clear how notions of 'incentive compatibility', ownership and partnership can be translated into practice. Neither the new orthodoxy of partnership, nor the standard relief model provide convincing solutions to the problem of state failure or crisis. Therefore, paradoxically just as developmentalists increasingly askew conditionalities, there is a growing interest in the potential for a particular variant of conditionalities (peace conditionalities) to help create incentives for peace in conflictual settings.

Research has been conducted over a six month period in Afghanistan and Sri Lanka in order to address three questions: Firstly, to what extent have peace conditionalities applied by donors, strengthened or undermined overall peacebuilding efforts in the two cases? Secondly, are there specific strategies and approaches to peace conditionalities that are likely to strengthen international and domestic efforts to build peace in both countries? Thirdly, are there wider lessons generated by the two cases, about the relevance and potential of peace conditionalities in post conflict settings? This paper aims to address the third objective through a structured comparison of cases, which leads to a set of key findings and recommendations.

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[8] Barnett and Zuercher (2006).
[9] Anderson et al (2002); de Renzio (2006)
[10] UK government (2005)

2. Findings:

International interventions in fragile states

Both cases demonstrate the primacy of domestic politics – peace cannot be engineered by outsiders and domestic (and regional) actors tend to be the main drivers of change, though in 'post conflict' contexts there are often unrealistically high expectations about what international actors are able and prepared to do. However, the *degree* and *kind* of international support can play a significant role in opening or closing spaces for domestic elites and societal groups to forge peacebuilding bargains.

'Peace' represents a collective action problem for international as well as domestic actors. Although war is a 'public bad', and its effects are concentrated, the benefits of peace are diffuse.[11] International peacebuilders tend to want peace at the lowest possible cost to themselves. Peace competes with other objectives and the case studies highlight the tensions and trade offs involved in the simultaneous pursuit of different policy goals. Counter-terrorism measures are not necessarily 'coherent' with development goals, and economic liberalization may not build human security. Interventions involve making choices and each choice involves costs and trade offs. Elevating peacebuilding may mean lowering or delaying other priorities. How these first order questions about priorities in the diplomatic, military or economic spheres are resolved, influences the scope for aid donors to apply peace conditionalities. In Afghanistan, for example the prioritization of the war on terror and short term security goals limited the potential for aid conditionalities to promote peace.

Overly intrusive foreign intervention may undermine efforts to develop the political coalitions required to forge a 'grand bargain'. Although international engagement should aim to 'crowd in' domestic support for the peace agenda, instead it can have the inadvertent effect of crowding it out. In both cases peace processes, supported or even driven by international actors had the effect of concentrating power into the hands of political elites. The prioritization of short term stability, with limited attention paid to the distributional effects of the 'peace' – particularly in relation to questions of economic and social justice – has in both cases undermined the long term prospects for a durable peace.

In any war to peace transition there is likely to be ongoing tensions between short-term security imperatives and long-term peace. Arguably, in both cases the balance tilted too far towards the former, focussing on the immediate challenges of today rather than the goals of tomorrow.

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[11] Fearon and Laitin (2004)
[12] Suhrke (2006)

Aid donors and peace conditionalities

Aid is rarely a pre-eminent factor in the transition from war to peace; it is unlikely to 'buy' peace and it tends to operate at the margins of the political economy of war or peace. But aid policies and resources do have political, economic and social impacts which, to varying degrees, influence key 'drivers of change' in fragile state environments. This applies whether aid is conditioned or not. Donors do not render themselves politically neutral by providing aid unconditionally. The carrots of aid may be as dangerous as the sticks and in both countries aid has fuelled corruption and rent seeking and heightened inter group competition which followed ethnic, religious or political fault lines. Therefore the absence of conditions or the wrong kinds of conditions have contributed to state fragility, fuelled war economies and impeded war to peace transitions in the two case study countries.

The case studies highlight the limitations of an orthodox aid model in 'fragile states'. Whilst ownership and partnership may be desirable goals in themselves, current orthodoxies say little about how to realize such goals in fragile states. Selectivity essentially involves avoiding the question of how to deal with poor performance. Similarly attempting to work around the state means that the underlying causes of fragility are left unaddressed. Current orthodoxies therefore tend to set out an idealized end state, but without providing a convincing road map for how one gets there. The case studies suggest that rather than seeing ownership and conditionality as two opposite ends of a policy spectrum one can view the latter as a necessary instrument for moving towards the former.

In contexts of violent conflict it is unhelpful to take a position at either end of conditionality spectrum i.e. the notion of hard, ultimatum conditionalities on the one hand and ideas of post conditionality on the other. In both countries donors have tended to pursue a hybrid strategy similar to what has been described as 'new conditionality'.[13] This involves: multiple levels of commitment and withdrawal rather than a simple yes/no decision on whether to give aid or not; the design of alternatives to government-to-government provision; the exercise of pressure through social, political and military as well as economic channels.

But institutional interests, primarily disbursement pressures and concerns for profile, have tended to undermine the scope for a more strategic and robust approach to conditionalities. A failure to enforce conditionalities related to human rights has in both countries encouraged a culture of impunity under the guise of a peace process.

The following variables were found to have an influence on the leverage and impacts of peace conditionalities:

[13] Mosely et al (2004)

extent to which peacebuilding is prioritized; i.e. the extent to which peace competes with other international and domestic priorities; mechanisms for deciding on which priorities are elevated above others; role of regional actors and the extent they are incorporated into conditionality frameworks.

difficulty of the context; i.e. the timing and nature of the 'end game'; the intensity and nature of armed violence; the existence of/legitimacy of the peace settlement; the degree and type of state fragility; the number and role of spoilers; the level and type of geopolitical interests.

magnitude, credibility and predictability of the (dis)incentives; i.e. the levels and consistency of aid funding; whether it is reinforced by other instruments and (dis)incentives.

legitimacy and credibility of the actor providing the (dis)incentives; i.e. history of involvement; alliances with domestic actors; on the ground capacities; complementary application of other policy instruments.

availability of other resources; i.e. resources other than those linked to peace conditionalities; level of aid dependency; fall back position of contending parties; war economy/shadow economy activity; role of non traditional donors; existence of sanctions or control regimes.

calibration of (dis)incentives to conflict dynamics; i.e. sequencing and prioritization of (dis)incentives and instruments at different stages in the war to peace transition e.g. use of robust disincentives to prevent conflict escalating or significant incentives to consolidate peace.

level of coordination/coherence of international actors; i.e. aid and non aid frameworks for coordination; level of strategic complementarity between instruments and actors; existence of a multi-lateral, regional or legitimate third party support for peacebuilding.

Although, in the absence of a peace settlement, or 'grand bargain' it is inherently more difficult to apply peace conditionalities, the case studies suggest that they have an important role to play alongside other aid instruments. Aid donors have adapted their policies, practices and analytical frameworks in recognition of the specific challenges of fragile states, but peacebuilding has largely been treated as an 'add on' and core approaches and areas of work remain largely unchanged. There are however significant differences amongst aid donors in the extent to which they have attempted to 'mainstream' conflict issues.

3. Recommendations:

One cannot 'read off' generalizable policy lessons for aid donors, based upon an analysis of two case studies. In fact the study points towards the importance of historical, contextual and idiosyncratic factors in shaping conflict and peacebuilding outcomes. However, the evidence from the two cases suggests, that if donors are serious about working 'on' conflict, then peace conditionalties are a tool that they can and should consider during periods of transition from peace to war and from war to peace. In the course of a successful war to peace transition, the necessity for peace conditionalities would disappear and ultimately they would merge into conflict sensitive development practice. But during unstable transition periods a robust institutional framework for peace conditionalities is required. This would involve making changes at the following levels:

Strengthening international peacebuilding operations
If peace is to be regarded as the ultimate public good, policies need to cohere around this goal. The failure of international governments and inter-governmental organizations to *prioritize long term peacebuilding* over other competing objectives has undermined the effects and effectiveness of peace conditionalities. All countries and institutions have self interests and it is naïve to think they can be set aside. It is less about abandoning self interest than redefining it in a manner that is consistent with long term peacebuilding. At the very least 'do no harm' must be a guiding principle for international actors' engagement with war-torn societies and polities.

In the absence of a *strong multi-lateral core*, international peacebuilding has been undermined by the assertion of national interests. Peace conditionalities are more likely to be effective within an institutional framework supported and upheld by the UN, a regional organisation or an impartial third party.

Develop stronger *strategic complementarity* between the various international actors and policy instruments. For example ensure that peace conditionalities applied to aid are complementary with other (dis)incentives in the areas of security, diplomacy and trade.

Develop *regional approaches*, which recognize more explicitly the transnational/ regionalized characteristics of fragile states. Explore opportunities to incorporate regional state and non state actors into conditionality frameworks in order to support peacebuilding processes.

Consider the *sequencing* and *prioritizing* of interventions carefully on a case by case basis. For example, the case studies suggest that unless the security environment is stabilized first, the 'carrot' of reconstruction assistance will have a limited impact upon the calculations of warring parties.

'Sensitizing' international aid policy and instruments

The orthodox aid model has limitations when it comes to addressing the specific challenges of contexts affected by, and recovering from armed conflict. Donors should develop *conflict sensitivity* in all areas of their work including in the spheres of governance, poverty alleviation and economic reform.

Armed conflict is a particular manifestation of underlying institutional crises. Aid donors' core areas of business may potentially have a significant effect on these institutional factors. A more conscious focus on long term *conflict prevention* can help address the permissive conditions for armed conflict.

Since there is no one body responsible for 'peace' the problem of overlapping mandates and inter-departmental competition frequently rears its head, particularly in countries like Afghanistan where the geo-political stakes are so high. In such cases the problems related to aid *securitization* are most acute. Conversely, in less strategic contexts, there may be scope for *peace-itizing* or *developmentalizing* security issues. Institutional innovations like the UK government's Global Conflict Prevention Pool have not fully re-solved these questions and tensions remain about which doctrines and approaches be prioritized. Recognizing the tensions between these positions – rather than assuming 'all good things come together' – is a necessary starting point. The shift back towards 'hard' security since 9/11 risks undermining the scope for peace conditionalities to be applied in the interests of populations suffering from chronic insecurity in fragile states (as shown by the prioritization of short term stability in the Afghan case). This suggests the need for a robust *advocacy* role on the part of development actors in relation to their counterparts in the military and diplomatic spheres.

The label 'fragile state' masks a diverse range of contexts, which require highly customized approaches. No one approach can provide all the answers. Aid actors should continue to experiment with a flexible mix of instruments and tools matched to the demands of particular contexts. But more systematic reflection is required about how these interventions can positively influence the *degree* and *kind* of state that emerges during the war to peace transition.

Mainstreaming and fine tuning peace conditionalities

The new orthodoxies of ownership and 'post conditionality' are overly simplistic, and are particularly unhelpful when applied to conflict-affected environments. Peace conditionalities are not a call for liberal imperialism or unilateral ultimatums. Rather than seeing conditionalities as an external imposition they can usefully be viewed as a tool for *building alliances* and *political coalitions* in the interests of peacebuilding. Conditionality frameworks may provide a mechanism through which donors can themselves be held to account by aid recipients – a form of *reverse conditionalities*. This places the burden of proof upon donors – they as well as domestic actors have to demonstrate their legitimacy and capacity to engage in peacebuilding processes. A conditionality framework should involve specific commitments related to peacebuilding from

all sides, allied to a set of benchmarks and monitoring mechanisms with agreed remedial actions in the event of non compliance.
Peace conditionalities should be applied in order to complement other aid (and non aid) instruments, though they should be used sparingly and responsibly. Their role is likely to be scaled up following the signing of a peace settlement. In no-war, no-peace contexts, peace conditionalities can be employed as part of a slower more measured approach, in which disbursements are calibrated to emerging capacities, thus giving time and policy space for bargains and contracts to develop. In the long term this is more likely to lead to sustainable peacebuilding.

The *magnitude* and *type* of aid, influences its potential leverage on conflict and peacebuilding dynamics. Humanitarian assistance for example should be exempt from conditionalities (though subject to 'do no harm' analysis). If aid has limited value to warring groups compared to other resource flows such as drugs or cross border trade, then its leverage is limited. This means firstly ensuring that sufficient funding, of the right type is brought to the table, and secondly maximizing its potential influence on peacebuilding processes. This suggests moving into developmental approaches as early as possible (which may mean before the signing of a peace) – both to create a peace dividend and to strengthen and build the capacity of legitimate institutions. In countries emerging from conflict, the problem is as much about lack of ability rather than lack of willingness to change. *Capacity building* may be a precondition for domestic actors being able to follow through on peace conditionalities.

International donors also need to consider carefully their *priorities* and *sequencing*. If peacebuilding is to be elevated to the over-riding goal this necessarily means de-prioritizing or delaying other goals. This may mean adapting '*good enough*' models of governance or economic reform suitable to the particular security challenges of individual contexts. This will also necessitate negotiation clear and commonly agreed *benchmarks* with domestic actors.

War to peace transitions take time and frequently involve micro cycles of violent conflict and chronic insecurity. This indicates a need for *responsiveness*, *flexibility* and *long-term time frames* on the part of aid donors. 'Rites of passage' in the transition from war to peace, such as elections should not be held too quickly and nor should they be viewed as the beginnings of an exit strategy. In order to ensure greater responsiveness, it may be necessary to create ear-marked funds to support peacebuilding activities.

A more nuanced approach to peace conditionalities depends upon a strong *political-economy analysis* of aid actors. Drivers of change and Strategic Conflict Assessment tools are a good starting point. But there is no substitute for strong regional and in-country expertise. The rapid turn over of staff, particularly in countries like Afghanistan militates against this form of analysis from developing. Another precondition is the development of strong *monitoring and*

evaluation systems and agreed *enforcement mechanisms* for when condition (on both sides) are not met.

The problem of the *willing* and the *able* applies to international donors as well as to fragile states. Peace conditionalities cannot be just an 'add on' as they require substantive changes and the development of new capacities on the part of international aid donors. This includes thinking about the incentive systems within aid organisations – for instance strong disbursement pressures militate against the idea of calibrating aid according to the dynamics of a peace process.

1. Introduction

This report is part of a wider study conducted for DFID on peace conditionalities in contexts affected by armed conflict. For the purpose of this study peace conditionalities are defined as the use of formal performance criteria or policy dialogue between aid donors and recipients, with the aim of supporting peacebuilding processes.[14] The study, which involved comparative research in Afghanistan and Sri Lanka has three aims: firstly, to examine whether and how donors have applied peace conditionalities and the extent to which this has strengthened or undermined peacebuilding efforts in the two countries. Secondly, to identify specific strategies and approaches to peace conditionalities that may strengthen international efforts to build peace in both cases. Thirdly, to highlight the wider lessons generated by the two cases, about the relevance and potential of peace conditionalities in contexts affected by armed conflict.

Research was conducted in both countries over a six month period between June-December 2005. The case study reports on Afghanistan[15] and Sri Lanka[16] address the first two objectives of the study. This report is primarily concerned with the third objective by providing a comparative analysis of the two cases and identifying the broader lessons for aid policy and practice. The report is divided into five sections. Following the introduction, section two defines key terms and introduces the two cases. Section three maps out the broad contours of international engagement and its effects on domestic peacebuilding. Section four examines how the application of peace conditionalities, alongside other policy instruments, has influenced fragile war to peace transitions. Section five finishes with the principal conclusions and recommendations.

[14] Boyce (2002:19)
[15] Goodhand and Sedra (2006)
[16] Frerks and Klem (2006)

2 Background

2.1 Aid conditionalities, 'post conditionality' and working in conflict

'..there is a growing recognition of the need to understand the political incentives and the institutions that affect the prospects for reform. Donors and other external actors have a role to play in altering some of these incentives even if only minimally.'[17]

This study draws together two distinct, though increasingly overlapping areas of academic and policy debate: the first relates to conditionalities and aid effectiveness and the second relates to intervention in 'fragile states' in order to prevent or mitigate conflict or to consolidate peace. Traditionally, armed conflict was seen to be a trigger for suspending orthodox development relations, policies and practices. In fragile states conventional development frameworks and processes were no longer seen to be relevant. Concerns about aid effectiveness, mutual accountability or conditionalities were suspended until the fighting or instability was curtailed.[18]

These views are changing. At a conceptual level there has been a growing convergence around political economy frameworks for understanding processes of change, the relationships between international and domestic actors and the (dis)incentives for 'progressive' pro poor (or pro peace) policies.[19] Such analytical tools have encouraged policy makers to recognize the continuities between 'development' and 'conflictual' contexts. At a policy level, approaches tested and developed in conflict settings are informing mainstream development policy and practice and vice versa.

The idea and practice of peace conditionalities reflects the convergence of these two discourses; peace conditionalities focus attention on questions of aid effectiveness, accountability and incentive systems in a context of state contestation and/or breakdown. If one views peace as a collective action problem -- both for domestic and international actors – this leads to questions about how best to align and influence domestic and external 'drivers of change' in order to increase the probabilities of peace.

In development circles conditionalities have increasingly fallen out of favour. There has been a shift away from notions of 'hard' conditionalities towards

[17] Valings and Merono-Torres (2005:25)
[18] The UK government's 2005 policy paper on 'Rethinking Conditionalities' does not explore whether or how conditionalities should be applied in conflictual/fragile state settings.
[19] DFID's 'drivers and change' and SCA methodologies are examples of this.

ideas of streamlining or selectivity.[20] Some donors such as DFID are said to have adopted a 'post conditionality' approach, which emphasizes policy dialogue and 'ownership'. This reflects the position laid out in the Paris Declaration of the High Level donor meeting of 2005, with its stress on partner countries' ownership and notions of alignment, harmonisation, results-oriented planning, reporting and assessment frameworks, and mutual accountability and transparency.

Whilst a 'post conditionality' position may be tenable in a stable context where there is 'incentive compatibility', it is unclear whether or how this can be translated into a realistic policy in conflictual settings. On the one hand, the donors' default position of avoiding the state and providing project-based humanitarian assistance through NGOs is increasingly questioned, particularly in situations of long term political instability.[21] But on the other hand, attempting to apply mainstream development policies may itself be problematic – meaningful policy dialogue and domestic ownership may not be possible where the state is contested and unconditional aid runs the risk of fuelling conflict. Furthermore, the current standard model fails to address *how* fragile states are supposed to undergo the transition from a 'poor' to a 'good performer.[22]

It is argued in this report that in contexts of violent conflict it is unhelpful to take a position at either end of conditionality spectrum i.e. the notion of hard, ultimatum conditionalities on the one hand and ideas of post conditionality on the other. At both ends of the spectrum there is the assumption that conditionalities involve a principal (the donor) exercising power over an agent (the recipient), forcing them to do something they would not otherwise have done. The assumptions underpinning this model are as follows:

The conditionality relationship involves two unitary actors.
Conditionality is a unilateral imposition.
The conditioning process takes places exclusively through the donor-recipient (i.e. donor-domestic government) relationship.
Conditionality is a zero sum game, with power being exerted over a powerless recipient.

These assumptions are problematic and empirically questionable – particularly in contexts affected by armed conflict. Firstly, conditionalities never involve unitary actors, and to understand the processes through which aid is conditioned one needs to disaggregate donors and recipients. In this study we discard the bi-polar, unitary actor model and explore conditionalities as a complex triangular relationship involving donors, domestic elites and societal groups (with each point of the triangle also needing to be disaggregated). The (dis)incentives applied by international actors may have a critical effect on the

[20] Moseley et al (2004); Thomas (2004)
[21] See Leader and Colenso (2005)
[22] Warrener and Loehr (2005:5)

capacities and legitimacy of national actors and their relationships (and bargaining processes) with societal groups.

Secondly, whilst conditionalities may sometimes be a unilateral imposition,[23] to view them only in these terms is to miss the complexity and nuances of the conditionality game. There is a spectrum of approaches and conditionalities may be as much about shared objectives (or 'incentive compatibility'), mutual obligations and alliances between groups of donors and domestic actors, as an external imposition. Conditionalities have their 'importers' as well as their 'exporters'.

Thirdly, the conditioning of aid occurs not only at the interface between donor and recipient government. The conditionality game is extremely complex and multi-faceted. Formal or informal conditioning occurs at many other levels and at different locations within the aid regime. This occurs vertically -- as resources flow through different levels of donor institutions and recipient governments down to the project level – and horizontally – for example bilateral donors attaching conditions to their financial support to multi-lateral bodies. In conflictual settings like Afghanistan, this complexity is likely to be accentuated by the fractured nature of governance and multitude of international actors. In such contexts, peacebuilding also involves 'conditioning' the non state (who may be the main drivers of change) as well as the remnants of the old state or beginnings of the new one.

Fourthly, the notion of conditionalities as a zero sum game is an oversimplification, based on a narrow understanding of power relations. If power is understood as being more contingent and decentred then one needs to look for the exercise of power in different places.[24] On the one hand donors exercise power often in more subtle and less visible ways than through the direct imposition of ultimatum conditionalities – for instance their role in agenda setting and shaping values (through for instance process conditionalities on 'participation'). Therefore apparently 'kinder', 'gentler' forms of aid such as 'ownership' and 'policy dialogue' also involve the exercise of power.[25] Moreover, it has been argued that in 'post conditionality' countries, neo-liberal policies have been so internalized that there is no need for specific policy conditionalities.[26] On the other hand, aid recipients also have agency and deploy a range of strategies to resist, subvert or challenge the disciplinary strategies of the donor. This applies in all donor-recipient environments, but particularly in conflictual settings, the 'influencing' and 'alignment' strategies of external agents may have less traction.

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[23] As Anderson et al (2002:26) note, conditionality at its most intrusive involves one partner assuming the right on the basis of a financial relationship to pass judgment upon the behavior of the other.
[24] See James Scott (1997)
[25] Larmour (2002)
[26] Harrison (2004)

2.2 Defining conditionalities and peace conditionalities

For the purpose of this report it is necessary to briefly clarify what is meant by 'conditionality' and 'peace conditionality'.[27] Conditionalities involve the conscious use of aid to create incentives and disincentives to achieve particular goals – unlike unconditional assistance, the failure to achieve or show progress towards these goals will lead to changes in donor behaviour. Conditionalities vary in terms of their content (*why* they are applied), the process through which aid is conditioned (*how* they are applied) and the target of the conditions (*who* they are aimed at).

2.2.1 Why are conditionalities applied?

Conditionality is not an aim in itself, but an instrument for achieving particular goals.[28] There are different variants of aid conditionality, related to donors' differing objectives. Hence the *content* of conditionalities varies according to the goals of the conditioning agent. Donors have a fiduciary duty to ensure that their funds are well used for intended beneficiaries and must make a reasonable judgement that their assistance is likely to deliver a return in terms of development.[29] This legal and administrative conditionality is generally regarded as legitimate and unobjectionable.

However, aid usually comes with other strings attached.[30] In the Cold War period aid was linked to nurturing a web of political allegiances. The post cold war period arguably opened up the space for concerns about aid effectiveness and peace to be prioritized. In the last two decades there have been several variants of conditionalities related to various donor interests including economic or political reforms, the environment, gender and human rights. Peace conditionalities appeared in the last decade, associated with the growing number of countries world wide emerging from violent conflict. Although only peace conditionalities explicitly focus on 'peace', other forms of aid conditionality may have a profound impact on conflict and peace dynamics.

The classical definition of peace conditionality only referred to post war situations, defined by the signing of a peace settlement that contained commitments against which the performance of the parties to the accord can be judged. A successful war to peace transition may be characterized by a series of aid for peace 'mini bargains' which aim to enforce the overarching or 'grand

[27] For a more expansive discussion see Frerks (2006).
[28] Stokke, 1995:2
[29] For the UK government conditions are fundamentally about accountability to UK taxpayers and safeguarding resources (UK government, 2005: 9).
[30] It is important to note that there is general agreement, at least in principle that humanitarian assistance should be needs based and therefore non conditional. In practice however a range of non humanitarian factors impinge upon humanitarian aid provision.

bargain' represented by the peace accord.[31] However this study adopts a broader definition, which subsumes three sub types:[32] (1) conditionality for conflict prevention, (2) conditionality for conflict resolution (3) conditionality for post war peacebuilding. Clearly the question of what constitutes a peace conditionality is more problematic in pre-conflict or conflict settings, as donors do not have ready made criteria on which to base conditionality. In such contexts, donor must develop their own conflict-related benchmarks and peace conditionalities may constitute a series of 'mini bargains' which aim to either to prevent conflict from breaking out, or to move the conflict parties incrementally towards a 'grand bargain'.

Peacebuilding is understood here as a form of statebuilding, which is concerned both with the 'degree of the state' and the 'kind of state'.[33] For example in Afghanistan peacebuilding in the first instance is about creating or re-building the institutions of the state i.e. 'the degree', whereas in Sri Lanka it is primarily concerned with the kind of state and specifically the need for political reform. Going back to the triangle, both facets of the state may be shaped by the kinds of relationships or contracts that develop between international actors, domestic elites (state and peripheral) and societal groups. Unconditional, or conflict blind aid may strengthen the 'degree' of the state whilst adversely affecting the 'kind' of state by distorting accountability relationships between domestic elites and societal groups. On the other hand, conflict sensitive aid can help forge 'mini bargains' between actors at different points on the triangle, and in so doing 'crowd in' pro peace groups and actors. Drawing on the work of Uvin (1999), aid has the potential to simultaneously create incentives for peace and disincentives for war. It can influence the behaviour, capacity and relationships of the conflicting parties, in addition to the social and economic environment in which conflict and peace dynamics take place.[34] This assistance can be either conditional or non-conditional, as illustrated in Table 2.1:[35]

Table 2.1: Aid instruments as incentives for peace and disincentives for war

	Non Conditional	Conditional
Incentives	Humanitarian provision for returnees Support for peace constituencies e.g. media, civil society groups, private sector, political parties, trade unions	Alternative livelihoods for fighters. Reconstruction funding – creation of a 'peace dividend' – conditional on agreed peace related criteria. Ear marked funds for

[31] Boyce (2002:19)
[32] Boyce (2005)
[33] Barnett and Zuercher (2006).
[34] Uvin (1999:3)
[35] Adapted from Uvin (1999)

	Funding of poverty eradication programmes Capacity building of institutions that can manage/mitigate conflict e.g. judiciary, local policing	peacebuilding programmes.
Disincentives	Funding for human rights monitors/election observers. Policies related to Corporate Social Responsibility, illicit flows and conflict goods e.g. Kimberly process	Threatening to cut (or actually cutting) ODA unless concrete steps are taken to consolidate peace e.g. DDR, protection/enforcement of human rights

The primary focus of this study is on the right-hand column i.e. conditional (dis)incentives for peace. However the divisions between the different categories are rarely clear-cut in practice and there is plenty of scope for confusion between and within donors and recipients: firstly, what constitutes conditional or non conditional aid, may differ in the eyes of the beholder or beholden. Secondly the same applies to whether conditional aid is viewed as an incentive or disincentive. Thirdly, peace conditionalities, may merge into and be difficult to distinguish from other forms of conditionality, in relation to human rights or governance for example. Fourthly, one must distinguish between intentions and outcomes; though an intervention may be framed or labelled in terms of peacebuilding, its impacts on conflict and peace dynamics may be neutral or perverse. Similarly aid interventions which do not explicitly focus on peacebuilding may have a significantly positive impact peacebuilding processes.

Broadly, interventions in the right hand column i.e. peace conditional aid are likely to be more focused on short to medium term incentives and behaviour that will have a direct impact on conflict and peace dynamics. Activities in the left hand column – which are unconditional but conflict sensitive - are likely to have a focus on medium to long term contextual factors that may have an indirect impact on peacebuilding processes. The picture is complicated further because activities in the left hand column may be unconditional in relation to peace building but conditioned in relation to other criteria, which can inadvertently undermine peacebuilding. For instance conditionalities related to privatization in post conflict contexts may fuel conflict dynamics.[36] Similarly unconditional, but conflict blind aid may have perverse effects as explored later.

[36] Boyce (1995); Pugh and Cooper (2004)

The debate on aid conditionality also needs to be situated within a broader framework of international intervention in conflict-affected countries. International actors engage with 'fragile states' for a variety of reasons other than development or peace. Their interventions in the diplomatic, military or economic spheres influence the potential leverage and scope of aid donors to influence domestic incentive systems. Therefore 'peace' represents a collective action problem for international actors, especially in countries where there are strongly diverging objectives, policy instruments and approaches.

Perhaps the principal objection to peace conditionalities is that they provide a licence for internal political meddling and as such they represent a return to 'old donorship' in contrast to more enlightened notions of partnership. But this ignores the possibility that there may be strong constituencies in conflict affected countries for peace related conditions, both amongst domestic elites and societal groups. In such contexts, where there may be overlapping objectives, there is at least the potential for cooperative peacebuilding to emerge; in which both sides align their strategies in order to accommodate the preferences of the other.[37] However, in practice peace conditionalities have been the exception rather than the rule and where attempted the results have been mixed. Several preconditions are identified for effective peace conditionalities; the domestic parties have sufficient authority and legitimacy to strike and implement aid-for-peace bargains; donor governments and agencies are prepared to make peace their top priority ahead of other geopolitical, commercial and institutional goals; the aid carrot is substantial enough to provide an incentive for pro-peace policies.[38]

2.2.2 How is aid conditioned?

There are is plethora of terms associated with debates on conditionalities including prior actions, triggers, benchmarks, indicators, fundamental principles. Furthermore conditions may be variously linked to process, input, output and outcome indicators. This conceptual confusion increases the difficulties of modelling conditionality in practice.[39] However, broadly speaking aid is conditioned through a combination of persuasion, support and pressure and the conditioning process varies along the following dimensions;

The degree of local *ownership*; the greater the level of local 'buy in', the lower the 'acceptance problem'. If there are no local allies and consequently a complete absence of local ownership then conditionality constitutes a unilateral imposition. At the other end of the spectrum are cases where all local parties favour the conditions (thus negating the need for explicit conditions).

[37] Barnett and Zuercher (2006)
[38] Boyce, 2005
[39] IDD (2006)

The *formality* of conditions; formal conditions are placed in the public domain and have a legal dimension, whilst informal conditions may be applied in confidence between two parties, though they may involve clear expectations of what is to be achieved. The degree of formality also applies to selectivity – sometimes referred to as ex post or allocative conditionality – in the sense that donors may be more or less transparent about their criteria for inclusion/exclusion.

The '*hardness*' of conditions; this relates to the so-called 'enforcement problem' in terms of the extent to which donors are able and willing to enforce conditions. Soft conditions may be largely rhetorical, whilst hard conditions are real and enforced.

The degree of *specificity*; formal, hard conditions are linked to clear targets, time frames and agreed procedures when conditions are not met. Soft conditions tend to have a low level of specificity. Donors may talk about benchmarks instead of conditions or have formal or informal 'red lines', the crossing of which would trigger a change in the aid relationship.[40]

The *level* at which conditions are applied; conditions may be linked to specific policies, programmes or projects. Alternatively they may target broader development processes – for instance process conditionalities on participation related to Poverty Reduction Strategy Papers etc.

Therefore there are numerous ways (visible and invisible) in which aid is conditioned. Evidently it is easier to study conditionality at the harder, formal end of the spectrum, because it is more visible and quantifiable. However this study has adopted a broad definition of the term to encompass the softer, informal forms of conditionality. By doing this it attempts to put the spot light on the often invisible forms of disciplining or signalling that take place in the conditionality game, particularly in 'unruly' environments affected by armed conflict. On both the donor and recipient side official administrative mandates may compete with alternative and often conflicting incentive structures which determine patterns of actual institutional behaviour.[41]

2.2.3 Who is targeted?

Conventionally conditionality has been viewed through the prism of an aid donor-recipient state relationship. It has therefore been a relatively 'state-centric' debate. In this study the focus is broadened to include conditioning processes involving non state as well as state actors. Going back to the

[40] For the UK government the 'bottom lines' which would signal the termination of the aid relationship are: a significant move away from poverty reduction objectives; the large scale violation of human rights; the breakdown of government financial management (UK government, 2005).
[41] Fox (2005:69)

triangular relationship between international actors, domestic elites and societal groups -- at the national level there may be significant drivers of change outside the state, including extremist political parties or non state military actors. The divisions and alliances within each of the three categories may have a critical influence on peacebuilding processes. War to peace transitions involve processes of intense and conflictual bargaining, within for example coalition governments or between state and peripheral elites.[42] Aid may constitute an important (dis)incentive for such groups. Just as aid donors often seek to support 'reform oriented technocrats' they could also design aid so that it strengthens the position of peace-oriented leaders, government servants or provincial elites.[43] The same applies to societal actors who may act as spoilers or constitute a significant constituency for peace.

It is also important to distinguish between the 'unable' and the 'unwilling' – introducing 'pro-poor' (or pro-peace) change may be as much to do with capacities as incentives. The 'importers' of external policies, institutional frameworks or processes may lack the capacities (rather than the political will) to implement aid-for-peace bargains. Again this problem is likely to be more acute in 'post conflict' contexts where institutions have collapsed and various forms of capital (human, social and financial etc) have been destroyed. Furthermore these capacity deficits may equally apply to aid donors themselves.

Therefore, in order to understand the scope for peace conditionalities in contexts of state crisis and armed conflict, one has to engage with the 'real politics' of such settings. This involves firstly broadening one's definition of conditionalities and secondly broadening the focus in terms of who is targeted. Rather than simply viewing conditionalities as a unilateral imposition, they may also be seen as a vehicle for developing transnational alliances and advancing objectives shared by parties on both sides. This takes us into a more nuanced (and complex) analysis of the alliances between exporters and importers of particular projects.

Finally it is important to stress that in any setting, but particularly in conflictual environments, aid has political impacts whether there are strings attached or not. Donors by providing aid unconditionally therefore do not render themselves politically neutral. The evidence from a range of contexts shows that aid as a blank check fuels political tensions and conflicts, and as such represents an abdication of responsibility and accountability on the part of donors.[44]

[42] Barnett and Zuercher (2006)
[43] I am thankful to Jim Boyce for this point.
[44] Uvin (1998); Boyce (2002)

2.3 Introduction to the Case Studies

Although Boyce has conducted ground breaking work on peace conditionalities, empirical research remains limited.[45] Consequently there is little in the way of specific guidance for donors on whether, how and to whom aid conditions should be attached in order to build peace. The current literature does not go far enough in terms of contextualisation or producing policy relevant and operationalizable guidelines for donor agencies.

Afghanistan and Sri Lanka were chosen as the two case studies for several reasons: Firstly, the research and writing on armed conflict, fragile states and post conflict reconstruction tends to have a strong geographical bias towards Africa. There is relatively limited material which examines the lessons from South Asia.[46] Although there have been studies of conflict in Afghanistan and Sri Lanka,[47] there has been much less work that connects these individual studies to the broader academic and policy-related work on conflict, fragile states and international intervention.

Secondly, both countries are inherently worthy of study as potent examples of the multiple challenges associated with fragile (and highly conflictual) war to peace transitions. Both are protracted conflicts which span the fall of the Berlin Wall – in some ways they exhibit characteristics of 'new wars'[48] - but there are also important continuities between the Cold War and post Cold War phases of the conflicts. Both involve multi-layered conflict systems which combine international, regional and local dimensions.
International commitment to peacebuilding has waxed and waned in both cases, which is reflected in the freeze-thaw nature of funding, particularly to Afghanistan. But recent efforts to build peace in the two countries have received substantial international support. Although, the nature of this international involvement has taken different forms, both cases represent highly internationalized experiments in liberal peacebuilding involving the promotion of market sovereignty, liberal democracy and conflict resolution.[49] In both cases, international donors have played a significant role, by attempting individually and collectively to influence the (dis)incentives for war or peace.

Thirdly, though they share some common characteristics, the two contexts are *different* and these differences make for interesting comparisons that can contribute to improved understanding and policy development. Particularly important axes of comparison are; *the history and evolution of the state* (e.g. buffer

[45] See also Ehrenfeld et al (2003)
[46] As Ballentine and Sherman (2003:10) note '..most of the scholarly and policy attention to the economic dimensions and drivers of armed conflict has focused on conflicts in Africa, notably Sierra Leone, Liberia and the DRC.'
[47] For instance Rubin (1996), Goodhand and Klem, (2005).
[48] For example have transnational dimensions involving diaspora groups and self sustaining shadow economies. See Kaldor (1999), Duffield (2001) Nordstrom (2004).
[49] Pugh and Cooper (2004).

state origins versus colonial roots, authoritarian but weak versus democratic but 'captured'); *the origins and dynamics of conflict* (e.g. international Cold War proxy war that mutated into a regional civil war versus a 'classical' separatist civil war); *nature of the challenges to the state* (competing 'warlords' versus a separatist movement); *the emerging logic of war* (growth of war economy versus political polarization and militarization of the state); *mobilisation dynamics* (use of ethnicity and tribal affiliations and involvement of external proxies versus competing nationalisms and ethnic outbidding); *the nature of the international response*: (e.g. Cold War super power diplomacy followed by faltering UN peace-making, compared to regional and national attempts at peace-making); *the type of peace process* (e.g. an externally imposed military solution versus an internally negotiated cease fire and ongoing peace talks); *the nature of the 'post conflict' context* (e.g. weak, externally supported administration, growing war economy and 'terrorist' activity, versus a fragile cease fire with stalled peace talks and a growing 'shadow war'); *the use of conditional or non conditional aid to promote a war to peace transition* (reconstruction aid to support and legitimize the new political dispensation, versus the carrot of a peace dividend in order to move towards a political settlement). A structured comparison of cases may therefore provide rich material to inform analytical models and to feed into policy and practice.

3. International engagement in war and peace

3.1 The geo-political context and international responses to conflict

Geo-strategic factors have exerted a strong influence on the trajectories of the Afghan and Sri Lankan conflicts and external responses. Western powers employ a form of triage, which involves distinguishing between 'discretionary' and 'non discretionary' conflicts.[50] What is regarded as 'discretionary' varies both from country to country and in relation to the same country over time. International attention towards Afghanistan for example has waxed and waned according to geo-political interests, domestic priorities, media pressures and perceived security threats.

Although peacebuilding has been justified in terms of universalistic and legal ethics, without a strong multi-lateral core to interpret and enforce common interests and values, peace operations risk being perverted and becoming the foreign policy arms of dominant powers. Moreover, in the absence of a robust leadership and coordination, as the two case studies show international actors can become as factionalized as the domestic contexts in which they intervene.

Evidently states and inter-governmental organisations are not disinterested parties and they intervene in conflicts due to a complex mix of factors. In Sri Lanka in 2002 for instance, international actors were, on the whole prepared to prioritize peacebuilding because it appeared to be a low risk-high opportunity situation. India accepted the front line role of the Norwegians, and other international actors were happy to support and be associated with a peacebuilding success story. In Afghanistan however, where the geopolitical stakes are so high, the scope to apply peace conditionalities in a manner that is consistent with long term domestic peace may be limited, because of more pressing external priorities such as homeland security or drugs.

The presence of international troops on the ground also influences the benefit-risk calculus of the interveners and domestic actors' perceptions of external powers. For instance Afghan views on US and UK donor agencies are coloured in part by the fact that both countries are also troop-contributing countries to the military coalition. Sections of the Afghan population see these two countries as occupying powers, responsible for leading a violent counter insurgency operation and guilty of either propagating or turning a blind eye to wide-spread human rights abuses. This is seen to be in direct contradiction with, and undermining of, broader international efforts to promote a commitment to non violence and respect for human rights.

[50] Gurr et al (2001.

Although in each case international engagement has been shaped by different push and pull factors, some common 'supply-side' features can be identified, reflecting as mentioned earlier, wider international trends in peacebuilding doctrine and practice. Firstly, both have been highly internationalized peace processes which broadly fit into a model liberal peacebuilding. Secondly, this approach has involved complex, multi-dimensional forms of engagement in which aid is explicitly viewed as an instrument for peacebuilding. Thirdly, the war to peace transition is seen by international actors as an opportunity to shape the choices of countries at strategic crossroads. There is an assumption that radical reforms can be pushed through as resistance from domestic actors is likely to be limited. In Sri Lanka for instance the peace process was viewed as an opportune moment to push through radical reforms related to privatisation and civil service reform. In spite of strong support by Prime Minister Wickremasinghe, attempting to simultaneously negotiate a peace deal whilst pushing through such a reform package, placed too much strain on the southern polity and generated a strong nationalist reaction.[51]

Although there are similarities, there are also important differences between the two cases in terms of the intensity, breadth and type of international engagement. Afghanistan perhaps represents a 'thick' or 'fully imperial'[52] version of liberal peacebuilding - since it involves garrisons of troops, a 'shadow state' of foreign civilian administrators and a substantial investment of humanitarian and reconstruction funds. However, Sri Lanka, in contrast is a rather 'thin' or watered down version of this model. It involves a largely consent-based approach, and a more limited level of engagement both in terms of depth and scope.

It would however be too simplistic to only view liberal peacebuilding as something that is foisted on the developing world as an international apparatus of hegemony. Liberal norms enjoy wider legitimacy within developing countries themselves.[53] In both countries, particularly in Sri Lanka demand factors have been significant as well as supply factors. The 'liberal peace' has its importers as well as its exporters, for example Sri Lankan prime minister, Ranil Wickremasinghe, was the main driving force behind the heavy internationalization of the Sri Lankan peace process in 2002.

The case studies demonstrate that domestic actors have greater agency than is commonly perceived to be the case. Though interventions may indeed be top-down and neo-colonial, this does not necessarily prevent domestic actors from instrumentalizing or even colonizing international engagement in order to pursue their political projects. Sri Lankan nationalists, for instance, demanded increased Indian intervention to act as a counterbalance to Western influence and to undermine the position of the LTTE. Afghan leaders have cleverly used

[51] Goodhand and Klem (2005); Frerks and Klem (2006)
[52] Clapham (2002)
[53] Luckham (2004)

the discourses on terrorism and drugs to play upon western fears and so maintain high levels of engagement with the country.

In order to appreciate how liberal peacebuilding interacts with domestic politics it is necessary to explore the complex triangular relationship between the exporters, importers and broader societal actors. Where the importers have a limited constituency and rely too heavily on the exporters for their power and legitimacy, the foundations for peacebuilding are likely to be shaky. To a great extent this contributed to the downfall of Wickremasinghe, and Karzai similarly faces a crisis of legitimacy because of his perceived reliance on international backers. Historically, in both countries there have been numerous failed reform programmes which were based upon alliances with narrow coalitions. Intrusive foreign intervention may undermine efforts to develop the political coalitions required to forge a 'grand bargain' for peace. Therefore although international engagement should aim to 'crowd in' domestic support for the peace agenda, it may have the inadvertent effect of crowding it out.

3.2 The International Aid Regime

3.2.1 History of International Aid

Aid donors do not only provide guidance, they also assert interests, and these interests change over time. Aid conditioning has a long history in both countries. Domestic perceptions of aid actors are influenced by earlier patterns of donor behaviour. This in turn affects the perceived leverage and legitimacy of aid conditionalities. One never starts from a blank slate – both in terms of post conflict societies (though they are often treated as a *tabula rasa)* and post conflict aid regimes.

In both countries, international aid regimes evolved over time in response to a combination of domestic and external pressures. Cold war aid policies were a significant factor in the origins of conflict. The case studies show that the politicization of aid is not a new phenomenon as it was a significant feature of the Cold War environment. Aid flows shaped by political allegiances, had the effect of bolstering unaccountable elites, distorting state-society relations and undermining social contracts. The default setting is for aid to flow to those who wield power.[54] In Afghanistan, aid flowed to an urban elite, contributing to the bifurcation of the Afghan economy and society.[55] In Sri Lanka, the adverse effects of donor policies, can be attributed both to the 'sticks' associated with structural adjustment and the 'carrots' of development funding. Aid flows reinforced 'horizontal inequalities', leading to ethnic scapegoating which exploded into violent conflict in 1983.[56] Therefore in both cases unconditional

[54] Boyce (2002a: 240)
[55] Rubin (1996)
[56] Herring (2001)

aid, or aid with the wrong kinds of conditions attached, helped create a permissive environment for armed conflicts.

Both cases expose the inadequacies of orthodox approaches, as a response to the problems of weak and failing states. In Afghanistan in the 1990s, humanitarianism became the primary form of international engagement. This helped mitigate some of the effects of the conflict, but humanitarianism could do little to address the underlying institutional crisis. In Sri Lanka during the same period a bifurcated aid regime emerged which involved humanitarian provision to the north-east, in parallel with an orthodox development programme in the south. Both approaches involved working 'around' conflict, although by the end of the 1990s some donors had began to more consciously focus on conflict issues.[57] Like in Afghanistan an indefinite 'wait-and-see' approach had significant costs, both for the people living in the two countries and in terms of the spillover effects of regional insecurity.

3.2.2 The 'post conflict' aid regime

In spite of the absence of a negotiated peace settlement in both countries, the perception of a peace process unlocked significant donor pledges. Viewed over time, this might be seen as a form of 'temporal conditionality' – in which conflict-affected countries are 'starved' of development funding until they 'chose' peace over war. In both countries, aid was seen as a visible testimony to a new order. This front loading process has been described as: 'the aid equivalent of the Powell doctrine of 'overwhelming force', designed to stabilize a favourable but fragile peace'.[58] In the two cases, the promise and the provision of increased aid were based upon the assumption that it could provide an inducement for peace, in the form of a series of 'mini bargains' which cumulatively would contribute to the forging of a grand bargain.

Post ceasefire or post settlement aid, by design, tends to be highly visible. In both countries, donors saw aid commitments as a means by which they could simultaneously demonstrate political support for the peace process, whilst enhancing their own visibility and profile. On the international stage, Japan and Norway, for example have limited military and diplomatic leverage, but their support for post conflict peacebuilding enables them to punch above their weight in global terms.

[57] The World Bank 'three R's' (Relief, Rehabilitation and Reconstruction) programme being one example. This involved the World Bank for the first time actively initiating reconstruction programmes in the north-east, in spite of the ongoing conflict.
[58] Surhke and Bucmaster (2005:13), who compare this approach with the Cambodian case in which there was a slow phasing-in of modest levels of assistance, coupled with conditionality on economic and governance criteria.

The 'transitory flush'[59] of external funds, combined with its highly visible nature and the perception that funds are often used for instrumental political purposes, led in both contexts to perceptions that the peace process was being driven by international actors. In each case there appeared to be a 'tipping point', which marked a shift in societal attitudes towards international donors. In Sri Lanka the combination of the Tokyo conference, radical economic reforms and the perceived appeasement of the LTTE marked a growing disillusionment with the UNF government and its international backers.

The two countries differ in terms of the volume of aid flows and its relative importance in relation to other financial resources. In Sri Lanka, the economic importance of aid has declined over the last decade in relation to FDI. ODA constitutes less than 2% of Sri Lanka's GDP. In Afghanistan international aid constitutes a significant part of the licit economy– although drugs account for 52% of GDP[60] thus diluting (but not negating) the potential for aid to influence the incentive systems of domestic elites. However, compared to Sri Lanka, the political and economic asymmetries between international and domestic governance are more acute in Afghanistan and the risks of 'aid shock' and associated aid-induced distortions are more acute.[61] Donors and government officials were conscious of these dangers, and the Afghan Reconstruction Trust Fund (ARTF) provided a model for channelling aid through the government. But this did not prevent the emergence of a dual public sector, in which there was an internal public sector funded and managed by the government and an external public sector funded and managed by donors. Consequently there was a failure to channel resources into building state capacities and a 'crowding out' effect in terms of professionals being recruited into the external public sector.[62] Aid investments contributed to the creation of a parasitic bubble economy in Kabul, accentuating the urban-rural divide that led to war in the first place. Large flows of unconditional funding in the post ceasefire/peace settlement 'rush' (or the post tsunami 'rush') undermine the scope for applying peace conditionalities. On the other hand, as the ratio of humanitarian to development funding changes in favour of the latter, the scope for applying conditions on aid is likely to increase.

Therefore the volume and visibility of aid influence the dynamics of war to peace transitions. So too does the manner in which aid is deployed. In both cases, reflecting broader international trends, aid donors have increasingly calibrated their policies and programmes according to conflict and peacebuilding dynamics. However, different donors draw upon differing definitions of peacebuilding and its very ambiguity helps conceal ideological

[59] Boyce (2006:15)
[60] Rubin et al (2003)
[61] Although the massive international response to the tsunami in Sri Lanka (sometimes referred to as the 'second tsunami') has arguably had the effect of inducing 'aid shock' and also threatened the peace process (Frerks and Klem, 2005; Goodhand and Klem, 2005).
[62] Boyce (2006)

differences and mobilize support for the idea.[63] Similarly the term 'securitization' meaning aid's reinvention as a tool for conflict management and peacebuilding,[64] masks the differing ways in which security and development concerns have become fused in the two countries. Arguably in Sri Lanka the impetus for working more explicitly 'on' conflict is derived from the negative experiences of the 1990s[65] and the perceived opportunity to support the peace process. This is reflected in growing investments by the World Bank and ADB in reconstruction efforts in the North-East, attempts by the 'donor working group'[66] to link the disbursal of aid more explicitly to the peace process and international funding for the infrastructure of negotiations.[67] This perhaps could best be described as a process of 'peace-itization', since aid actors have attempted to align their strategies behind the objective of domestic peacebuilding, based upon an analysis of local conditions.[68]

In Afghanistan on the other hand, 'securitization' (or less ambiguously, militarization) is a more accurate characterization of the process by which development policies have been deeply infused with, and shaped by external concerns about terrorism and short-term stability. Evidence of this can be found in the radical new agenda for aid in post Taliban Afghanistan, which includes its role in security sector reform and counter narcotics and the explicit linking of humanitarian and development provision with the counter-terrorism campaign.[69] This has led to a deep concern amongst development practitioners that with growing funding has come decreased autonomy. Aid donors fear that they are being asked to become 'coherent' with a policy agenda that is skewed towards western concerns about homeland security, rather than the long term, domestic security of Afghans.[70]

To conclude this section, the case studies show that peacebuilding outcomes are shaped by the *degree* and *kind* of internationalization, as well as the degree and kind of the domestic state.

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[63] Barnett (2006)
[64] Duffield (2001)
[65] Goodhand (2001)
[66] A group of 'like-minded' donors who have worked together on conflict issues. Members include the World Bank, DFID, the Netherlands and SIDA.
[67] For example funding for the Peace Secretariats created to represent the interests of the government, LTTE and the Muslims.
[68] Although in practice other competing objectives such as macro economic reforms or maintaining a close relationship with the regime in power, have undermined 'peace-itization'.
[69] One example was the letters distributed by US troops involved in Operation Enduring Freedom (OEF) which promised humanitarian aid in return for the provision of intelligence. Another controversial policy has been the involvement of troops within the Provincial Reconstruction Teams in reconstruction efforts.
[70] A striking example of western priorities, is that 84% of international spending in the first year after Bonn was allocated towards the fight against Al Qaeda and the Taliban, 9% on humanitarian assistance, 4% on ISAF and only 3% on reconstruction (Rubin et al, 2003).

Firstly in relation to the degree of internationalization, there is the question of whether it has led to unrealistically high levels of expectations about what aid can achieve. In both countries, post conflict peacebuilding has involved a bewilderingly diverse range of initiatives. The sheer managerial density and complexity of 'reform' processes and the compressed time frames involved have not been sufficiently recognized or factored into emerging strategies.[71] The evidence from the case studies suggests that overbearing interventions based on ideas of 'critical mass'[72] -- i.e. the more military, diplomatic and economic resources that can be thrown at the problem, the better -- have had perverse effects on state-society relations. They have tended to widen rather than close the 'sovereignty gap'[73] which is both a cause and consequence of state fragility.

Secondly, in relation to the kind of internationalization there is the question of which goals and ambitions are driving international intervention and whether they are the appropriate ones. Getting the priorities right is a political rather than a technical challenge.[74] Securitization is not the same as peace-itization. Development and security are not necessarily synonymous with one another or mutually reinforcing – as shown by the differing forms of complementarity, coherence or dissonance in Sri Lanka and Afghanistan.

Finally in both cases, peace processes supported or even driven by international actors had the effect of concentrating power into the hands of political elites. The prioritization of short term stability, with limited attention paid to the distributional effects of 'peace' – particularly in relation to questions of economic and social justice – has in both cases proved to be a major strategic mistake by international actors, as explored further below. Aid with the *right* kind conditioning, and disbursement policies more carefully attuned to conflict dynamics, could have made a difference in terms of peacebuilding outcomes.

3.2.3 Disaggregating donors

Donors' decisions are not simply determined by external political pressures. Aid agencies themselves also exercise a degree of independence with their internal incentive systems and institutional agendas generating a momentum of their own.[75] Political will is important, but so too is institutional performance.[76]
A unitary actor model of donor-recipient aid relationships does not capture the extreme variability amongst and within donors. The case studies highlight this variability, particularly with regard to donors' approaches to peacebuilding and

[71] Scheye and Peake (2005)
[72] Suhrke (2006)
[73] Ghani et al (2006)
[74] Boyce (2006:20)
[75] Boyce (2002a)
[76] Poor performance by international aid agencies during the 1990s has been widely commented upon: 'the frameworks to design, coordinate and deliver aid remain woefully under-institutionalized. Essentially the donor community improvises a new aid response for each country' (Forman & Patrick, 2000:14).

conditionalities. Donors varied in terms of the extent to which peacebuilding was prioritized and mainstreamed. Box 3.1 provides a stylized categorization of donors and the implications for peacebuilding. It is important to note that the boundaries separating the categories are flexible and overlapping:

Box 3.1:

A taxonomy of donors and their engagement with peacebuilding

Political-strategic donors: see their aid programmes as a means of advancing strategic interests. This would arguably characterize US and Russian involvement in Afghanistan in addition to the role of regional donors including Iran and Saudi Arabia. A similar role could be ascribed to India and China in Sri Lanka. Such donors may pursue peace only when it is seen to advance their hard security interests.

Profile-political donors: see their aid programme as an instrument of public diplomacy, to expand their influence and visibility regionally or internationally. Japan in both countries has supported high profile aid programmes, in order to cement its relationships with the regime in power.

Technical-professional donors: such as the World Bank, the IMF, the UN agencies have clearly defined mandates, which set boundaries around the kinds of activities they can or cannot support. As multi-lateral donors they are less vulnerable to external political agendas than bilateral actors. An explicit focus on peace may be seen as too 'political' and such donors are more likely to be constrained by sovereignty issues.

Ethical-principled donors: lack obvious strategic interests in the country which leaves them free to focus on development and peace issues. Examples include small, 'like-minded' bilateral donors such as the Scandinavians, Canada and the Netherlands who tend to emphasize moral obligation and solidarity. Such donors are more likely to make peace their overriding priority as it conforms with their normative position and they have fewer extraneous agendas. The strong commitment of the Norwegians and Canada to peacebuilding in both countries, before and after the peace processes is illustrative.

The donors most likely to prioritize long term peacebuilding are those with the least financial and political muscle i.e. the ethical-principled donors. Those with the greatest financial resources and political leverage come from the other three categories, and their support for peacebuilding is contingent on a range of extraneous factors. In both case studies the concentration of aid funding is striking. In Sri Lanka the ADB, Japan and World Bank account for approximately 80% of all aid. In Afghanistan the US, EU and ADB, Japan are

the most significant donors. Just as it is important to distinguish between the 'willing' and 'able' in relation to domestic governance, the same applies to international donors in the context of peacebuilding operations (see Table 3.1 below). Furthermore, again drawing upon donor terminology, one can distinguish between donors who are 'good performers' and 'bad performers' in peacebuilding terms.

However, there is no straightforward correlation between the magnitude of resources and the potential influence of donors on peacebuilding processes. Firstly, because of historical circumstances or 'special relationships' some donors may have a level of influence which is disproportionate to the amount of funding they bring to the table. The UK in Sri Lanka for example is a relatively small funder but still retains a level of influence due to historic ties. Norway is another example of an aid donor which 'punches above its weight' politically speaking. This takes us back to an analysis of the triangular relationship between specific international actors, domestic elites and societal actors and an appreciation of how and why alliances are forged between them.

Secondly, ethical-principled donors may play an important norm setting role and so influence the behaviour and priorities of financially more significant donors. The donor working group in Sri Lanka is perhaps an example of this. Thirdly, at certain moments there may be a convergence of interests between different categories of donors which leads to a prioritization of peacebuilding. Arguably, for example in 2002-3 in Sri Lanka, the different categories of donors, for different reasons had an interest in aligning their policies and programmes behind the peace process. However, these moments may be short lived, as strategic or institutional interests change. Furthermore, the 'collective action' problem referred to earlier has possibly become more acute with the growing significance of 'non traditional' donors – in Sri Lanka this includes India, China and Taiwan. In Afghanistan it includes Iran, Saudi Arabia, India, Pakistan and China. Such donors tend to be 'political-strategic' in their outlook and resistant to efforts to include them in international (and predominantly western) aid frameworks. The leverage of western aid donors is also diluted by external funding flows from other sources. For instance in Afghanistan funding through trans-national Islamic networks has been a significant (though unquantified) factor, whilst the role of diaspora flows in both countries have been important factors in relation both to the 'combat' and 'coping' economies.[77]

Most writing on fragile states and post conflict peacebuilding focuses on the internal sources of 'fragility' and how these can be addressed by external actors. This diverts attention away from the role of international agents as 'drivers of fragility'. Moreover, the obstacles to rebuilding fragile states may be as much about the will and capacities of external interveners as those of domestic actors.

[77] Goodhand (2004)

Table 3.1 examines some of the key dimensions of 'capacity' and 'will' in relation to internal and external actors.

Table 3.1: Capacity and will as dimensions of 'post conflict' peacebuilding

	Willing/unwilling	Able/unable
Domestic actors	Commitment to peace Ceasefire arrangements and peace settlement Exclusion/inclusion of political groupings Societal support for peace	Monopoly over the means of violence and state control over territory Level of factionalization Strength of state institutions Level of corruption Legal framework Human capital Civil society engagement Level of infrastructure/ development
International actors	Level of international political/military engagement Prioritization of peacebuilding Agreement on key objectives Support from regional actors	Level of resources – financial, diplomatic, military, human etc. Existence of agreed benchmarks, time frames and coordination frameworks Levels of information, data, analysis, monitoring and evaluation systems.

Table 3.1 may constitute a starting point for exploring the internal and external dimensions of peacebuilding in particular contexts. It provides the beginnings of a framework to examine the sources and types of deficits and where responsibilities lie for addressing them. The Afghan case might be characterized as a 'weak but willing' state, with an international response which is driven by the wrong kind of 'will' and consequently the wrong kinds of capacities. In other words the focus on short term security is reflected in the kinds of capacities that have been deployed. This involved the lion's share of resources going to Operation Enduring Freedom and building the Afghan National Army to play a support role. The Sri Lankan case might be characterized as a 'strong but unresponsive' state; whilst it is seen as a 'good performer' in economic terms, political reforms that would make the state more responsive to excluded groups have been consistently resisted. Arguably, the same applies to

international actors -- there was sufficient capacity but insufficient will to provide robust and sustained support for the peace process or to follow through on conditionalities mapped out in Tokyo.[78]

Therefore, rather than conceptualizing the 'able' and 'willing' as international or domestic blocks of actors, it is more useful to examine the particular groupings within these blocks and their diverging interests and differing capacities. As emphasized already, the 'domestic' and 'international' need to be disaggregated. And one cannot assume a clear distinction between insider and outsider – for example expatriate, westernized Afghans who returned to work with the post-Taliban government are considered by many Afghans to be outsiders and consequently lack the domestic legitimacy required to forge peacebuilding bargains. Furthermore, there is a close relationship between 'able' and 'willing' – to some extent the former is a manifestation of the latter. If international donors were to prioritize peacebuilding for example, one would expect then to invest more in the capacities to enable them to do this effectively.

[78] Frerks and Klem (2006)

4. Conditionalities

4.1 The Framing Problem: Contested Understandings and Definitions

As outlined in section two, this study adopts a broad working definition of conditionalities which includes 'softer' and less visible forms of aid conditioning. Furthermore peace conditionalities are understood to incorporate the application of (dis)incentives for conflict prevention and conflict resolution, as well as for post settlement peace consolidation.

The broader the definition, the greater the likelihood of disagreements about what constitutes a conditionality or a peace conditionality. But in our view it is better to acknowledge and explore this ambiguity rather than adopt a narrow, formalistic definition, which ignores the informal and often invisible processes through which aid is conditioned.

The case studies highlight the contested understandings of the term. Conditionality is subject to 'framing' and may be wrapped in more 'politically correct' language in order to make it more acceptable both to the principal and the agent.[79] Firstly there is the question of what is the difference between conditional and non conditional aid. What represents an incentive for one party may be a disincentive for the other.[80] Conditionalities also look very different from the vantage point of the 'beholder' or the 'beholden'. The exporters and importers may have very different perceptions of the same intervention. For instance the Tokyo declaration and its associated benchmarks were viewed by donors as a 'reward' for good behaviour, whilst the LTTE and the government saw them as a form of sanction. Each set of actors chose to interpret Tokyo in this way for specific reasons. Donors preferred the language of rewards over conditionalities for obvious reasons. The LTTE who were not party to the Tokyo talks, pointed to the donor declaration as evidence of the over internationalization of the peace process and began to extricate themselves from the so-called 'peace trap'. On the other hand the government saw the benchmarks as a means of disciplining the LTTE, particularly on issues like child soldiers and human rights. Ultimately one can argue that the benchmarks were largely rhetorical, because donors made little effort to calibrate subsequent aid disbursements to progress in the peace process.

[79] Frerks and Klem, (2006:68)
[80] For example the security guarantees provided by the US and India to the government of Sri Lanka helped create for them an incentive to negotiate, whereas for the LTTE they represented a disincentive for continuing to pursue the military option.

These conflicting views are likely to be magnified when it comes to more informal, softer forms of conditionality. In Afghanistan although donors avoided the language of conditionalities – preferring to talk about partnership and government ownership – in practice this did not stop them from applying forms of selectivity and informal conditionalities. On both sides of the donor-recipient relationship there are strong incentives to keep the language vague and open ended, so as to increase one's room for manoeuvre and avoid accountability pressures. However, the scope for diverging interpretations of the conditionality 'game' are likely to increase as the conditions become more informal, softer and lacking in specificity.

What distinguishes a peace conditionality from other forms of conditionality may also be unclear. Donors condition their aid, aiming to achieve other objectives, as well as peace. Additional types of (dis)incentives may be deployed by diplomats or military actors. Some forms of aid conditionality merge with and can become virtually indistinguishable from peace conditionality. For instance conditions attached to human rights and governance in Sri Lanka could be viewed as either a variant of political or peace conditionalities.

Ultimately, these questions revolve around contested definitions of peace and security. Arguably peace conditionalities are much more difficult to define precisely than other forms of conditionality, since it constitutes a 'super-macro' goal and involves an extremely complex ends-means calculation. Moreover, because it is a super goal, it means that no one has ultimate accountability for it. No one agency is accountable for the aggregation of conditions required of the aid recipient.

4.2 Mapping Conditionalities and Peace Conditionalities

All aid has economic, political and symbolic effects whether it is conditioned or not. Placing conditions on aid can be seen as a strategy for mitigating negative effects (e.g. do no harm or anti corruption) and amplifying certain desired outcomes (e.g. consolidating peace or political reform). The case studies highlight a range of conditioning processes, to achieve different ends, leading to diverging effects. On the whole, in both cases donors have tended to pursue a hybrid strategy similar to what has been described as 'new conditionality'.[81] This involves: multiple levels of commitment and withdrawal rather than a simple yes/no decision on whether to give aid or not; the design of alternatives to government-to-government provision; the exercise of pressure through social, political and military as well as economic channels.

There are few examples in either country of the use of formal peace conditionalities. This to a large extent reflects the absence of a negotiated peace and the continuation of armed conflict. Without the agreed benchmarks

[81] Mosely et al (2004)

furnished by a settlement, it is more difficult – though perhaps no less necessary - to identify legitimate criteria for conditioning aid in order to build peace.

4.2.1 Aid Conditioning in Afghanistan

In Afghanistan the Bonn Agreement provided transitional benchmarks and a time frame for international and domestic actors.[82] Arguably these constituted important symbolic and political targets, which helped mobilize support and generate a sense of urgency amongst key actors. But no formal conditionalities were linked to these benchmarks. Benchmarks without conditions can lead to a constant fudging, in which the bar is lowered to ensure that pre-determined goals are met – with the danger that these become an end in themselves rather than a means of moving towards sustainable peace. There were a number of reasons why aid donors were reluctant to consider a more robust, 'harder' approach to conditionalities:

Firstly, the overriding priority, post Bonn was the US-led war against terror. This objective imposed a pattern on all other forms of engagement. A policy of war conditionalities (see Box 4.1) and unconditional support for groups which fell on the 'right side' of the Global War on Terror (GWOT) did not create a conducive environment for donors who wished to apply stricter conditions on their assistance. Neither the US nor the Europeans were willing to exert military pressure against warlords and faction leaders. The main form of incentive was cooption into the new political and military structures, rather than marginalization.[83]

Secondly, because of the fluid and fractured nature of Afghan politics it was unclear which actors had the power and legitimacy to enforce aid-for-peace bargains. There was a feeling that international donors had limited traction over the various power holders, which led to a policy of backing 'winners' unconditionally.

Thirdly, donors felt that it would be counter productive to pressurize domestic political actors at such an early stage in the war to peace transition. International actors invested heavily in President Karzai and his prevailing policy of political incorporation and accommodation with peripheral and central elites. This meant avoiding direct confrontation and purposely keeping negotiations open ended.

Fourthly, this approach reflected broader international shifts in thinking about conditionalities that were mentioned earlier. Therefore, at the head office level

[82] Key benchmarks included convening an Emergency Loya Jirga (ELJ), a transitional government, a constitutional Loya Jirga (CLJ) and Presidential and Parliamentary elections.
[83] Rubin (2006:180)

there was a limited backing for a policy that was no longer seen to be 'politically correct' in development circles.

Fifthly, although Afghanistan was described by some as a 'post conflict' context, in practice it was treated as an 'emergency'. The return of 2 million refugees within the first year of the signing of the Bonn Agreement strained resources and infrastructure and in many respects high-jacked the development agenda in Afghanistan as resources were allocated to emergency assistance.[84] Because humanitarian aid is exempted from conditionalities this also limited the scope to exert leverage through aid provision.

Box 4.1:
War Conditionalities in Afghanistan

The relationship between the U.S. and Bacha Khan Zadran, a warlord from Paktika province, offers an instructive picture of the application of war conditionalities. In the immediate aftermath of the fall of the Taliban, Zadran was one of the most powerful commanders in Eastern Afghanistan, with military reach into four provinces: Paktia, Logar, Paktika and Khost. He also became one of the central Coalition allies in the war on terror. Zadran openly stated in a 2002 interview with the *New York Times* that out of the 6,000 soldiers under his command, 600 were in the direct pay of the United States (*New York Times*, 6 August 2002). The Americans also reportedly equipped Zadran with weapons and sophisticated communications equipment such as satellite phones. Emboldened by U.S. support, Zadran openly defied the central government launching rocket attacks on Garzdez city and occupying the Governor's office of Khost province in 2002. Despite some bellicose rhetoric from the Government it was initially incapable of mounting an effective response to Zadran, due primarily to his relationship with the United States. In 2003, the U.S. withdrew support from Zadran due to a number of factors, including his increasingly public confrontation with the central government, his deliberate provision of fallacious intelligence to Coalition authorities, and a number of confrontations between Coalition troops and Zadran's militia. Deprived of Coalition monetary assistance and political cover, Zadran could not sustain his militia, nor insulate himself from government pressure, leaving him marginalized. On 1 December 2003, he was captured by the Pakistani military and later handed over to the Afghan authorities.

Source: Goodhand and Sedra (2006)

The post Bonn environment was therefore an unpromising one for the application of peace conditionalities. This would have involved aid donors swimming against the tide of an international response that was primarily concerned with stabilization – and in the eyes of many, the strategy involved the

[84] Turton and Marsden, (2002); Goodhand, (2004:78)

pursuit of stability through 'rewarding violence'. Key strategic decisions taken early on by the US and its allies shaped the post Bonn security and political landscape. There were numerous 'sins of omission and commission' including: the arming of regional warlords; turning a blind eye to the resurgent poppy economy; blocking the extension of ISAF forces outside of Kabul; the absence of a robust transitional justice and human rights framework; the accommodationist policy towards Karzai.

Consequently there was a reluctance to use disincentives or sanctions as a tool to further aid for peace bargains. Even in the rare cases where conditionalities had the potential to gain purchase, such opportunities were spurned. For example in the 2005 Parliamentary elections which were entirely funded by western donors, there was a failure to enforce the ruling which barred individuals with links to armed groups from standing – much to the dismay of many Afghans. In this particular case, reports suggest that the flouting of this provision was largely due to US backing of Karzai, in spite of pressure from 'ethical-principled' donors to enforce the ban.

In a sense the international donor discourse on ownership and policy dialogue dove-tailed nicely with the strong covert and overt pressures to support the new political dispensation and not to ask too many questions of 'our allies'.[85] Conditionality did not sit well either with prevailing donor rhetoric or the pragmatic policies of the coalition forces.

However, discourse and policy did diverge from one another in several respects. Firstly, the aid response in Afghanistan can be characterized as a hybrid approach – it combines some of the features of the 'new' orthodox model (provision of budget support, government trust funds, support for national programmes and attempts at alignment and harmonization), with a classical emergency response (working off budget, project-based aid delivery through NGOs and contractors, a significant proportion of humanitarian assistance). The balance between these two approaches varies from donor to donor. Some, like the UK and the Dutch have tended to provide direct support to the government, whilst the US and the Japanese have worked almost entirely off budget. Secondly, although donors are reluctant to talk about hard conditionalities, in practice they have attempted to exert leverage through selectivity or softer forms of conditioning. These two issues are interconnected and they converge around the question of ownership.

Ultimately peace and development in Afghanistan depend upon the emergence of a strong, legitimate state. Whether this can be brought about through 'extraverted' statebuilding[86] depends in large part on the early strategic choices

[85] 'Old hands' who previous worked with the United Nations Special Mission to Afghanistan (UNSMA) during the Taliban period found that they were quickly moved on from the United Nations Assistance Mission for Afghanistan (UNAMA) when they began to question accomodationist policies.
[86] Rubin, (2006)

made by international actors regarding the types of (dis)incentives they bring to the table and how they are applied. As with earlier statebuilding processes, the key lies in the mobilisation of capital, coercion and legitimacy.[87] The new state was brought into being through raw power, based upon a coalition of convenience between the US, its allies and domestic factions. The challenge ever since has been to broaden the political basis of the 'grand bargain' and to build the capacity and legitimacy (or the 'degree' and 'kind') of the state. Being able to deliver and assert ownership over the reconstruction agenda is a critical element of this.

Rather than seeing ownership and conditionality as two opposite ends of a policy spectrum, one can view the latter as a necessary instrument for moving towards the former. Ownership by a Panshiri (or Pashtun) clique is not a desirable goal. Therefore conditionalities were required from the very beginning to broaden the base of the government. Moreover in order to assert ownership, capacities have to be developed, particularly the capacity of the state to mobilize resources to deliver services. Building the institutions of the state also increases the scope to condition aid for peace – because state actors working within a strong institutional framework are likely to command the legitimacy and leverage to make aid for peace bargains. Whilst there is the danger that unconditional support will strengthen an illegitimate or corrupt state, the opposite strategy of working around the state tends to reinforce the centrifugal tendencies which led to, and continue to underpin state fragility. This may give donors a greater sense of control over 'their' projects – and it can produce quicker, more visible impacts – but ultimately it does little to advance the long term goal of state building. Such an approach does not engage in a substantive way with the problem of 'poor performance'.

Donors have adopted a rather schizophrenic approach to the state. On the one hand alignment and harmonization have been supported through coordination and trust fund arrangements, such as the ARTF. And figures like Ashraf Ghani the former finance minister were instrumental in mobilizing donor commitments[88] and laying down ground rules (or reverse conditionalities) for donor behaviour.[89] Also donor support for national reconstruction programmes like the National Solidarity Programme has played a role in strengthening the outreach, delivery and legitimacy of the state. On the other hand the impacts of these initiatives are diluted by the propensity of some of the larger donors to work around the state. In the 2005 budget presented by the Afghan authorities, less than 30% of all expenditures were channelled through the Afghan government's budget.[90]

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[87] *Ibid*

[88] The Berlin conference was seen as a notable success for the Afghan government with Ghani the driving force behind catalyzing donor pledges around the Securing Afghanistan's Future framework.

[89] This included being prepared to say no to some donor proposals and setting limits on the number of sectors donors could simultaneously be involved in (Mulley and Menocal, 2006).

[90] Rubin, 2006:182

Clearly the state is not monolithic and donors have tended to work more intensely with particularly parts of the state. In practice an undeclared policy of inter-Ministerial selectivity has developed, as explored further in Box 4.2.

Box 4.2:
Donor selectivity: 'reforming' and 'poorly performing' Ministries

One of the main forms of donor selectivity has involved distinguishing between 'reforming' and 'poorly performing' ministries. The former category includes the Ministry of Rural Rehabilitation and Development (MRRD) and the Ministry of Finance. The later category includes the Ministries of the Interior and Agriculture. The former combines a number of common features: they are led by Western-oriented Ministers, familiar with donor requirements; they have hired significant numbers of western consultants; they have sought to establish sound public finance management procedures and submitted to core personnel and structural reforms. These traits were rewarded whilst the 'laggards' – who tend to be headed by non-English speaking Ministers, with limited organisational capacities, containing staff appointed for clientalistic reasons rather than performance -- were left out in the cold and therefore remain chronically under-funded.

Whilst donors saw this as a rational and pragmatic response which rewarded good performance, it had several deleterious political effects. Firstly it created tensions within the Cabinet, leading to a growing resentment against the technocrats. Secondly, selectivity created perverse incentives for intra-governmental competition. Thirdly, it meant that ministries like Agriculture, though key to the reconstruction process, remained weak and under-funded. This case is illustrative of the tendency for donors to work with the 'like-minded' and avoid the 'unlike-minded'. Arguably there should be some basic investment in the 'laggards' to enable them to become 'good performers' – the problem was as much about being 'able' as being 'willing'. Moreover, selectivity is only likely to influence incentives systems and behaviour, if everyone is aware of the selection criteria. But in this case selectivity has involved a unilateral decision by donors – in effect a form of conditionality by stealth. And in the absence of transparent criteria, negotiated with all concerned parties, such policies are likely to lead to a growing gap between the 'haves' and 'have nots'.
Source: Goodhand and Sedra (2006)

Box 4.1 is concerned with the interactions between international actors and national elites – it focuses on just two points of the triangle described earlier. But the types of (dis)incentives that international actors offer sub state and societal actors (the third point of the triangle) also have an important bearing upon statebuilding and peacebuilding processes. To date, international donor support for civil society has been relatively modest. USAID for example has committed $15 million over 3 years. There has been a preference to fund

private sector contractors or international NGOs. Work with Afghan civil society organisations to develop their political role vis a vis the state has been more limited.

The ability of aid actors to strengthen the state is undermined by competing sub-state actors who can act independently of, or even co-opt the state because of their ability to mobilize alternative financial flows including US funding for their militias, money from the drugs trade and cross border trade and support from regional state or non state actors. Moreover, because Karzai appears to be so dependent on international support, regional strongmen may calculate is it not safe to throw in their lot with the new administration. This has resulted in the continuation of fluid political arrangements, taking the form of 'spot contracts' or hedging rather than long term –aid-for-peace bargains.[91] Although aid actors can influence incentives, by for example creating alternative livelihoods for poppy farmers, the more fundamental questions relating to security and the war economy depend in large measure upon military and political actors.

The Afghan case demonstrates the hard lesson that when the geo-political stakes are so high, strategic interests are likely to trump concerns with sustainable peace. Conditionalities are perhaps essential in the early days of a war to peace transition, particularly in the security and political spheres. But concerns about the war on terror prevented this from happening and arguably impeded the task of statebuilding and limited the potential for peace conditionalities. In practice it was less about conditionalities than pragmatic 'contracts' between international actors, national elites and peripheral elites. The international actors got 'security' whilst the state elites and regional warlords maintained their power. Rather late in the day there has been a realisation of the need to think more carefully about the contracts and conditions required to build sustainable peace. But it is proving difficult to introduce conditionalities to a process that was largely unconditional in the early stages.

Table 4.1 provides examples of the kinds of conditional and non conditional (dis)incentives that have been applied by international actors in the belief that they support peacebuilding processes.

[91] Surhke (2006); Barnett and Zuercher (2006).

Table 4.1: Incentives and disincentives for peace in Afghanistan

	Non Conditional	Conditional
Incentives	Conference pledges – Tokyo, Berlin, London Humanitarian provision for returnees/IDPs Support for ARTF, and various government trust funds Support for peace constituencies e.g. media, civil society groups, private sector, political parties Funding of poverty eradication programmes/PRSPs/MDGs Capacity building of institutions that can manage/mitigate conflict e.g. ANA, police, judiciary Support for regional cooperation – security, trade etc.	Community development grants linked to DDR (DIAG) Alternative livelihoods for poppy farmers Funding for 'reforming' ministries Taliban amnesty scheme UN warlord incentive scheme
Disincentives	Support for the Afghan Independent Human Rights Commission Election monitoring ISAF and PRT deployment Support for counter narcotics programme Strengthening border controls	PRT-related conditions on removal of provincial governors e.g. Helmand and Uruzgen Stipulations on participation in parliamentary elections Poppy eradication programmes

4.2.2 Aid Conditioning in Sri Lanka

The Sri Lankan case poses a very different set of questions for international actors aiming to support peacebuilding processes. The challenge is less about building the requisite institutions and capacities as in Afghanistan, than generating the necessary political will to move towards a 'grand bargain'. Whereas peacebuilding in Afghanistan is primarily concerned with *building* the state, in Sri Lanka it is chiefly about *transforming* the state.[92]

The principal features and motivations for engagement are very different from the Afghan case. The limited geopolitical stakes, the enduring role of India as a regional hegemon and the problematic impacts of earlier aid flows and policies,

[92] This is clearly also linked to the transformation of the 'non state' i.e. transforming the politics of the north east as well as the south.

referred to earlier are all characteristic of the Sri Lankan case. Whilst aid actors were very conscious of sovereignty in the political sphere – and for most of the 1990s 'peace' was a taboo subject – this was not the case in the economic sphere, with successive rounds of economic reforms transforming the role of the state. These reforms contributed to state fragility and exacerbated economic and political grievances.[93]

Although Sri Lanka is not aid dependent, and as it enters middle income status it becomes less so, this does not mean that it is immune to the various (dis)incentives that can be applied by western and regional governments. Policy instruments in the diplomatic, security and trading spheres are likely to have considerably more traction in Sri Lanka where there are institutions and actors sensitive to these levers – compared for example to Afghanistan where institutions are embryonic at best and national or peripheral elites may have a limited interest in engaging with the international system.

In 2002 the risk-opportunity calculus changed for international peacebuilders as well as domestic actors. Sri Lanka was seen as potentially an 'easy win' – it represented a low risk form of engagement given the support of India and the US and the changed constellation of political forces within the country. For different reasons there were strong local demands for internationalization. On the LTTE side internationalization offered the promise of recognition and political symmetry with the state. For the newly installed UNF government headed by Prime Minister Ranil Wickremasinghe it provided both a security safety net and a financial underpinning for the peace process. The Prime Minister was viewed by international actors as someone they could 'do business with' because of his dual support for the peace process and a radical reform package. In some respects, the peace process was viewed by Wickremasinghe as a means to an end – peace would generate the conditions required to set Sri Lanka off onto a new development path, as a South Asian tiger with projected growth rates of 12%.

International assistance was central to the government-led strategy. It involved a phased approach in which the incentives for peace were developed early on through 'normalization' of the north east and building a peace dividend. This meant that trust could be developed before tackling the more thorny political questions related to the final settlement. Some of the key instruments used by international actors to back the peace process are outlined in Box 4.3.

[93] Herring, (2001); Dunham, (2002)

Box 4.3:
Peace conditionalities in Sri Lanka

International actors deployed a mixture of political, security and aid (dis)incentives, both to create the preconditions for negotiations and to support the peace talks once they were underway. The principal instruments were as follows:

Creating the preconditions for talks:
International pressure changed the opportunity-risk calculus of the two main protagonists, thus helping create the pre-conditions for the ceasefire agreement and peace talks. A range of international pressures were placed on the LTTE -- associated with changes in the global climate post 9/11 and its proscription by a number of countries – which created disincentives for continuing the armed struggle. Also important were the security guarantees provided by the US and India to the Sri Lankan government. This provided a safety net for the government and sent a clear signal to the LTTE. On the other hand the political recognition and symmetry which the ceasefire arrangements and the Norway-facilitated talks provided, were a powerful inducement to the LTTE to 'give peace a chance'.

Funding the infrastructure of the peace process:
The whole infrastructure of the peace process was heavily supported by western doors. Although not conventionally viewed as a form of conditionality, donors did consciously calibrate their assistance according to peace and conflict dynamics. After the ceasefire there was a significant scaling up in assistance to peace-related activities in order to create an enabling environment for talks.

Creating a peace dividend:
This was an explicit strategy both of the UNP government and international donors. It took two key forms. Firstly increasing reconstruction aid to the northeast through major programmes funded by donors such as the World Bank and the ADB. Secondly, pledges were made, notably at Tokyo in 2003 which involved a significant increase in funding tied to advances in the peace process.

Fostering cooperation through institutional mechanisms:
Neither of the conflicting parties are aid dependent and both are perhaps more sensitive to the political and symbolic effects of aid than its economic impacts. For the LTTE in particular they crave *legitimacy* more than capital from the international community. More important than funding per se is the *control* of

funding – this is why negotiations supported by international donors over an a Interim Self-Governing Authority (ISGA) and a post tsunami mechanism (P-TOMS) were so important. Therefore the fourth strand of international engagement was an attempt to lock both sides into collaborative arrangements through interim institutional mechanisms.

Adapted from: Frerks and Klem (2006)

The fact that the peace process broke down in spite of a seemingly favourable constellation of domestic and international political forces demonstrates the non linear, unpredictable nature of peace processes – and ultimately the primacy of domestic politics over uneven external efforts to engineer peace. A number of points can be highlighted:

Firstly, the peace process was based upon a bi-polar model of the conflict and tended to ignore its complex multi-polar dimensions. The conditionality game was based upon the notion that there were two relatively coherent groups, with a leadership that was in a position to 'deliver' a deal to their constituencies. The peace talks became a lightening rod for wider societal and political grievances. By focusing (dis)incentives on the two primary armed actors, it perversely created strong incentives for the spoiling tactics of those who felt excluded.[94] It was feared that the peace process was moving towards an end point that would involve a 'grand bargain' being made behind the backs of groups like the Muslims, southern nationalists or hill Tamils. One of the lessons from the Sri Lankan case is that conditionality bargains have to be more inclusive and generate a broader sense of ownership over the peace process.

Secondly, and closely related to the above point, the focus of conditionality bargains tended to be on the elite level. Returning to the triangle, it was similar to the Afghan case in the sense that it was about forging a contract between international actors, national elites and peripheral elites. There was a limited engagement with societal groups, which proved to be a major failing of the peace process. The lack of a road map for peace or a clear communication strategy led to growing anxieties, particularly from nationalist groups in the south. Arguably international actors did not focus sufficiently on building alliances with societal groups which had the potential to forge a broad-based political coalition for peace. Linked to this pragmatic, elite focused approach was a reluctance to push either side on questions of political transformation and human rights. The mini bargains forged between international actors, the government and the LTTE risked reinforcing an illiberal peace in the north east and an unreformed majoritarian state in the south.

[94] However, the view that the peace process was derailed primarily by external spoilers is an over-simplification. Arguably the spoiling tactics of the two main protagonists, the LTTE and the government were the principal reason for the break down of peace talks.

Thirdly, the Tokyo declaration was perhaps the clearest example of the application of peace conditionalities and yet was also one of the clearest failures. This can be interpreted in two ways; either as a failure of aid conditionalities per se, or alternatively as a failure to implement conditionalities in practice. In the absence of a counter factual the question is open to debate. And the two interpretations are not mutually exclusive. It can be argued that the Tokyo declaration was nothing more than rhetorical posturing – immediately after the event donors began to undermine their own declared positions. Without any benchmarks or a compliance regime, this was little more than symbolic peacebuilding. Furthermore, the impacts of the peace dividend in the pre-Tokyo period were attenuated because the reconstruction agenda got caught up in the politics of the peace process. According to this line of reasoning the economization of peacebuilding might have worked if aid donors had more vigorously pursued their policy of using aid (dis)incentives to support the peace process. The alternative interpretation is that peace conditionalities were based upon an inflated view of the leverage of economic incentives. In terms of international experience, it is unusual for there to be a donor pledging conference in the absence of a peace settlement and to some extent this was a case of putting the development cart before the political horse. Tokyo raised the economic stakes without providing a political or institutional mechanism for deciding how the stakes should be divided. Much of the pressure to apply peace conditionalities came from the diplomats rather than the aid donors – when arguably the former should have been using their political leverage more robustly. In many respects donors were too bullish and the diplomats too timid. Following the tsunami and the massive international response, the idea of peace conditionalities became virtually redundant because of the massive inflows of unconditional aid.

Fourthly, although as Box 4.3 shows, aid donors did calibrate their aid to support the peace process, the bulk of their aid programmes, namely development assistance to the south remained broadly unchanged. One of the unusual features of aid policy in Sri Lanka is its bifurcation between (increasingly) conflict sensitive programming in the north east and conflict blind development programmes in the south. Donors have treated peace conditionalities as an add on, rather than ensuring that *all* of their activities are sensitive to conflict and peace dynamics. Arguably one of the critical factors which undermined the UNP-government led peace process was the major reform programme encouraged by the IMF and several other donors. Ultimately it put too much strain on the southern polity to simultaneously negotiate two major structural changes, leading to a nationalist backlash.

Fifthly, the Sri Lankan case is interesting because of the emergence, more by default than by design of a strategic complementarity between different international actors. For instance the US and India on the one side and the European donors on the other tended to play 'bad cop', 'good cop' roles bringing different sets of (dis)incentives to the table. Each had different approaches, different sets of alliances within Sri Lankan society and

consequently different points of leverage.[95] Also different sets of domestic actors seek the involvement of different sets of international actors in order to pursue their own political projects. Peace conditionalities could perhaps be applied more effectively if international actors were more conscious of these domestic agendas and built alliances which maximized the potential for strategic complementarity

Table 4.2 provides examples of the types of (dis)incentives that have been applied by international actors in the belief that they support peacebuilding processes in Sri Lanka.

Table 4.2: Incentives and disincentives for peace in Sri Lanka

	Non Conditional	Conditional
Incentives	Humanitarian provision for the North East Conflict sensitive tsunami aid Support for peace constituencies e.g. media, civil society groups, private sector, political parties, trade unions Support for PRSP process Support for 'good governance' including initiatives on constitutional reform, decentralisation etc. Capacity building of institutions that can manage/mitigate conflict e.g. judiciary, local policing	P-TOMs mechanism Tokyo conference pledge Norwegian facilitation of talks Support for infrastructure of peace talks – Peace Secretariats, non-official talks. World Bank/ADB reconstruction funding in the North East
Disincentives	Funding for human rights monitors/election observers. US and Indian security guarantees	LTTE proscription e.g. US, India, UK EU travel ban on LTTE UN/donor pressures on human rights and child soldiers with government/LTTE

[95] The EU countries introduced a ban on the LTTE as a terrorist organisation in 2006 which arguably undermined this strategic complementarity.

4.3 Comparative Analysis

4.3.1 The Effects of Unconditional and Conditional Aid

Table 4.3 provides examples of the types of conditionalities that have been applied in the two cases in relation to values, actions, processes, outputs and impacts.

Types of Condition	Example
Values	Support for UNP government elected on a peace ticket and with proclaimed commitment to peace
Actions	Afghan commanders who give in their weapons receive package of support or get reintegrated into the ANA
Process	Ongoing support for the architecture of the Sri Lankan peace process
Outputs	Demobilized soldiers receive ongoing support for reintegration.
Impacts	Reduced levels of violence trigger increased investment in affected areas

Firstly, the case studies highlight the limitations of an orthodox aid model in 'fragile states'. Whilst ownership and partnership may be desirable goals in themselves, current orthodoxies say little about how to realize such goals in fragile states. Selectivity essentially involves avoiding the question of how to deal with poor performance. Similarly attempting to work around the state means that the underlying causes of fragility are left unaddressed. Current orthodoxies therefore tend to set out an idealized end state, but without providing a convincing road map for how one gets there. In the two case studies, donors in practice tended to follow a hybrid approach – at its worst this meant mouthing the principles of ownership, but practicing a form of conditionalities by stealth.

In order to ground these debates it is important to look at the empirical evidence of the impacts of conditional and non conditional aid. The case studies confirm the findings of earlier research which shows that; (a) all aid, whether it is conditioned or not, has an impact on the dynamics of war and peace. Aid is an external stimuli which influences the calculations and behaviour of domestic actors and institutional arrangements. (b) the magnitude of these impacts should be kept in perspective – aid is unlikely to be the leading edge in peace processes, though it has the potential to provide a stimulus for peace (c) the level and type of impact varies according to individual contexts, the type of aid, who is delivering and receiving the aid and its timing.

The case studies highlight the damaging effects of both unconditional assistance and conditional aid, where the conditions are based on external interests and priorities. An historical examination of aid flows to the two countries reveals a range of perverse impacts. Unconditional aid in post Taliban Afghanistan has had the effect of crowding out domestic revenue mobilization, thus reducing the incentive for the government to tax its own population. In both countries the fungibility of aid enabled political elites to increase military spending and to rely increasingly on the hard, coercive functions of the state. Aid has also fuelled corruption and rent seeking, thus undermining social contracts between states and citizens. The carrots of aid may therefore be as dangerous as the sticks, as shown in Sri Lanka during the 1990s where donor funded programmes had the effect of raising the stakes and heightened inter-group competition which followed ethnic fault lines.

Therefore, as already mentioned it is important to debunk the myth of non-interference and the claim that providing aid without conditions renders donors politically neutral, whereas providing aid with conditions implicates them politically. Aid has political effects regardless of whether it comes with strings attached. Donors cannot escape responsibility for these effects by pretending they do not exist.

Furthermore conditionalities based upon external interests, which have limited domestic ownership and at their worst consist of a unilateral imposition have had limited or perverse effects. As other studies have shown, conditionality cannot buy policy change that a government does not want. Domestic actors have more agency than is commonly assumed and they can easily outwit an international community that rotates every year, as in the case of Afghanistan and consequently has an extremely short attention span. Reform processes based upon narrow coalitions of interests are likely to involve symbolic gestures that are essentially about 'faking change'.

However, the literature on conditionalities tends to adopt a unitary actor model, which assumes an undifferentiated government and donor 'community'. This is unhelpful analytically and does not reflect actually existing practice. In Afghanistan for instance a number of the government actors demanded stronger conditionalities from donors in certain areas as this helped strengthen their position in relation to those blocking reform processes.[96] The same applied in both countries to the demand from certain societal groups for a stronger focus on human rights and justice from international actors.

One therefore needs to move beyond a simplistic 'ownership good; conditionality bad' dichotomy and to explore how common interests in building peace can be forged through alliances between domestic and international actors. To what extent does financial, symbolic or political support create space

[96] For example, conditions related to public service employment and anti-corruption can play a role in preventing conservatives and *jihadis* from building up their power bases within government departments.

for domestic actors or limit their room for manoeuvre and legitimacy? Do the conditions create an enabling environment for domestic actors to themselves exercise conditionalities and to build broader alliances for peace? Can conditionality frameworks reverse the tables, and thus create conditions for international actors to meet? There are therefore two sides to the aid for peace bargain – the conditionality framework can provide leverage to the recipient as well as the donor. This however is not the case where conditionalities are imposed without any dialogue or they are introduced by stealth. Selectivity without any transparent criteria, as for example in the case of inter-Ministerial selectivity in Afghanistan is unlikely to create the right incentives or develop the right capacities for progressive change.

Peace conditionalities therefore have important implications for the giver as well as the receiver. It involves more than symbolic peacebuilding – which arguably was what the Tokyo declaration amounted to. It involves a willingness to invest significant resources, take the requisite risks and sacrifice a level of sovereignty. The pragmatic aid for security bargains characteristic of some of the conditionality processes in Afghanistan involve international actors minimizing their risks to achieve goals defined according to their own interests. The conditions may therefore be more in the interests of the conditioner rather than the conditioned.

Box 4.4 provides a summary of some of the variables most likely to influence the leverage and impacts of peace conditionalities.

Box 4.4
Factors affecting the impacts of peace conditionalities

extent to which peacebuilding is prioritized; i.e. the extent to which peace competes with other international and domestic priorities; mechanisms for deciding on which priorities are elevated above others; role of regional actors.

difficulty of the context; i.e. the timing and nature of the 'end game'; the existence of/legitimacy of the peace settlement; level of state fragility; the number and role of spoilers; the level and type of geopolitical interests.

magnitude, credibility and predictability of the (dis)incentives; i.e. the levels and consistency of aid funding; whether it is reinforced by other instruments and (dis)incentives.

legitimacy and credibility of the actor providing the (dis)incentives; i.e. history of involvement; alliances with domestic actors; on the ground capacities; application of other policy instruments.

availability of other resources; i.e. resources other than those linked to peace conditionalities; level of aid dependency; fall back position of contending

parties; war economy/shadow economy activity; role of non traditional donors; existence of sanctions or control regimes.

calibration of (dis)incentives to conflict dynamics; i.e. sequencing and prioritization of (dis)incentives and instruments at different stages in the war to peace transition.

level of coordination/coherence of international actors; i.e. aid and non aid frameworks for coordination; level of strategic complementarity between instruments and actors; existence of a multi-lateral, regional or legitimate third party support for peacebuilding.

4.3.2 The International Collective Action Problem

The leverage of aid conditionalities depends, to a considerable degree on how other forms of (dis)incentives are applied by non aid actors. This comes down to the first and last points in Box 4.4 i.e. whether international actors are prepared to make peace their overriding priority and to act collectively in its pursuit. In both settings, but particularly in Afghanistan the fractured nature of global governance is striking. In collapsed state settings, who ultimately are the custodians of peace? The absence of a strong multilateral core increases the risks of peacebuilding operations becoming the foreign policy arms of dominant powers. Extraverted statebuilding like domestic statebuilding depends upon the mobilization of coercion, capital and legitimacy. But legitimacy is unlikely when the 'peacebuilder' is viewed as an occupying power or a hegemon motivated by strategic interests.

In the early stages of a war to peace transition the first order questions revolve around security and politics. The security guarantees of the US and India helped create the preconditions for negotiations in Sri Lanka. In Afghanistan the failure to use coercive instruments in relation to the warlords undermined the potential for other forms of aid leverage subsequently. The case studies show that international actors have used a range of levers and policy instruments, combining hard and soft power – including international recognition; sanctions regimes; normative pressures; trade; security/regulation regimes; aid; diplomacy etc. But they have not always used them in them in a coherent way to maximize their impacts. Although donor inadequacies may be part of the story, the case studies suggest that the behaviour and priorities of international actors in the diplomatic of military sphere are likely to have a greater impact on transition dynamics. In Sri Lanka as already mentioned, though donors did undermine their own conditionalities, without a more robust political track, supported by the diplomats, aid was never likely to transform incentive systems on the ground.

This takes us back to the question of the capacity and will – or the 'clashing wills'[97] -- of the international community. How can the incentives for burden sharing be generated, when the costs of regional insecurity are concentrated, but the benefits of peace are diffuse.[98] Both case studies show how extraneous priorities have undermined the scope and traction of aid for peace bargains. The most egregious example of this is the US arming of militias, which thus directly strengthened the fall back positions of warlords and enabled them resist aid for peace bargains.

4.3.3 The Ownership Problem

'the [Sri Lankan] government is definitely in the driving seat but not necessarily in the car we would want them to drive' (aid donor)[99]

'No one can stop Afghans from being in the driving seat, but the problem is we have Afghans who can't drive.' (Afghan, Deputy Minister, interviewed 30 November, 2005).[100]

As already argued rather than setting up a simplistic dichotomy between ownership versus conditionalities, it may be necessary in war to peace transitions, to use the latter as an instrument to help bring about the former.

In states suffering from, or recovering from armed conflict, notions of ownership and alignment are inherently problematic because of the fractured and contested nature of governance. And the ownership problem is particularly acute in secession conflicts since the state is not the only game in town and non state actors seek recognition and assistance outside of the framework of the state. How to engage with non state actors on questions of ownership and aid effectiveness is a particularly thorny question.[101] Moreover, in fragile states, the recipient may not have the capacity to assert ownership, as to an extent has been the case in Afghanistan. Those who exerted 'ownership' over the war are not necessarily the parties that one would want to dictate the terms of the peace. Creating ownership around a peace settlement may be different from the ownership required for peace consolidation. The former often involves concentrating power in order to reach an agreement, thus running the danger – as occurred in both cases – that broader societal ownership over the peace process is lacking. This in turn may lead to spoiling tactics.

Merely talking about ownership does not mean that it exists. In both countries ownership was central to the donor discourse but often peripheral to their actual practice. Is then local ownership merely a rhetorical device, which is

[97] Boyce (2002)
[98] Fearon and Laitin (2004)
[99] cited in Harris (2005)
[100] cited in Goodhand and Sedra (2006)
[101] See Tschirgi (2004; Scheye and Peake (2005)

impossible to operationalize, particularly in contexts of state contestation? Even in the best of situations it is an ambiguous and vague term – evidence of its existence is always indirect, it is something that is continually changing and for any one policy there may be many disparate potential owners, not all of whom will agree with any one single outcome.[102]

Donor 'alignment' may be directly related to the extent to which they have had a hand in preparing key documents and influencing the direction of policy. For instance, 'Regaining Sri Lanka' and 'Securing Afghanistan's Future', which mapped out the countries' development strategies had very limited ownership and authorship was restricted to a narrow clique of aid donors and bureaucrats. In Sri Lanka there was very close alignment between the UNP government and international donors because they spoke the same language. But as the peace process fractured the lack of societal support for the government's handling of talks and its proposed economic reform package became clear. Therefore regime ownership must be distinguished from national or societal ownership. In development contexts donors, in theory at least, leave the government to design development strategies and manage processes of consultation and participation through representative institutions.[103] However in fragile state settings it cannot be assumed that such institutions exist or function in an open and transparent manner. Strong ownership doesn't necessarily translate into effective or appropriate ownership. In Sri Lanka, government ownership of the reform process may be a factor in preventing its effective implementation, due to the immobilizing effects of clientalist politics.[104]

An important historical lesson from both countries is that failed reform programmes were based on narrow political coalitions and consequently met resistance from peripheral elites or societal groups.[105] Foreign intervention if it is perceived to be heavy handed or illegitimate runs the risk of undermining efforts to build the political alliances required to forge a 'grand bargain'. Over internationalization may limit the room for manoeuvre of governments in the determination of policies. It can also create inflammatory effects which undermine the legitimacy of domestic actors.[106] There may also be a tension between building government ownership through for instance Direct Budget Support and the need for a quick and tangible peace dividend in order to legitimize the new political dispensation. The trade off between long term and short term goals is particularly acute in relation to the counter-narcotics strategy in Afghanistan. Both cases illustrate the importance of engaging with civil society to generate broader ownership of the peace process and to counter the

[102] Scheye and Peake (2005)
[103] IDD (2006)
[104] Harris (2005)
[105] In Afghanistan earlier examples include King Amanullah's reform programme in the 1920s and the PDPA regime in the 1980s.
[106] The populist mobilisation of anti international sentiments by the JVP in Sri Lanka and the ex Planning Minister Bashar Dhost in Afghanistan are visible manifestations of this.

often inherent state-bias of donors. This also involves donors engaging with the 'unlike-minded' in civil society, such as the nationalist vernacular press in the case of Sri Lanka. A common feature e of both cases is the large reservoir of 'angry young men' who increasingly felt excluded from and disadvantaged by an internationally driven peace process.[107]

4.3.4 The Enforcement Problem

The probability that conditionalities will be implemented depends on a range of factors including the degree of power of each side, the capacity to implement reforms, whether objectives coincide, the extent to which the recipient profits from reforms and whether the donor's advice is credible.

If there is limited ownership, the recipient has a fall back position – for instance access to alternative financial flows or alternative political allies – and the aid donor is unlikely to enforce compliance, the implementation of aid-for-peace bargains is unlikely. In both cases donors have been reluctant to follow through on conditionalities – there has been an unwillingness to act upon threats, rewards and pledges, with donors often side stepping their own conditions. Aspirational benchmarks which have no conditions attached were according to one aid donor in Afghanistan no more useful than a New Year's resolution. Striking bargains without a compliance and monitoring mechanism may therefore amount to little more than a rhetorical gesture. It can be argued that Tokyo was a case of posturing rather than a serious attempt at peace conditionalities. In Afghanistan peripheral elites were reluctant to throw in their lot with a new administration so dependent on international support, and therefore pursued a strategy of 'hedging' or spot contracts.[108] The absence of inter donor coordination accentuates this problem as aid recipients shop around for offers of assistance with the minimum strings attached, driving aid for peace bargains down to the lowest common denominator.[109]

4.3.5 The Accountability Problem

The aid game and the conditionality game involve multiple and sometimes competing forms of accountability. Fiduciary conditionality is required for transparency and accountability to tax payers. But other forms of conditionalities, particularly peace conditionalities involve complex tensions and trade offs between different forms of accountability. For example building peace may be riskier and more difficult to justify to tax payers in terms of efficiency and bang for the buck.[110] Earlier generations of conditionality were

[107] For in Kabul, June 2006, rioters, who were largely unemployed young men, focused their rage upon Karzai and his international backers.
[108] Surkhe (2006)
[109] Boyce (2002b:23)
[110] Or as Boyce (2002) describes it 'non bang for the buck'

objected to as they were often believed to benefit the donor more than the recipient. The conditions were not there to protect the loan; rather the loan provided an opportunity to press the conditions.

But conditionality frameworks also hold the potential to challenge traditional accountability relationships. Donors can be held to account to their part of the aid for peace bargain – this is much less likely to happen where aid donors pay lip service to ownership but practice conditionalities by stealth. The burden of proof can be placed upon donors as well as recipients – conditionality frameworks may place the onus on donors to prove their legitimacy and competence to engage with peacebuilding processes. Limited examples of this can be found in Afghanistan in terms of the conditions placed on donors by the Ministry of Finance. However, the more common scenario has been for donors to make rhetorical commitments to peacebuilding, but to evade the question of responsibility for keeping their part of the bargain – neither the Tokyo declaration, not the Afghan Compact contained provisions for 'disciplining' donors in the event of them reneging on commitments.

Conditionalities can help strengthen downward accountability by for example building alliances with societal groups in order to strengthen their bargaining positions to make claims on the state. Conversely unconditional assistance may play the opposite role by strengthening the position of unaccountable elites and encouraging rent seeking and corruption. The problem of unaccountable and corrupt behaviour, applies also to international governance. Problems of free riding, information hoarding and patron client relations are characteristic of unruly aid environments, like elements of the current aid scene in Afghanistan.

Peace conditionalities may put the spot light on the behaviour and politics of aid-giving countries as well as those of the affected country. If the focus is on building 'positive peace' this necessarily involves donor countries 'giving aid in ways that are more accountable to the reconstructed country's citizens, not just to their own.[111]

Finally there is a tension between effective peace conditionalities and transparency, and donors may need to resist the temptation to take the credit for success stories. This may necessarily involve creating space, whereby the parties who accept and abide by conditions can take credit for doing the right thing, rather than having been pushed, bribed or compelled to do so by others.

4.3.6 The Targeting Problem

Which actors should be prioritized and targeted in aid for peace bargains? Should it only be the 'like-minded' who are already pro-peace, or should the unlike minded who have the capacity to act as spoilers also be targeted? Just as

[111] Rubin (2006:185)

critically, how does one 'crowd in' the groups and actors who may be ambivalent and undecided about the peace process – referred to in southern Afghanistan by NATO forces as the 'swinging voters'.

Firstly the case studies highlight the importance of the state and a policy of working around the state, means that the underlying causes of fragility remain unaddressed. The state is not homogenous and there may be potential for 'shadow alignment' with particular parts of the state.[112] In Afghanistan whilst providing budgetary support, means that donors do not have the same degree of control as they do when directly funding projects, support for the ARTF does not amount to a blank cheque -- programmes have to be signed off jointly by government and donors. The evidence from the cases therefore suggest that a state centred approach to peace conditionalities is required if the objective is build long term peace. This does not mean, as happened in Sri Lanka, blindly backing the government and in so doing evading the fundamental question of state reform. In many contexts the state is part of the problem as well as the solution, which necessitates more careful thought about the *kind* of state that needs to be built.

Secondly, the problem of how one engages with the non state, particularly those with the capacity and willingness to play a spoiling role comes out strongly. Sub state actors in both cases were key 'drivers of instability'. Various strategies were employed to deal with then including cooption, coercion, criminalization or neglect. Aid for peace bargains in each particular case needed to be targeted according to specific characteristics of the individual actor. In the case of the Tokyo benchmarks, for example it can be argued that it would have been more appropriate to calibrate conditionalities according to the different actors based upon an analysis of their different sets of incentives and capacities (Frerks and Klem, 2006). This suggests a need to think carefully about which kinds of carrots are most valued by military and political entrepreneurs and which kinds of sticks are most feared.

Thirdly, there is scope for aid for peace bargains at multiple levels. Because of their propensity to focus on the elite level, international donors missed opportunities to be more proactive at the sub-national level. Both countries are extremely variegated and the picture at the local level is often very different from that at the national level. Aid for peace bargains need to cascade down and also cascade upwards from the local level. The bargains with the provincial governor in Kandahar will look very different from the ones with the governor in Badakhshan.

Fourthly, conditionalities do not only belong exclusively to the international-domestic relationship. Conditioning processes take places within and between aid donors and other international actors. It was beyond the scope of the study to explore this in depth, but the conditioning relationships vertically within aid

[112] Leader and Colenso (2005)

organisations and horizontally between them have an important impact on decision making processes. Both cases yield examples of 'negative' and 'positive' conditioning, in peacebuilding terms. In Afghanistan interviews revealed a range of pressures on aid donors to shape policies and programmes according to non aid- (or peace-) related criteria. This included implicit signalling or explicitly stated conditions from the donors' head office or from other government departments, such as the foreign, defence of home ministries, related to concerns about drugs, security, terrorism and migration. More positively the donor working group in Sri Lanka, comprised of smaller bilateral donors were able to influence the peacebuilding agenda of some of the larger multi-lateral agencies through a range of (dis)incentives including critical feedback on programmes, joint funding relationships and the positioning of conflict advisors.

Fifthly, the cases also highlight the importance of individuals. Perhaps in 'unruly' environments individuals are likely to have greater agency and play a more influential role than in more rule-bound and ordered environments. Also the importance of social relationships and trust comes out in both cases. This is an important factor in the perceived legitimacy of the 'peacebuilder' and trust is often the result of historical relations between the aid giver and the aid recipient in each country.

4.3.7 The Timing and Sequencing Problem

Firstly there is the question of whose time frames dictate the peacebuilding and conditionality frameworks. For instance it has been argued that the imperatives to hold the Presidential elections in Afghanistan in 2004 were dictated more by the timing of US elections in that year than the needs on the ground.

Secondly there is the question of whether the time frames are long enough. Donors after the collapse of peace talks in Sri Lanka were talking about principled exit, although it was far too early in the process to make judgements on success or failure. In Afghanistan the tendency to import capacity rather than build it is, in part due to western concerns about an exit strategy. The need to take a longer term perspective, although it has become something of a truism, still holds good.

Thirdly there is the question of timely responses – in both cases there were critical windows of opportunity or moments of change which required flexible and speedy responses from international actors.[113] Sometimes these were spotted and other times they were missed. Overall the need to be more agile, flexible and less risk averse comes out from the case studies, although there is a

[113] In Afghanistan for example in 1991-2 there was arguably a critical window of opportunity, when due to a new constellation of international, regional and domestic dynamics, robust intervention might have prevented the conflict from entering a new phase.

tension here with the slower and perhaps more ponderous job of statebuilding. This dilemma could perhaps be addressed by earmarking funds for high risk, high opportunity peacebuilding activities. It could also be addressed through ongoing conflict analysis, a flexible range and mix of aid instruments and improved contingency planning.

Fourthly there is the question of the balance and sequencing of interventions – in Afghanistan robust conditions related to security arrangements – e.g. the extension of ISAF and stronger leadership on DDR and SSR -- arguably could and should have been introduced at the beginning. Bad sequencing may have de-stabilizing effects. A 'critical mass' approach is likely to induce aid shock in environments, like Afghanistan where domestic capacities to deal with high volumes of assistance are limited. A slower more measured approach which matches disbursements to emerging capacities and gives time and policy space for bargains and contracts to develop, may lead to more sustainable peacebuilding in the long term.[114]

In Sri Lanka the economic cart was placed before the political horse, in the sense that promises of aid raised the stakes without providing a political mechanism for deciding how they should be divided. Similarly privatization policies in Afghanistan are likely to fuel rent seeking and corruption in the absence of robust institutions to channel and manage competition.[115] Furthermore conditions have little or no value, when the recipient's capacities to enact the conditions have yet to be developed.

Finally the balance between peace conditionalities and other aid instruments needs to be considered. Whilst peace conditionalities may be necessary instruments for peacebuilding they are certainly not sufficient. They can complement other aid instruments but they cannot replace them. In Sri Lanka for example the larger aid donors can arguably have a more profound impact on peacebuilding processes by delivering their long term development programmes in a more conflict sensitive way – rather than attempting to work directly on conflict issues by using peace conditionalities.

4.3.8 Aid Donors; the Capacity and Incentive Problem

This study has attempted to show that peace conditionalities are about more than incentivizing peace, by persuading, cajoling or bribing recalcitrant parties to do the 'right thing'. Aid-for-peace bargains also require international donors to do the 'right thing' and this requires significant changes in the way they normally do business. As the two cases demonstrate, poor performance is a problem in the international arena as well as the domestic sphere in fragile state

[114] As argued by Surhke (2006)
[115] Paris (2004) argues that in post conflict peace operations institutionalization should precede political and economic liberalisation, which he captures in the term 'Institutionalization before liberalisation' (IBL)

contexts. The reasons for poor performance are many but the following factors can be highlighted.

Firstly, aid policies and international interventions in general were found to be insufficiently attuned to local contexts. A high level of international interest and engagement tended to accentuate this problem. Although attention can help leverage extra resources, it also brings additional political pressures, which may distort development and peacebuilding objectives and also lead to programmes being much more head office driven. This applies most to Afghanistan, but even in Sri Lanka, as interest grew in the peace process, the more head offices got involved and the less programmes became field driven, leading in turn to less contextualized programming. The Paris Declaration identifies as a 'remaining challenge' insufficient delegation of authority to donors' field staff and inadequate attention to incentives for effective development partnerships between donors and partner countries.[116]

Secondly, and related to the above point, as has been noted elsewhere donors are weak in the area of political analysis and particularly in terms of understanding the detailed machinery of government.[117] Furthermore analysis tends to focus at the aggregate national level and is more limited at the sub-national or regional levels, which are both likely to be critical in fragile state settings. These problems are compounded by the fast turnover of staff. Analytical capacities have been improved by a number of donors such as DFID and the World Bank who use Strategic Conflict Assessment and Drivers of Change methodologies. But expertise is still remarkably patchy and unevenly distributed within the international system.

Thirdly, institutional incentive systems mitigate against and limit the scope for peace conditionalities. Strong internal incentives to keep the money moving, overrides the potential to condition aid for peacebuilding purposes. Tokyo is perhaps a classic example of how such incentives overtake declared interests and objectives. Disbursement pressures and the need to for success stories feed off one another. Therefore the orientation of aid tends to be 'future positive'. If conditions are applied there are strong incentives to make positive judgements about compliance and to cut corners when it comes to monitoring and evaluation:

'The culture of donor agencies is oriented towards developing new projects, meeting lending targets and rewarding staff who do these tasks well; supervision, on the other hand, is a painstaking, time-consuming exercise which is difficult to evaluate in terms of staff performance'[118]

[116] High Level Forum (2005a)
[117] IDD (2006:94)
[118] Steedman cited in Thomas (2004: 488)

This 'script writing for success' means that mistakes and therefore opportunities for learning get pushed underground. It also tends to encourage an aversion to risk taking. Projects are still generally favoured by donors in fragile state settings partly because they provide a greater sense of control and a means of managing fiduciary risk.

Fourthly, there is still much learning to be done about the use and selection of aid instruments in fragile states.[119] In both cases aid donors, sometimes quite innovatively used a mixture of approaches and instruments. Actually existing practice is more diverse and complex than a simplistic division between orthodox and relief models. In relation to peace conditionalities it makes a lot of sense to apply (dis)incentives quite widely and therefore engage with actors in the state, civil society and private sectors, whilst keeping a primary focus on statebuilding. But whilst there may be pockets of innovation within the aid regime, there is limited systematic reflection on which instruments are the most or least appropriate in peacebuilding terms for which particular circumstances.

Fifthly, peace conditionalities demand a much greater level of coherence (or complementarity) between international actors than currently exists in practice. Donors are simultaneously collaborators and rivals. The factionalisation of aid actors creates incentives for bad governance. In the absence of coordination actors seeking aid can engage in donor shopping whereby they search for the donor with the conditions most favourable to their interests in an effort to circumvent a restrictive environment.[120] This is problem is likely to grow in spite of donor efforts at harmonization, as 'new' non traditional aid donors enter the fray, whose conditions may be less onerous or more politically driven.

Institutional innovations like the GCPP represent an attempt to get to grips with some of the problems of clashing and competing mandates. But arguably a closer relationship has left development more exposed to and perhaps undermined by hard security agendas. As both case studies and other peace operations in the 1990s verify there is no common doctrine for peacebuilding and this reflected in the sometimes confused attempts by international donors to apply peace conditionalities.

[119] Leader and Colenso (2005)
[120] Uvin (1999)

5. Conclusions and recommendations

5.1 Conclusions

One cannot simply 'read off' generalizable policy lessons for aid donors, based upon an analysis of two case studies. In fact this study points towards the importance of historical, contextual and idiosyncratic factors in shaping conflict and peacebuilding outcomes. However, a number of key implications can be identified, which have broader relevance to international actors engaging in fragile states.

5.1.1 International Interventions in Fragile States

Firstly, responsibility for the causes and continuation of violent conflict lies with international as well as domestic actors. Both Afghanistan and Sri Lanka suffered from different forms of international engagement – from intrusive interference to 'malign neglect' – leaving accumulated 'scar tissue', not least in the form of a residue of suspicion in the two countries about the motives of international actors. Unsurprisingly, external agents when they intervene in other people's conflicts are rarely seen as entirely benign and neutral actors by those living in the war zone.

Secondly, international actors should rethink their risk-benefit calculus for engaging with weak and failing states. Peacebuilders want peace at the lowest possible price.[121]
Peacebuilding is inherently risky and difficult to justify in immediate financial and political terms to sceptical northern politicians and voters – but conflict is a 'public bad' and Afghanistan is a stark example of the blowback effects of an international policy of neglect. The more 'difficult' the environment the greater the risks and the need for more committed (and sometimes more coercive) approaches. This is not a call for liberal imperialism, but for more a consistent and coherent international commitment to peacebuilding.

Prioritizing peacebuilding also means taking a clear-headed look at international motives and policy choices. The case studies highlight the limitations of the liberal assumption that 'all good things come together'. Counter-terrorism measures are not necessarily 'coherent' with the goals of long term development. Economic liberalization does not necessarily build political stability. Interventions involve making choices and each choice involves costs and trade offs. Elevating peacebuilding may mean lowering or delaying other priorities. It may also involve a broader and more holistic understanding of 'security' and 'national interests'.

[121] Barnett and Zuercher (2006)

Both countries point to the dangers of overloading aid with a new transformative agenda. In Afghanistan aid was subservient to broader geopolitical agendas. In Sri Lanka where the western geo-political interests were more limited, aid was viewed, unrealistically, as a leading edge in the peace process. Not surprisingly, the pressures for aid to be used more instrumentally, come largely from military and diplomatic actors, rather than the aid agencies themselves. Aid was seen by these actors as a 'force multiplier' for achieving short term security or diplomatic goals.

All countries and institutions have self interests and it is naïve to think they can be set aside. It is less about abandoning self interest than redefining it in a manner that is consistent with long term peacebuilding. At the very least 'do no harm' must be a guiding principle for international actors' engagement with war-torn societies and polities.

Thirdly, international responses need to be more responsive, flexible and context specific. The war induced 'distortions' so frequently referred to by international actors may be as much to do with external intervention as the war itself. Responses are refracted through the prism of national interests or an ideal type notion of what a 'reformed' country should look like. This has been described as a Procrustean model[122] – meaning the model is given and the country is pushed and pulled to fit it.

Fourthly, there is a need for a sense of proportionality regarding the role of international actors. Though it has been argued that international actors have played a role in creating 'enabling' or 'disabling' environments for peacebuilding, they cannot single handedly engineer complex socio-political changes. The case studies demonstrate the primacy of domestic politics, whether it comes to ending violence, building peace or promoting 'pro poor' development. Domestic actors (and sometimes regional actors) tend to be the main drivers of change, though in 'post conflict' contexts there are often unrealistically high expectations about what international actors are able and prepared to do. This suggests the need for external interveners to better manage their own and other actors' expectations of what they can achieve in peacebuilding terms.

Fifthly, there needs to be a shift from ideas of policy coherence towards strategic complementarity. The former is based on the assumption that international actors have similar objectives, capacities and approaches, whereas the later is based upon a pragmatic recognition of the fractured nature of global governance, but seeks to build upon this by achieving a more effective division of labour – as occurred in Sri Lanka in 2002-03, though more by default than design. Strategic complementarity involves deploying the range of (dis)incentives at the disposal of the various international actors and institutions

[122] Ottaway (2002)

in a more strategic way in order to increase the probabilities of peace and decrease the probabilities of war.

Sixthly, though the cases show the primacy of domestic actors, an appreciation of the regional dimensions of conflict and peacebuilding processes is critical. Unfortunately regional organisations in South Asia are extremely weak and have failed to provide a convincing institutional framework for conflict prevention and peacebuilding. However at the very least there is a need for interveners to move beyond a country based analysis and to think more carefully about peacebuilding bargains and contracts at a regional as well as a domestic level.

5.1.2 Aid Donors and Peace Conditionalities

As the case studies show, one cannot draw a clear line between war and peace, though orthodox aid models have traditionally been based upon such a division. In both countries war were preceded by high levels of political and social violence and transitions to peace are likely to be accompanied by micro cycles of violence and chronic insecurity. State 'fragility' was therefore not a transitory condition, a temporary diversion from the norm. In both cases and in many other parts of the world, fragile states are the norm. This has important implications for aid donors. It is unclear how the development orthodoxy of ownership and post conditionalities applies in contexts affected by fractured governance. A focus on 'good performers' and an indefinite wait-and-see approach to the poor performers leaves the root causes of state 'fragility' unaddressed. The need to rethink mainstream approaches to working in 'development', 'fragile state' and 'conflict' settings is increasingly recognized. Reflecting broader international trends, aid donors in both countries became more sensitive to the interactions between aid and violent conflict and made adaptations to their practices. However, in the main peacebuilding was viewed as an add-on, rather than something involving substantive changes to the business of aid. The evidence from the case studies suggests that a more expansive definition and approach to peace conditionalities is warranted. Peace conditionalities have an important role to play before, during and after militarized violence. The absence of conflict (and peace) sensitivity on the part of aid donors in both countries, aggravated conflict dynamics and undermined domestic capacities to prevent or resolve conflict.

The case studies point to the perverse effects both of the *absence* of conditions, or the *wrong kinds* of conditions on aid. In any setting but particularly in conflictual environments, aid has political impacts whether there are strings attached or not. Therefore the lesson is not that conditions *per se* are necessarily bad, but that the types of conditions and the processes through which aid is conditioned can have adverse effects on the dynamics of security and insecurity. This points us towards the need to pursue a mixed or hybrid approach, which

involves looking more carefully at the rationale, the conditioning process, the context, the timing and the targeting of conditions.

5.2 Recommendations:

Peace conditionalities are one of several policy instruments that can be applied to increase the probabilities of peace and decrease the probabilities of war. A more robust institutional framework for peace conditionalities is required. This would involve making changes at the following levels:

5.2.1 Strengthening international peacebuilding operations

If peace is to be regarded as the ultimate public good, policies need to cohere around this goal. The failure of international governments and inter-governmental organizations to *prioritize long term peacebuilding* over other competing objectives has undermined the effects and effectiveness of peace conditionalities. All countries and institutions have self interests and it is naïve to think they can be set aside. It is less about abandoning self interest than redefining it in a manner that is consistent with long term peacebuilding. At the very least 'do no harm' must be a guiding principle for international actors' engagement with war-torn societies and polities.

In the absence of a *strong multi-lateral core*, international peacebuilding has been undermined by the assertion of national interests. Peace conditionalities are more likely to be effective within an institutional framework supported and upheld by the UN, a regional organisation or an impartial third party.

Develop stronger *strategic complementarity* between the various international actors and policy instruments. For example ensure that peace conditionalities applied to aid are complementary with other (dis)incentives in the areas of security, diplomacy and trade.

Develop *regional approaches*, which recognize more explicitly the transnational/ regionalized characteristics of fragile states. Explore opportunities to incorporate regional state and non state actors into conditionality frameworks in order to support peacebuilding processes.

Consider the *sequencing* and *prioritizing* of interventions carefully on a case by case basis. For example, the case studies suggest that unless the security environment is stabilized first, the 'carrot' of reconstruction assistance will have a limited impact upon the calculations of warring parties.

5.2.2 'Sensitizing' international aid policy and instruments

The orthodox aid model has limitations when it comes to addressing the specific challenges of contexts affected by, and recovering from armed conflict. Donors should develop *conflict sensitivity* in all areas of their work including in the spheres of governance, poverty alleviation and economic reform.

Armed conflict is a particular manifestation of underlying institutional crises. Aid donors' core areas of business may potentially have a significant effect on these institutional factors. A more conscious focus on long term *conflict prevention* can help address the permissive conditions for armed conflict.

Since there is no one body responsible for 'peace' the problem of overlapping mandates and inter-departmental competition frequently rears its head, particularly in countries like Afghanistan where the geo-political stakes are so high. In such cases the problems related to aid *securitization* are most acute. Conversely, in less strategic contexts, there may be scope for *peace-itizing* or *developmentalizing* security issues. Institutional innovations like the UK government's Global Conflict Prevention Pool have not fully re-solved these questions and tensions remain about which doctrines and approaches be prioritized. Recognizing the tensions between these positions – rather than assuming 'all good things come together' – is a necessary starting point. The shift back towards 'hard' security since 9/11 risks undermining the scope for peace conditionalities to be applied in the interests of populations suffering from chronic insecurity in fragile states (as shown by the prioritization of short term stability in the Afghan case). This suggests the need for a robust *advocacy* role on the part of development actors in relation to their counterparts in the military and diplomatic spheres.

The label 'fragile state' masks a diverse range of contexts, which require highly customized approaches. No one approach can provide all the answers. Aid actors should continue to experiment with a flexible mix of instruments and tools matched to the demands of particular contexts. But more systematic reflection is required about how these interventions can positively influence the *degree* and *kind* of state that emerges during the war to peace transition.

5.2.3 Mainstreaming and fine tuning peace conditionalities

The new orthodoxies of ownership and 'post conditionality' are overly simplistic, and are particularly unhelpful when applied to conflict-affected environments. Peace conditionalities are not a call for liberal imperialism or unilateral ultimatums. Rather than seeing conditionalities as an external imposition they can usefully be viewed as a tool for *building alliances* and *political coalitions* in the interests of peacebuilding. Conditionality frameworks may provide a mechanism through which donors can themselves be held to account

by aid recipients – a form of *reverse conditionalities*. This places the burden of proof upon donors – they as well as domestic actors have to demonstrate their legitimacy and capacity to engage in peacebuilding processes. A conditionality framework should involve specific commitments related to peacebuilding from all sides, allied to a set of benchmarks and monitoring mechanisms with agreed remedial actions in the event of non compliance.

Peace conditionalities should be applied in order to complement other aid (and non aid) instruments, though they should be used sparingly and responsibly. Their role is likely to be scaled up following the signing of a peace settlement. In no-war, no-peace contexts, peace conditionalities can be employed as part of a slower more measured approach, in which disbursements are calibrated to emerging capacities, thus giving time and policy space for bargains and contracts to develop. In the long term this is more likely to lead to sustainable peacebuilding.

The *magnitude* and *type* of aid, influences its potential leverage on conflict and peacebuilding dynamics. Humanitarian assistance for example should be exempt from conditionalities (though subject to 'do no harm' analysis). If aid has limited value to warring groups compared to other resource flows such as drugs or cross border trade, then its leverage is limited. This means firstly ensuring that sufficient funding, of the right type is brought to the table, and secondly maximizing its potential influence on peacebuilding processes. This suggests moving into developmental approaches as early as possible (which may mean before the signing of a peace) – both to create a peace dividend and to strengthen and build the capacity of legitimate institutions. In countries emerging from conflict, the problem is as much about lack of ability rather than lack of willingness to change. *Capacity building* may be a precondition for domestic actors being able to follow through on peace conditionalities.

International donors also need to consider carefully their *priorities* and *sequencing*. If peacebuilding is to be elevated to the over-riding goal this necessarily means de-prioritizing or delaying other goals. This may mean adapting '*good enough*' models of governance or economic reform suitable to the particular security challenges of individual contexts. This will also necessitate negotiation clear and commonly agreed *benchmarks* with domestic actors.

War to peace transitions take time and frequently involve micro cycles of violent conflict and chronic insecurity. This indicates a need for *responsiveness*, *flexibility* and *long-term time frames* on the part of aid donors. 'Rites of passage' in the transition from war to peace, such as elections should not be held too quickly and nor should they be viewed as the beginnings of an exit strategy. In order to ensure greater responsiveness, it may be necessary to create ear-marked funds to support peacebuilding activities.

A more nuanced approach to peace conditionalities depends upon a strong *political-economy analysis* of aid actors. Drivers of change and Strategic Conflict

Assessment tools are a good starting point. But there is no substitute for strong regional and in-country expertise. The rapid turn over of staff, particularly in countries like Afghanistan militates against this form of analysis from developing. Another precondition is the development of strong *monitoring and evaluation systems* and agreed *enforcement mechanisms* for when condition (on both sides) are not met.

The problem of the *willing* and the *able* applies to international donors as well as to fragile states. Peace conditionalities cannot be just an 'add on' as they require substantive changes and the development of new capacities on the part of international aid donors. This includes thinking about the incentive systems within aid organisations – for instance strong disbursement pressures militate against the idea of calibrating aid according to the dynamics of a peace process.

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