

The Use of Peace Conditionalities in Conflict  
and Post-conflict settings:  
A Conceptual Framework and a Checklist

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## List Of Abbreviations

3-D	Defence, Development and Diplomacy
DAC	Development Assistance Committee (of the OECD)
DDR	Disarmament, Demobilisation and Reintegration (Programmes)
DFID	Department for International Development
IDP	Internally Displaced Person
IFI	International Financial Institution
IMF	International Monetary Fund
LICUS	Low- Income Countries Under Stress (Initiative)
NGO	Non-Governmental Organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
PRSP	Poverty Reduction Strategy Paper
SSR	Security Sector Reform
UK	United Kingdom
USSR	Union of Socialist Soviet Republics



# 1 Introduction<sup>1</sup>

## 1.1 Background<sup>2</sup>

As international aid donors and multilateral agencies get increasingly involved in peace operations and other conflict-related activities, both during and after violent conflict, an intensive debate is being waged on how such activities can be made more effective. Relatively little experience or documented evidence exists about the effectiveness of conflict-related interventions as many of these have only been developed and implemented in the last decade, or even the last couple of years (Smith 2004). Many of these interventions have been, moreover, based on new institutional arrangements and partnerships between military, diplomatic, development and humanitarian actors, both governmental and non-governmental. The limited number of documented experiences so far has indicated a fairly poor track record, while in certain instances interventions have even helped increase tensions and violence instead of reducing them. Discussions about this have taken place in the context of larger debates about the need and desirability to intervene in contemporary conflicts and about aid effectiveness in general. In this connection, the question has arisen whether the application of so-called ‘peace conditionalities’ could be helpful towards increasing the effectiveness of conflict-related activities.

*Peace conditionality is the use of aid as a lever to persuade conflicting parties to make peace, to implement peace accords, and to consolidate peace.*

However, at the same time, there are serious reservations and doubts about the use of peace conditionality, partly because experiences with the conditionality of development aid have on the whole been less positive.

Within the donor community there are different positions with regard to the desirability and feasibility of peace conditionalities. Some argue that assistance can be used in ‘smarter’, more strategic ways, while others fear that the application of peace conditionalities could lead to the ‘securitisation’ of development aid, with military logic and rationales becoming dominant. In addition, more conservative donors and a variety of NGOs resist any further ‘politicisation’ of aid. Finally, agencies such as DFID now tend to embrace ‘post-conditionality’ policies, the concept of conditionality having been declared to be an anachronism.

Moreover, the use of peace conditionalities also raises issues in terms of fine-tuning to local contexts, matching expectations and resources invested, (long-

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term) time frames, the political economy of peacebuilding, donor-recipient relationships and ‘good donorship’ *per se*. Finally, the problematic assessment of impact adds to the problem of having an evidence-based and conclusive debate on the issue.

## 1.2 Origin of the framework

This conceptual framework is part of a larger research project on peace conditionalities. DFID has asked the Netherlands Institute of International Relations ‘Clingendael’, The Hague, to carry out a lessons-learned study on peace conditionalities in post-conflict reconstruction in Afghanistan and Sri Lanka. An earlier version of this conceptual framework helped to arrive at a preliminary overview of the major issues and debates in the literature, guide the data collection and analysis of the case studies, and design the synthesis study. In its present form, the references to case-specific aspects of Sri Lanka and Afghanistan have been deleted, so that the conceptual framework can be used as a generic tool in other conflict settings too.

## 1.3 Aim and use of the framework

- Provide an overview of definitions, approaches and major conceptual issues in the field of (peace) conditionalities;
- Situate the debate on (peace) conditionalities in its broader current (policy) context;
- Inform policy-makers on the nature of (peace) conditionalities and major issues involved in current debates;
- Serve as a guide and checklist for fieldwork, studies, assessments and evaluations on (peace) conditionalities;
- Raise issues for further academic and policy debate.

## 1.4 A note on the donor-recipient dichotomy<sup>3</sup>

In much literature on aid and peace conditionalities we find a rigid distinction between the donor and the recipient who are supposed to have clearly delineated and opposing interests and to show corresponding behaviours as unitary actors. This image greatly oversimplifies the reality in which there are multiple parties and interests on both sides of the aid relation. This may lead to divisions within either donor or recipient on the one hand or alliances between them on the other (Boyce 2004b). This dyadic donor-recipient reductionism characterises a lot of the literature and the prevailing discourse. Hence, I recognise that it is sometimes difficult to avoid when discussing insights from the literature or from policy practice. Though I have tried get rid of this dyadic view, it still may appear at different places in the text.

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<sup>3</sup> I thank prof. James Boyce for pointing this out to me.

### **1.5 Organisation of the paper**

Chapter 2 of this paper sketches briefly the overall aid context and discusses the different ‘generations’ with regard to the application of conditionalities in practice. Chapter 3 elaborates on the concepts, definitions and approaches to aid and peace conditionality as found in the academic and policy literature on the topic. Apart from providing an overview of the major insights and sources available, we proceed here to suggest a working definition and also provide a conceptual-descriptive framework to guide further analytical efforts. Chapter 4 discusses the limitations facing the application of aid and peace conditionalities. Annex I and II provide a conceptual framework and a checklist for data collection, assessment and analysis in the field of peace conditionalities.



## 2 A Brief History Of Aid Conditionality

### 2.1 Development aid: history and major trends

The history of aid and peace conditionalities has ideally to be situated in the history of aid itself. It is a commonplace to observe that aid relations have a long and varied history. Though the phenomenon of development aid *per se* emerged in the late 1940s and early 1950s, there have been relevant prior experiences in colonial, missionary, commercial and other relations. The Marshall Plan, set up for the countries devastated by the Second World War, has been a powerful example and model for forging development aid relationships, even though the institutional features of post-war Europe and the developing world are very different. In addition, many countries have become engaged in development aid on the basis of the emerging framework of the Commonwealth, the United Nations, and later the OECD. The interests and motives behind development aid, however, reflect different political, normative and economic positions.

Stokke asserts in this context that, “For donor governments, development assistance has been - and still is - an instrument to pursue foreign policy objectives. The stated ones relate to economic, social, cultural and political development with an emphasis on poverty alleviation and sustainable development in the recipient Third World countries. However, for most donor governments the objectives have been less altruistic and related to the pursuance of more selfish interests. This applies, in particular, to the main powers during the Cold War. For these, aid has been driven by security motives and for the superpowers these motives have probably been the most important ones. However [...] for some Western middle powers developmental objectives have been - and still are - the primary motive for providing aid” (1995: 2).

The Marshall Plan, for example, was provided under explicit political and economic conditions aimed at containing the spread of communism and assuring the political-economic hegemony of the United States vis-à-vis the Soviet Union. During the Cold War the United States and its western allies on the one hand and the USSR and the eastern bloc on the other provided massive aid to assure or ‘buy’ the allegiance of developing countries towards them and their political ideologies. Aid was in fact openly used to influence governments in opting for or against communism.

Whereas aid was initially mainly provided from a security and political perspective, development also became an independent consideration worth pursuing in and of itself, as manifested by its own sets of objectives, strategies and institutional machinery emerging in the three decades after the Second World War. Whether based on humanitarianism, economic or trade opportunities, social-economic development or concerns of aid effectiveness in terms of poverty reduction, environmental sustainability, gender or other sub-

goals, new conditions and considerations came to play a role in the aid debates of last three decades of the 20th century.

We saw different accents emerging according to the development themes and discourses in fashion at the time. Apart from the major aid flows from the international financial institutions, bilateral agencies and NGOs also provided considerable funding with their own preferences and choices. Popular themes in development aid ranged from rural and industrial development in the 1960s and 1970s to community and participatory approaches in the late 1970s, environmental approaches and sustainable development becoming popular during the 1980s, and social development, gender approaches, governance and rights-based approaches gaining prominence over the last two decades. None of those themes have disappeared completely, so that in practice we see a bewildering variety of strategies, approaches, programmes, and projects. In the latter half of the 1990s we saw a growing emphasis on the issue of peace and conflict in response to the protracted crises in many countries around the globe. Development funds were increasingly harnessed to contribute to the resolution of those conflicts and the establishment of durable peace.

In this paper there is no space for a detailed discussion on how the notion and practice of development cooperation came into being and evolved over time. This would obviously require a detailed analysis of different individual actors and the respective North-South relationships to cover the differences and variations encountered in reality. Keeping this in mind, we now describe in the remainder of this chapter how different patterns of *aid conditionality* have evolved over time.

## **2.2 Five generations of aid conditionality**

As aptly summarised by Goodhand (2006: 2), “[...] the conditions applied by donors on aid recipients have varied over time and from donor to donor according to their goals, changing development fads and fashions, and evidence about aid effectiveness”. In this connection one could veritably talk about ‘generations’ of aid conditionality. Stokke (1995: 7-11) distinguishes two generations of aid conditionality, but since his book was published we have witnessed an increased focus on Third World conflict, the events of 9/11 and the subsequent start of the War on Terror as well as further developments in the aid debate. Hence, it may be opportune now to add three more generations to his original two.

Though economic conditionalities had always been part of lending by the International Financial Institutions (IFIs), the conditionalities that focused on *economic* reform in response to the economic crisis that affected many Third World countries, including Latin America, in the 1980s, were called the *first generation* of conditionalities. Proceeding from standard IMF-analyses of government overspending with associated budget deficits, structural adjustment loans were provided based on neo-liberal requirements of economic

liberalisation and domestic economic reform, leading to budget cuts and a reduced role of the state in the economic sector in many of the countries involved. The World Bank started to give more programme loans as compared to project loans. The former carried with them policy conditions and hence were often referred to as 'policy-based lending'.

During the 1990s we saw the emergence of a *second generation* of political conditionalities connected to democracy, the rule of law, good governance, human rights and the continuing promotion of the market economy. It could be seen as a new variant of policy-based lending. There are various interpretations as to why this second generation emerged. One is that the Western world was now more easily able to promote its own policies and values in the absence of a competing superpower, and thus establish the hegemony of the capitalist system. Other observers hold that a new approach focusing on political and administrative systems was needed, as the earlier economic focus on structural adjustment had been largely ineffective. Other analysts again point to the need of finding a new legitimacy for donor governments' domestic constituencies to continue providing aid to the developing world. Lastly, it has been suggested that a concern about aid effectiveness led to the new emphasis on processes of governance and the removal of malpractices (Stokke 1995: 9-11). These political conditionalities have been characterised as more far-reaching and intrusive forms of conditionality, targeting most of the major systems of government (Thomas 2004: 486).

A *third generation* of peace conditionalities has emerged in the last decade, associated with the growing number of countries worldwide emerging from violent conflict. In these countries aid has been used to contribute to conflict resolution, promote reconciliation and help peacebuilding efforts. These activities have become a major growth industry for international donors, NGOs and governments (Boyce 2002a). This is, however, a fairly new trend and it obviously takes time and effort before such new approaches are 'translated' into operational formulations, such as aid conditionalities. As early as 2003 Boyce observed that the objectives of conditionality typically do not include the prevention or resolution of violent conflict, or that such objectives have been largely exceptional, while aid officials may disclaim responsibility for engaging with the political issues of war and peace (2003: 1-3). However, since then developments have proceeded at a rapid pace.

Since 9/11 development aid has become an explicit instrument in the War on Terror waged by the United States and its allies. President Bush declared that he would "direct every resource at our command, every means of diplomacy, every tool of intelligence, every instrument of law enforcement, every financial influence, and every necessary weapon of war to the disruption and to the defeat of the global terror network." In this way aid has, in fact, become subservient to the security and political objectives of the countries concerned, in particular in terms of counter-terrorism and the promotion of 'homeland security'. The notion of 'securitisation' is often applied, when development or

relief aid follows on from military rationales and logic and ceases to be independent. Many aid agencies resist this tendency, believing that it may threaten the very tenets of humanitarianism and the principles of development cooperation. We call this more assertive and coercive form of conditionality tentatively the *fourth generation* of conditionalities, as such conditionalities are clearly different from those of the third generation, even though they may be applicable to largely the same countries and situations.

Simultaneously, however, a contradictory trend can be observed where donors insist that they have entered into a ‘post-conditionality’ era in which conditionalities have become obsolete, being replaced by seemingly more legitimate concerns and activities. These efforts focus on increased aid effectiveness through partner countries’ ownership and leadership, alignment with and capacity development of partner countries, harmonisation, results-oriented planning, reporting and assessment frameworks, and mutual accountability and transparency, as laid down in the Paris Declaration of the High Level Forum held in 2005. So far this declaration has displayed a high level of political correctness and it remains to be seen to what extent the ‘statement of resolve’ and the ‘partnership commitments’ are put into practice. As it happens, the UK has already published a policy paper ‘Partnerships for poverty reduction: rethinking conditionality’. As the Secretary of State for International Development states in the foreword, “This paper shows how donors can support policy leadership by developing countries without imposing our own views ... in this new approach benchmarks for measuring progress on the reduction of poverty, rather than policy conditions set by donors, will be the basis for both partners to be accountable to their citizens” (DFID 2005: iii). The government cites evidence that conditionalities have not worked in the past or show at best a mixed record. It takes the view that, “Conditionality cannot buy policy change which countries do not want,”<sup>4</sup> and therefore moves into the direction of aid partnerships based on shared commitments and mutual agreements (DFID 2005: 10).

Box 1 summarises the characteristics of the five ‘generations’ of aid conditionality. It should be kept in mind that the periods indicated are somewhat arbitrary. The time periods mentioned show when the generations in question were particularly salient, but conditions of earlier generations continue to surface in current policy practice and, therefore, may still be applied at this very moment, possibly in combination with conditions of an ensuing generation.

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<sup>4</sup> Countries are viewed here as monolithic actors with one set of preferences. This view is an example of the reductionism I discussed in section 1.5. Especially war-torn societies are characterised by deep divisions about how countries should develop.

**Box 1: 'Generations' of aid conditionality**

Generation	Period	Type	Focus
First	1980s	Economic reform	Economic liberalisation, domestic economic reform, structural adjustment loans
Second	1990s	Political and governance reform	Democratisation, rule of law, human rights, 'good governance', economic liberalisation
Third	1995-present	Conflict resolution and peace building	Conflict prevention, peacemaking, reconstruction, SSR, DDR, reconciliation, post-conflict peacebuilding.
Fourth	1999-present	Peace enforcement	'Humanitarian intervention', War on Terror, establishment of local democracies, reconstruction and peacebuilding, civil-military cooperation and relations
Fifth	2005-present	Post-conditionality	Symmetric relationship between donor and 'partner countries', partner country leadership and ownership, alignment, transparency and accountability



### 3 Concepts, Definitions And Approaches To Aid And Peace Conditionality

There is a wide-ranging literature on the issue of aid conditionality. The issue itself is contested on political and moral grounds, as is the question of whether it actually works: Is it a feasible and effective instrument? There is no agreement in the academic and policy literature on the exact definitions and boundaries of the notion of conditionality. Under what circumstances are measures called conditionalities and when are they ‘normal’ policy instruments or simply benchmarks for measuring success? In this section we review some definitions, concepts and approaches in the literature and propose a working definition as well as a conceptual-descriptive framework to deal with the topic.

#### 3.1 Conditionality as an instrument to reach policy goals

The most basic definition of conditionality is perhaps Stokke’s observation that conditionality is not an aim in itself, but an instrument by which other objectives are pursued (1995: 2).

*Conditionality is an instrument by which other objectives are pursued.*

This obviously raises the question about what these other objectives are. In chapter two we saw that in the past aid was used initially quite openly as an instrument to promote (geo)-political and security goals, especially among the superpowers during the Cold War period. However, aid gradually became dominated by economic considerations, while its political aspects were pushed to the background, or completely disappeared in a mainstream development discourse that from the 1960s became increasingly technocratic. In this discourse *economic* goals were seen to be somehow a legitimate part of development, whereas *political* goals were considered an infringement on the sovereignty of the recipient nation or as interference in its domestic affairs. However, since in the last two decades development assistance has openly and explicitly entered the political domain again (with the promotion of issues like political participation, democracy, governance, human rights etc.), this distinction between economic and political goals has become less sensitive than it used to be. Many analysts now highlight the political nature of *all* aid. More recently, donors have also interfered in issues of conflict and peace, which used to be seen as political issues *par excellence* but are now also widely accepted by most donors as legitimate targets for development aid. Observers tend to agree that most aid was and still is, in fact, subject to some form of conditionality. This tendency has even increased over the last few years due to dissatisfaction about aid effectiveness, particularly in Africa, and pressure from domestic aid constituencies. Another reason why conditionalities have become more prominent has been the overall shift from project aid to programme aid (Collier et al 1997: 1399). According to Uvin, the political nature of aid necessitates an

appreciation that perceptions do matter as much as facts, that the process is as important as the product, that who gets involved or excluded is of the essence, and finally that development discourses are used for many (different) political purposes (1999: 4)

Nowadays we can, therefore, distinguish a whole series of goals and sub-goals promoted by the use of conditionalities, irrespective of whether the latter operate in the realms of development, diplomacy and international affairs, military relations, trade or cultural affairs.

*Conditionality serves a variety of different goals and sub-goals.*

In this paper we mainly discuss conditionalities in the sphere of aid. Nevertheless, these are often part of a larger ('integrated') package of measures comprising the other domains as well, or may be accompanied by diplomatic and political pressure. It is in the field of peace conditionalities in particular that we see a combination of diplomatic, defence and aid instruments. Approaches and tools such as the UK government's Global Conflict Prevention Pool, the Canadian 3-D approach, and the Dutch Stability Fund are examples of such integrated approaches that also have been labelled 'joined-up government' (Fitz-Gerald 2004).

Box 2 gives an overview of the goals and sub-goals actually or potentially served by applying conditionalities. The relative emphasis on those goals and sub-goals in policy practice evidently coincides with particular generations of conditionality and with fashions apparent in donor discourse.

**Box 2: Goals and sub-goals of conditionalities**

<b>Goals</b>	<b>Sub-goals</b>
<ul style="list-style-type: none"> <li>▪ Political</li> <li>▪ Economic</li> </ul>	Democratisation, rule of law, human rights, free media
<ul style="list-style-type: none"> <li>▪ Social</li> </ul>	Structural adjustment and liberalisation, poverty alleviation, income generation
<ul style="list-style-type: none"> <li>▪ Humanitarian</li> </ul>	Gender equality, social sector development, ownership, partnership
<ul style="list-style-type: none"> <li>▪ Governance</li> </ul>	Humanitarian access, refugee and IDP issues, child soldiers
<ul style="list-style-type: none"> <li>▪ Commercial/Trade</li> </ul>	Aid effectiveness, transparency, accountability
<ul style="list-style-type: none"> <li>▪ Security/Peace</li> </ul>	Free trade, export promotion, tied procurement
<ul style="list-style-type: none"> <li>▪ Counter-terrorism</li> </ul>	Conflict resolution, DDR, SSR, reconciliation, peacebuilding
<ul style="list-style-type: none"> <li>▪ Process</li> </ul>	Anti-terrorist policies and collaboration
<ul style="list-style-type: none"> <li>▪ Fiduciary</li> </ul>	Transparency, accountability, effectiveness and non-corruptibility of aid
	Technical, administrative and legal (donor) issues

On the basis of the above the following preliminary definition of aid conditionality could be put forward:

*Aid conditionality refers to attempts by donor governments to induce recipient governments to change their policies and behaviour, as well as to influence the way aid itself is spent.*

In all the above cases, donors need to specify exactly what goals or directions it has in mind for their respective recipients. The possibilities are virtually endless, ranging from fiscal and macro-economic reforms, structural adjustment programmes, respect for human rights, reducing military expenditure, gender and environment-friendly policies, procedural and substantive democracy, to the promotion of free media and stimulation of civil society. Also frequently included in conditions are anti-corruption policies, transparency and other measures of good governance. It is beyond the scope of this paper to elaborate on the problem of defining these issues in a consistent and appropriate manner, because of the specific context, capabilities and weaknesses of each recipient country. The knowledge base for such policy prescriptions is often weak, as the intervention logic of many policies is not based on location-specific, tested and proven evidence. Stokke makes a number of interesting observations on those issues and also raises also a number of fundamental, moral and ethical dilemmas in this regard (1995: 33-41).

### **3.2 When does aid or policy become a conditionality?**

Though we may now all agree that conditionalities are donor instruments or attempts to reach particular goals, the question remains when a particular donor instrument can be called a conditionality and when not? Lewis, for example, defines conditionality as ‘donor efforts of one kind or another to influence recipient policies’ (1993:41). By this definition, conditionality attaches to virtually all aid and thus the definition loses its distinguishing character.

According to Stokke, however, (1995: 11-12) “the key element [in the definition] is the use of *pressure*, by the donor, in terms of threatening to terminate aid, or actually terminating or reducing it, if conditions are not met by the recipient. Foreign aid is used as a lever to promote objectives which the recipient government would not otherwise have agreed to.” This definition puts the emphasis in Stokke’s own words on *coercive* aspects – denial of aid resulting from non-compliance on the part of the recipient government. In current debates some analysts also maintain that this coercive aspect of conditionality - punishment, denial, disincentive, sanctions, i.e. a ‘stick’- is of the essence. Other definitions of the concept include a ‘carrot’ as well. Waller (1995: 111) calls the reduction of aid in case of reduced performance ‘negative conditionality’, as opposed to ‘positive conditionality’ when aid is increased in

response to improved performance<sup>5</sup>. Killick distinguishes ‘hard core’ and ‘pro forma’ elements in policy conditionality. Hard core conditionalities are defined as “policy changes stipulated as a prerequisite to the approval of, or continued access to, a grant or loan, or to subsequent assistance.” In this case a government would not voluntarily undertake the changes required. Pro-forma conditionalities are mutually agreed, or non-significant, or formalistic provisions which both parties find convenient to write into a programme (Killick 1997: 487).

The ‘*positive*’ or ‘*inducement*’ approach obviously broadens conditionality to include situations in which rewards or incentives are offered in the case of good performance or behaviour. Incentives are all those purposeful uses of aid that favour or encourage a particular positive dynamic or outcome, whereas disincentives aim to weaken or discourage a negative dynamic or outcome. The Carnegie Commission defines an incentive as “the offer of a reward by a sender in exchange for a particular action or response by a recipient” (Cortright 1997: 6). Incentives are used to increase the attractiveness of a preferred course of action, while disincentives or sanctions are used in order to halt objectionable behaviour.

We believe that in the debate on conditionality sticks and carrots are interrelated, as ending a negative sanction may be considered a carrot, while removing a carrot may be seen as a stick. The decision whether to use incentives or disincentives in a given situation depends on the nature of the problem, the objectives and on the donor-recipient relationship. In the case of a long-term objective that entails no immediate threat to donor interests, the use of incentives is indicated, while an urgent crisis may necessitate coercive action. In the case of a cordial relationship between the donor and the recipient, incentives are generally preferable, while in a highly conflictual relationship they may not work. The general advantage of incentives is that they add resources, foster cooperation and goodwill, and can be designed to contribute positively towards solving the underlying causes of a problem while not creating negative effects as sanctions may do (see chapter 4).

Since the end of the Cold War inducement strategies have become more prevalent, coinciding with a widespread wish to be part of a global system of political cooperation and economic development. A number of questions have also been raised on the desirability and legitimacy of negative conditionality in particular, to the extent that in recent declarations and policy documents it has been discarded or at least alternatives have been preferred (High Level Forum 2005; DFID 2005). However, the influence of the war on terror may again put more coercive approaches centre stage.

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<sup>5</sup> Waller focuses specifically on human rights and democracy, but his distinction is also applicable to other policy goals.

Given the above arguments, we include in our definition below both negative and positive approaches to conditionality. However, we do not subscribe to Lewis's definition, which considers all donor efforts to influence recipient policies as conditionalities.

In principle, there can be *conditional* and *non-conditional* incentives and disincentives, i.e. with or without reciprocity requirements and an immediate response. This means that after providing an incentive or disincentive, a change of behaviour or lack thereof does not always need to be rewarded or punished. This is only the case when compliance with such incentives or disincentives is made conditional for continued access to aid. Uvin (1999: 3) provides the following table in this connection:

**Box 3: Examples of incentives and disincentives in terms of human rights**

	<b>Non-conditional</b>	<b>Conditional</b>
<b>Incentives</b>	Providing human rights training to the police and judiciary	Engaging to grant budget support or debt relief upon reaching specified and agreed-upon political goals
<b>Disincentives</b>	Sending human rights observers, providing material support and international networking to local human rights NGOs	Threatening to cut (or actually cutting) ODA unless the government improves its human rights record

For us, the distinguishing element is indeed the promise, threat or actual implementation of a demonstrable reciprocal follow-up action by the donor in the case of compliance or non-compliance with conditions set.

*Conditionality is the promise or increase of aid in the case of compliance by a recipient with conditions set by a donor, or its withdrawal or reduction in the case of non-compliance.*

### 3.3 Peace conditionality

According to Uvin, incentives for peace refer to all purposeful uses of aid that strengthen the dynamics that favour peace, by influencing actors' behaviours, by strengthening pro-peace actors' capacities, by changing relations between conflicting actors (ethnic groups, the state and civil society) and by influencing the social and economic environment in which conflict and peace dynamics take place. Disincentives do the opposite: they weaken and discourage the dynamics that favour violence (Uvin 1999: 3). Though helpful as a first step, this definition lacks an unambiguous specification when incentives and

disincentives become conditional and thus suffers from the same problem as Lewis's definition mentioned above of conditionality in general.

Boyce (2002a: 1025-6; 2002b) defines peace conditionality as follows:

*Peace conditionality is the use of formal performance criteria or informal policy dialogue to encourage the implementation of peace accords and the consolidation of peace.*

For our purposes we propose to expand Boyce's definition in three directions. Firstly, the definition seems to focus mainly on positive conditionalities ('encourage'), whereas in practice *negative conditionality* may also be involved. Secondly, formal performance criteria and informal policy dialogue are two of the possible instruments to communicate or effectuate the conditions set. In practice, some other instruments and approaches may be used as well (see below). Thirdly, we see that peace conditionalities are also applied *without* having a peace accord in place. In fact, they are used frequently with the aim of reaching one, as, for example, the case of Sri Lanka shows. On the basis of these observations, we adopt the following definition:

*Peace conditionality is the use of aid as a lever to persuade conflicting parties to make peace, to implement a proposed peace accord, and to consolidate peace.*

Now that we have defined what peace conditionality is, it would be useful to reflect on the rationales that lie behind the use of conditionalities. Collier et al (1997: 1400-2) distinguish five major rationales behind the use of conditionality:

- *Inducement*: the donor offers aid as an incentive for the recipient country to change its policy or behaviour. Here an attempt is made to improve the policy environment. In fact, the aim is to induce the government in question to do something it would not have chosen to do without the offer of aid;
- *Selectivity*: aid is more productive in a good policy environment, and hence aid is directed disproportionately or only to those countries or destinations that are deemed adequate;
- *Paternalism*: the donor ensures that aid is spent on particular goods or services and thus restricts the way aid money is spent in order to improve its effectiveness in raising the welfare of the recipient country. This situation normally signals the existence of a disagreement between the donor and the recipient on the use of aid. The empirical basis for donor priorities, however, may be weak, absent or wrong;
- *Restraint*: aid used as a mechanism to assure commitment of the recipient to its own policies. Conditionality here aims to provide a credible threat to reduce or stop the aid if the recipient does not comply with the policies agreed to ('lock-in'). This policy is based on agreement between donor and recipient and is used to deal with outside pressures to reverse the reform undertaken;

- *Signalling*: if there is agreement to the donor's conditions, this may signal improvements in the recipient country's policy to other parties such as private sector investors that may have difficulty in monitoring performance themselves or find it too costly.

Some of the above rationales tend towards a more negative type of conditionality, while others employ a more positive form of it. According to the authors the rationale of inducement is dominant, but has had only limited success. Governments enter into commitments which they break later. Moreover, such 'induced' reforms instil little credibility in the eyes of the private sector, partly because such inducement is liable to be 'time inconsistent'. What happens when aid stops and a government has no further incentive to maintain policy reform? Finally, recipients tend to increase the 'price' of reforms, especially when donors seem eager to 'buy' it. This all shows a serious lack of ownership. Collier et al further argue that inducement conflicts with all other rationales and that there are important trade-offs between them. This necessitates an assessment of the opportunity costs of such inducement strategies (1997: 1402). Jepma and Kamphuis (1993: 289) mention the possibility that governments may accept a measure they would have implemented anyway without any conditionality being set. In fact, this type of conditionality is ineffective and frees funds for other government objectives ('fungibility of conditionality').

With regard to peace conditionality, the same rationales may apply as discussed above, the goals in question being limited to (sustainable) conflict containment, conflict resolution, reconciliation and peacebuilding. Boyce (2003: 16) takes the view that to allocate aid only to 'good performers' in the name of efficiency would be to deny it to many of those countries at most risk of conflict. And simply to ignore the risks of violent conflict in the name of sticking to 'core competencies' of donor agencies is a recipe for wasting scarce aid resources, since war can destroy the best-laid economic plans. He states: "In principle, conditionality can also be harnessed directly to the objective of promoting peace. Where there is a risk of violent conflict, the aid 'carrot' can be designed to provide incentives for steps to reduce social tensions. In war-torn societies, aid can serve as an inducement for conflict resolution. And where a negotiated settlement has been achieved, donors can use 'peace conditionality' to encourage the implementation of peace accords and consolidation of peace" (Boyce 2003). In the case of a peace accord there is usually a clear-cut set of criteria, but benchmarks have to be developed for interventions prior to an accord or during conflict. There is a tendency to move away from all-or-nothing choices, where peace conditionality now seeks to calibrate the flow of support more closely to the progress in the peace process, by tying aid agreements to specific steps to build peace (Boyce 2003: 3). Boyce (2003: 17-18) suggests that in settings where extractive resources provide a motive and fuel for conflict, the tool of conditionality can be used to address four critical issues, namely: proper management of natural resources revenues by governments,

containment of spoilers, building alternative livelihoods, and curtailing private loans backed by future resource revenues.

What is understood under such goals as conflict resolution and peacebuilding in donor practice and what actions are deemed necessary to achieve these are, of course, matters for considerable debate if not heated dispute. This relates not only to the type of analysis of the conflict at hand, but also depends on specific donor policies and policy frameworks in place, overall donor political ambitions, as well as on the particular strengths and weaknesses of a specific donor in a given situation.

A fundamental lesson derived by Uvin from earlier (conflict) case studies is that “All aid, at all times, creates incentives and disincentives, for peace or for war, regardless of whether these effects are deliberate or not, before, during or after war. The issue is then not whether or not to create (dis)incentives, but, rather, how to manage them so as to promote conditions and dynamics propitious to non-violent conflict resolution” (1999: 4). In a similar vein Boyce observes, “The question is not whether donors will send a message with their aid, but what that message will be. It is not tenable to pretend that economic performance and foreign aid can be divorced from questions of war and peace. Nor can aid donors disclaim responsibility for the impact of their actions - or inaction - on the dynamics of conflict” (2003: 19).

### 3.4 Actors

Most discussions about conditionality concern the relations between *governments*, i.e. state-to-state relationships, but the debate also applies to other actors such as *multilateral agencies*, including International Financing Institutions, large international NGOs and their partners etc., and *non-state actors* such as rebel and guerrilla movements, peace ‘spoilers’ etc., though the latter categories are obviously less easy to target as objects of conditionality. Boyce shows how the IFIs and in particular the World Bank are making gradual movement in addressing the distinctive challenges posed by engagement in post-conflict reconstruction and peacebuilding. The World Bank has made several institutional innovations, such as establishing the Conflict Prevention and Reconstruction Unit, operating Trust Funds, setting up Demobilisation and Reintegration Programmes, making Conflict Sensitivity Assessments and launching the Low-Income Countries Under Stress Initiative (LICUS). The IMF has expanded its emergency assistance window. Regional banks are increasingly involved in post-conflict lending, but are still seeking to develop strategic policies and operational capacities (2004a: 3-7). Boyce concludes that the IFIs can support peacebuilding by using aid as a ‘carrot’, and that they need to explore how their aid can be more closely coordinated with steps to implement peace accords and consolidate peace, by for example incorporating peace accord commitments into interim PRSPs (2004a: 14-15).

Attention needs to be paid to what in reality constitutes ‘the donor’ when talking about (peace) conditionalities. A possible situation is one whereby several individual bilateral and multilateral donors try to negotiate their conditions individually with a government or non-state conflict party. NGOs negotiations usually take place at sectoral, programme or project levels. Individual donors sometimes operate in unison, e.g. under the banner of the European Union, or on the basis of a donor working group or similar arrangements. They may also operate jointly on the basis of periodic consortia meetings or ad-hoc conferences. These joint initiatives may very well exist alongside individual approaches. The donor side is thus a highly differentiated complex with inherently divergent and contradictory strategies, approaches and interests. Hewitt and Killick (1992) have shown how donor policies and criteria with regard to aid conditionalities differed considerably even over a decade ago. Their observations still hold today. This obviously offers room for recipients to negotiate and manipulate donor conditionalities.

On the subject of recipients, Uvin (1999: 3) observes that: “All these possible targets ... have very different capacities as well as different susceptibilities, i.e. different ways in which they are influenced and influenceable by ODA. In addition, these features vary between countries and within countries over time.” Here again I like to refer to the danger of reducing the recipient to a monolithic or unitary actor. It remains important throughout to realise that in practice a large variety of interrelated actors are involved in the ‘game’ of conditionalities, each with their own dynamic interests.

The presence of multiple actors on the recipient side implies that aid or peace conditions are perceived and, hence, may work out quite differently for the different parties involved and that consequently their effectiveness may vary considerably from one to the other. Moreover, as observed by Killick (1997: 488), it is dangerous to presuppose single decision units, for each donor and recipient government is a fragmented collectivity with varying interests and objectives. All these factors clearly are of relevance for the concerted and effective use of aid or peace conditionalities in donor practice. In some cases this may make the use conditionalities more difficult, in others it could become more feasible.

### **3.5 Donor-recipient relationships and power differentials**

In the debate on conditionality, the issue of relationships and power differentials between the donor and recipient is central. How symmetrical or asymmetrical are donor-recipient power relations? To what extent are incentive systems compatible? Do both parties have the political will and the requisite capacities to implement the conditions set? To what degree are the parties themselves fragmented or hold multiple views?

Stokke (1995: 33) has pointed out that no government can be forced to provide development assistance or to receive it. Donor preferences and commitments

tend to be subject to frequent change over time and provide little long-term security for recipients. Likewise, recipient countries may refuse to accept aid with too many strings attached, as has happened several times over the last decade. Yet the general picture, according to Stokke, is that aid relationships are highly asymmetrical, that foreign aid is by definition an intervention in the recipient country, and that weak, poor and heavily aid-dependent countries are worst off (1995: 33).

However, a more fine-tuned analysis shows that this general picture has variations on both sides. It may be helpful to see the discussions on conditionality as a negotiation situation in which the parties involved each have their own interests, forms and levels of leverage, capacities and resources, and generally their own strong and weak points.

Some of the following issues may play a part on the donor side:

- Donors tend to provide aid based on political and strategic considerations that have little to do with rewarding good policies or helping more efficient, less corrupt regimes (Alesina and Dollar 2000: 3);
- Donors have multiple goals and interests that may be mutually conflicting. Therefore, certain values and priorities may override particular conditionalities, or spill over and affect their implementation (Stokke 1995: 42). There may be trade-offs between macro and micro conditionalities (Jepma and Kamphuis 1993: 295) or between different forms and rationales (Collier et al 1997: 1402). In addition, different subgroups within the donor may have different goals, strategies and discourses;
- Economic aid should be judged on its own economic merits only and not on progress in other unrelated fields, such as democratic reforms or good governance, as combining the two forms of conditionality has made donor policies inconsistent, often capricious and less effective (Grosh and Orvis 1996: 1);
- Aid effectiveness is crucially dependent on broader policies, programs and the overall competence of recipient countries as well as on international economic trends and the trade and financial policies of the industrial democracies (Nelson 1992: 3), meaning there may be serious problems of attribution when discussing aid conditionalities;
- The withdrawal of aid may be a too drastic and disproportional measure for many donors (compare this with the problem of a nuclear deterrent in international relations) and therefore not a very credible threat. This has led to ‘menus’ of conditionalities, tranche-based lending, short-leashing and a series of mini-bargains that are possibly less potent (see a.o. Collier et al. 1997: 1402-3);
- Donors may be internally divided or face problems when qualitative criteria have to be operationalised during the implementation, leading to inconsistencies (Jepma and Kamphuis 1993: 293);

- Donors have to take into account the possibility of domestic constituencies being averse to certain forms of conditionality, potential fall-out in the recipient countries and international opinion (Jepma and Kamphuis 1993: 295);
- Other factors include historical ties with the recipient country in question, ideological ‘correspondence’, mutual cultural and perceptive notions, the extent of the aid relationship, the relative importance of the donor and the assertiveness of the recipient country and its negotiators (Elgström 1992: 156-159), and whether the action in question is unilateral or internationally coordinated (Stokke 1995: 45).

On the recipient side, some of the following factors may be relevant:

- The government’s domestic position and power base – strong or weak (Stokke 1995: 42);
- The degree to which there are divergent positions within the recipient country or the government and the scope this offers for alliances;
- Recipient country characteristics may be inimical to the success of conditionalities: power structures, (lack of) taxation base, the role and responsibility of the state;
- The question whether outside intervention strengthens the government’s domestic position and whether it may have a (positive or negative) snowball effect (Stokke 1995: 43-44);
- The country’s aid dependency (on this donor and overall; Stokke 1995: 44);
- Can the aid conditions be met by a small elite or do they require extensive follow-on measures? Are they ‘single-shot’, easily monitored and based on technical consensus? (Nelson 1992: 4);
- Is there a long-lasting influence on recipient thinking and an ongoing dialogue leading to recipient ownership? Or do the recipient governments in question remain indifferent or hostile, and will conditionalities, therefore, have no lasting effect (Nelson 1992: 4)?
- Is the government able to implement the measures proposed? 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.

Elgström distinguishes four major negotiation situations: The first one is between a relatively large donor and a small and poor recipient. This is a highly asymmetrical situation in which the donor can impose its conditions almost entirely. In the most favourable conditions the extreme poverty of the recipient country and relations of friendship may go some way towards mitigating this asymmetric pattern. A second category of countries is more developed, having more articulated policies of their own, deploying well-trained negotiators and maintaining overall friendly relations with the donor. Here, negotiations are more genuine and there is some space for independent demands and reciprocity. With regard to a third group, relations are less friendly, the recipient country being assertive about its independence, culture and traditions.

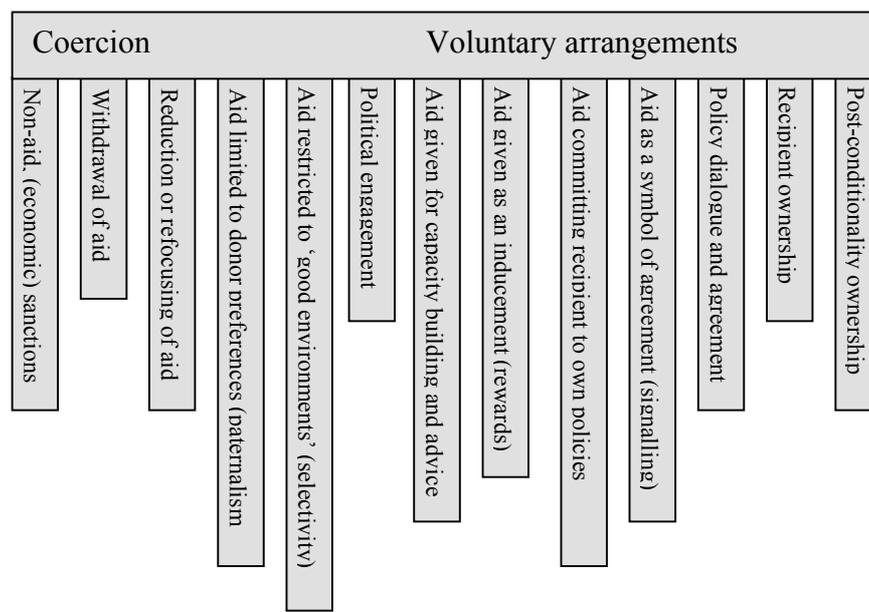
In this case negotiations can be hard and uncompromising. Finally, there are situations in which relationships are symmetrical, or very nearly so. This mostly concerns larger recipient countries with highly educated civil servants or countries not very dependent on external aid. Here donors have little traction and have to engage in real negotiations (Elgström 1992: 156-159).

In situations of extreme asymmetry donors probably do not need to employ particularly coercive means, even though this would not constitute a major problem per se. Unless a donor country likes to be heavy-handed, it can achieve its means through policy dialogue, inducement strategies and softer forms of conditionality, as a recipient country in such a situation actually has hardly any choice other than to accept what is proposed. In the second group defined above very much the same pattern prevails, though the amount of discussion could be greater, with more give and take. In the third category more coercive instruments may be used, while in the fourth this probably would not work, a consensual approach based on partnership and alignment being more advisable.

Hence, for an empirical analysis of negotiations about conditionality, it is necessary to define the characteristics and relationships of both donor and recipient countries and to assess their respective positions. One easily falls here into the trap of presupposing unitary donors negotiating with unitary recipients. Elgström's typology presented above, for instance, could benefit from a more differentiated and disaggregated picture on both sides of the relationship.

This further calls for an examination of the use of various instruments. Obviously there is no simple relationship between power differential of the donor and recipient on the one hand and the use of more or less coercive instruments on the other, as there are many intervening variables, among others at the historical, cultural and perceptive level. In addition, some instruments may be used in both hard and gentle ways, such as policy dialogue.

Arranging some of the instruments and approaches discussed above on a continuum from more coercive to more voluntary arrangements, the following rough sequence emerges, though the exact order may be subject to some debate:



Although the language of ownership and policy dialogue are employed increasingly, this does not mean that power imbalances and conditions have just withered away at the right side of the continuum. Obviously, 'kinder', 'gentler' forms such as 'inducement', 'policy agreement' and 'partnership' also may involve the exercise of power, even where donors deny this.

However, the exercise of power produces a countervailing power, as shown in James Scott's work on the 'weapons of the weak' (Scott 1985). An aid recipient also has 'agency' and deploys a range of strategies to resist, subvert or challenge the disciplinary strategies of its donor. This applies to all donor-recipient relations, but in conflict situations external strategies tend to have much less traction than where peace prevails. Aversion to donor strategies is obviously less where a recipient can use donor-driven measures to promote its own objectives, even where they differ from the donor's (Killick 1997: 488).

Conditionalities can be implemented in many different ways. We limit ourselves here to distinguishing eight descriptive modalities: form, level of formality, level of explicitness, level of comprehensiveness, level of coerciveness, time horizon, design characteristics and compliance regime. Annex 1, section V details various types under these eight modalities. As these are rather straightforward descriptive categories, we will not elaborate on them here.

Looking at the above possibilities, the term 'conditionality' covers various objectives and approaches. There are opposing views on its desirability and impacts. On the one hand there is the view that conditionality can be based on policy dialogue, agreement and partnership. Here, engagement, inducement, incentives and support are key notions. On the other hand there is the view that conditionalities are used to push governments to do things they would not otherwise do. Notions associated with this view are more coercive and include sanctions, aid withdrawal and reduction and selectivity. We hold that conditionality comprises both positive and negative approaches as long as follow-up actions are promised, threatened, or used to reward or punish good or bad performance respectively.

Finally, it should be mentioned that a lively debate is being waged about the way certain objectives are pursued. This involves normative aspects of aid conditionality, which refer to the extent to which various combinations of objectives and (coercive) tools are deemed legitimate in current relations between donor and recipient governments. In this context, donors and recipients as well as the public and media in both donor and recipient countries may conduct certain discourses with regard to aid and aid conditionality. Not only the very notions of aid, development and conditionality per se, but also concepts such as independence, sovereignty, ownership, partnership, accountability, transparency carry obvious connotations and are used to frame particular discourses or counter-discourses. This is an issue worth studying in itself and it may tell us something about the views, perceptions and sensitivities of actors involved.

### **3.6 Conceptual-descriptive framework.**

This chapter has dealt with the definitions, concepts and approaches to conditionalities. As a variety of terms and notions have been discussed in this chapter, with quotes from various sources, we summarise the main elements dealt with in a conceptual-descriptive framework given in annex 1. The framework has five components: generations of conditionality; rationales, goals and levels of conditionality; actors; contexts; and modalities.

## 4 Limitations Of Conditionality In Practice

Collier et al state that most criticisms of conditionality focus on the nature of the conditions set rather than on the principle of conditionality itself. Many observers have elaborated, for example, upon the negative consequences of tax conditions on social expenditure, especially in discussions on structural adjustment. Others have also stated that conditionalities as such may affect the credibility of the government and therefore encourage ‘policy reversal’ (Collier et al 1997: 1399-1400). In addition, there are criticisms on the principle of conditionality from a political or moral angle, issues as sovereignty and non-interference in domestic affairs or the dubious ‘right’ of donors to impose their will on recipients being invoked. Cortright mentions the likelihood of nationalist resentment and the classic ‘rally around the flag’ that may accompany the imposition of sanctions (1997: 10). As mentioned in chapter three, alternative discourses about these issues prevail in most societies, and even within the donor community itself for that matter.

Most debates in the aid establishment, however, focus on the effectiveness of aid conditionality. The issue of effectiveness is of obvious relevance, as conditionality is defined, as we have seen above, as an instrument to reach a further goal. What use would it be at all if it failed to achieve any objective?

### 4.1 Limitations of economic sanctions

A review of the literature reveals that many different types of limitations arise as soon as conditionalities are put into practice. The most illustrative and well-studied example is perhaps that of economic sanctions. Sanctions serve symbolic and expressive purposes, send messages of disapproval or solidarity, and reinforce international norms, but are rarely successful in terms of bringing about policy changes, according to most studies. As the drawbacks have been extensively documented, I limit myself to listing some of the major issues below. This list is by no means exhaustive.

#### Box 4 Limitations of economic sanctions<sup>6</sup>

- Documented lack of effectiveness, or effectiveness only in exceptional cases;
- Take a long time before they become effective, if at all;
- Lack of comprehensive implementation and rigorous enforcement;
- Sanctions only make sense if the costs are high for the target and low for the initiator, the initiator is more powerful economically and has extensive trade relations. This situation does not always occur and certainly does not exist for all relevant members of the international community, seriously affecting international consensus;

<sup>6</sup> Largely derived from Cortright (1997).

- Recipient states can easily counteract or undermine sanctions by adopting defensive measures;
- Sanctions may strengthen regimes due to nationalist sentiments;
- Sanctions may enrich elites profiting from illicit activities and enhance their power;
- Sanctions create hostility and resentment;
- Sanctions disturb communications and potential negotiations;
- Humanitarian costs of sanctions are generally borne by the poor, while elites manage to circumvent negative effects;
- Trade sanctions generally do not allow for fine-tuning, though financial sanctions (freezing bank accounts or foreign assets) provide a more precise instrument in this respect.

#### **4.2 Limitations of aid conditionality**

Killick examines the effectiveness of policy conditionality by international and other aid donors by using a principal-agent framework. “The essential problem is of how principals (in the present case, donors) can design contracts which embody rewards that make it in the interests of agents (recipient governments) to further the principals’ objectives” (1997: 487). Governments usually weigh the costs (government aversion to policy measures) and the benefits (the rewards attached to implementing them). It is unlikely that the objectives of donors and recipients coincide precisely, since the parties are answerable to different constituencies and are each constrained by the internal politics of their own organisations and probably have different time horizons (Killick 1997: 488). On the donor side, the adequacy and structure of the incentives offered are of central importance, including the credibility of the threats and the possibility of donor competition. Killick’s findings show that measures are indeed implemented when governments perceive them to be in their own interest and have a sense of ownership. However, the interests of donor and recipient governments have rarely coincided in cases where objectives have differed, the incentive system being generally too weak to accomplish actual implementation. The overall conclusion of Killick’s study is that conditionality is not an effective means for improving economic policies in recipient countries. He is also pessimistic about the possibility of progress (1997: 493): “Overall, the wide range of obstacles and the extent to which they go deep into institutional cultures discourage optimism about the possibilities of fundamental improvement.” Though Killick’s conclusions are interesting, one may object that he also departs from a simple, monolithic view on the parties involved, who again are placed in a basic dyadic position vis-à-vis one another. As remarked earlier, reality may be more complex.

Similarly, many other authors argue that conditionality, more often than not, is ineffective. It is not my intention here to provide an exhaustive review of the various criticisms on conditionality or discuss them at any great length, as this would go far beyond the purpose of this conceptual background discussion.

However, a limited overview may help to identify the types of problems involved. Below we list some major ethical problems of conditionality, unintended negative consequences, donor and recipient issues and design, assessment and compliance problems. Some of these issues reflect more general problems encountered in development aid at large. This overview may provide analysts with some ideas to ponder, and alert policymakers to the potential risks and implications of introducing conditionality.

### Box 5 Limitations of the use of conditionality

#### *Ethical problems*

- Conditionalities clash with the agreed international principles of sovereignty and non-interference in domestic affairs;
- Given donors' past record of inconsistency in applying principled standards of behaviour, attempts at conditionality are widely seen as illegitimate, leading to charges of double standards, unilateral imposition and neo-colonialism.

#### *Unintended negative consequences*

- Donor pressure often produces a backlash. Even if it works, negative conditionality may imply a high political price, as it creates a climate of fear, hostility, adversity, resentment, separation and resistance. Even positive inducements may be seen as 'bribes' with leaders in recipient countries declaring that national interests are 'not for sale' (Cortright 1997: 10);
- Positive inducements may lose their edge and become a form of appeasement or reward for and legitimisation of 'evil', especially in conflict situations (Cortright 1997: 11);
- Conditionality suggests that donors know best what is good for recipients and reflects power asymmetry, leading to resentment on the part of recipients (Nelson 1992: 5);
- Bargaining about conditionalities and procedures diverts attention from substantive issues, undermines local responsibilities for own actions and country, and may discredit reforms by making them appear externally imposed (Nelson 1992: 5);
- Conditionality introduces uncertainty about financial flows, which renders long-term planning more difficult;
- Different conditionalities by different donor governments may undermine the consistency of a recipient government's policies.

#### *Donor problems*

- Competing interests and agendas are a particular problem applying aid conditionality by international financial institutions and various bilateral donors;
- The 'threat' of conditionality may have a low credibility based on inconsequent donor behaviour in the past and a lack of joint donor coordination;
- Conditionalities may not fit into the broader relations between recipient government and donor country, while enforcement of conditionality might also be in conflict with other goals of the same donor, such as quick disbursement of financing or political, geo-strategic interests;
- A donor should have a reputation for fulfilling pledges and represent sufficient military, political and economic power, while the incentive held out must be able to change the political preferences of important actors. It is not easy to fulfil these requirements in combination;

- In most donor organisations, allocation and disbursement decisions are separated: the allocation process is centralised, while decisions to disburse are decentralised. This institutional set-up has led to a strong bias towards “always” disbursing committed funds to designated recipients, irrespective of the performance of the recipient government in question;
- Donors do not follow up on threats not to disburse funds. Aid is often disbursed anyway, as aid effectiveness is not measured according to results but rather the amount of aid disbursed. Though formally denied, “spending the budget” has in practice become a key goal in itself. Moreover, the size of a budget determines not only an overall spending program but also the status of a job. This leads to what has been called the “maximizing the budget” argument (Svensson 2000: 383);

#### *Recipient problems*

- Effectiveness depends on the values attached to the incentives in place and the changes required by a government. The importance or political sensitivity of disputed policies to a government may mean that conditionality is highly contested (some issues are simply non-negotiable or amount to political suicide). Effectiveness may be most likely in the area of ‘low-politics’, with small-scale changes achieved;
- Changes cannot be imposed from the outside, but must have a home-grown legitimacy. As Uvin remarks: “Sustainable dynamics of peace cannot depend on donors’ attempts to ‘twist the arms’ of unwilling governments. What is truly required is a change in attitudes and power inside the country, involving governments and civil societies, an approach that is historically, culturally and politically grounded – not imposed from abroad” (Uvin 1999: 14);
- Conditionality has little impact, if the recipient government has a low aid dependency;
- Leverage from the international community is often low, if not non-existent, as a result of the possibility of accessing resources from other donors (‘donor-shopping’) or from non-aid (commercial) sources;
- Aid conditionality may be largely applied at the level of rhetoric, thus offering the recipient government a way out by manipulating reality or simply producing desirable statements to please donors without working on substantive changes on the ground.

*Design, assessment and compliance problems*

- It is not easy to unequivocally determine whether or not recipient governments comply with conditionality or not. The assessment of the effectiveness of conditionality includes the same problems of a conceptual and methodological nature, of substantive and presentational credibility and of causality and attribution as conventional evaluation studies in the field of development assistance;
- Assessment and enforcement have further been compounded by the lack of a clearly defined compliance regime specifying measures resulting from the failure to meet specific criteria. Such a regime requires clear indicators and benchmarks;
- Another design weakness is the lack of guidelines when dealing with a mixture of progress on certain issues with stagnation or relapse on others. This raises the issue of proportionality in defining a proper response;
- Conditionality may degenerate into “a ritual where recipients pretend to comply and aid agencies pretend to believe them” (Nelson, 1992: 5).

### 4.3 Limitations of peace conditionality<sup>7</sup>

Apart from the general limitations listed above, there are some additional constraints with regard to peace conditionality. Number one is that aid alone has limited capacities to determine the dynamics of conflict, and is weak when weighed against the range of pressures and interests emanating from international, national, regional and local actors and dynamics. In general, the aid ‘carrot’ must be substantial enough to provide an incentive for pro-peace policies. This is rarely the case, given long-term socially and culturally embedded differences between the parties involved, often exacerbated by a history of war compounded by mutual hate and fear. There is a strong and largely well-founded perception that peace cannot be imported or imposed, but must be made by the people concerned. Only on the basis of such a domestic foundation can foreign aid help or support peace processes. Moreover, the impact of aid on conflict and peace is determined within the overall (often volatile) relationship between the recipient government and the international community. In a conflict situation the recipient may be less inclined to follow donor prescriptions, as its own sense of security – if not its very survival – is at stake.

Furthermore, work on conflict and peace is extremely political and normative. Donors have to work on principles and on ethical, moral and legal mandates to guide their efforts in this area. There may be a reluctance to engage in such issues given the complexities involved and the risk of failure. Therefore, we are often able to identify a tendency on the part of aid agencies to conduct development business as usual rather than focus aid effectively on the task of peacebuilding.

In the context of violence, where economies are based on natural resource exploitation, there is the problem of limited leverage. This is due to the limited volume of aid relative to incomes from natural resources, the fact that aid donors’ activities per se are limited or absent in conflict areas, and that conditionality does not affect rebel groups very much. Enforcement is impeded, as authorities lack effective control, while various donor governments may have competing priorities or political allegiances in the conflict at issue. Even if this is not the case, donor coordination may be complicated due to differences at the operational level or with regard to communication and information sharing. Box 6 gives an overview of some major impediments to donor coordination.

Uvin has noted that most elements for successful donor coordination or best practices identified by the OECD in its DAC Guidelines are ignored in practice (1999: 18). He suggests on the basis of his case studies that the following ‘alternatives’ to coordination may be considered: individual donor

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<sup>7</sup> Based on Uvin (1999) and Boyce (2003).

transparency, local ownership, decentralisation, leadership, innovation in diversity, and joint evaluations (1999: 20).

**Box 6: Some major impediments to donor coordination**

- Multitude of actors
- Transient actors
- Costs in time and money
- Need to satisfy own constituencies
- Need to serve national interests
- Donor competition
- Unwillingness
- Competing financing structures
- Differing mandates, policies or specialisations
- Differing timeframes
- Differing ‘cultures’
- Differing assessments of the situation (root causes) and of feasibility of solutions

**4.4 Best practices and alternatives**

Svensson concludes that recent empirical research suggests that on average aid does not seem to influence policy, which is the core of conditionality. He says, “We find no link between a country’s reform effort, or fulfilment of conditionality, and the disbursement rate.” (1997: 382-3). His research of bilateral and World Bank figures leads him to conclude that, “Committed aid and/or concessional adjustment finance are disbursed irrespective of the reform effort” (1997: 393) and that “[...] there is no significant relationship between the share of committed funds disbursed and the estimated reform effort” (1997: 390). These findings are largely corroborated by OECD and World Bank studies on the subject of conditionality. Boyce draws as a general conclusion that peace conditionality cannot offer a panacea for violent conflict. Yet, on the other hand, the complete absence of peace conditionality can undermine efforts to prevent conflict or resolve peace by other means (2003: 19).

Despite the above limitations and overall sceptical view regarding the effectiveness of conditionality, several authors have identified so-called ‘good’ or ‘best practices’ in general.

Conditionality should in the first place draw as much as possible on the policy agendas and objectives of a recipient country, most typically reflected in the programs and goals that are articulated and supported by actors or subsets of actors within the recipient countries and their governments. Development strategy documents (PRSP) or other overarching and jointly agreed or shared policy documents could play a role here, but these do not necessarily reflect the view of all relevant players. Donors should therefore be aware of the variations,

even if they wish to link funding to a single framework of conditions and a reduced set of indicators drawn from a recipient's PRSP or strategic framework, jointly agreed on with the recipient government in question.

Donors should further design conditionalities in such a way that the disbursement of funds is as predictable as possible in terms of its timing and magnitude. This means that review of performance requires a good timing: early verification extends the period in which budgetary authorities are aware of the actual amount to be disbursed and allows them to adjust spending in a more controlled manner. Finally, there should be complete clarity of the conditionality at issue and of its evaluation process: conditions attached to disbursements and the review process should be clearly specified and leave little room for interpretation, thus reducing the uncertainty. Preference should thus be given to specific conditions. Similarly, the lines of responsibility for disbursement decisions should be clearly established in order to ensure transparency and allow the recipients to understand fully the basis for these decisions.

However, it should be admitted that the aforementioned good practices are difficult to achieve in the case of political conditionality: the very nature of political conditionality makes it difficult to arrive at specific conditions. Accordingly, these should ideally be dealt with in the context of the overarching political dialogue between donor and recipient governments. The required overarching frameworks such as PRSPs are often absent in conflict countries, making the implementation of 'best practices' in the field of peace conditionality problematic.

A number of good practices can be identified with regard to peace conditionality.<sup>8</sup> These are listed in box 7.

**Box 7      Good practices in the field of peace conditionality**

- Aid needs to develop a strong ethical mandate to work on peace and conflict and build strong links with local society;
- Donors must make peace a top priority, ahead of other geopolitical, commercial and institutional goals;
- Donors need to work within a coherent and comprehensive policy including non-ODA actors, where aid is provided in concert with other instruments;
- Donors need to be seen as even-handed, targeting all relevant conflict parties;

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<sup>8</sup> Derived from Uvin (1999: 4).

- There is a need to design innovative approaches in new domains, fine-tuned to create incentives (and disincentives) for particular actors; aid conditionality should target aid valued by political leaders, but not include those types of aid that are crucial for the survival of populations at risk. This implies that humanitarian aid should be exempted from conditionality.
- Donors must rely on decentralised decision-making, allowing for timely, locally owned, coordinated responses;

- The negotiated settlement embodied in a peace accord represents an agreement between pro-peace factions within both sides to the conflict and offers an opportunity to continue the negotiations between and within these parties once the accord is signed. Peace conditionality in these settings can be seen as an effort to maximize the support that aid provides to pro-peace forces within the country both inside and outside the government.
- Donors must also design strategies that take account of regional dynamics, which have a bearing on most contemporary conflicts, and be aware of the complicated interface between the micro and macro level issues in conflict situations. In certain cases, local level change is the only option available to provide a good grassroots climate for later changes at higher and frequently more complicated levels;
- Donors must invest in new kinds of knowledge and human resources to deal with conflict in violent and divided societies, and to better understand the role of external actors in them;
- There is some concern about the level of conflict expertise within donor organisations: more human resource investments and more periodic training and development are required to prevent loss of institutional relationships, memory and capacity resulting from high staff turnover.
- Donors must develop new approaches in the field. One suggestion is to identify indigenous peace dynamics in the recipient country. Another is to set up local consultative panels to arrive at grounded and legitimate knowledge and also to provide a channel for communication and information-sharing;
- Finally, donors must continue to be aware of the trade-offs that traditionally exist in aid, but may have a special relevance in conflict situations: short vs. long-term, internal vs. external, principle vs. pragmatism and new vs. old tools (Uvin 1999: 20-22).

Collier et al argue against “attempting to purchase a pre-specified menu of policy changes” and promote switching to “the allocation of aid on the basis of a periodic overall assessment of government achievements” (1997: 1400). Svensson proposes the introduction of ex post incentives to reward good policies, where aid is committed to a group of countries and the actual amounts disbursed made dependent on relative performance. Though both proposals have evident advantages, they may prove difficult to implement in practice, as a

number of preconditions have to be met, such as consensus on conditions and an agreed, full-proof method for assessing performance. Uvin mentions the following alternatives to conditionality that seek to reach the same goals through different means: long-term constructive engagement, principled behaviour and negotiated benchmarks. The risk of long-term engagement may be complicity, endorsement, (tacit) support, or impotence with regard to contested policies. In the case of principled behaviour the donor communicates bottom lines to the recipient that it will not accept. Examples include attacks on donor's citizens, the violent overthrow of legitimate governments or massive killings of civilian populations in conflict. These benchmarks can be negotiated in return for significant, long-term assistance. They constitute in essence a form of internalised conditionality.

Based on the deliberations in chapter 2, 3 and 4, a number of critical issues have been identified that determine the approach, use and effectiveness of conditionalities in general and of peace conditionalities in particular. These issues are systematically put together in the form of a checklist that is presented in annex II. This checklist is intended for analysts, policymakers and practitioners and can be used for a variety of purposes: data collection, analysis, ex ante assessment, monitoring and evaluation.



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## Annex I Conceptual-Descriptive Framework For The Analysis Of Peace Conditionalities

### I. Generations of conditionality (adapted from Stokke, 1995)

<i>Generation</i>	<i>Period</i>	<i>Type</i>	<i>Focus</i>
First	1970-1980s	Economic reform	Economic liberalisation, domestic economic reform, structural adjustment loans
Second	1990s	Political and governance reform	Democratisation, rule of law, human rights, 'good governance', economic liberalisation
Third	1995-present	Conflict resolution and peace building	Conflict prevention, peacemaking, reconstruction, SSR, DDR, reconciliation, post-conflict peace building.
Fourth	1999-present	Peace enforcement	'Humanitarian intervention', War on Terror, establishment of local democracies, reconstruction and peacebuilding, civil-military cooperation and relations
Fifth	2005-present	Post-conditionality	Symmetric relationship between donor and 'partner countries', partner country leadership and ownership, alignment, transparency and accountability

## II. Rationales (adapted from Collier et al 1997), Goals and Levels of Conditionality (adapted from Stokke 1995 and Boyce 2002a)

<b>Rationales</b>	<b>Description</b>
<ul style="list-style-type: none"> <li>▪ Inducement</li> <li>▪ Selectivity</li> <li>▪ Paternalism</li> <li>▪ Restraint</li> <li>▪ Signalling</li> </ul>	<p>Aid offered as an incentive to change recipient's policies or behaviour</p> <p>Aid directed only to productive, 'good' policy environments</p> <p>Aid restricted to what donor considers to be good for recipient</p> <p>Aid used to commit donor to particular policies ('lock-in')</p> <p>Aid offered based on an agreement on donor's conditions</p>
<b>Goals</b>	<b>Sub-goals</b>
<ul style="list-style-type: none"> <li>▪ Political</li> <li>▪ Economic</li> <li>▪ Social</li> <li>▪ Humanitarian</li> <li>▪ Governance</li> <li>▪ Commercial/Trade</li> <li>▪ Security/Peace</li> <li>▪ Counter-terrorism</li> <li>▪ Process</li> <li>▪ Fiduciary</li> </ul>	<p>Democratisation, rule of law, human rights, free media</p> <p>Structural adjustment and liberalisation, poverty alleviation, income generation</p> <p>Gender equality, social sector development, ownership, partnership</p> <p>Humanitarian access, refugee and IDP issues, child soldiers</p> <p>Aid effectiveness, transparency, accountability</p> <p>Free trade, export promotion</p> <p>Conflict resolution, DDR, SSR, reconciliation, peacebuilding</p> <p>Anti-terrorist policies and collaboration</p> <p>Transparency, accountability, non-corruptibility</p> <p>Technical, administrative and legal (donor) issues</p>
<b>Levels</b>	<p>Systemic level, national policy level, sectoral or regional level, programme/project level, financial and administrative levels</p>

### III. Actors

<b>Donor configuration</b>	<b>Donor-recipient relation</b>
<ul style="list-style-type: none"> <li>▪ Individual bilateral donor</li> <li>▪ Multilateral donor</li> <li>▪ Joint donor group</li> <li>▪ Frameworks</li> <li>▪ Ad-hoc meetings or arrangements</li> </ul>	<p>State-state relations, state-non-state actor relations</p> <p>Multilateral agency-state relations, multilateral agency-non-state actor relations</p> <p>Donor group-state and donor group-non-state actor relations</p> <p>Consortia, (I)-PRSPs, Peace Accords, Trust Funds</p> <p>Pledging conferences, review meetings</p>
<b>Power relationship</b>	<b>Negotiation characteristics</b>
<ul style="list-style-type: none"> <li>▪ Symmetric</li> <li>▪ (A)-symmetric, conflictual</li> <li>▪ Asymmetric, friendly</li> <li>▪ Asymmetric, dependent</li> <li>▪ 'Post-conditional'</li> </ul>	<p>Reciprocal, agreement-focused</p> <p>Assertive, coercive</p> <p>Dialogue, support, accommodation</p> <p>Paternalistic, acceptance</p> <p>Alignment, partnership</p>

### IV. Contexts

<b>(Conflict) context</b>	<ul style="list-style-type: none"> <li>▪ Conflict</li> <li>▪ Post-conflict</li> <li>▪ Fragile states</li> <li>▪ 'Normal' conditions</li> </ul>	
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## V. Modalities

<i>Modality</i>	<i>Types of conditionality</i>	<i>Remarks</i>
Forms	<ul style="list-style-type: none"> <li>▪ Ultimatum</li> <li>▪ Pro forma</li> <li>▪ Allocative, ex-post</li> </ul>	Adapted from Killick, 1997: 487)
Level of formality	<ul style="list-style-type: none"> <li>▪ Formal</li> <li>▪ Semi-formal</li> <li>▪ Informal</li> </ul>	Adapted from Boyce, 2002a: 1025-6.
Level of explicitness	<ul style="list-style-type: none"> <li>▪ Implicit/tacit</li> <li>▪ Explicit/open</li> </ul>	
Level of comprehensiveness	<ul style="list-style-type: none"> <li>▪ Piecemeal, gradualistic ('menu', 'mini-bargains')</li> <li>▪ Comprehensive ('grand bargain')</li> </ul>	Adapted from Collier et al 1997: 1402-3.
Level of coerciveness	<ul style="list-style-type: none"> <li>▪ Positive</li> <li>▪ Negative</li> </ul>	Adapted from Waller, 1995: 111
Time horizon	<ul style="list-style-type: none"> <li>▪ Long, mid and short-term</li> </ul>	
Design characteristics	<ul style="list-style-type: none"> <li>▪ Reactive, ad-hoc</li> <li>▪ Pro-active, pre-meditated</li> </ul>	
Compliance regime	<ul style="list-style-type: none"> <li>▪ Ex post, ex ante</li> <li>▪ Targets, indicators, benchmarking</li> </ul>	

## Annex II Peace Conditionality: A Checklist

### 1. The context of peace conditionalities

- Brief description of the conflict (conflict actors, structural and proximate causes, actors' goals, incentive systems);
- Present situation incl. principal characteristics of peace agreement or ceasefire agreement;
- Nature of war-peace transition, including major constraints and bottlenecks;
- Role of international intervention during the conflict and in the peace process;
- Specific role of aid policies, strategies and programmes during the conflict and in the peace process; what proportion of aid is linked to the peace process compared to other forms of aid?
- Use or abuse of aid by conflict parties.

### 2. The implementation of peace conditionalities

- What has been the (brief) history of the use of sanctions and/or aid conditionalities in the respective conflict?
- Application of peace conditionalities by the donor community.
  - Which donors have applied peace conditionalities and which have not?
  - What were the stated reasons or rationales for adopting or not adopting peace conditionalities (inducement, selectivity, paternalism, restraint and signalling or others)?
  - What were the anticipated effects or expected outcomes of the peace conditionalities?
  - How does this relate to the respective donors' general policies with regard to conditionalities, their political, geo-strategic and commercial interests, and their broader relationship with the recipient?
  - Has peace conditionality been accompanied by the modification of other donor policies, including conditionalities, or has it simply been grafted onto existing donor policies?
- How have donors applied peace conditionalities?
  - Have peace conditionalities been consciously designed ex ante or have they been introduced in an ad-hoc manner as part of ongoing aid or other conflict-related efforts?
  - Have alternatives to peace conditionalities been considered, such as long-term constructive engagement, principled behaviour and negotiated benchmarks?

- Who initiated the introduction of peace conditionalities and who within the donors' organisation has final decision-making power with regard to peace conditionalities? Was there coordination between the different groups of actors involved (political, military, diplomatic, development aid and humanitarian)? What type of discussions took place?
- Which actors (conflict parties) have been targeted or intended for support?
- Has there been enough appreciation of the existing variations among the population or the government?
- What was the nature of the conditions (economic, governance or political/military)?
- What formal or informal forms of conditionality were applied?;
- What use was made of incentives and/or disincentives;
- Were the incentives/disincentives offered conditional or non-conditional or did they provide for a combination of both?
- What criteria or type of benchmarking were adopted to measure results?
- Was the process carried out unilaterally or were there consultations and/or agreements with the recipient? Which representatives of the recipient side were involved and in what way?
- Was the process of peace conditionality carried out by donors individually or with reference to overarching (multilateral) policy frameworks and/or documents? Which frameworks or documents were referred to?
- What was the timing and sequencing of the peace conditionalities?
- Was a short, medium or long-term time schedule applied?
- Which verification and compliance mechanisms were designed?
- What mechanisms for donor coordination with regard to the peace conditionalities were set up? What types of coordination took place (at the political, strategic, operational levels and with regard to communication and information sharing) or what alternatives were used (e.g. individual donor transparency, local ownership, decentralisation, leadership, joint evaluations)?
- What specific resources (financial and human resources, organisational arrangements) did the respective donor allocate to promote the proper functioning of the peace conditionalities?

### 3. The effects of peace conditionalities

- What have been the effects of the peace conditionalities?
  - Have the donors been able to implement their strategies with regard to peace conditionalities?
  - Have the stated reasons or rationales for adopting or not adopting peace conditionalities been realised in practice?
  - Have the anticipated effects or expected outcomes of the peace conditionalities been realised?
  - Has the application of peace conditionalities led to a more conflict-sensitive approach or to better ‘working on conflict’?
  - Have the effects materialised at all relevant levels or have they occurred mainly through small changes at the level of ‘low-politics’? Has it been possible to affect sensitive and/or contested areas of policy?
  - Has there been an equal effect on state and non-state actors or other actors/spoilers involved in the conflict?
  - What has been the impact at the level of the recipient’s policies, behaviour and utilization of aid?
  - Has the application of the peace conditionalities strengthened the local peace dynamics, has it influenced conflict parties’ attitudes and behaviour, has it strengthened pro-peace actors’ capacities, has it changed relations between conflicting actors (ethnic groups, state and civil society) and has it had a positive influence on the social and economic environment?
  - What has been the influence of peace conditionalities on the management of natural resources revenues by governments, containment of spoilers and building of alternative livelihoods?
  - Has there been an influence on human rights (including women’s rights) and the use of child soldiers?
- Have the peace conditionalities had unintended (positive or negative) effects?
  - Have there been attempts to undermine peace conditionalities by the recipient or subsets of actors and has this led to a subsequent ‘policy reversal’?
  - Have asymmetrical power relations emerged or been accentuated, with an associated mistrust, suspicion and breakdown in communications?
  - Was the donor accused of unethical or unprincipled behaviour?
  - Have negative, nationalist sentiments arisen among the local population?
  - Were the peace conditionalities sufficiently fine-tuned, or were costs and benefits inequitably distributed among elites and the poor?
  - Did the recipient go donor-shopping in response to the application of peace conditionalities?

- Has the application of peace conditionalities led to unpredictability of funding and has it undermined the recipient's development programmes or the consistency of its overall approach?
- Has there been an adverse 'securitisation' of development aid?
- What have been the determinants of effectiveness or lack thereof? (There are many potential factors and processes that may be of influence on the final results. Refer to box 4: 'Limitations of economic sanctions' and box 5: 'Limitations of the use of conditionality' for relevant factors and issues).
- What part has been played by the design characteristics of peace conditionalities (see for some relevant details section B above) in enhancing their effectiveness? What have been the relative strengths and weaknesses?
- What part has been played by internal bureaucratic donor processes and hindrances in shaping the results of the peace conditionalities?
- What part has been played by compliance mechanisms in monitoring, managing and improving effectiveness? What were the relative strengths and weaknesses? Have there been particular problems in assessing adherence to the conditions set and/or the effectiveness of peace conditionalities in general?
- Have there been any problems of enforcement?
- What has been the role of donor coordinating mechanisms in improving effectiveness? Did various donors have incompatible or competing agendas and interests? What were the relative strengths and weaknesses of coordination (refer for some details to box 6: 'Some major impediments to donor coordination')?
- To what degree were the good practices identified in box 7 followed in applying the peace conditionalities?

#### **4. Implications for policy and practice**

- What are the major findings and conclusions regarding the effectiveness of peace conditionalities?
- What have been the salient strengths and weaknesses?
- What are the major determinants of success or failure?
- Are there contexts that are not amenable to any form of conditionality at all?
- How might policies, strategies and programmes for peace conditionalities be designed differently in the short, medium and longer term?
- Is there a need to consider alternatives to peace conditionalities?
- What are the wider implications for donor support to transitions from war to peace?
- What are the broader lessons learned for policy practice?
- What recommendations can be made to differing categories of donors?