



Aid in Post-Conflict (Non) State Building: A Synthesis

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This brief overview of aid in post-conflict state building concludes that a significant gap remains in donor approaches to the reform of public administration and finance in the aftermath of armed conflicts, despite the fact that control over economic resources is often one of the main causes of civil war violence. International assistance to institution-building in post-conflict states remains focused on economic liberalization and private forms of service delivery to the relative neglect of security sector reforms, contrary to the emphasis in peacebuilding policies on the demilitarization of politics. The result may be the formation of a state that is weak and patrimonial, prone to conflict or lacking legitimacy, central authority, or territorial control.

Introduction

State building is a complex concept, involving different forms of authority, the interaction between state and society, relationships between specific patterns of political and economic development and other factors that affect the ways in which governing institutions emerge and operate. In post-conflict environments, state building is also a process of power realignment among groups competing for power and control of resources, political and economic, often in continuation of civil war dynamics and divisions. The ability of state institutions to provide public goods, including security and social services, is a fundamental requirement for sustainable peace; the failure of these institutions could lead to a civil war. This synthesis focuses on the role of overseas development assistance in shaping the scope and level of administrative capacities of state institutions in post-conflict countries. It explores the impact of outside sources of funding on the patterns of statebuilding, which historically, depended on durable extraction of resources instead. The latter, academic literature suggests, was essential for the consolidation—or sustained financing—of a central administration and monopoly in the use of force. The influx of external (financial, military and political) resources influences internal patterns of capital accumulation and reallocation, which is one of the key functions of the state and state administration, and the local power balance over the control of resources.

International engagement in post-conflict state building has expanded significantly since the 1990s. By 2004, the World Bank's total allocation for post-conflict states (including grants and loans, the Post-Conflict Fund and the Low Income under Stress Fund) was

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approximately \$4 billion, about 25 percent of its total budget. UNDP's allocation for peacebuilding in 2004 also reached an estimated amount of \$658 million, approximately 13-15 percent of its total budget. Bilateral donors, such as the US and the UK, have also established internal policy and funding mechanisms that focus on conflict prevention and recovery. Yet it remains unclear what the status of international assistance is to post-conflict states and which strategies produce optimal results for the establishment of public administration that transforms wartime structures of power, economy and violence. Drawing from the literature on state formation and recent research on peacebuilding and aid effectiveness, this synthesis summarizes some of the current debates and identifies gaps between the state-building literature and practice.

I. Post-Conflict Aid: An Overview

The effectiveness of aid in post-conflict state building is difficult to measure, due in part to the lack of (1) consensus on the goals of international assistance and (2) accurate data on the nature and level of donor funding. Some argue that the success of peace implementation should be measured only by the absence of recurrent warfare; others argue that the underlying political and economic causes of conflict should be addressed (Call and Cousens 2007). Even for those who advocate the "middle ground" (i.e. no renewed warfare plus a modicum of participatory politics), quantitative research has demonstrated that international assistance based on liberal internationalism—democratization and a transition to the market economy—have had little effect on post-war regime types, regardless of multidimensional peacekeeping deployments with extensive civilian mandates. Furthermore, despite efforts to coordinate peacebuilding aid, donors still maintain separate mechanisms for aid delivery, separate databases on their resources and activities, and separate definitions of 'weak states,' making it nearly impossible to document and analyze aid volume and organization systematically (Barnett 2006, Smith 2004). These challenges notwithstanding, research on peacebuilding has identified some patterns of aid allocation for post-conflict state building, which are summarized in the following section.

Aid Volume and Destination

- Aid flows to the least developed and most volatile countries have not increased in the last decade, according to the OECD statistics (Levin and Dollar 2005:9).
- Both bilateral and multilateral agencies allocate the bulk of their resources to "high profile" countries, such as Afghanistan, Iraq, Liberia and Sudan (e.g., 71 percent of funds managed by the UNDP's Trust Fund for Conflict Prevention and Recovery went to six countries—Afghanistan, Iraq, DRC, Sudan, Liberia and Haiti—in 2004-2005; 50 percent of the US budget for 52 countries considered fragile is dedicated to Iraq, Afghanistan and Pakistan (Patrick and Brown 2006).
- Although the allocation of aid has become more responsive to the level of poverty and institutional needs over time, donors still provide more funding for countries considered good performers, i.e. middle-income countries with relatively strong institutional capacities. (For instance, countries called *difficult partnership countries* by the OECD receive approximately 43 percent less in total aid than the amount predicted by their level of population, poverty, and policy and institutional capacities; the World Bank's aid allocations in 2003-2005 were nearly five times higher for the best-performing governments than for governments in the poorest-performing countries; the U.S. Millennium Challenge Account, launched in 2002 with \$5 billion in proposed funding, is designed to allocate aid on the basis of

countries' political and economic performances and collaboration for the war on terror).

- Aid for post-conflict states peaks in the third or fourth year after the conclusion of civil wars and declines thereafter. Opinions are divided as to the most beneficial timing of the aid. Collier advocates the gradual increase of aid, while others emphasize the importance of demonstrating peace dividends immediately after the end of civil wars (Suhrke, et al. 2002).

Organization of Aid

- Despite the adoption of Poverty Reduction Strategy Papers (PRSPs) as a common framework for development assistance, measures for economic liberalization and growth are still the largest area of funding (excluding humanitarian assistance) in many instances; moreover, loans and technical assistance for macroeconomic reforms are often the first donor resources that arrive in post-conflict states (Hassan 2004).
- Indicators measuring the performance of borrowers are biased towards economic liberalization, rewarding such measures as low tariffs and regulations, but do not assess the particular needs of post-conflict situations, such as the extent of service delivery or administrative control (World Bank 2005b). (e.g., the World Bank's Country Policy and Institutional Assessment, which are used by the OECD and the World Bank).
- The scale of funding for economic liberalization and growth (i.e. privatization, infrastructure development, and economic policy planning, analysis and advice) is much higher than that for key post-conflict activities to support the implementation of peace agreements, such as DDR and the reform of public administration and finance. (World Bank 2004).

In Tajikistan, only \$39 million of the \$95 million pledged at a donor meeting convened after the end of the civil war in 1997 were directly related to the implementation of the final peace accord, including for DDR and the repatriation of displaced populations. In contrast, the World Bank and the IMF allocated more than \$230 million to Tajikistan in 1996-1998 for privatization activities. Donor assistance to economic liberalization did not improve social and economic conditions in post-war Tajikistan, however, as the per capita income decreased from \$480 (at the beginning of the civil war) to \$150 in 2002. In Guatemala, despite a number of agreements signed at the end of the civil war to improve the social and economic conditions of the indigenous populations, only \$106 million were provided to assist in the implementation of those agreements from 1996 to 2002, while donor assistance to infrastructure, enterprise, and economic development amounted to \$1.5 billion during the same period (Azpuru, et al. 2004). Without the fulfillment of structural reforms promised in the peace agreements, less than one percent of agricultural producers still control 75 percent of the most fertile land in Guatemala. Similarly, in Sierra Leone, after the 1999 signing of the Lomé accord, only \$6 million were contributed to DDR, in contrast to \$169 million provided for economic reforms.

Research (United Nations 2004, Kings College 2004, Torjesen 2006) shows that disarmament, demobilization, and reintegration (DDR) often start late (with the "R" component chronically suffering from funding shortages), which is contrary to the popular argument that security restoration is the first and foremost priority for state building. While the peacebuilding literature also argues that security sector reform (SSR) is critical

for civilian security, aid allocation shows that the level of funding for SSR is trivial compared to that for the reduction of small arms (including mine action) and DDR. Citing examples from Central America and West Africa, many scholars argue that civilian control and oversight of security agencies has been a seriously neglected area of donor assistance (Benomar 2001, UNDP 2003a).

II. From Donor Assistance to State Administration: Gaps

These findings on the current state of aid flows to post-conflict states demonstrate an unresolved gap between (a) normative goals (i.e., poverty reduction and demilitarization of politics) and (b) financial priorities made by donors and international organizations. The following comparison between the academic literature relevant to post-conflict state building and the findings of recent empirical research on aid effectiveness and peacebuilding highlights problematic consequences of such a discrepancy. In particular, this synthesis suggests two major gaps in the current strategies for building post-war institutional frameworks and capacities: (1) the reform of public administration and finance is neglected and (2) understanding of the effects of these aid patterns on local power structures is limited.

1) War-making as state-making

Academic Literature suggests:

Modern state systems historically emerged from the process of warfare that necessitated a centralization of violence and economic resources...

- ...which were redistributed among the citizenry for their protection and welfare in exchange for taxation.

Recent Field Research indicates:

- International financial institutions prescribe the reduction of public sector expenditures, including on defense and civil service (Vandemoortele 2004).
- Donors prefer decentralized approach to service delivery, often by non-state actors, such as private contractors or community-based organizations (Gupta, et al. 2003, Mansuri and Rao 2003, Peabody, et al. 2004).
- Security sector reform is still one of the weak areas of international engagement (UN 2006). See Table 1.

2) Weak states and civil wars

Academic Literature suggests:

- Aid dependency impedes domestic revenue mobilization while fostering patrimonial and clientelistic profit accumulation as well as power bases of regime elites...
- ...and privatization of violence, not accountable to public security but used for regime stability and personal protection...
- ...which exacerbates economic crisis and triggers civil war violence, with state and non-state groups looting scarce resources.

Recent Field Research indicates:

- Donors have limited expertise in reforming public administration and finance systems in post-conflict states (Boyce 2007, Carnahan 2007).
- Civilian security continues to be neglected (Call and Stanley 2002).
- Donors increasingly rely on private security firms for peacekeeping and the protection of civilians.
- Growing concerns over management of natural resources has led to international oversight of extractable minerals (Dwan and Bailey 2006).

3) Post-conflict state building

Academic Literature suggests:

- “Liberal internationalism” is conducive to neither poverty eradication nor democratization.
- “Formal group-based security building” (partitions, consociational federalism) cannot resolve inter-group security.

Recent Field Research suggests:

- UN has focused on electoral reforms (see Table 1).
- Very limited expertise exists on constitutional designs or civilian oversight of security (see Table 1).

Table 1, below, is a summary of the existing capacities for post-conflict state building within the UN, based on a survey carried out by the Office of the Deputy Secretary-General in 2006.

Table 1 Inventory: United Nations Capacities in Peacebuilding

	Security	Justice	Social-Economic	Governance
Substantive Capacity and Coordination exist	DDR; mine action; law enforcement	Human rights		Elections
Some Capacities exist	Corrections	Transitional justice; judicial and legal reform	Gender; protection of vulnerable groups	Good offices and mediation
Some Capacities exist but not tailored to post-conflict situations			Basic needs; infrastructure; employment; economic development	Public administration; local governance
Few capacities exist	Security sector governance; defense			Constitution-making

Public Sector Administration and Finance

The academic literature argues that the equitable distribution and redistribution of resources is critical for state legitimacy and effectiveness, and the loss of such capacities can lead to civil wars. Evaluations of aid effectiveness suggest, however, that expertise from donor assistance on institution-building in developing countries has not been incorporated systematically into peacebuilding strategies. A survey of UN departments, agencies, funds, and programs in 2006 indicates that while the UN has developed some capacities to assist in DDR, mine action, law enforcement, and post-war elections, the UN has not have been able to contribute significantly to post-war economic recovery and institution building, including the reform of public administration and the security sector (UN 2006). Similarly, the World Bank recognizes the lack of “comprehensive analysis of public sector reform and capacity building in post-conflict settings” in its programs (World Bank 2004:33). Only recently have some researchers begun to document the process of public finance and administration reforms in post-conflict states, including civil service reforms and the impact of peacekeeping economies (such as the inflationary effect of foreign troop and staff deployments) on revenue collection and economic development.

According to research on aid effectiveness, development assistance to institution-building has had three main characteristics: a structural adjustment approach, an emphasis on

technical assistance and decentralized delivery of aid and social services. Yet it is argued that:

- (1) The small government paradigm that limits the size of civil services and their expenditures may not be an appropriate policy option in post-conflict states considering the need to integrate former opposition groups into the government apparatus (including the military) and extend public services in the territory (Suhrke, et al. 2002).
- (2) There is no evidence that technical assistance in capacity building has actually strengthened the capacities of state and local institutions (United Nations, 2006, Smoke and Taliercio 2006).
- (3) Research (USAID 2006, World Bank 2005, World Bank 2002b) shows that instead of channeling aid through the central government, bilateral and multilateral donors often establish a range of mechanisms to manage financial transactions and contract out aid delivery to private or community-based organizations.

Effects of Aid on Local Power Structures

There is an ongoing and unresolved debate about how to reconcile competing needs for (1) local ownership in the design and implementation of aid (which will be a lengthy and complex process) and (2) effective aid delivery (for which donors may consider it necessary to bypass the state, when it is weak and/or captured by warlords or corrupt officials). As the capacities of state institutions often remain weak in post-conflict states, donors tend to deliver social services to communities directly or through implementing partners (international or local NGOs), based on the assumption that these arrangements facilitate poverty reduction and democratic decision making on development. However, research on service delivery in Africa and Central Asia, including post-conflict Sierra Leone and Tajikistan, shows that donor reliance on local and informal aid delivery – though it may be an effective short-term stopgap measure – does not improve public access to resources, nor has it facilitated participatory development (World Bank 2002a, OECD 2002, Fanthorpe 2003, Freizer 2005). Instead, it has revived and reinforced local power hierarchies, including those who contributed to the mobilization and escalation of violence. As a result, the poor, women and minority groups continue to be discriminated against in those power structures.

More research appears to be underway that looks at local ownership (or lack thereof) in post-conflict state building, but the few available to date (such as on Timor-Leste) have generated some fundamental questions on the effects of international involvement on local power structures in post-conflict countries. Aid may run the risk of legitimizing and empowering only a particular group of elites, the repercussions of which are not fully understood. Further, international actors wishing to maintain influence (especially after peacekeepers leave) face the challenge of doing so without compromising the sovereignty of the host government. Policy debates have focused on *national ownership* for aid coordination and management, development policy planning and execution (including budgets) and service delivery. Problems raised by these issues have been addressed by establishing common goals, benchmarks, and implementation timetables, such as PRSPs, the Common Country Assistance Framework and the Millennium Development Goals (MDGs) in partnership with host governments. Yet research on aid effectiveness argues that these mechanisms are still elite-driven and technical, and involve only selected government officials, while those who are supposed to be the main beneficiaries of aid—the poor—are excluded from the process (UNDP 2003b).

Conclusion

Current patterns of donor funding for post-conflict state building suggest that institutional capacities—specifically, the kinds of capacities suitable for a free market economies—are crucial for sustained aid allocation. Yet, aid decreases after the initial few years of transition, while institutional change can take decades. Consequently, post-conflict states are faced with the risk of becoming aid orphans unless effective institutions can be established in this brief period. The academic literature on the state and civil wars argues that the centralization of violence, capital and administration are key ingredients for successful and effective state formation. Research on peacebuilding and aid effectiveness suggests that donor assistance tends to do the opposite. These discrepancies may result in the formation of a state that is weak and patrimonial, prone to conflict or lacking in legitimacy, central political authority and territorial control. In effect, this is a return to the pre-war and wartime forms of polity and economy. Further research is needed to examine both the effects of aid on the outcome of post-conflict state building and, given the gaps between the literature on civil wars and weak states and the patterns of international engagement on post-conflict states, what their implications are for specific international arrangements that do, or do not, address the risks of conflict

Policy implications

- Reform of public administration and finance, including state security institutions, should be one of the priorities for international assistance to post-conflict state building, as the distortion of income allocation and reallocation and the loss of monopoly in the use of force are common underlying causes of conflict.
- Such reforms, however, should be based on institutional analysis at national and local levels and their relations to civil war violence to avoid replicating wartime patterns of power structures. Furthermore, the design and implementation of public sector reforms should reflect the shortcomings of the current approach, including the emphasis on the reduction of public expenditures and state bypassing in service delivery.
- Institution-building is a lengthy process. The allocation of aid for institution building should be sustainable and consistent (often said but rarely done).

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