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*The Conflict, Security  
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# conflict assessments

A synthesis report:  
Kyrgyzstan, Moldova,  
Nepal and Sri Lanka

Jonathan Goodhand

# conflict assessments

ARE PUBLISHED BY

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## *The Conflict, Security & Development Group*

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# Executive summary

## Background

The elimination of poverty and achievement of the International Development Targets requires an understanding of conflict processes and the links between sustainable livelihoods, conflict reduction and peace building. The aim of this work on conflict assessments is to assist in designing development policy and programmes which are sensitive to the dynamics of peace and conflict, and which can contribute to the prevention, management and reduction of violent conflict. Case studies were conducted in four countries (Moldova, Sri Lanka, Nepal and Kyrgyzstan) and lessons generated from these studies will be used to develop a set of guidelines for the conduct of Conflict Assessments.

**Conflict Assessment (CA)** is a means of predicting and assessing the potential or actual impacts of development assistance on the dynamics of peace and conflict. It is an overarching term that includes *strategic conflict assessment (SCA)* and *programme/project level conflict assessment (PCA)*. This report focuses primarily on the strategic level of assessment.

A SCA was conducted in each country, which included the following: (i) **conflict analysis** (conflict structures, actors and dynamics); (ii) **policy analysis** (overall responses, aid donor policies and programmes and the impacts on conflict and peace) and (iii) **strategies and options** (policy options and strategies for development donors).

## Conflict analysis

The **security, political, economic and social dimensions of conflict** were mapped for each country. This helped to provide an understanding of the historical and structural antecedents of violent conflict.

In order to understand what converts latent into open conflict, an analysis of the motivations and incentives of conflict stakeholders and conflict trends and dynamics was conducted. It was found that countries are particularly vulnerable to violent conflict during **periods of transition and system change**.

The interplay between three factors was found to be critical in predisposing a country to violent conflict; (i) structural tensions, (ii) capacities to manage conflict, and (iii) opportunities to profit from violence.

## Policy responses to conflict

There appears to be considerable scope to address conflict dynamics more effectively if different policy instruments are applied in a coherent and co-ordinated fashion. International policies often undercut one another and undermine the effectiveness of conflict prevention or conflict resolution interventions. The sticks and carrots that might affect the calculations of conflict stakeholders have often not been applied in an intelligent and co-ordinated manner.

The case studies demonstrate that there may not always be a smooth convergence between the values and objectives of foreign policy, trade and international aid. A critical challenge appears to be to develop greater complementarity between a range of policy instruments.

In each country, the framework for development assistance and the hierarchy of priorities is set largely by the International Financial Institutions (IFIs). The pre-eminence of the market economy model and the **dominant role played by the IFIs** comes out very strongly in all four cases. Aid also tends to be highly concentrated amongst a few major donors, which gives them substantial leverage in terms of steering overall aid policy.

Although **donor co-ordination** mechanisms function in all four countries, the frameworks designed to co-ordinate and deliver aid are under-institutionalised and there is limited co-ordination at the strategic level. The United Nations has not, in the four case-study countries, played a strong co-ordination role, because of either capacity or political constraints.

Broadly speaking, three different **donor approaches to conflict** can be identified, each with its own set of assumptions and associated strategies:

- **working around conflict** – which treats conflict as an impediment or negative externality that is to be avoided;

- ***working in conflict*** – which recognises the links between programmes and conflict and makes attempts to minimise conflict-related risks, so that aid ‘does no harm’; and
- ***working on conflict*** – which are conscious attempts to design programmes in such a way that they ‘do good’.

The main development donors tended to work ‘around conflict’ and as a result inadvertently exacerbated tensions or missed opportunities to mitigate or resolve violent conflicts. A number of bilateral donors in each country are attempting to work more effectively in and on conflict.

## Strategies and options: towards more conflict sensitive aid

A number of recommendations are made which aim to contribute to more conflict sensitive approaches by DFID and other bilateral development donors. The synthesis highlights that donors need to appreciate and understand a number of factors, including:

- ***the political impacts of aid*** need to be explicitly recognised as part of conflict analysis;
- conflict is related to processes of enrichment as well as those of impoverishment. Therefore, donors need to consider approaches which ***limit the opportunities for ‘greed’***;
- the importance of ***timely and early intervention***. Donors need to be more attuned to local conditions and adapt their policies accordingly; and
- ***the breakdown of institutions capable of managing or mitigating violent conflict*** is a critical factor. Donors need to identify and support processes and structures that can facilitate a shift from violence to politics.

The case studies indicate that there should be a shift towards a ***greater emphasis on addressing the external causes of conflict and supporting internal responses and solutions***.

A critical challenge for the more conflict sensitive bilateral donors is to influence the major multilateral donors and to encourage them to take conflict more seriously.

There is a need for co-ordination arrangements that enable the international community to move towards joint diagnosis and joint prescriptions.

The report makes a number of more specific recommendations relating to interventions in the security, political, economic and social sectors, as well as highlighting a number of generic lessons to:

- strengthen and protect vulnerable states;
- reduce structural disparities, and address the underlying causes of conflict systematically, especially the horizontal differences in political as well as economic and social dimensions;
- be sensitive to the distributional impacts of aid;
- provide a combination of long-term support with short-term initiatives to affect immediate incentives systems, relationships and capacities; and
- limit the private incentives to leaders and followers to engage in conflict.

# Chapter one

## Background and introduction

This report represents a synthesis of the key findings of the Conflict Assessment (CA) project conducted by INTRAC for the Conflict and Humanitarian Affairs Department (CHAD) of DFID. The aim of this project is to assist developing donors in developing policy and programmes which are sensitive to the dynamics of peace and conflict and can contribute to the prevention, management and reduction of violent conflict. Case studies have been conducted in four countries (Moldova, Sri Lanka, Nepal and Kyrgyzstan) and lessons generated from these studies will be used to develop a set of conflict-related guidelines for the Conduct of Conflict assessments.

The report is divided into four chapters: chapter one provides an introduction and background on the conflict assessment project. Chapter two involves a comparative analysis of conflict in the four case-study countries. Chapter three examines policy responses to conflict with a particular focus on development aid. Finally, chapter four outlines, on the basis of our previous analysis, possible strategies and options for donors attempting to develop more conflict-sensitive policy and programmes in areas of latent or open conflict.

### Development and conflict

*‘Violent conflict disrupts lives and livelihoods, destroys societies and economies, and reduces people’s access to basic services. It often leads to large-scale population displacement and abuse of human rights, and can leave a legacy of bitter social and ethnic division which can last for generations.’<sup>1</sup>*

Although development and humanitarian assistance programmes are increasingly implemented in situations of latent or open conflict, there is insufficient understanding of: (a) the conflict related risks associated with such programmes and (b) the potential for development or humanitarian

programmes to prevent, mitigate or resolve violent conflict. There is a need to develop policy and practice that is more sensitive to conflict issues, so that they do not exacerbate tensions and conflict and in order to improve the effectiveness of development assistance programmes in contributing to conflict prevention and reduction.

A number of development projects and programmes are currently attempting to address conflict issues. In many cases, however, these conflict issues have not been identified and analysed in a consistent way. In other cases, in-depth work has been performed to provide the basis for an intervention, but this has not led to any generic guidance for working in conflict situations.

This project aims to develop a set of guidelines which will assist in predicting and assessing the potential or actual impacts of relief and development projects on the dynamics of peace and conflict, in conflict-prone environments. There is a growing awareness amongst donors and policy makers of the need to design programmes that mitigate conflict and strengthen the prospects of peace. This is demonstrated, for example, by the recent development of guidelines by OECD/DAC and the EU on conflict, development and peace-building. However, to date, there has been a lack of progress in translating such ideas into frameworks and tools that can be integrated into daily practice.

## **A note on conflict**

There is a confusing multitude of terms associated with conflict and peace-building which make it difficult to reach a common understanding of what is meant (appendix two provides a glossary of terms). In this report it is not possible to summarise the extremely complex literature and discourse. However, the following three points are emphasised as they have a bearing on our subsequent analysis.

- (a) We do not assume a model of ‘functional harmony’, with conflict in some way representing a departure from the norm. It is recognised that conflict has a positive dimension and is an essential part of the process of social and political change. Conflict management is, therefore, not about

preventing conflict but supporting institutions that are able to manage conflict in an inclusive and non-violent way. The four case studies illustrate the fact that the main challenge is one of conflict transformation; it is about supporting the transition from violence to politics.

- (b) Conflict is embedded in society and cannot be separated from ongoing political and social processes. Mainstream analysis often tends to reify conflict. It is seen as somehow being detached from society and can be ‘impacted upon’ and influenced by external agencies, in isolation from other processes. We have attempted to take a holistic approach, in which human security or insecurity is the result of wider social, political and economic processes.
- (c) Conflict serves important functions and confers benefits on certain groups and individuals. This study adopts a political economy approach to conflict analysis, which essentially means analysing the production and distribution of power, wealth and destitution during violent conflict, in order to explore the motives and responsibility of those involved.<sup>2</sup> This type of analysis has profound implications for aid donors and agencies who have traditionally focused on the coping strategies of the victims rather than on the perpetrators of violence. A political economy approach means developing an understanding of the motivations of the ‘winners’ so that one can better protect the rights of the ‘losers’ and address the underlying dynamics of violent conflict.

## **An approach to conflict assessment**

The **objective** of conducting conflict assessments is to develop policy and practice that is more sensitive to conflict issues in order to improve the effectiveness of development assistance programmes in contributing to conflict prevention and the reduction of violent conflict. Conflict assessments are usefully considered at two levels: strategic conflict assessment and programme level conflict assessment.

**Conflict Assessment (CA)** is a means of predicting and assessing the potential

or actual impacts of development assistance on the dynamics of peace and conflict. It is an overarching term that includes strategic conflict assessment (SCA) and programme/project level conflict assessment (PCA). Although the term conflict assessment tends to focus attention on the mitigation of risks that programmes will exacerbate or be affected by violent conflict, an integral part of CA is the analysis of peace-building opportunities.

**Strategic Conflict Assessment (SCA)** is a means of developing a country (or regional) contextual analysis, which includes an understanding of the conflict (open or latent), the conflict related risks associated with development or humanitarian programmes and the options for conflict sensitive aid. Although in practice, elements of this analysis may already take place, the value of strategic conflict analysis is that it encourages a more explicit and systematic analysis of the conflict and peace-building opportunities. It also provides the broad framework within which a more focused mapping of the conflict and stakeholders in relation to programmes/projects can take place.

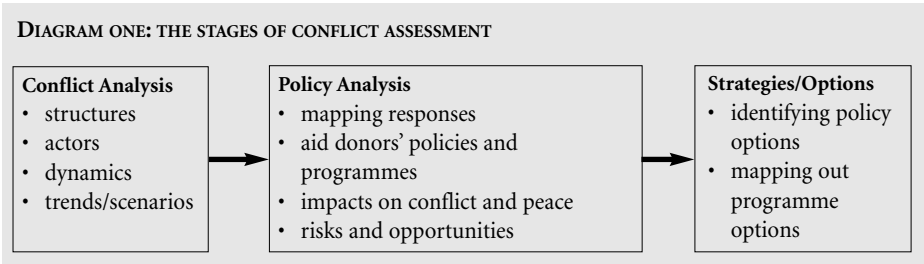
**Programme Level Conflict Assessment (PCA)** is primarily intended to help shape programme and project interventions in conflict-prone areas and is a means of managing the way in which individual development programmes and projects interact with situations of open or latent conflict. The process seeks to:

- minimise the negative effects of conflict on a project/programme;
- minimise the project/programme's negative impacts on conflict-related processes; and
- maximise the opportunities for conflict prevention and peace-building.

PCA can be used for pre-programme/project screening and appraisal, for ongoing monitoring during project implementation and post programme/project evaluation and for impact assessment. It is likely that each PCA will have to be customised according to the individual context; however,

it should be informed by a Strategic Conflict Assessment conducted for the country concerned. Therefore a SCA should be conducted prior to, or as part of, the PCA process.

This report focuses on the strategic level. The conflict assessment process was part descriptive (mapping out the conflict and current responses), part predictive (identifying conflict trends and future scenarios) and, finally, part prescriptive (identifying policy and programming strategies and options)<sup>3</sup>. Diagram one illustrates the key stages and activities in the conflict assessment process.



## Introduction to country case studies

This conflict assessment work involved four case studies; Moldova, Sri Lanka, Nepal and Kyrgyzstan. A strategic conflict assessment (SCA) was conducted in each country, while Moldova and Kyrgyzstan also involved a programme level conflict assessment (PCA) (See Appendix one for a summary of the key phases and outputs of the project).

These case studies were chosen after extensive consultation with DFID’s regional desks. A combination of factors influenced the choice of countries, including the capacity and interest available in the departments and the need to ‘capture’ a range of conflict settings. All four countries are characterised by structural tensions and imbalances, which have led to differing levels of latent and open conflict. The nature of the conflicts and challenges for international actors might be characterised as follows:

**Kyrgyzstan**, a ‘*potential conflict*’: a pre-conflict setting in which there are growing regional and internal tensions, associated with resources (water and land),

religious extremist and growing poverty. Although there have already been militarised incursions, the challenge is primarily one of conflict prevention.

**Nepal**, a '*simmering conflict*': the revolutionary Maoist-inspired insurgency is spreading geographically and growing in intensity. There is a growing realisation of the need for *conflict management* and de-escalation measures.

**Moldova**, a '*frozen conflict*': the secession of Transnistria from Moldova has led to a militarised stalemate, while new political dynamics caused by the economic transition have increased the potential for future conflict. The dual challenges are therefore *conflict resolution* (in relation to Transnistria) and *conflict prevention* (in relation to the transition-related dynamics).

**Sri Lanka**, '*hot conflict*': a secessionist conflict which has become protracted (the only one of the four cases that might be termed a complex political emergency) leading to over 60,000 casualties and widespread destruction. The main challenges are related to *conflict mitigation* (to mitigate the social and economic impacts of conflict) and *conflict resolution* (to stop the fighting and support a peace process).

Although the case studies provide a useful variety of conflict scenarios, one cannot draw definitive conclusions from such a narrow sample. The most notable gap is the lack of African case studies. Also lacking is a case study located at the extreme end of the conflict continuum, of a collapsed state, warlord variety, as, for example, in the Democratic Republic of Congo or Afghanistan.

# Chapter two

## Conflict analysis

### Key elements of a conflict analysis

In essence there were three elements to our conflict analysis:

- 1) mapping out the structures which may promote or mitigate latent or violent conflict;
- 2) identifying the *actors* or conflict stakeholders and their motivations, incentive systems and inter-relationships; and
- 3) analysing the *dynamics* of latent or violent conflict; the key trends, triggers and potential scenarios. Box one outlines in greater detail the key components of the conflict analysis.

#### **BOX 1: SUMMARY OF KEY SUBJECT AREAS FOR A CONFLICT ANALYSIS**

##### **Regional/country profile**

- Desk study of relevant reports and documents from development agencies and policy analysts, e.g. UNDP Human Development Report, Economic Intelligence Unit, International Crisis Group, DFID Country Strategy Paper, academic literature, websites and NGO reports

##### **Structures**

- Map out the main bases of tension and conflict – security, political, economic and social
- Identify, weight and prioritise the main problem areas
- Initial categorisation – summarise what is the essence of the conflict? For example inter-state tensions, failure of governance, growing exclusion
- Identify capacities for managing or mitigating tensions or violent conflict

##### **Actors**

- Stakeholder analysis of conflict actors – map out their interests, incentive systems and capacities
- What are their short-term and long-term goals?
- Which actors (and in which circumstances) are likely to have an interest in peace or war?

##### **Dynamics**

- What factors are likely to accelerate or slow conflict dynamics?
- What are the likely triggers for conflict?
- What are the overall trends?

##### **Future scenarios**

- What are the likely short-term and long-term scenarios?

# The structural dimensions of conflict

We have divided the structural dimensions of tension and/or open conflict into security, political, economic and social dimensions. Table one provides a summary of some of the key dimensions of latent and open conflict in the four case-study countries.

**TABLE 1: COMPARISON OF THE KEY FEATURES AND DIMENSIONS OF LATENT AND OPEN CONFLICT IN THE CASE-STUDY COUNTRIES**

	KYRGYZSTAN	NEPAL	SRI LANKA	MOLDOVA
KEY FEATURES	A 'potential' conflict: regional power interests, incursions from Islamic groups and growing structural tensions due to a stalled transition process. Growing likelihood of violent conflict triggered by social exclusion or tensions over resources.	A 'simmering' conflict: simmering since 1995 and escalating since 1998. 1,500 people have died. Largely 'low tech' but increasingly affecting whole swathes of the country. Certain areas, such as the mid-west, have become no-go areas for the government.	A 'hot' conflict: secessionist conflict, which has been going on since 1983. 60,000 people killed and over 1.5 million displaced. In the late 1980s the JVP uprising in the south threatened to lead to the overthrow of the state but was brutally put down by government forces, leading to 60,000 deaths	A 'frozen' conflict: the result of the secession of the breakaway republic of Transnistria. In addition, there are rising tensions and the potential for future conflict, due to the economic and political transition process.
SECURITY DIMENSIONS	<ul style="list-style-type: none"> <li>• Lack of capacity of Kyrgyz armed forces</li> <li>• Incursions from Islamic groups</li> <li>• Uzbek government's military activities</li> <li>• IMU – external support – bases in Afghanistan, drugs money</li> </ul>	<ul style="list-style-type: none"> <li>• Poor training and human rights violations by the police</li> <li>• Potential for increased role of the army</li> <li>• Arms supplying by Maoist groups in India</li> </ul>	<ul style="list-style-type: none"> <li>• Increased arms spending by government</li> <li>• LTTE building up stocks of weapons</li> <li>• Human-rights abuses by military actors on both sides</li> <li>• Tamil paramilitary groups</li> <li>• Army deserters in the south – increased law and order problem</li> </ul>	<ul style="list-style-type: none"> <li>• Russian troops and arms in Transnistria</li> <li>• Arms trafficking</li> <li>• Militarised border between Transnistria and Moldova</li> </ul>

	KYRGYZSTAN	NEPAL	SRI LANKA	MOLDOVA
POLITICAL DIMENSIONS	<ul style="list-style-type: none"> <li>• Stalled transition</li> <li>• Process of state capture by old political élites</li> <li>• Lack of separation between executive and judiciary</li> <li>• Declining capacity of the state to provide services</li> <li>• Lack of a legal framework</li> <li>• State control of the media</li> <li>• Political tensions between the north and south</li> </ul>	<ul style="list-style-type: none"> <li>• Regional geo-political interests (India)</li> <li>• Elite pact in 1990</li> <li>• Corruption</li> <li>• Fragmented political parties</li> <li>• Lack of capacity to deliver in out-lying areas</li> </ul>	<ul style="list-style-type: none"> <li>• Regional geo-political interests (India)</li> <li>• Majoritarian democracy</li> <li>• Sinhala Buddhist state</li> <li>• ‘Ethnicisation’ of political institutions</li> <li>• Failed attempts at constitutional change</li> </ul>	<ul style="list-style-type: none"> <li>• Regional and international geo-political interests (Russia &amp; US, Ukraine, Romania, Bulgaria, Turkey)</li> <li>• Battle for power between the President and Parliament</li> <li>• Centre–regions conflict – including Transnistria and Gagauzia</li> </ul>
ECONOMIC DIMENSIONS	<ul style="list-style-type: none"> <li>• Regional tensions over water resources</li> <li>• Withdrawal of Soviet subsidies and collapse of markets leading to plummeting GDP and growing poverty</li> <li>• Benefits of privatisation captured by national and local élite</li> <li>• Growing informalisation of the economy</li> </ul>	<ul style="list-style-type: none"> <li>• Liberalisation since early 1980s</li> <li>• Low growth</li> <li>• Regional imbalances – Kathmandu valley and east benefited from economic transition – poor mid-west and west</li> <li>• Unemployment. Labour migration to India</li> <li>• Environmental degradation leading to resource conflicts</li> </ul>	<ul style="list-style-type: none"> <li>• Employment, education and land colonisation programmes</li> <li>• Post 1977 liberalisation leading to increased horizontal inequalities</li> <li>• Deepening regional imbalances and pockets of poverty</li> <li>• Development of vested interests in relation to the conflict, for example arms deals and check points</li> </ul>	<ul style="list-style-type: none"> <li>• Budgetary crisis; growth in debt</li> <li>• Regional imbalances – south has more power than the centre and north</li> <li>• Flourishing parallel grey and black economy</li> <li>• Growth of Mafia activity</li> <li>• Increased poverty and horizontal inequalities</li> </ul>

	KYRGYZSTAN	NEPAL	SRI LANKA	MOLDOVA
ECONOMIC DIMENSIONS (continued)	<ul style="list-style-type: none"> <li>• Land privatisation likely to lead to growing landlessness and rural immiseration</li> <li>• Population growth, particularly in the south leading to conflicts over resources and environmental degradation.</li> </ul>			
SOCIAL DIMENSIONS	<ul style="list-style-type: none"> <li>• Decline of social safety nets, for example major cuts in state spending for education and health</li> <li>• Growing importance of radical Islam</li> <li>• Ethnic tensions primarily between Uzbeks and Kyrgyz in the south</li> </ul>	<ul style="list-style-type: none"> <li>• Caste tensions</li> <li>• Inter-generational tensions</li> <li>• Social exclusion, growing sense of grievance, particularly the youth.</li> </ul>	<ul style="list-style-type: none"> <li>• Competing nationalisms – Sinhala and Tamil</li> <li>• Education system</li> <li>• Religious – Buddhist nationalism</li> <li>• Frustrated youth</li> </ul>	<ul style="list-style-type: none"> <li>• Unformed national identity</li> <li>• Tensions over language</li> <li>• Decline of social capital</li> <li>• Labour migration, particularly the youth</li> </ul>

An exhaustive comparative analysis of the structural roots of violent conflict is beyond the scope of this report. Although recent writing on conflict questions the relevance of ‘root-cause analysis’,<sup>4</sup> we would argue that it is still important to start from an adequate understanding of the historical and structural antecedents of violent conflicts. Our analysis is necessarily selective, but attempts to highlight some of the key issues of particular relevance to aid donors working ‘in’ and ‘on’ conflict.

### *Security dimensions of conflict*

A critical factor underpinning growing insecurity has been a decline in the state’s monopoly of violence. Crises have been precipitated when the state proved unable to contain and resolve crises through repression, co-optation or containment. States lose their legitimacy when they fail to assure the basic security of citizens from human-rights abuses, crime and physical violence. In Sri Lanka, for instance, villagers inhabiting border areas live in a climate of impunity and in a sense fall ‘below the law’.<sup>5</sup> Weak states tend to escalate conflict dynamics by addressing them solely as a security problem rather than engaging with the underlying sources of grievance. In Sri Lanka, for instance, there has been a tendency to label the conflict a ‘terrorist problem’, leading to a belief in the military solution, which has in turn fuelled ethnically based grievance.

As violence becomes more protracted there tends to be a shift in power towards military actors. In Sri Lanka, for instance, military spending has increased substantially, from having a largely ceremonial army of 12,000 in 1983, it has grown to its present size of around 200,000, squeezing development budgets and placing a growing burden on the economy. Security forces may increasingly act as a ‘state within a state’ and are only loosely controlled by democratic institutions. In Nepal, the police force is poorly trained and equipped and is responsible for wide spread human rights abuses, which has resulted in increased support for the Maoist movement (CPN-M).

Non-state military actors have profited from the related processes of

weakening states and a deregulated global environment. Their ability to link into global markets and to operate in the space left by weakened states was a striking feature of all four case studies. Equally striking was the lack of hard data and analysis of such groups by the international community. This is surprising, since military formations, such as the IMU in the Ferghana valley, the LTTE in Sri Lanka and the CPN-M in Nepal, have had a profound influence on national and regional insecurity.

As conflicts become protracted, the economic-military linkages become more entrenched. A classic example is the link between the drugs trade and IMU activities in Central Asia. The LTTE's international network operates in 40 countries and includes a large number of illegal businesses such as drug peddling, gun running and human trafficking.

Increasingly, violence becomes the means of gaining economic benefits. Rather than trying to win a war, non-state entities may be primarily concerned with controlling spheres of influence and providing a stable environment for taxation and predation of resources. Such groups have proven themselves to be extremely innovative and adaptive. Through developing a 'loud discourse of grievance' they are also able, as the LTTE and the CPN-M demonstrate, to mobilise much greater levels of commitment than government forces.

It would be too simplistic, however, to argue that violence is driven purely by economic motives or 'greed'. Clearly, political or social exclusion, leading to a discourse of 'grievance', is also important. Militarised groups, such as the LTTE and the CPN-M, have political aspirations and, in both cases, it was the failure of parliamentary democracies to meet these aspirations which led them to take up the gun. Both groups have levels of popular support, and violence has been legitimised by political and social exclusion. Based on the evidence of the case studies, conflict did not result from purely 'greed' or 'grievance' but a complex synergy of the two.

Protracted conflicts lead to the militarisation of societies and have a corrosive effect on political and social institutions at all levels. However, it is the poor who suffer most from chronic insecurity and who place a high priority on

security, justice and order. Box two illustrates how endemic insecurity has had an impact on Sri Lankan society. To an extent, one could observe similar processes beginning to occur in Nepal, which is still in the early stages of violent conflict.

**BOX 2: NEW FORMS OF SECURITY AND INSECURITY IN SRI LANKA**

The secessionist war in Sri Lanka started 1983. The conflict is spatially defined, with the main theatre of war in the north east and on the surface there is a deceptive normality in the rest of the country. However, militarised violence has become an island-wide problem, and has had a corrosive affect on Sri Lanka's political, economic and social institutions.

The armed forces have grown from 12,000 to 200,000 in less than 20 years and military expenditures accounted for 6% of GDP in the 2000 budget. Protracted conflict has undermined democratic political processes, and there are limited restraining influences on military actors. In one third of the island, it is the military that make the key decisions. The armed forces have become highly politicised leading to reduced effectiveness as patronage becomes more important than performance. The government forces have, for example, poorer intelligence gathering capacities than the LTTE. Due to limited controls on military actors, widespread human-rights abuses have been committed by both sides. There has also been a growth of paramilitary groups fighting on the government side who are only loosely controlled by the state. Violence has in effect been franchised out to such groups who perform intelligence gathering, terror and counter-insurgency functions.

The LTTE have grown into a highly effective fighting force of over 5,600, and a further 1,500 has been raised through the civilian militia. In contrast to the government forces, they are highly motivated and well organised. They have proved themselves to be infinitely adaptable, having moved from guerilla to conventional warfare at different stages of the war. They also maintain a naval arm, the 'Sea Tigers' and a suicide force, the 'Black Tigers'. In addition to their military arm, they have a political and civil administration, which

have assumed quasi state-like functions in the north east, including a taxation system and law courts.

The use of terror and show killings is widespread. Increasingly violence has become normalised and routinised, not only in the north east but in the rest of the country where election violence and violent crime (often from army deserters) have become endemic. Chronic insecurity exacerbates poverty and, to an extent, the urban élites have insulated themselves from the problem and endemic insecurity is primarily a problem experienced by the rural poor.

Source: adapted from Goodhand, 2000

## *Political dimensions of conflict*

### *International factors*

In the post-Cold War era, strategic interests are less clearly defined and less predictable. Particularly in the post-Soviet states like Moldova and Kyrgyzstan, the patterns of international collaboration and competition are still emerging, often in surprising ways. In Central Asia, for instance, competition in the early 1990s between Russian and Western interests has in recent months evolved into a convergence of interests around security and terrorism.

Another important international factor, which has perhaps been under recognised as an influence on conflict dynamics, has been the role of international public policy and external intervention. Although analysed in more detail below, it is important to recognise that external interventions often become a central part of the conflict dynamic. This applies at both a macro-level – for example, Romania’s pending entry into the EU has had a profound impact on tensions within Moldova, and Kyrgyzstan’s accession to the WTO has exacerbated regional rivalries – and at the micro-level where individual programmes and projects can follow political or ethnic fault lines.

### *The history of the state*

The case studies point to the need for analysis to focus on processes of state

formation and transition. Violent conflicts are rooted in ‘pathologies of the state’, and conflict in turn leads to profound changes in the nature and capacities of the state.

An historical analysis of the processes of state formation is a necessary starting point. Conflict in Sri Lanka, for instance, can be traced back to the way the colonial and post-colonial states reinforced exclusive conceptions of political community and citizenship. An historical analysis of Moldova and Kyrgyzstan highlights the artificiality of the state, which has a poor ‘fit’ with the nation. Historical contradictions and tensions have led to challenges to the state. In Sri Lanka and Moldova this has taken the form of a separatist challenge, with attempts to establish Tamil Elam and Transnistria respectively. In Nepal, the stated goal of the CPN-M is the violent overthrow of the state. In Kyrgyzstan the goal of emerging militant groups is less clear; some argue that it is about establishing an independent ‘Caliphate’<sup>5</sup> in the Ferghana valley, although many think that their primary objective is to control the lucrative trans-border drugs and smuggling trades.

### ***Failed transitions***

Conflict is a feature of all political systems. However, it is the failure of such systems to manage tensions linked to political and economic transition processes, that converts latent conflict into open violent conflict. All four countries have experienced failed or stalled democratic transitions, leading to a gap between citizens’ aspirations and the state’s capacity to deliver, which has, in turn, fed a growing sense of grievance. Democratisation has been in many respects a destabilising factor. In Sri Lanka, majoritarian democracy, which lacked the necessary safeguards for minority interests, has been a driving force behind the conflict. In Nepal, although democracy was the result of the Jana Andolan (people’s revolution), it only ‘mimicked a revolution’<sup>7</sup> amounting to an élite pact between the Palace and the urban middle classes of the Congress Party. In the years following the Jana Andolan, the chasm between democratic aspirations and democratic practice led to growing dissatisfaction.

To an extent democracy has been ‘thrust upon’ Moldova and Kyrgyzstan, and they face the twin challenges of establishing liberal and democratic institutions after many years of autocracy. Periods of transition represent important turning points and the choices made at such times of system change are critical.<sup>8</sup> The political and institutional choices that were made have left a legacy of grievance. Nepal, for instance, rather than representing a break with the past was a messy compromise. Kyrgyzstan is in many respects a model transition country in terms of adopting the Western model of democracy and economic liberalisation. However, the product of the transition process has been a hybrid form of governance which combines elements of older patrimonialism with the institutions of a modern nation state.

Table two summarises some of the key characteristics and problems associated with political transition processes in the four countries.

TABLE 2: POLITICAL TRANSITION PROCESSES

	NEPAL	KYRGYZSTAN	MOLDOVA	SRI LANKA
<b>Type of transition</b>	Democratisation through popular pressure (leading to high aspirations)	Independence thrust upon Kyrgyzstan. Stalled transition from autocracy to democracy	Transition process frozen due to lack of resolution of first order questions over the nature of the state	Gradual erosion of democratic institutions linked to the conflict and economic transition
<b>Nature of elite competition and collaboration</b>	Elite pact between the Palace and the urban middle classes of the Congress Party	Continuity between old nomenclature and the new élite. Influence of clan-based alliances	Continuity with old élites. Split between Russian and Romanian sympathies	Ethnically defined political élite. Importance of caste and class
<b>Key problems</b>	Growing corruption and lack of responsiveness to excluded groups, particularly the rural poor	Capture of the state by élites. Competition over shrinking resources	Lack of resolution of the first order questions about the nature and identity of the state	Crisis of state identity and legitimacy. Exclusion of ethnic minority due to democratic majoritarianism

### ***Elite interests***

States have been ‘captured’ or colonised by particular interest groups. In Sri Lanka, the state has been progressively ‘Sinhalsed’. In Kyrgyzstan, the state has been captured by the nomenclature or communist élite. In Nepal, the practice of ‘chakri’ – in effect a form of institutionalised sycophancy – is an extreme manifestation of the patronage politics that characterises all four countries. The conspicuous consumption of Kathmandu-based politicians has further fuelled the sense of grievance and legitimises violence in the countryside. Violence is often the result of the breakdown of élite pacts, as in the case of Nepal – the communists representing elements of the disaffected intelligentsia and rural masses against the Palace and the urban middle classes. As violence becomes protracted élite positions may become increasingly polarised and those taking moderate positions are systematically undermined or killed – as, for example, in Sri Lanka.

### ***State institutions***

Formal democracy *per se* is not enough. There is a considerable difference between formal, procedural democracy and substantive democracy and, to varying degrees, the countries have failed to institutionalise democratic politics. Although Kyrgyzstan may have the ‘form’ of a democratic polity, the underlying ‘norms’ are based on personalised patronage politics. Government positions are granted as ‘hunting licences’, a means of gaining access to power and wealth. Although in theory there is a separation of powers and the rule of law, in practice, power is centralised – for example, the President appoints all judges – and is unpredictable. Although laws are enacted, they are not implemented in practice. This leads to short-term and opportunistic behaviour. Therefore, although the institutions exist, the key problem is the absence of a democratic political culture.

### ***State capacities***

In Sri Lanka, the conflict is rooted in a crisis of the identity, legitimacy and

capacity of the state.<sup>9</sup> These three factors are inter-related; the state's declining capacity has undermined its legitimacy. The lack of public service provision to the north east and the state's close association with a Sinhala Buddhist discourse further undermines its legitimacy with the Tamil population. To an extent state, capacities are being undermined from above – by globalisation, Trans-National Corporations (TNCs) and aid donors – and from below – colonisation by civil-society interest groups and the growth of militant groups. Reform processes have led to states cutting back on their social welfare functions, which in turn has undermined social contracts with their citizens. This process has been most abrupt in the post-Soviet states, which had been relatively successful in providing health, education and welfare services to their citizens. In Kyrgyzstan, as the economy becomes increasingly informalised, the government's revenue base shrinks, while non-state actors such as the IMU are able to thrive and grow by generating resources through the black economy.

### ***Public policy***

The state becomes associated with particular interest groups and lacks responsiveness to a broad range of social groups. University entrance requirements, language policy and land colonisation programmes in Sri Lanka reflect a tendency for public policy to respond to particular interests. Even if policies are enacted, they may not be implemented because of the politicisation of the bureaucracy. Human-rights legislation in Nepal has not been implemented because of weak monitoring mechanisms and a lack of political will to enforce them.

### ***Participation, citizenship and civic engagement***

The role of political parties appears to be particularly important in acting as transmission belts between the state and civil society. In the former Soviet states and in Nepal the political party system is fragile and embryonic. In Nepal, coalition politics has failed to produce effective and stable governance. Even in Sri Lanka, with a long history of democratic politics, the political

process is characterised by a dangerous combination of political mobilisation alongside institutional decay. Parties tend to have opportunistic and short-term agendas and to lack roots.

This contributes to the lack of the citizen's voice and engagement in the political process. As one commentator in Moldova commented, 'we don't have citizens, only inhabitants'. In Sri Lanka, exclusive conceptions of political community and citizenship predominate. In Nepal, the greatest block to pro-poor public action is the weakness of the organised voice of the poor. This is partly due to the stunted and state led history of civil society in Nepal. It may also be due to the post revolution politicisation of civil society. Democracy and democratic norms have failed to penetrate the wider society. In Moldova and Kyrgyzstan, respondents frequently alluded to the passivity of the populations. In the short term this may prevent conflict from breaking out, however, in the long run, it is likely to stunt the development of democratic institutions, leading perhaps to open conflict in the future.

As recent research on poverty argues, where the state is weak and fractured the same is likely to apply to civil society.<sup>10</sup> In the case-study countries, there was limited evidence to suggest that civil society could by itself resolve or prevent violent conflict. Civil society organisations tended to reflect the wider fault lines and tensions within the state and society at large.

### ***Responses to state crisis: governance without government?***

The de-legitimising processes outlined above have led to widespread alienation from the regime, from the political process and ultimately from the state itself. There is a growing lack of trust – or structural social capital – in the state, contributing to the emergence of alternative forms of governance. New and competing sovereignties have emerged and where violent conflict has become entrenched, quasi-governmental structures have developed. As the CPN-M and the LTTE demonstrate, for significant proportions of the population, legitimacy resides outside the state. Such non-state structures increasingly take on state-like functions by providing security and regimes of taxation – and predation.

### *Economic dimensions of conflict*

A number of current writers place a strong emphasis on economic agendas rather than societal grievance, as a key determinant of violent conflict. As Collier notes, 'wars cannot be fought just on hopes or hatreds'.<sup>11</sup> Of central importance is the financial viability of rebel organisations. According to Collier, conflicts become violent and protracted when military groups can raise the funds to sustain themselves.

### *Economic transitions; growing debt and vulnerability*

The four countries are undergoing different types of economic transitions. Moldova and Kyrgyzstan are involved in a more profound shift from a command economy to a market economy. Sri Lanka and Nepal, on the other hand, are liberalising economies, which began to open up and deregulate in the 1970s and 1980s respectively. In both countries, deregulation and liberalisation led to initial successes in macro economic stabilisation and growth. However, particularly in the case of Nepal, growth has slowed down. To an extent, declining performance can be attributed to the lack of institutions to sustain growth.

Liberalisation has opened up fragile economies and increased their vulnerability to external shocks. Kyrgyzstan and Moldova, for example, were badly hit by Moscow's stock market collapse in 1998. It has been argued that Kyrgyzstan's entry into the WTO has had a destabilising effect both politically and economically. Both post communist countries have experienced a devastating decline in economic performance. In Moldova, economic growth has been negative in every year since 1990. The Moldovan economy has experienced 'the most devastating peacetime decline in economic performance and living standards of any country in modern times'.<sup>12</sup> In Kyrgyzstan, real incomes dropped by over 73% between 1991 and 1997. A process of 'de-industrialisation' has taken place with the privatisation of State-owned businesses which led to quick asset-stripping and then the closure of many of them, causing widespread unemployment. Both countries are heavily indebted and dependent on multilateral credits from the IMF and the World Bank. The aid dependence of

these countries (like Nepal) heightens their economic vulnerability because aid flows are so volatile and unpredictable.

### ***Poor economic governance***

Moldova and Kyrgyzstan were viewed as regional showcases by the multinational lending agencies because of their strict adherence to macro-economic reform programmes. However, in the same way that the political transition has resulted in a hybrid system, the economic system, though it meets many of the reform criteria, is dominated by elite interests. In Kyrgyzstan, for instance, those few sectors of the economy that are profitable have been cornered by the family members of the political élite. In Sri Lanka and Nepal, market reforms to protect the poor and vulnerable from the private greed of the affluent are either weak or non-operative.<sup>13</sup> The lack of a strong legal framework discourages foreign investment, and neither Moldova nor Kyrgyzstan have been able to attract significant amounts of foreign direct investment (FDI).

### ***Uneven development processes***

Supposedly benevolent processes of development have contributed to the creation of discontented groups, and provided opportunities for predation and accumulation by national and local élites. The benefits of development have been unevenly distributed. This applies geographically, for example between the north and south in Sri Lanka, Moldova and Kyrgyzstan, and between the centre and west in Nepal. It also applies to rural-urban differences, and becomes extremely explosive when economic exclusion coincides with ethnic boundaries, as, for example, in Sri Lanka. Nepal has the highest Gini coefficient in South Asia, and is a society characterised by extreme horizontal inequalities.

In Sri Lanka, liberalisation has accentuated regional differences. The enclave economy of the north east has progressively declined as a result of the conflict. In the south, growth has mainly occurred in the urban, western province, leaving significant pockets of poverty and underdevelopment in the deep south.

Growing horizontal inequalities contributed to the JVP uprising in the late 1980s (see below).

The actual numbers of chronically poor is a disputed subject in all four countries. In Moldova and Kyrgyzstan, the figures show growing numbers of people in absolute poverty. In Nepal and Sri Lanka, there appear to be pockets of deepening poverty. This problem is accentuated by the lack of a strong responsive state with the capacity to correct regional imbalances and compensate for market failures. Government poverty programmes have tended to be badly targeted and captured by political élites. In areas affected by open conflict, donors tend to withdraw development assistance – as for example in Sri Lanka and Nepal – which could feed into the negative dynamic of the conflict.

Poverty and horizontal inequalities are not by themselves likely to lead to violent conflict. In Kyrgyzstan and Moldova, growing poverty is experienced on an individual level and in many respects contributes to growing passivity. The critical factor, which contributes to open violence in both Nepal and Sri Lanka, appears to be the existence of excluded élites who are able to mobilise discontent and finance military action.

#### BOX 3: POVERTY AND CONFLICT IN NEPAL

Poverty is central to the dynamics of conflict in Nepal. The Communist Party of Nepal- Maoist (CPN-M) has mobilised rural support around the issues of social exclusion and poverty. The epicentre of the conflict is the mid-west and west, the areas experiencing the highest levels of poverty and with the least voice in democratic politics. The incidence of poverty is 2.6% higher than in urban areas and is closely linked to other forms of exclusion, including caste, gender and ethnicity. The majority of CPN-M cadres are from low-caste hill tribes and include a high proportion of women.

Poverty and prolonged economic stagnation have undermined the legitimacy of successive governments. Although the Government has highlighted poverty in its 9th development plan, poverty focused programmes have failed to make a significant impact. Moreover, the benefits of high-profile donor

supported development programmes have failed to trickle down, fuelling rural resentment. The labour force is increasing by 300,000 per year, whereas the estimated number of additional jobs amounts to only 150,000. The under-employment rate is estimated to be as high as 47%. In addition to mobilising around grievances, the CPN-M in heartland areas has taken on state-like functions, having organised land reform and community development programmes and set up law courts.

In Nepal, poverty appears to be both a cause and a consequence of conflict. It has provided a legitimising discourse for violence, while the conflict itself has led to deepening poverty in heartland areas. It is clearly a significant structural factor which needs to be addressed to prevent further escalation and to resolve the conflict.

Source: adapted from Goodhand, 2000

### ***The informalisation of economies***

Economies have become increasingly informalised. For instance, in Kyrgyzstan a growing proportion of the population rely on the unofficial economy, which has been described as a ‘bazaar economy’ relying on trading goods brought from other Central Asian states or Russia. There is very little productive activity or inward investment. In peripheral areas, some communities have withdrawn from the monetised economy completely as they retreat into a subsistence and bartering economy.

Where conflict becomes protracted, three distinct types of economy tend to emerge: *a survival economy* – which the majority of the population rely upon; *an official economy* – which becomes increasingly peripheral; and *a black economy* – which begins to dwarf the official economy and is controlled by national and local élites. Power is derived by control over informal markets. Owing to the lack of a regulatory framework and uncertainty about future prospects, economic behaviour becomes increasingly opportunistic. This type of economy is essentially ‘mechantilist’ and depends on the controlling of borders and maintaining price differences.<sup>14</sup> The same trans-border networks

tend to be involved in various forms of trafficking from drugs, to arms to human trafficking.

**BOX 4: THE SHADOW ECONOMY IN MOLDOVA**

It is estimated that the shadow economy that has developed between Moldova and the breakaway republic of Transnistria is over half the size of the official economy. The energy sector is said to be dominated by criminal elements. Estimates of the loss of public revenues to the Moldovan state that results from the shadow economy in the region transversing the Transnistria area, amount to twice the annual Moldovan budget. The shadow economy is comprised of two key elements.

1. The informal economy by which people cope with unemployment, collapsed living standards and wages paid in kind that are then traded for necessities or cash.
2. The criminalised trafficking in cigarettes, petrol, alcohol, pharmaceuticals, arms, drugs and humans that the absence of full control over its borders, combined with the meagre pay of border guards in Moldova, Transnistria and Ukraine, make possible. The complexity of the criminalised system makes it hard to eliminate because police are paid off, smugglers retaliate when confiscation occurs and big interests are said to be engaged.

Although its significance is recognised by international donors, there is still limited hard information about the shadow economy – for example, a recent World Bank report on the Transnistrian economy made limited reference to criminalised activities.

Source: Woodward, 2000

***Resource competition and environmental decline***

Collier argues that conflicts are more likely to be started by resource wealth than resource poverty – the existence of a primary high-value resource, such as

timber or diamonds, is one of the most reliable predictors of conflict.<sup>15</sup> None of the countries were endowed with a high value primary commodity, such as Angola, which has a high-value resource of diamonds. However, resource issues, often linked to environmental decline, were sources of structural tension at regional, national and local levels. This was most apparent in Kyrgyzstan and Nepal. In Kyrgyzstan, there are regional tensions with Uzbekistan over water and gas. Moreover, a combination of resource issues, including a growing population in the Ferghana valley, land degradation and land privatisation, are likely to be a major conflict flashpoint in the future. In Nepal, environmental degradation has been a major contributory factor to growing poverty.

In Sri Lanka, land colonisation schemes to relieve population pressures in the south have been associated with Sinhalese attempts to alter the ethnic balance of the population in the north east. The evidence suggests that environmental deterioration is not an underlying cause but a precipitating factor. It makes people vulnerable to stressful events and reduces their capacity to cope.

### ***Does the economy shape conflict or conflict shape the economy?***

We have argued above that certain types of economic conditions favour the development of conflict. Perhaps more important than poverty *per se* is the existence of opportunities for élites to accumulate in the vacuum left by a weak state. Conflict is likely to develop when the interests of such élites are challenged. Opening up trading regimes, for instance, is likely to challenge the interests of élites who have established monopolies and benefit from protection and price differences. To an extent, the economy shapes conflict. Conversely, as conflict becomes protracted, organised violence increasingly shapes the economy. Firstly, economic strategies of war develop – for example, the economic blockade of north east Sri Lanka and the bombing of economic targets in Colombo by the LTTE. Secondly, war economies grow to fuel the war machine and profiteer on the edges of the conflict – for example the CPN-M targeting

of rural banks, arms procurement deals of the Sri Lankan army, the LTTE taxation system and the IMU's control of the drugs trade. Thirdly, there are the collateral impacts of war on the economy – for example the decline of the official economy in areas directly affected by conflict, as in north east Sri Lanka and west Nepal, and the decline in FDI.<sup>16</sup>

## *Social dimensions of conflict*

### *Histories and discourses of violence*

A political economy approach tends to emphasise interests and the functionality of conflict. However, this overlooks the importance of passions as well as interests. Conflict entrepreneurs are aware of the importance of the emotional or affective economy, and the battle for hearts and minds is at the nexus of conflict dynamics. Violence comes from a peculiar combination of powerlessness and power. In Sri Lanka, for instance, the conflict cannot be understood without an analysis of the 'double minority complex' of Tamils and Sinhalese; both see themselves as embattled minorities.

History plays a central role in the battle for hearts and minds. One of the most important blocks to resolving conflict in Sri Lanka is the lack of a trans-ethnic historical mythology. The mythical histories of Tamils and Sinhalese are reinforced by the media and by an education system that emphasises ethnic and language boundaries. As Ignatiev notes, it is not how the past dictates to the present but how the present manipulates the past.<sup>17</sup> Similarly, in Moldova, there is a lack of a common identity to provide legitimacy and ballast to the post-Soviet State.

Language was highlighted as a particularly important issue in all four case studies and it was used as a tool by élites to exclude or to mobilise groups. In Moldova, there are tensions over the use of the Romanian and Russian languages; in Kyrgyzstan, over the use of Kyrgyz, Russian and Uzbek; in Sri Lanka, over Tamil and Sinhala; and in Nepal, over Nepali and local dialects. Language, therefore, is both a currency as well as a source of identity. English may have the potential in some contexts to be a link language which mitigates

tensions, however it can also reinforce exclusion, by being a language of the élite, as has been the case in Sri Lanka.

As conflict becomes protracted, violence becomes part of the social experience. Increasingly violence acts as the key arbiter of societal grievance and it becomes routinised and normalised. This in itself becomes a major obstacle to the resolution of the conflict.

***Social capital and conflict***

Conflict has created new forms of both social inclusion and exclusion. Apart from the direct effects on human capital as a result of the decline of social safety nets, conflict has had important effects on social organisations and relationships. In some respects there has been a depletion of social capital, with declining faith in the state and erosion of ‘bridging’ social capital between groups. However, one can also discern a tendency to fall back on ‘bonding’ social capital through the extended family and kinship groups. Leaders have been able to utilise networks of social capital for perverse outcomes. In Sri Lanka, for instance, the LTTE have skilfully mobilised around Tamil identity to fight the war – while attempting to eliminate regional and caste-based tensions within the Tamil community. Table 3 outlines some of the inter-relationships between violent conflict and social capital. It illustrates how the security environment has a profound impact upon political, economic and social relations.

**TABLE 3: THE INTER-RELATIONSHIPS BETWEEN VIOLENT CONFLICT, POLITICAL ECONOMY AND SOCIAL CAPITAL**

	<b>‘Stable’ environment</b>	<b>‘Unstable’ environment</b>
<b>Security environment</b>	<ul style="list-style-type: none"> <li>• Security. Monopoly of violence. Predictability. Protection. Law and order. Rights respected</li> </ul>	<ul style="list-style-type: none"> <li>• Insecurity, disputed control, unpredictability. Inter and intra-household violence</li> <li>• Environment of impunity</li> </ul>

	'Stable' environment	'Unstable' environment
<b>Political economy</b>	<ul style="list-style-type: none"> <li>• Competition. Open markets. Investment</li> <li>• Market based transactions</li> </ul>	<ul style="list-style-type: none"> <li>• Monopolistic, forced markets. Parallel, grey economies</li> <li>• Lack of investment</li> <li>• Group-based transactions</li> </ul>
<b>Entitlements</b>	<ul style="list-style-type: none"> <li>• Productive activities. Direct, market and civic entitlements</li> </ul>	<ul style="list-style-type: none"> <li>• Decline of market and civic entitlements and increased reliance on direct and extra legal entitlements</li> </ul>
<b>Social capital</b>	<ul style="list-style-type: none"> <li>• 'Trust equilibrium'</li> <li>• Structural social capital; trust in the state and institutions</li> <li>• Cognitive social capital; trust and reciprocity – within and between groups</li> </ul>	<ul style="list-style-type: none"> <li>• 'Opportunistic equilibrium'</li> <li>• Decline of structural social capital – lack of faith in the state, erosion of formal rule-based institutions</li> <li>• Increased 'bonding' social capital and perverse or 'anti-social' capital</li> </ul>

### ***Identity and conflict***

Findings from the case studies concur with current research which questions essentialist, fixed notions of identity. Individuals or groups assume multiple identities, often as part of an elaborate survival strategy. In Sri Lanka, for instance, Tamils in Colombo may wish to emphasise their caste and class identity, rather than their 'ethnicity', as a form of protection. While identity can be a 'connector' which helps populations to survive in crisis, it can also be used by political entrepreneurs to mobilise groups for divisive purposes. Although it is beyond the scope of this report to examine the question of identity in depth, Box five provides an overview of some of the issues raised in the case studies.

#### **BOX 5: IDENTITY AND CONFLICT; OBSERVATIONS FROM THE CASE STUDIES**

**Ethnicity:** rather than ethnicity causing conflict, hardened identities were primarily a consequence of conflict. In Sri Lanka and Kyrgyzstan in particular, the 'real politics' of ethnic mobilisation were significant factors underpinning violent conflict. In Kyrgyzstan, titular nationalism was part of the

state building project, which virtually excludes the Russian and Uzbek populations. In Sri Lanka, the conflict has been characterised by the ‘ethnicisation’ of political and social life, leading to competing Tamil and Sinhala nationalisms. Whilst one should not discount ethnicity as a possible source of conflict, the case studies suggest that the critical factor is how ethnic cleavages are built and manipulated by entrepreneurs. Therefore, a greater focus might be placed on how individuals mobilise identity, rather than on how identity mobilises individuals.

**Gender:** conflict has had profound, but mixed impacts on gender roles and relationships. In Sri Lanka, as well as the obvious example of women bearing arms, gender relations have been transformed in many other respects. Women in the north east, for instance, have increasingly entered the public realm as they have either become heads of households or their men folk are unable to cross military frontlines. In the conflict-affected areas of Nepal, women have become increasingly radicalised and they play an important role in the Maoist movement. In Kyrgyzstan, the transition has had mixed impacts on gender roles. On the one hand, there is evidence that women have coped more effectively than men in entering into the informal economy. On the other hand, many of the gains made during the Soviet period in terms of women’s position in the public sector have been eroded by the transition. What comes out clearly in the four case studies is that violent conflict tends to result in an acceleration of social change and in a post-conflict setting it is neither desirable nor possible to go back to the *status quo ante*.

**Religion:** the case studies highlight the often ambivalent role of religion in relation to violent conflict. It can be both a ‘connector’ and a ‘divider’. Islam in Kyrgyzstan, to an extent provides a stabilising point for communities affected by rapid transition processes. However, it also represents a powerful force for mobilising and radicalising groups, particularly those excluded from the economic and political transition. The growing links between radical Islam, militarised groups and the drugs economy is contributing to

regional instability. In Sri Lanka, Buddhist nationalism has been a major contributory factor to the conflict and continues to be an important block to its resolution. On the other hand, inter-denominational groups, like the National Peace Council, have played an important role in building links between the Tamil, Sinhalese and Muslim communities. Therefore, religion can be a double-edged sword – it can be both a source of inclusion and exclusion – and a nuanced and context specific form of analysis is required.

**Age:** mainstream analysis of identity conflicts tends to focus on ethnicity or religion, there has been surprisingly limited attention paid to inter-generational tensions. However, the case studies highlighted the importance of inter-generational conflicts, which were a cause, and consequence of militarised violence. Once the conflicts in Sri Lanka and Nepal became violent, traditional power hierarchies based on age, caste and gender were challenged or overthrown. In Sri Lanka, it was the educated youth who were primarily responsible for the JVP uprising; in Nepal, Maoist recruits are primarily disaffected youths and, similarly, in Kyrgyzstan there is evidence that it is mainly young men who are joining the IMU. In spite of the evidence that countries with a significant proportion of disaffected youth are likely to experience violent conflict, government and donor policies tend to place insufficient attention on the needs and aspirations of young people.

**Caste and clan:** in order to understand conflict in Kyrgyzstan, Sri Lanka and Nepal, one needs to analyse clan and caste identities. In Kyrgyzstan, for instance, competition for political and economic resources tends to crystallise around clan-based groupings. In Sri Lanka, caste relations, particularly within the Tamil community, have an important influence on conflict dynamics, in spite of the LTTE's efforts to eradicate caste identities. In Nepal, one of the fault lines of the conflict is between the low-caste hill tribes of the countryside and the high-caste Bhramin and Chetri groups of the city.

**Class:** an analysis of class interests is important in terms of understanding

conflict in Nepal. The democratic transition represented an élite pact between the Royalists and the urban middle classes of the Congress Party. The transition raised expectations but did not meet the aspirations of the educated middle and working classes in rural areas. Although the Sri Lankan conflict is often analysed through an ethnic lens, class interests are also important. The Sinhalisation of the state was particularly significant because it had the greatest impact on the Tamil middle classes, who relied on government employment. This led to growing political activism from the Tamil middle classes and eventually into armed resistance.

**Urban–rural:** in Nepal and Kyrgyzstan in particular, urban-rural tensions were a significant factor behind growing violence. These tensions often combine with or mask other forms of tension linked to culture, religion or competition for resources. It is striking that in Nepal, Sri Lanka and Kyrgyzstan, the epicentres of violent conflict are isolated, resource-poor areas, suffering from government neglect and chronic poverty. In all three cases, as conflict became violent, government and donors services were withdrawn, thus feeding into the negative dynamic of the conflict.

## Conflict actors

In our earlier analysis of élite interests, we emphasised that the rise of factionalised élites is a pivotal indicator of a failing state. Structural analyses of conflict tend to give insufficient weight to the importance of the individual agency and leadership. Therefore, we have included in our conflict analysis questions related to the interests, incentives, capacities and relationships of the various conflict stakeholders. Traditionally, this kind of analysis has been the preserve of the diplomatic or security and intelligence community. However, development policy choices are never made in a political vacuum and power and interests are important and need to be explicitly taken into account. Box six provides an example of a conflict stakeholder analysis for Moldova-Transnistria.

***External interests***

**OSCE and USA:** the primary external interests in resolving the Transnistrian conflict lie in the weak international mandate of the OSCE (and even weaker EU involvement, only present in a TACIS office), and the new interest in the United States generated by the Istanbul Declaration of November 1999 and the adjusted CFE Treaty (signed by Presidents Clinton and Yeltsin), with its requirements for inspections of the military installations and equipment in Transnistria and for reductions in armaments and ammunition there. Some Moldovans believe that Western states have an interest in maintaining the Transnistria stalemate ‘as a way of testing Russian aspirations’.

**Ukraine:** some view the Ukraine’s new push for closer ties with European institutions (NATO and EU) as motivating an interest in being perceived as helpful in resolving the conflict. It clearly has a stake in preventing a new war on its border; for example, in 1992, it took in 72,000 refugees.

**Russia:** Russian policy under Vladimir Putin is not yet clear, but Russian security interests will certainly continue to be present. There is no evidence that policy has changed since Kozyrev’s 1993 reference to a Monroe Doctrine, including Russian interest in preventing Moldova from becoming too Western-oriented. Moreover, the Ukraine and Russia are competing on issues related to Moldova. Nonetheless, Putin’s more complex bargaining relations with Western powers than those of the previous government should also provide greater room for compromise.

***Local interests***

**Local entrepreneurs:** most local assessments view the conflict as being fed by the economic interests of officials on both sides in the illegal and informal trade, bribes at customs posts, and fees charged for licences and export certificates, made possible by the situation. It is said that the annual volume of smuggling represents the loss to Moldova of the equivalent of more than two annual government budgets.

**Transnistrian officials:** two political factions in Transnistria – the rightist opposition, and the disparate anti-separatist organisations and human-rights, free-press, and language- rights advocates – wish an end to the stalemate and a political reconciliation.

**Moldovan officials:** in Moldova proper, locals tend to view the conflict as driven by foreign interests (particularly that of Russia) over which they have little or no influence. But the consensus emerging from the field study is that the interests vested in the *status quo* on both sides are stronger than those wanting change.

**General public:** only two percent in a public opinion survey in Moldova proper in 1998 considered the Transnistrian problem of major importance; the overwhelming majority listed poverty first. However, there are common interests in an end to the stalemate and a reversal in the drastic fortunes of the past decade. There are people who live on one side of the divide and work on the other, and relatives on both sides. Many mayors in the north remain in contact and co-operate economically, based on pre-independence political and administrative ties. Links have been created and supported by third-party mediation processes and some economic co-operation occurs between local and regional officials in the two parts.

### ***Conflict resolution scenarios***

**A generational change in power in Tiraspol.** But evidence of common ground among university students does not support this hope. Students in Transnistria receive accreditation from Russian universities, while students in Moldova proper seek university degrees or international exchanges in Europe, especially in Romania, and in North America. Except for a few human-rights NGOs, there is little contact to suggest interest in co-operation.

**Economic revival in Moldova.** This could reverse the attraction of Moldova

to Transnistrians and create an interest in reunification. But currently the economic trends do the opposite: persuade Transnistrians that they would be better off remaining apart.

Source: Woodward, 2000

The case studies highlight the importance of the ‘human factor’ in violent conflict. The interests and agendas of Prabhakaran (head of the LTTE) and Karimov (President of Uzbekistan), for instance, are of profound importance to the trajectory of conflict in Sri Lanka and Kyrgyzstan respectively. In spite of this, information and analysis of such actors is surprisingly limited and is often based on anecdotes rather than hard empirical evidence. If donors are to have an impact upon the incentive systems, capacities and relationships between conflict actors, they need to place a greater emphasis on understanding military groups such as the LTTE, the CPN-M, the JVP and the IMU. Donors could borrow from the political analysis of actors, structures, motivations and interests that are carried out by political affairs departments.

Evidently, motivations and incentives are complex and multifaceted. Leaders, as already mentioned may generate a loud discourse of grievance to hide economic agendas. Regarding Kyrgyzstan, however, governments in the region use such arguments about the IMU and drugs to de-legitimise them and to deflect criticisms that such groups are also a response to political and social exclusion. Clearly economic agendas do often take precedence over political or military factors, as shown, for example, in Moldova-Transnistria by the level of collaboration in the black economy between the political élites on both sides of the conflict.

Greater emphasis also needs to be placed on understanding the relationships between leaders and the led. The issue of consent and a ‘social contract’ between leaders and followers is one that deserves greater examination, particularly as development assistance may have an impact upon this relationship by either undermining or strengthening the legitimacy of certain leaders. The relationship between leaders and followers is more complex than simply a

coercive one; in some respects military leaders may be providers of a public good, such as security or financial support to fighters and their families, particularly if the state no longer performs such functions. To a certain extent, leaders may be dictated to by their constituency and they may be forced to take a more hard line stance in peace negotiations than they would wish. In Sri Lanka, this has been one of the blocks to successive peace talks.

Analysis of leadership is much more complex than it was during an era of inter-state wars. Modern conflicts tend to be less structured containing more 'free wheeling elements' that are loosely controlled by military leaders. Analysts in Nepal, for example, see the 'head' of the CPN-M leadership becoming increasingly detached from the 'body' of the field-based cadres. In such a case, peace negotiations which involve only getting the leadership around a negotiating table are unlikely to lead to sustainable peace.

A change in leadership may represent an opportunity to break the deadlock. For example in Sri Lanka, the new Presidency of Chandrika Bandaranaike in 1995 signalled the beginning of a new round of peace negotiations, although they were eventually to break down. One could also argue that one of the only ways in which the Moldovan conflict is likely to be resolved in the future is through a generational change in the Transnistrian leadership.

## Conflict dynamics

It is easy to list the relevant precursors of conflicts or come up with lists of countries at risk, but it is far more difficult to predict the onset of particular conflicts. This is partly about developing an analysis of conflict stakeholders, but it also needs to involve an analysis of conflict trends and dynamics. What converts latent conflict into open conflict? What are the thresholds? What is likely to escalate or trigger violent conflict? As emphasised earlier, it is during periods of transition and system change that critical choices are made, which can influence the subsequent trajectory of violent conflict.

Dividing conflict into pre- during- and post- phases is perhaps too simplistic. In reality there may be several conflicts entwined with one another, often

going through their own micro-cycles. In Moldova, for instance, in addition to the Transnistria conflict there are centre-regional tensions, and new political dynamics related to the transition and development aid. The conflicts themselves reshape politics, the economy, social institutions and the state. Once it becomes chronic, as, for example, in Sri Lanka, it ‘takes on a life of its own’ and is very difficult to resolve. In such a case an analysis of causality becomes decreasingly relevant, as addressing the original sources of grievance is unlikely to address the conflict dynamic. This has important implications for external intervention.

*‘Once violent conflict emerges, it transforms itself and all around it – the state, livelihoods, national economy, social relations. Consequently any intervention by outside, or even internal actors is but one of those forces and cannot be the decisive factor in determining outcomes. Any actions that aim to make a strategic impact must then be opportunistic, taking advantage of particular forces and conjunctions offered.’<sup>18</sup>*

Box seven provides an illustration from Kyrgyzstan, of how conflict dynamics at a micro and macro- level can interact with one another; while Box eight maps out some of the potential conflict triggers in Moldova.

**BOX 7: CASE-STUDY OF THE DYNAMICS OF VIOLENCE IN OSH, KYRGYZSTAN**

The following account of conflict in the Ferghana valley was given by Tolerance International, a Kyrgyz NGO.

Two major conflicts erupted in the Ferghana Valley during the years 1989-90. In May 1989, in the Uzbek part of the valley, Uzbeks attacked the Meskhetian Turk minority. The Meskhetian Turks had been deported from Georgia in 1944, and many had attained a relative prosperity in Uzbekistan. The political and economic liberalisation policy of former Soviet President Gorbachev had impoverished many Uzbeks, thus setting up nationalist sentiments among Uzbeks and fuelling ethnic hostility. A supposed misunderstanding between an Uzbek and a Meskhetian Turk in a market led to a fight,

which sparked countrywide rioting and left about 100 people dead. The central government decided to dispatch the Soviet army in order to end the conflict; they did so by rapidly deporting an estimated 70,000 Meskhetian Turks from the area.

A year later, in May and June 1990, discord between local communities of ethnic Kyrgyz and Uzbek erupted into disastrous turmoil in the Kyrgyzstan part of the Ferghana Valley, near the town of Osh. The trigger factor was the news that the local administration was going to distribute plots of land to landless Kyrgyz at the expense of the Uzbek community. Violence resulted in the death of hundreds of people, and ceased only after the arrival of army troops.

**Lessons:** what ostensibly was thought to be an ‘ethnic’ conflict was in fact much more complex than this, involving a range of different factors including; resource competition – in particular, access to land – regional tensions between Uzbekistan and Kyrgyzstan and opportunistic mobilisation by local and national élites. The legacy of violence and lack of meaningful reconciliation increases the likelihood of future violence.

Source: Vaux and Goodhand, 2001

#### **BOX 8: CONFLICT TRIGGERS IN MOLDOVA**

**Elections:** election campaigning tends to throw rational discourse to the wind; the more the economic decline, the higher the stakes of winning political power.

**Implementation of the new budgetary rules for the judets** (local government structures) requiring balanced budgets and evidence of greater efficiencies: an opportunity for rebellion by wealthier areas (for example, Soroca) or poorer areas (for example, Gagauzia), and for the mobilisation of a coalition of regions in opposition to Chisinau (for example, Transnistria, Gagauzia, Balti) for a constitutional change that would polarise Moldovan society.

**Chechen refugees:** although their numbers are small (64 case files in February 2000, about 145 known), their presence has already polarised the public on issues of citizenship, refugees, separatism, xenophobic attitudes (toward Chechens and Russians). This could coalesce with a dispute over language rights and discrimination.

**Land privatisation:** violence has already erupted locally over land disputes, for example a conflict between a local mayor and local head of a kolkhoz led to the throwing of Molotov cocktails and police having to live in the mayor's house for protection for more than one year. Villages around Dubasari that in 1992 defended their right to remain under Moldovan rule, although on the Left Bank, have seen the USAID officials halt the programme until guarantees are given that the implementation of the programme will not create conflicts – for example, village property that extends through Transnistria to the Ukrainian border and might provoke an official Transnistrian response.

**Adoption of Schengen rules on the Romanian border:** accession talks with the EU will require conformity with Schengen rules, leading to visas and border closings with Moldova and a possible panic (exacerbated by mass media presentation) and population movements.

**Withdrawal of Russian troops from Transnistria:** unlikely, in light of current Russian intentions to replace them with Russian peacekeeping troops.

**A major corruption scandal** that confirms popular suspicions and rumours, pushing frustration at levels of official corruption, penetration of organised crime in the structures of power, and economic deprivation over the level of popular tolerance.

Source: Woodward, 2000

The legacy of violence complicates rehabilitation processes. In Sri Lanka, for instance, policy initiatives that might have resolved the conflict 10 years before are no longer sufficient. As Collier notes countries that have experienced

conflict are more likely to experience it in the future.<sup>19</sup> In other words they are more ‘geared up’ for war.

## Institutions for managing conflict

Structural tensions do not by themselves lead to conflict. What appears to be critical is the interaction between three factors: (1) structural tensions; (2) capacities to manage conflict; and (3) opportunities to profit from violence.

- (1) A society’s **structural vulnerability** to violent conflict, as mapped out above in terms of political tensions, inter-group conflicts and economic inequalities. Exclusion and political marginalisation are likely to lead to growing grievance.
- (2) A society’s **capacity to manage or contain conflict**. Weak states lack the resources to contain conflict and are less likely to compromise or address the grievances of disaffected groups. Institutions that might play a mediating role either lack capacity or deliberately marginalise certain groups. As mentioned above, violence further undermines society’s mediating institutions.
- (3) The **opportunity to benefit from instability and violence** by elite groups. We refer here to political benefits as well as to the pursuit of economic agendas or ‘greed’. In Nepal and Sri Lanka, for instance, conflicts became violent when the CPN-M and the JVP respectively realised they could not achieve their objectives through the political mainstream.

Therefore, mediating institutions are a critical factor to be considered in terms of predicting or responding to violent conflict. In a sense they play the mediating role between ‘greed’ and ‘grievance’ by containing opportunities for greed and responding to grievance. A critical challenge for external actors would appear to be one of identifying and supporting institutions or processes that can mitigate or manage tensions and conflicts. Table four maps out some of the processes or institutions that may be significant in this respect.

**TABLE 4: INSTITUTIONS AND PROCESSES THAT CAN MANAGE OR MITIGATE TENSIONS AND CONFLICT**

Sector	Examples of institutions/ processes that can mitigate or manage tension and conflict	Erosion of institutions/ processes leading to increased tension and conflict
<b>Security</b>	<ul style="list-style-type: none"> <li>• Legitimate state with monopoly of violence</li> <li>• Military forces accountable</li> </ul>	<ul style="list-style-type: none"> <li>• Government forces increasingly predatory, e.g. Nepal</li> <li>• Growth of non-state military actors</li> </ul>
<b>Political</b>	<ul style="list-style-type: none"> <li>• Political parties – acting as transmission belts between state and civil society</li> <li>• Separation of powers between executive and judiciary</li> <li>• Independent media</li> </ul>	<ul style="list-style-type: none"> <li>• Political parties fragmented, lacking a base in society and mobilise opportunistically, e.g. Sri Lanka and Moldova</li> <li>• Judges appointed and controlled by the President, e.g. Kyrgyzstan</li> <li>• State control of the media, e.g. Kyrgyzstan</li> </ul>
<b>Economic</b>	<ul style="list-style-type: none"> <li>• Trade unions</li> <li>• Social safety nets and redistributive mechanisms</li> </ul>	<ul style="list-style-type: none"> <li>• Erosion of power of trade unions, e.g. Sri Lanka</li> <li>• State spending cuts in social welfare, e.g. Moldova and Kyrgyzstan</li> </ul>
<b>Social</b>	<ul style="list-style-type: none"> <li>• Commitment to cultural pluralism</li> <li>• Cross cutting institutions – women’s groups, religious groups, civil society groups</li> <li>• Inclusive education system</li> </ul>	<ul style="list-style-type: none"> <li>• Politicisation of civil society, e.g. Sri Lanka</li> <li>• Ethnically-based civil society groups, e.g. Moldova</li> <li>• Education system sharpening identity based conflicts, e.g. Sri Lanka</li> </ul>

Three factors have an important impact on the capacities to manage the conflicts that are a feature of all political systems:

- 1) globalisation and IFI policies which expose vulnerable economies to global markets, may be perceived by some as undermining the capacity of states and local institutions to manage and mediate conflict;
- 2) black economies have an important impact on the potential for conflict; the capacity to generate conflict grows while the institutions and capacities for managing it are undermined; and
- 3) élite strategies are an important influence on the stability of the political

system. As conflict becomes open and protracted, leadership becomes more polarised silencing those who might play a mediating role.

## Implications of conflict analysis for donors

In the preceding analysis of conflict structures, actors and dynamics, we attempted to capture some of the complexity of the processes associated with violent conflict. This analysis has a number of implications for development donors.

- **A multiplicity of forces shape outcomes in violent conflict.** Development assistance is one of a range of forces that can affect a society's vulnerability to conflict, the dynamics of open warfare or a country's ability to emerge from a protracted war. While development aid is unlikely to be a decisive factor in determining outcomes, the case studies highlight the important influence that aid donors can have on structures and incentives. Therefore the **political impacts of aid need to be explicitly recognised** as part of the conflict analysis process.
- The case studies highlight the **specificity of conflict**. Structural conditions between countries may be similar, but conflict dynamics and outcomes can be very different. This reinforces the view that there is no single template that can give policy guidance.

A political economy perspective questions the assumption that development assistance, by addressing long-term structural causes, automatically plays a role in conflict prevention. We have highlighted the importance of 'greed' and the often loose correlation in today's conflicts between structural causes such as poverty and destructive violence. This suggests that **aid's focus on poverty reduction and the reduction of group disparities, although important in the long-run, may not address the more immediate causes and incentive systems related to violent conflict.**<sup>20</sup> Sustainable development and civil society may not provide the whole answer.

- Our analysis highlights the **vulnerability of societies to violent conflict during periods of rapid political, economic and social transition**. This suggests that donors need to be more attuned to local conditions and adapt

their policies accordingly. Rigid conditionalities and economic blueprints may well increase insecurity and in the long run undermine donor goals.

- In all four countries, a critical factor behind the shift from latent to open conflict was **the break down of institutions capable of managing or mitigating violent conflict**. A core challenge for donors is to identify and support processes and structures which can facilitate a shift from violence to politics. Central to this task is the promotion of good governance, with a particular focus on frameworks which encourage power sharing, inclusiveness, moderation and accommodation.
- One of the key implications of a political economy approach is the need to **limit the opportunities for 'greed'**. Development policy should, therefore, focus on those who accumulate as well as those who are excluded. It is about protecting rights, altering incentives and promoting international governance and regulatory systems. There is a need to address the political, physical and economic protection needs of the citizen, and to modify the distribution of power. Therefore donors should think about not only addressing the vulnerable but also recognising the concerns of those that seek to profit from conflict and provide alternatives.

# Chapter three

## Policy responses to conflict

### Mapping policy responses

Although the primary focus of this study is the link between aid and the dynamics of conflict, it is important to locate development assistance within a wider policy framework. An in-depth analysis of other policy instruments is beyond the remit of this study, further research and analysis is required in this area. However, we outline below some of the key policy questions that arise from the four case studies and help inform our subsequent analysis of donor policy.

Table five maps out the range of different policy instruments applied with examples.

TABLE 5: POLICY OBJECTIVES AND INSTRUMENTS OF THE INTERNATIONAL COMMUNITY

	Military/ Security	Diplomatic	Trade	Immigration	Aid
<b>Interests and concerns</b>	<ul style="list-style-type: none"><li>• Regional stability</li><li>• Prevention of terrorism</li></ul>	<ul style="list-style-type: none"><li>• Supporting peace processes</li><li>• Establishing diplomatic relations</li></ul>	<ul style="list-style-type: none"><li>• Open trading relationships and security of investments</li><li>• WTO accession</li></ul>	<ul style="list-style-type: none"><li>• Migration control</li><li>• Preventing refugee outflows</li><li>• Promoting 'right to return'</li></ul>	<ul style="list-style-type: none"><li>• Promoting economic liberalisation and good governance</li><li>• Support for human rights</li><li>• Responding to humanitarian needs</li></ul>
<b>Examples of policies</b>	<ul style="list-style-type: none"><li>• Indian intervention in Sri Lanka</li></ul>	<ul style="list-style-type: none"><li>• OSCE diplomacy in Kyrgyzstan and Moldova</li></ul>	<ul style="list-style-type: none"><li>• Trade agreements, for example Shanghai 5</li></ul>	<ul style="list-style-type: none"><li>• Tightening of border control regimes</li></ul>	<ul style="list-style-type: none"><li>• Provision of credit and grants for liberalisation, good governance and poverty alleviation</li></ul>

	<b>Military/ Security</b>	<b>Diplomatic</b>	<b>Trade</b>	<b>Immigration</b>	<b>Aid</b>
<b>Examples of policies (continued)</b>	<ul style="list-style-type: none"> <li>• 14th Soviet Army in Moldova</li> <li>• US and UK government's proscription of the LTTE and the IMU as terrorist organisations</li> <li>• Security pacts, e.g. PfP</li> <li>• 6 + 2 security belt round Afghanistan</li> </ul>	<ul style="list-style-type: none"> <li>• Bilateral support for peace process in Sri Lanka</li> <li>• Track 2 efforts in Nepal, Sri Lanka and Moldova</li> </ul>	<ul style="list-style-type: none"> <li>• Foreign Direct Investment</li> <li>• Provision of military equipment – UK government in Sri Lanka</li> <li>• Accession of Kyrgyzstan to WTO</li> </ul>	<ul style="list-style-type: none"> <li>• Bilateral agreements with individual countries</li> <li>• Reinforce legal frameworks</li> <li>• Prevention of human trafficking</li> </ul>	<ul style="list-style-type: none"> <li>• Provision of humanitarian relief</li> </ul>
<b>Common problems</b>	<ul style="list-style-type: none"> <li>• Focus on containment rather than engagement</li> <li>• Insufficient sensitivity to the interests of regional powers</li> </ul>	<ul style="list-style-type: none"> <li>• Peacemaking efforts insufficiently informed by an understanding of incentives</li> <li>• Disconnects between diplomatic and other policy instruments</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of regulatory mechanisms for TNCs e.g. Western companies in Transnistria and arms trade in Central Asia</li> <li>• WTO accession increased Kyrgyzstan's regional instability</li> <li>• Tensions between deregulation and stability</li> </ul>	<ul style="list-style-type: none"> <li>• Focus on right of return has led to an erosion of right of asylum and repatriation to unsafe areas, e.g. Sri Lanka</li> <li>• Protection mandate of UNHCR weakened</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of adaptation of policy responses to local context</li> <li>• Primary focus on liberalisation may undercut other objectives, such as poverty alleviation and stability</li> </ul>

## Analysis of policy responses

The chapter on conflict analysis emphasised the multidimensional nature of violent conflict. This points to the need for systematic, comprehensive and coherent responses. However, the overall picture is characterised by complex multilateral responses in which authority is diffused and there is often confusion over mission, mandates, capacities and credibility. Although recent writing tends to emphasise the convergence and integration of international policies<sup>21</sup>, the case studies highlight a great deal of variability from context to context.

Two sets of tensions stand out: firstly, tensions over sovereignty and the reluctance of Southern governments to allow foreign interference into what are perceived as domestic security concerns. The government of Sri Lanka, for instance, has, until recently, strenuously resisted attempts at third-party mediation. Secondly, there are tensions between regional governments that have a direct stake in the conflict-affected country and the wider international community. Moldova's involvement in the NATO Partnership for Peace, for instance, is viewed as a security threat by Transnistria and Russia.

In none of the countries, however, has there been robust political or military intervention by the international community, as seen, for example, in Kosovo or East Timor. Military operations have been conducted by either regional powers or the affected governments themselves. The GOSL and the Nepali security forces have been involved in a 'war for peace', but in both cases leading to an escalation of the conflicts. The Indian Peace Keeping Force (IPKF), the 14th Soviet Army and the Uzbek armed forces have also been involved in military action, but have lacked either the capacity or the mandate to enforce a sustainable peace.

The limited nature of international involvement is manifest in the weak international mandate of OSCE in Moldova and Kyrgyzstan and the limited EU involvement in all four countries. In Sri Lanka, the acceptance of the Indo-centric character of the sub-continent has served to limit political attention and intervention. Conflict-resolution processes have not been supported in a

sustained manner. Approaches have changed according to donor countries domestic influences and short-term calculations of strategic interests. The overriding concern of USA with Bin Laden for instance is an obstacle to the resolution of the Afghan conflict, which, in turn, generates wider regional instability.

The primary thrust of international involvement has been one of strategic containment, in other words it is about preventing conflict from spreading rather than attempting to resolve it. For example, in Central Asia, the main concerns of the international community are terrorism, drugs and border controls. Humanitarian aid to the north east of Sri Lanka has been interpreted by some local observers as a way of preventing refugee outflows.

There has, however, been international support for conflict-resolution processes. In Moldova there has been ongoing support for Track One and Track Two efforts, primarily through the OSCE and a number of non-government actors such as MICOM and FIS. The process, however, has stalemated as vested interests have arisen over the *status quo*.<sup>22</sup> In Sri Lanka, peace talks have been short-term and fragile interludes within a wider and escalating cycle of violence. The single mediator model poses particular problems in the Sri Lankan context as Sinhalese nationalist forces suspect hidden agendas from particular countries in favour of Tamils or the LTTE. In none of the case studies has the UN played a significant role as a mediator, either because it has lacked the mandate and capacity or because there was resistance, as in the case of Sri Lanka, to internationalising the conflict. The stalled peace processes in Moldova and Sri Lanka reinforce the need for mediators to have a sophisticated understanding of the incentives of different conflict stakeholders. They also demonstrate the limitations of traditional diplomacy and that once war has created a dynamic of its own it cannot simply be declared over.

While the 'spoiler' role of regional actors has been highlighted, the need for regional approaches to conflict prevention and resolution and the constructive involvement of regional actors also comes out strongly. The resolution of the Moldova conflict would clearly need to involve Russia, Ukraine and Romania.

Similarly, in Sri Lanka, although Norway has recently come forward as a facilitator of talks, New Delhi will continue to be the most important international point of reference if negotiations take place. In Central Asia, one of the key problems appears to be generating regional consensus around fundamental norms of political behaviour.

One of the blocks to developing more intelligent responses to violent conflict appears to be the existence of knowledge gaps within the international system. There tends to be a compartmentalisation of knowledge, with diplomatic departments conducting different forms of analysis to the development departments, often with limited sharing between them. OSCE conflict-monitoring reports in Kyrgyzstan are not shared with development actors for instance. The EU monitoring reports in Moldova were not shared with the Commission. The International Crisis Group in a recent report argued that international actors are not well informed about the detail of economic, social and political trends in key localities in Central Asia and their connections with other parts of the region in Central Asia. It further argued that there is a need for studies which provide more integrated and detailed assessments of security and economic issues.

There appears to be considerable scope to address conflict dynamics more effectively if different policy instruments are applied in a coherent and co-ordinated fashion. International policies often undercut one another and undermine the effectiveness of conflict-prevention or conflict-resolution interventions. The sticks and carrots that might affect the calculations of conflict stakeholders have often not been applied in an intelligent and co-ordinated manner. For instance, while the international community has provided support to the Moldovan peace process, there have been no attempts to regulate the activities of Western companies in Transnistria who contribute to the negative stalemate that has developed around the conflict. The case studies demonstrate that there may not always be a smooth convergence between the values and objectives of foreign policy, trade and international aid. A critical challenge appears to be developing greater complementarity between a range

of policy instruments.

In complex political emergencies, the policy response tends to be more wide-ranging and the challenge of co-ordination and complementarity is more acute. In Sri Lanka, the lack of strategic co-ordination between humanitarian, development and political actors has impeded efforts to manage or resolve the conflict. There is a growing realisation that a tighter and more structured form of co-ordination is required if the incentive systems and capacities of the warring parties are to be influenced.

Although detailed policy analysis is beyond the scope of this paper, our findings point to the importance of placing development aid within a wider policy context. This should be an integral part of the conflict analysis process. Aid is just one of a number of levers that can be used, and is certainly not the primary lever. As the recent DFID White Paper reference notes,<sup>23</sup> policies no longer fit into neat sectoral boxes and the challenge is to use them to complement one another so that they are greater than the sum of their parts. Supporting institutional reform and developing better international governance is a necessary part of this process.

## Mapping aid

### *An overview of aid actors and approaches*

For the purpose of this study, the term 'aid' is used broadly to include technical assistance, grants, concessional loans and harder loans designed to support development processes or respond to humanitarian needs.

The primary objectives of aid donors in the case studies included financial reform, good governance, poverty reduction, social welfare and meeting humanitarian needs.

Each country study involved a mapping of the key aid actors, including the multilaterals, bilaterals, international and local NGOs and Foundations. The relative importance of the different actors varied from country to country. Where conflict has become open and protracted a different group of aid actors become important. In Sri Lanka, for instance, UNHCR, ICRC and

international NGOs play a more central role than they do in the other three countries. The classic donor response to conflict has been to delegate programmes to the UN and NGOs and one can detect the beginnings of this process in Nepal.

The framework for development assistance and the hierarchy of priorities are often set by the IFIs. The pre-eminence of the market economy model and the dominant role played by the IFIs comes out very strongly in all four cases. The IMF and World Bank have a strong 'signalling effect' on the rest of the donor community and their 'seal of approval' is an important influence on aid flows. The fact that aid policies in all four countries have followed very similar trajectories demonstrates the dominant influence of the IFIs in priority setting.

Aid tends to be highly concentrated amongst a few major donors, which gives them substantial leverage in terms of steering overall aid policy. In Nepal, for instance, the ADB and World Bank contribute more than 50% and 34% respectively of total development funding. In Sri Lanka, more than 85% of aid comes from the World Bank, ADB and Japan and these three donors are similarly dominant in Kyrgyzstan. Although there are a number of bilateral donors in each country who focus on poverty and conflict issues, in financial terms they are relatively small and social development processes are viewed as subordinate to the liberalisation agenda.

In all four countries, the bulk of development aid is directed towards financial reform or infrastructural development and there is limited investment in the social sector. In Kyrgyzstan, for instance, 45% of development assistance is spent on balance of payments support. In Nepal, the largest proportion of foreign aid has been invested in transport, power and communications, with loans in the social sector amounting to 13% of total loans.

Nepal, Kyrgyzstan and Moldova are all highly aid dependent. Two thirds of the government development budget in Nepal is donor funded and, to an extent, 'over-aiding' heightens economic vulnerability because of the volatile and unpredictable nature of aid flows. In Moldova and Kyrgyzstan, international debt has had debilitating effects. In Moldova gross debt servicing in 1999

cost nearly 25% of GDP, leaving it economically and politically vulnerable. The IMF, for instance, suspended lending on several occasions for insufficient speed on reforms. Russia also uses the fuel debt to the Russian firm GAZPROM to apply pressure on issues such as CIS membership. Kyrgyzstan's debt was 134% of GDP in 1999, which, like Moldova, leaves it vulnerable to pressures from its main creditors, the IFIs and Russia.

Poor aid utilisation, particularly in Nepal, was cited by donors as the principal reason for why the proportion of disbursement to commitment can be as low as one third in some years. In Nepal, weak administration, insufficient government motivation to carry through reforms, corruption and a lack of beneficiary voice were given as reasons for the low disbursement ratio. In Sri Lanka and Kyrgyzstan, according to donors, corruption and a lack of transparency in tendering processes accounted for low disbursement rates.

### *Aid co-ordination*

Although donor co-ordination mechanisms function in all four countries, there is a lack of an 'aid regime' in the sense of institutionalised norms, rules and decision-making procedures. The frameworks designed to co-ordinate and deliver aid are under-institutionalised and for the most part, although co-ordination occurs at the operational level, there is limited co-ordination at the strategic level. This lack of strategic co-ordination often means that unrealistic demands are placed on governments to accommodate the requirements and procedures of multiple donors.

#### **BOX 9: DONOR CO-ORDINATION IN SRI LANKA**

There are a number of platforms for donor co-ordination at the policy, programming and operational levels. The principal donor co-ordination mechanism is the Development Forum chaired by the World Bank, which is held every one to two years. The politics of the Development Forum are intense and successive Sri Lanka governments have become quite adept at convincing the donor community that change is in the offing. Although the

Forum represents an opportunity to develop a joined-up approach in relation to the conflict, divisions between donors prevent it from playing this role. To date there has been a lack of a critical mass amongst donors to apply pressure on issues related to peace and human rights.

A number of other co-ordination fora exist at the operational level to assist sectoral planning and information exchange. Co-ordination has in the main been much tighter amongst the humanitarian agencies operating in the north east than it has amongst development donors supporting programmes in the south. The lack of a strategic island-wide approach to the conflict has impeded the development of conflict-sensitive aid. A recent development has been the World Bank supported Framework for Relief, Rehabilitation and Reconciliation which aims to develop a national framework for government and donor activities in the north east. This has involved a broad-based consultation exercise with stakeholders from the government and civil society. The success of the project depends to a large extent on whether the process can maintain its independence from military actors.

Source: adapted from Goodhand, 2000

## Donor approaches to conflict

Broadly speaking, three different donor approaches to conflict can be identified, each with its own set of assumptions and associated strategies:

- *working around conflict* that is treating conflict as an impediment or negative externality that is to be avoided;
- *working in conflict* that is recognising the links between programmes and conflict and making attempts to minimise conflict-related risks, so that aid ‘does no harm’; and
- *working on conflict* that is conscious attempts to design programmes in such a way that they ‘do good’.

Table six summarises the key features, assumptions and strategies associated

with these different approaches. In reality it is more complex than the table suggests as (a) many donors may employ a combination of different approaches and (b) there is often disjuncture between what donors say they are doing and what they actually do.

**TABLE 6: DONOR APPROACHES TO CONFLICT**

Approach	Working around conflict	Working in conflict	Working on conflict
<b>Assumptions</b>	<ul style="list-style-type: none"> <li>• Conflict is a ‘disruptive factor’ over which little influence can be exercised</li> <li>• Development programmes can continue without being negatively affected by conflict</li> </ul>	<ul style="list-style-type: none"> <li>• Development programmes can be negatively affected by, and have a negative impact on the dynamics of conflict</li> </ul>	<ul style="list-style-type: none"> <li>• Development programmes can exploit opportunities to positively affect the dynamics of conflict</li> </ul>
<b>Strategy</b>	<ul style="list-style-type: none"> <li>• Withdraw from or keep out of conflict-affected areas</li> <li>• Continue to work in low risk areas on mainstream development activities</li> </ul>	<ul style="list-style-type: none"> <li>• Reactive adjustments are made to programmes in medium and high-risk areas</li> <li>• Improve security management</li> <li>• Greater focus on ‘positioning’, that is neutrality and impartiality</li> <li>• Cut back on high-input programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Refocus programmes onto the root causes of the conflict, e.g. governance, poverty alleviation, social exclusion</li> <li>• Attempt to influence the incentives for peace and disincentives for violence</li> <li>• Support for mediation efforts</li> <li>• Focus on protection and human rights</li> </ul>

*Working around conflict*

The predominant approach of the major donors in all four countries was to work ‘around’ conflict. The multilaterals in Sri Lanka, such as the ADB and Japan for example, have tended to avoid working in conflict-affected areas. *There is an undue sense of complacency about the conflict, both in Sri Lanka and internationally.*<sup>24</sup> Conflict is viewed as a constraint on development – a negative externality, or a disruptive factor to be avoided rather than addressed. If any form of linkage is recognised, it is the lack of development which

contributes to conflict. In other words, there is a need to speed up the process of market expansion, liberalisation and state reform.

Although donors increasingly recognise the importance of conflict in policy statements and the OECD has played an important role in standard setting, there appear to have been limited changes in practice. This may partly be due to the donors rather narrow conceptualisation of security, which is still largely viewed in terms of security of investments and reliability of commercial contracts, in spite of the wide dissemination of concepts like ‘human security’ and ‘structural stability’.

Donors are also reticent to get more actively involved in working ‘on’ conflict because of sovereignty issues. In Sri Lanka, for instance, where the major donors work through the state structure, donors tend to avoid overtly political issues. In Moldova, although donors claim to be apolitical, they actively engage in Moldovan politics, as shown by IMF declarations on corruption and tough bargaining over tobacco, wine privatisation and the government budget in spring, 2000. Aid has also been used to change the balance of political forces in Moldova in favour of reform, or in an attempt to end the Transnistrian conflict.

In some cases, donors may continue to work around conflict because of institutional interests. In Nepal, for instance, donors have been, until recently, caught on the ‘back foot’ by the conflict. ‘Until recently it’s been taboo to mention the conflict’ (aid donor). While part of the reluctance to recognise and categorise Nepal as a country in conflict involved political sensitivities, another key factor for aid agencies was the potential for bringing in humanitarian actors, who in a sense are viewed as ‘competing’ with development actors for resources and profile.

### *Working in conflict*

Agencies working in areas of active conflict have attempted to mitigate conflict-related risks and also minimise the potential for programmes to ‘do harm’. In Nepal, donors have become increasingly aware of the need to adapt their programmes to a context of rising violence through, for example, working with

local partners, introducing security guidelines and adapting programmes so they are more socially focused. Attempts have been made to ‘conflict proof’ rehabilitation programmes in Jaffna, Sri Lanka, by avoiding large scale infra-structural programmes and focusing on low profile, quick impact projects.

Development actors could learn much from and incorporate many of the practices introduced by humanitarian agencies working in areas of conflict. In Sri Lanka, for instance, agencies operating in the north east have experimented with codes of conduct, operating standards, an aid ombudsmen and robust co-ordination mechanisms. These are all initiatives which could usefully be replicated by aid donors in the rest of the country.

Some donors, such as the World Bank and DFID in Kyrgyzstan and Moldova support programmes, which although they do not have explicit peace-building objectives, aim to address the underlying structural issues that could lead to open conflict. The World Bank Social Investment Fund and DFID’s Sustainable Rural Livelihoods Programmes might be categorised as attempts to work ‘in’ conflict. In Nepal and Sri Lanka, the need to develop approaches and guidelines for more conflict-sensitive poverty alleviation programmes comes out very strongly.

### *Working on conflict*

Few donors in the case studies have an explicit focus of working ‘on conflict’, that is policy and programmes with a primary focus on conflict prevention, management or resolution. The most significant examples come from Sri Lanka and Moldova. In the former, a group of like-minded bilateral donors have attempted to support to work on reconciliation and human-rights issues, primarily through civil-society groups. Support is also being provided to the government to support the political reform process and to reform the education system so that it has a greater focus on reconciliation. In Moldova, donors, as well as supporting the Track 1 and 2 peace processes, have provided development assistance to build links between Transnistria and Moldova. On occasion, however, their attempts to work ‘on conflict’ have been based on a

misreading of the structures and incentives driving the conflict.

In all four countries, it tended to be the smaller bilateral donor agencies who are leading debates and experiments in conflict-sensitive policy and programming. In terms of overall funding, limited resources are being invested into programmes with an explicit peace and reconciliation focus. Although some multilaterals, such as the World Bank, have supported programmes which attempt to work ‘on conflict’, for example the Rehabilitation, Reconstruction and Reconciliation programme – ‘3 Rs’ framework – in Sri Lanka, they have not mainstreamed conflict analysis into their wider portfolio of programmes. Although donors have ‘signed up’ to the DAC guidelines on conflict and development co-operation, many have failed to translate these broad guidelines into specific changes in practice.

The bilateral donors may be better adapted to working on conflict. Firstly, they have the potential to utilise a range of policy instruments from diplomacy to trade to development assistance. Secondly, they appear to be more willing to take risks and invest in sensitive areas like the judiciary, security-sector reform and human rights. The multilaterals, on the other hand, appear to have more restrictive modalities and mandates that are more narrowly restricted to economic issues, although this admittedly is slowly changing.

Table seven provides an overview of three donors supported programmes with a conflict prevention/peace-building focus.

**TABLE 7: DONOR SUPPORTED PROGRAMMES WITH AN EXPLICIT FOCUS ON PEACE-BUILDING**

Programme	Background	Assumptions	Activities
<ul style="list-style-type: none"> <li>MICOM, Moldova</li> </ul>	<ul style="list-style-type: none"> <li>International NGO working in partnership with LINGO, JCDC in the area of confidence building. Supported by FCO/DFID</li> </ul>	<ul style="list-style-type: none"> <li>Building up trust and an understanding of the other party’s needs and position will lead to the sustainable resolution of the conflict</li> </ul>	<ul style="list-style-type: none"> <li>Supporting Track 1 and Track 2 peace process. Workshops and training support for the Expert’s Group</li> </ul>

Programme	Background	Assumptions	Activities
<ul style="list-style-type: none"> <li>National Peace Council, Sri Lanka</li> </ul>	<ul style="list-style-type: none"> <li>Sri Lankan NGO composed of an multi-denominational alliance of peace activists. Supported by Norway</li> </ul>	<ul style="list-style-type: none"> <li>Mobilising a broad movement for peace will increase pressure on the leadership to resolve the conflict</li> </ul>	<ul style="list-style-type: none"> <li>Build peace constituency – working with parliamentarians and grass-roots organisations</li> </ul>
<ul style="list-style-type: none"> <li>Tolerance International, Kyrgyzstan</li> </ul>	<ul style="list-style-type: none"> <li>Kyrgyz NGOs supported by the Swiss, which aims to promote peace-building in the Ferghana valley</li> </ul>	<ul style="list-style-type: none"> <li>Building linkages between communities around practical need will mitigate tensions in the Ferghana valley</li> </ul>	<ul style="list-style-type: none"> <li>Linking communities in Ferghana valley. Resource issues and education</li> </ul>

## Aid and the dynamics of conflict

Our focus on development assistance runs the risk of giving too much weight to the role of donors. Aid is rarely central to the dynamics of conflict. The case studies confirm that aid is unlikely to be a leading edge in promoting peace or causing conflict, and one should keep its role in perspective in relation to other policy instruments.

However, external assistance has political as well as economic impacts as ‘aid affects not only the size of the economic pie and how it is sliced, but also the balance of power among competing actors and the rules of the game by which they compete’.<sup>25</sup> Donors can have a significant influence. In Sri Lanka, for example, the ADB, World Bank and Japan account for 92% of the government’s debt stock, which gives them significant leverage in determining policies and priorities. The case studies do point to the danger that ‘conflict-blind’ assistance may inadvertently ‘do harm’ and opportunities to amplify positive outcomes may be lost.

Neither the donor community nor independent scholars possess sophisticated analytical tools to conduct longitudinal evaluations of development assistance. In practice impacts are likely to be mixed, being neither wholly

positive nor wholly negative. Government reform programmes, for example, may have short-term costs but long-term benefits. The difficult question is what is the overall net impact?

We have focused on three types of impacts:

- (1) the impact of conflict on aid policy and programmes;
- (2) the impact of aid on the dynamics of conflict; and
- (3) the impact of aid on the dynamics of peace.

*Impacts of conflict on policy and programmes*

Growing conflict causes a shift from development to humanitarian assistance. Donors increasingly rely on NGOs rather than government implementing partners, as has happened in Sri Lanka and Nepal. At the programme level, there is a range of effects, including the adaptation or scaling down of operations, project ‘hibernation’, or complete withdrawal. In areas of latent conflict, if programmes do not take into account rising tensions they run the risk of becoming ‘colonised’ so that they reflect and reinforce underlying fault lines in society. Programme staff, for instance, may be over represented by one ethnic group, as happened to a DFID-supported agricultural extension programme in Kyrgyzstan.

TABLE 8: THE IMPACTS OF CONFLICT IN NEPAL ON AID PROGRAMMES

Sector	Impacts of the conflict on aid programmes	Possible strategies to mitigate impacts
Security	<ul style="list-style-type: none"> <li>• Threats to staff from Maoists and police</li> <li>• Targeting of NGO offices</li> <li>• Threats to government implementing partners</li> <li>• Inability of donors to conduct monitoring</li> </ul>	<ul style="list-style-type: none"> <li>• Develop security guidelines</li> <li>• Training for staff in security procedures</li> <li>• Work through local partners</li> </ul>
Political	<ul style="list-style-type: none"> <li>• Declining political and humanitarian space – agencies working in heartland areas seen as Maoist sympathisers</li> </ul>	<ul style="list-style-type: none"> <li>• Negotiate ground rules with <i>de facto</i> authorities in conflict affected areas</li> </ul>

Sector	Impacts of the conflict on aid programmes	Possible strategies to mitigate impacts
<b>Economic</b>	<ul style="list-style-type: none"> <li>• Retraction of government services and targeting of banks in conflict-affected areas, affecting sustainability of projects</li> <li>• Maoist demands for percentage of staff salaries and project budgets</li> </ul>	<ul style="list-style-type: none"> <li>• Avoid bulky assets</li> <li>• Adapt banking and finance procedures</li> </ul>
<b>Social</b>	<ul style="list-style-type: none"> <li>• Displacement of communities, migration of men and erosion of social capital, affecting social mobilisation activities</li> </ul>	<ul style="list-style-type: none"> <li>• Adopt low key approaches</li> <li>• Focus on poverty alleviation and social support programmes</li> </ul>

It is possible to map out a range of impacts at the macro and micro-levels, where aid has affected structural conditions or the incentives, capacities and relationships between warring groups. It is argued in Moldova that international aid has contributed to the negative dynamic of a failed transition process. Similar processes were in evidence in Kyrgyzstan. In Sri Lanka, the north-south division of relief and development assistance has accentuated regional imbalances. In Nepal, the withdrawal of donor activities from conflict-affected areas is likely to create a vacuum, which benefits the insurgency and feeds into the negative dynamic of the conflict.

Aid can both create opportunities for ‘greed’ and fuel ‘grievance’. At the macro-level, the impacts of liberalisation have been mixed. While countries with a high level of trade openness are less likely to experience conflict, the IFI’s push for radical reforms without compensatory measures may have destabilising effects. The IMF imposed austerity programmes which undermine the capacity of fragile governments to deliver services. In Sri Lanka and Nepal, the lack of government capacity has contributed to a crisis of legitimacy which ultimately led to open conflict. Land privatisation programmes in Moldova and Kyrgyzstan have served elite interests and generated conflict. In Sri Lanka, the benefits of liberalisation have been confined largely to the south-west, increasing regional imbalances and rural-urban tensions.

Although there may not be a simple cause-effect relationship between liberalisation and conflict – reducing inflation and promoting private sector activity should reduce the probability of conflict – insufficient account is taken of systemic problems faced by vulnerable economies. World Bank and IMF conditionalities tend to be blind to horizontal inequities and conflict issues.<sup>26</sup> The World Bank and the IMF are limited by their mandates to addressing issues of economic governance. The narrow interpretation of this mandate has inhibited approaches to conflict and governance. Although there are signs of change to a more open approach – as, for example, shown by the World Bank supporting the 3Rs programme in Sri Lanka – such programmes have had a limited impact upon the mainstream portfolio of World Bank programmes. Box ten maps out some of the impacts of structural adjustment programmes in Nepal.

**BOX 10: IMPACTS OF STRUCTURAL ADJUSTMENT PROGRAMMES IN NEPAL**

In a number of areas, structural adjustment and liberalisation policies have had knock-on effects which accentuate inequalities and increase the likelihood of distributional conflicts. These include:

- the pressure of debt servicing on regular expenditure which has been building up and is limiting resource availability for human development programmes;<sup>27</sup>
- in part, because of the implementation of structural adjustment, real wage rates in both the agricultural and industrial sectors remained stagnant between 1987–96;
- the government has recently introduced a price-hike of up to 40% on essential daily goods;
- higher growth rates in the non-agricultural sector, have contributed little to job creation;
- government-owned or controlled banks with an extensive network in rural areas have almost stopped opening new branches and have been amalgamating or transferring the existing branches to ensure their profitability; and

- Most of the loans associated with structural adjustment went to economic sectors and only about 10% has gone for the social sector.

Source: Goodhand, 2000

The conflict fuelling effects of aids are not limited to structural adjustment programmes. In Sri Lanka, poorly conceived, high profile programmes in the 1970s and 1980s such as the Mahaweli Programme had a major impact on ethnic tensions. Also donors have for, many years, supported an education system which reinforces ethnic and language differences. In Nepal, the Rapti Integrated Rural Development involved heavy investments and limited development impacts, fuelling rural frustration.

A range of inadvertent, direct and indirect effects on the dynamics of conflict can be identified, including:

- Distributional effects: aid reinforces and increases regional differences. This is particularly combustible when this coincides with ethnic divisions. In Sri Lanka, for instance, the Tamil north east receives a 'drip feed' of humanitarian aid, while the bulk of development assistance goes to the Sinhalese south. In Kyrgyzstan, a greater proportion of aid goes to the north, which accentuates existing north-south tensions. In Moldova, the capital Chisinau receives a greater proportion of assistance than the rest of the county, fuelling centre-regional tensions, particularly with the semi-autonomous region of Gagauzia.
- The perceived lack of aid trickling down can contribute to growing grievances. Poverty reduction programmes in Nepal and Sri Lanka have become highly politicised and are criticised for not reaching the chronically poor.
- Programmes which have positive impacts at the micro-level, may contribute to wider tensions due to a lack of broader contextual analysis. In Nepal, for instance, it is claimed that literacy programmes ended up radicalising the rural youth because they were implemented in isolation and were not accompanied by a wider reform process.
- The fungibility of aid: in Sri Lanka, for instance, it is argued that it is not

coincidental that the total aid budget is roughly the same as government military spending. Aid, therefore, may free up resources to wage the war.

- Aid, particularly humanitarian assistance, may feed directly into the war economy. A significant proportion of all resources going into north eastern Sri Lanka goes into the hands of the LTTE and aid is unlikely to be any different. On a smaller scale, humanitarian distributions in Moldova fuelled tensions at a village level because it was poorly targeted.
- Delays in aid disbursement – common in all four countries – can lead to missed opportunities and resentment.

### *Impacts of aid on the dynamics of peace*

Whereas one can identify negative impacts of aid at a macro-level, it is difficult to trace positive impacts at anything above the micro-project level. A range of donor supported projects can be identified in each country, but they tend to be a disparate group of activities which do not fit into a broader strategic approach and do not constitute a significant proportion of overall funding.

As already mentioned, it is difficult to trace impacts, particularly the causal links between micro and macro-level processes. Do such interventions have a cumulative impact? Can they reach a critical mass to have an impact at a macro level? In Sri Lanka, where there is a vibrant civil society and strong state which can be influenced, the potential for macro leverage appears to be much greater. One should be wary, however, of excessive optimism regarding the potential of small-scale social engineering. One might argue that small-scale peace-building projects may represent a displacement activity if they are occurring within a wider aid context which is conflict producing.

Although a number of bilateral donors have played an important role in supporting small scale efforts to work ‘on conflict’, the main challenge appears to be one of encouraging the major multilateral and bilateral donors – such as ADB, World Bank and Japan in Sri Lanka – to adopt more conflict-sensitive approaches.

## Institutional analysis

In the preceding chapters we outlined the conflict environment, the broad range of policy responses and, in particular, donor aid policies in relation to conflict. In this chapter we focus on an institutional analysis of donors, because how they analyse conflict and how they organise themselves has an important effect on their policies.

### *Aid donors and conflict analysis*

Most donors recognise the need to engage in more serious, systematic conflict analysis, however few appear to be doing it. One reason for this may be the intrinsically political nature of this kind of analysis. Aid donors tend to be risk averse and it is easier to approach development intervention as a series of technical problems abstracted from the messy world of politics. Some donors, particularly the multilaterals, are too reluctant to look at the country and their aid programmes through a conflict lens. At its most extreme this can amount to a form of denial – for example in Nepal a more open and rigorous political analysis would have ensured a more timely and appropriate response from aid donors.

There is a tendency for donors to interpret the problem in terms of their capacity to respond. However, as already noted, there are major limitations in this tendency to interpret conflict through a development lens. The case studies demonstrate that conflict may be as much a consequence of development as a constraint on development. It may well be that the most significant factors underpinning violence, may be the ones that aid donors have the least influence over.

Donors need to develop the requisite skills, capacities and systems to become more adept at conflict analysis. Many interviewees commented on the disjuncture between local and international discourses in relation to the conflict. This was partly because of the types of contacts and networks that donors utilise, which tend to be very ‘capital city’ focused and ‘aid centric’. Incentive systems are not structured so as to reward a greater focus on listening and analysis.

Finally, staff have received insufficient training and skills in the area of conflict analysis – this came out very clearly in Nepal, where very few donor agencies had staff with experience in emergencies or conflict settings.

Certain types of analysis need to be strengthened. The analysis of poverty-conflict links, for instance, are weak, and in particular lack an understanding of the various inter-relationships and causalities of conflict. Moreover, donors – and academics – have a limited understanding of the political economy of non-state military groups and black economies which are critical factors behind today's conflicts.

### *Organisational issues: capacities for working in and on conflict*

Although it was beyond the scope of this study to conduct a detailed institutional analysis of aid donors in the four countries, the case studies highlighted the important influence of organisational issues on donor policy. A more detailed 'ethnography' of aid could usefully add to current knowledge. Box eleven attempts to summarise a number of common organisational issues which emerge from the case studies:

#### **BOX 11: ORGANISATIONAL ISSUES**

**Modalities of assistance:** there is a lack of transitional forms of assistance which are neither 'pure relief' or 'pure development'. The relief-development divide, which is still 'alive and well', continues to prevent more intelligent and conflict sensitive approaches. In Sri Lanka, the north is an area receiving relief and the south is the recipient of development, when they should be treated in a more interconnected way. In Nepal and the Ferghana valley, there is a need for quick impact poverty-reduction projects which can dampen rising conflict, but donor budget lines and modalities prevent this from happening.

**Monitoring and evaluation:** there is a lack of sustained monitoring and evaluation that is not just technical but also monitors the political impacts of interventions. Donors tend to conduct piecemeal evaluations rather than

system-wide evaluations, and the systems for managing knowledge and investing in learning are underdeveloped. As mentioned earlier, there is still a lack of tools for monitoring and measuring the impact of aid on the dynamics of peace and conflict.

**Skills and capacities:** the frequently mentioned lack of time is not an individual problem but a systemic one. This is a problem across the board and conflict analysis runs the risk of adding to this unless it is incorporated into existing procedures. Development departments often do not have the requisite skills and in Nepal, for example, few agencies had staff with the experience or skills necessary to analyse or respond to a situation of rising conflict. In Sri Lanka, DFID is addressing this problem by appointing a specialist to work solely on conflict issues.

**Mainstreaming conflict:** some donors are attempting to mainstream conflict in a similar fashion to gender. Others have treated it as a specialist issue with a separate conflict department. Many have attempted a combination of the two strategies.

**Timeframes:** few donors give sufficiently long-term and sustained support for peace-building processes. There is a need to think more seriously about moving from supporting projects to supporting strategies and processes.

**Risk taking:** there is a tendency, particularly for the multilaterals, to be risk averse. Risk assessment is different from risk avoidance and perhaps a more optimal balance needs to be reached between risk and assurance. Donors should perhaps think more about developing country level portfolios which combine 'high risk – high opportunity' and 'low risk – low opportunity' options.

# Chapter four

## Strategies and options: towards more conflict-sensitive aid

### Improving conflict analysis

In chapters two and three we focused on conflict and policy analysis that is *description* and *prediction*. In this final chapter we move onto *prescription*, in other words identifying areas in which current policy and practice might be improved. Effective responses should be based on good diagnosis and donors could strengthen their capacities in this area.

Although one can identify some guiding principles for conducting conflict analysis, experience points to the need to adapt and customise conflict analysis according to the context and the needs of the end user.

### *Political economy analysis*

The importance of political analysis has been stressed. There is still a tendency for donors to abstract aid from the ‘messy’ world of politics. There should be a more explicit analysis of the motivations and interests of actors and how they affect and are affected by donor interventions. For instance, who is likely to benefit from or block reform processes? How will aid programmes affect the incentive systems and capacities of different actors? Therefore, the political impacts of aid needs to be explicitly recognised as part of the conflict-analysis process. A political economy analysis also involves examining the interests and assumptions of the aid actors themselves.

### *Adapt according to the needs and objectives of the end user*

Generic conflict analyses may have limited value if they are not linked to the capacities and needs of the end user. Firstly, there is a need to think carefully about what kind of analysis is merely ‘interesting’, and what kind of analysis is

essential, for a development donor. Clearly conflict analysis which focuses on poverty, livelihoods and exclusion is highly relevant, whereas analysis which focuses on nuclear arsenals is probably more peripheral. Secondly, conflict analysis may need to be customised according to the particular activities of an individual donor – for example, is it being conducted for early warning and preventative action, ongoing monitoring, impact assessment, sectoral programming or project cycle-management purposes?

The types of tools used and the overall emphasis of the analysis would vary according to the specific demands of the donor. One might also hypothesise that a different level of sophistication is required to work ‘on’ conflict rather than ‘in’ conflict. Donors with an explicit focus on peace-building appear to invest in more in-depth analysis, particularly on the incentive systems, the interests and the dynamics of conflict. This is recognised by DFID in Sri Lanka, who are currently recruiting a conflict specialist to focus on conflict reduction and peace-building activities.

### ***Develop according to the nature and phase of the conflict***

The value of conflict analysis from a development donor perspective appears to vary according to (1) the phase of the conflict and (2) the capacity of donors to influence the trajectory of the conflict. In Nepal, for instance, the value of the analysis is potentially very significant. Firstly, because the conflict is still at a relatively early stage and its trajectory could be influenced, and secondly, because aid donors are significant actors with some leverage over relatively conflicting parties. Therefore a rigorous and ongoing conflict analysis could have immense value in the Nepal context in terms of helping aid donors work ‘on conflict’.

However, where violent conflict has become protracted and aid resources are relatively insignificant, conflict analysis may be most useful in terms of assisting aid donors to be more sensitive to conflict dynamics and enabling them to work more effectively ‘in conflict’. Conflict analysis may also serve as a useful monitoring role and perhaps identify windows of opportunity which

may open up the possibilities for conflict transformation.

### ***Develop 'live', dynamic forms of analysis***

Whereas the standard contextual analysis found in donor country-profiles focuses on structural factors, conflict analysis should involve a more 'dynamic profiling' of a context with a particular focus on actors, incentives and triggers for violent conflict. The added value lies less in the information gathering than in the analysis, interpretation and prediction of conflict trends. This is not an exact science and never will be – there is no substitute for skilled regional specialists and analysts. One should also be realistic about its predictive powers; at best it is about identifying plausible possibilities.

### ***Encourage 'joined-up' analysis***

Although analysis is done by different actors and at different locations and levels within the aid system, it rarely seems to reach the right places to influence policy and practice. In Sri Lanka, for instance, a range of development and non-development actors have conducted conflict analysis, but this has not led to a shared analysis amongst the international community or common strategies in response to the conflict. Shared analysis is, therefore, a prerequisite for the development of coherent responses.

## **Developing more conflict-sensitive approaches**

In general, conflict literature has more to say about conflict diagnosis and much less on policy prescriptions. Our aim in this chapter is to identify possible strategies and options, which may contribute to more conflict sensitive approaches. Our primary focus here is on DFID and other bilateral development donors, who aim to work more effectively 'in' and 'on' conflict.

What bilateral donors can actually do themselves may be quite limited and the most important challenge may be one of trying to influence other actors who have greater leverage. We have, therefore, divided recommendations into three categories:

- (1) what donors should better appreciate – but cannot necessarily control;
- (2) what donors can influence – but are not able to do themselves; and
- (3) what donors can do to improve their current activities.

### *What should be better appreciated?*

We have questioned the assumption that development assistance by addressing long-term structural causes automatically plays a role in conflict prevention. The importance of ‘greed’ and the often loose correlation in today’s conflicts between structural causes, such as poverty, and destructive violence has been highlighted. This suggests that the **focus of aid on poverty reduction and the reduction of group disparities, although important in the long-run, may not address the more immediate causes and incentive systems related to violent conflict.** The issues that aid can address may in the short-term be the least significant. Sustainable development and civil society may not provide the whole or immediate answer.

Conflicts, once they have become chronic or frozen – as demonstrated in Sri Lanka and Moldova respectively – become extremely difficult to resolve. The case studies illustrate the importance of timely and early intervention. **The opportunities for influencing the trajectory of violent conflict appear to be greater in situations of rising tension or during the uneasy peace in a ‘post- conflict’ setting.** The dynamics of escalation tend to wrest the initiative from external actors and policy options rapidly narrow. Early preventative action should therefore be a priority.

The above two points indicate the need for aid donors to be realistic, but also to be ‘geared up’ to seize opportunities. Bilateral donors can work most effectively in and on conflict when they are clear about their mandates, objectives and capacities and about matching a means to an end.

### *What (and who) should be influenced?*

Mainstream conflict and policy analysis tends to place an emphasis on internal problems and external solutions.<sup>28</sup> Our case studies indicate, however, that

**there should be a shift towards a greater emphasis on addressing the external causes of conflict and supporting internal resources and solutions.** The implications for aid donors are two fold: (1) develop greater coherence with other policy instruments which can address the external sources of conflict; and (2) in collaboration with other aid actors at a country level, develop policies which are consistent with local realities and support local ownership of those policies.

The case studies indicate that **more robust action is required at the international and regional level to address ‘internal’ conflicts.** A range of external factors were found to have a significant influence on conflict dynamics – including diaspora communities, the arms and drugs trade, multi-national companies and the destabilising effects of international policies and interventions. All have to be tackled at the regional and international level. If the structural causes of conflict are to be addressed, this means placing a much greater emphasis on international regulatory systems and global governance. Although bilateral aid donors may be relatively ‘junior partners’ in such a process, they are well placed to highlight the linkages between the international causes of instability and the destructive consequences at a local level.

Bilateral donors also have a comparative advantage compared to multilateral donors, in being able to draw upon a range of policy instruments to influence processes and incentives at a country level. Whereas the multilaterals are constrained by their development mandates, the **bilaterals have the potential to develop coherence between a range of policy instruments** to support ‘structural stability’. Although in practice, as the case studies show, tensions and trade-offs are more common than coherence, and the need to develop greater complementarity between policy instruments could be pursued more forcefully. In certain contexts, bilateral donors may be able to achieve more than that of their individual policies and strategies. DFID, for instance, might have a significant influence on the trajectory of the conflict in Nepal through the complementary employment of development, diplomatic, security and trade instruments.

While aid resources may not be significant in relation to other capital flows, international policies are extremely influential; the ‘signalling effects’ of the IFIs and the impacts of debt and conditionalities may have a significant influence on the dynamics of conflict or peace. Structural-adjustment programmes have been implemented with limited or no adjustment for conflict-related risks. State services have been cut back, often undermining the already fragile legitimacy of states. Decreasing aid funding has been matched by increasing donor demands and a growing tendency to micro manage, leading to limited government ownership over policies and projects. The liberal solution of the short-term transition model, may be part of the problem rather than the solution. The tendency of the major donors to ‘work around’ conflict may exacerbate structural tensions and, in the long- run, undermine their stated goals. **A critical challenge for the more conflict sensitive bilateral donors is to challenge the liberal consensus, to influence the major multilateral donors and to encourage them to take conflict more seriously.**

Finally, the challenge of co-ordination comes out strongly from all four case studies. A much tighter form of co-ordination is required, particularly in areas of heightened tension or open conflict. While there have been innovative responses at an operational level, less progress has been made at the strategic level. Donors are still reluctant to relinquish a level of sovereignty. Further experimentation with strategic framework approaches might be pursued at both a country and regional level. The challenge is to **develop co-ordination arrangements which enable the international community to move towards joint diagnosis and joint prescriptions.**

## Improving aid interventions

We have stressed the need to be realistic about the capacity of development assistance to leverage policies that can help lessen the probability of conflict. However, empirical evidence that aid can ‘do harm’ has led to a growing number of donors recognising the need to develop more conflict-sensitive approaches. This is still at an early stage and ‘conflict sensitivity’ needs to be

sharpened as a concept so that it can usefully guide policy and practice. What does conflict sensitivity mean in practice? How, for instance, are conflict-sensitive poverty alleviation or governance programmes any different from those implemented in more stable contexts?

It is beyond the scope of this report to address these questions in detail. However, this final chapter aims to highlight some of the lessons that emerge from the case studies. First, there are a number of generic lessons that apply to all types of humanitarian and development programmes. These include:

- the need to reduce structural disparities, and to address the underlying causes of conflict systematically, especially the horizontal differences in political as well as economic and social dimensions;
- a heightened sensitivity to the distributional impacts of aid;
- the need to strengthen and protect vulnerable states;
- providing a combination of long-term support with short-term initiatives to affect immediate incentives systems, relationships and capacities; and
- limiting the private incentives to leaders and followers to engage in conflict.

Secondly, there are more specific lessons relating to interventions in the security, political, economic and social sectors. The case studies demonstrate that just as it is important to co-ordinate interventions at different levels – international, national and local – there needs to be ‘horizontal’ co-ordination between different sectors. Security-sector reform, for instance, cannot be viewed in isolation from policies relating to governance. Getting the right balance between different sectors and underpinning interventions with strong political analysis appear to be critical. The narrow pursuit of democracy and minority rights, for instance, may, in certain contexts, produce a violent backlash. As noted above, getting the right balance between short-term and long-term initiatives is important and yet continues to be something that aid donors struggle with. Developing modalities and approaches appropriate for transitional contexts, which do not fit into ‘pure’ relief or ‘pure’ development budget lines, is still a major challenge. Table nine maps out some of the key

features of aid responses in each of the four countries. For each structural dimension of the conflict, i.e. security, political, economic and social, while recognising the overlap between these, examples of policies and programming approaches that are more sensitive to conflict are provided.

**TABLE 9: KEY FEATURES OF AID RESPONSES AND OPTIONS FOR CONFLICT-SENSITIVE AID POLICY AND PROGRAMMING**

	KYRGYZSTAN	NEPAL	SRI LANKA	MOLDOVA
<b>Key feature of aid responses</b>	<p>Main per capita recipient of international aid in the region. High level of aid dependence. Standard package of measures to support economic liberalisation (leading to WTO accession in 1998) and democratisation. Most aid, however, has been focused on the economic transition and there has been limited recognition of aid's potential role in conflict prevention. Growing frustration amongst donors at the lack of progress towards democratic reforms</p>	<p>High levels of aid dependence, but low absorptive capacity. Major donors include the ADB and the World Bank. Since 1980s, focus on liberalisation and since 1990s increased focus on democratisation and good governance. Tendency for donors, until recently, to avoid the issue of the conflict.</p>	<p>Major donors include Japan, the World Bank and ADB. Development assistance has focused on the south and humanitarian assistance has gone to the conflict affected north east. The major donors have tended to work 'around conflict' by not working in the north east or addressing the underlying causes of conflict. Humanitarian agencies operating in the north east have developed approaches to better work 'in conflict'. A small number of bilateral donors have attempted to work 'on conflict', mainly through human rights, reconcili-</p>	<p>The primary objective of aid donors has been to support a post communist transition process. This has included a standard adjustment and liberalisation package, with a focus on economic and state reform. There have been attempts at large scale privatisation programmes including land and selected industries. Moldova has become increasingly indebted and vulnerable to IMF conditionalities. Although donors have supported peace-building projects in relation to the Transnistria conflict, few recognise the conflict generating potential of the transition process itself.</p>

	KYRGYZSTAN	NEPAL	SRI LANKA	MOLDOVA
<b>Key feature of aid responses (continued)</b>			ation, and civil society support	
<b>Security</b>	<ul style="list-style-type: none"> <li>• Reform of security sector</li> <li>• Strengthen border controls</li> <li>• Reform of police force</li> </ul>	<ul style="list-style-type: none"> <li>• Address human-rights abuses of police</li> <li>• Regional collaboration on Maoist training camps in India</li> </ul>	<ul style="list-style-type: none"> <li>• Exert pressure on the government to bring paramilitary groups under control</li> <li>• Increase accountability of military actors</li> <li>• Encourage dialogue on levels of military spending</li> <li>• Restrictions on LTTE fund-raising activities in the West</li> </ul>	<ul style="list-style-type: none"> <li>• Address Russian troops and armouries in Transnistria</li> <li>• Police reform</li> </ul>
<b>Political</b>	<ul style="list-style-type: none"> <li>• Support for decentralisation</li> <li>• Anti-corruption measures</li> <li>• Develop firmer conditionalities on accountability and transparency</li> <li>• Strengthen independent judiciary</li> <li>• Support for independent media</li> </ul>	<ul style="list-style-type: none"> <li>• Increase capacity of government to provide services in outlying areas</li> <li>• Advocacy for peace negotiations</li> <li>• Civil-service reform</li> <li>• Strong focus on accountability and corruption</li> <li>• Strategic support for human-rights groups with links to the CPN-M to keep dialogue going</li> </ul>	<ul style="list-style-type: none"> <li>• Advocacy for peace negotiations</li> <li>• Support for reform package</li> <li>• Government decentralisation</li> <li>• Strengthen capacity of local government</li> <li>• Training and support for political parties</li> <li>• Strengthen role of the media</li> </ul>	<ul style="list-style-type: none"> <li>• Political and institutional support for the transition process</li> <li>• MICOM – developing links between leadership</li> </ul>

	KYRGYZSTAN	NEPAL	SRI LANKA	MOLDOVA
<b>Economic</b>	<ul style="list-style-type: none"> <li>• Support for social safety nets and poverty alleviation, particularly in the Ferghana valley</li> <li>• Ensure more equal distribution of aid resources</li> </ul>	<ul style="list-style-type: none"> <li>• Provide services in Maoist heartland areas – more proactive investment</li> <li>• Job creation</li> <li>• Capacity building support for local government</li> </ul>	<ul style="list-style-type: none"> <li>• Rural livelihoods support – particularly in the north east and deep south</li> <li>• Employment creation, particularly for rural youth</li> <li>• More effective co-ordination at national and sectoral level</li> <li>• Strong support for national poverty alleviation framework</li> </ul>	<ul style="list-style-type: none"> <li>• Building economic linkages, for example bridge building</li> <li>• DFID sustainable rural livelihoods</li> <li>• Poverty and social safety nets</li> <li>• Humanitarian relief</li> </ul>
<b>Social</b>	<ul style="list-style-type: none"> <li>• Strengthen educational provision</li> <li>• Develop community-based organisations</li> </ul>	<ul style="list-style-type: none"> <li>• Provide educational opportunities</li> <li>• Support community-based groups involved in the peace process</li> <li>• Strengthen initiatives which focus on reconciliation</li> </ul>	<ul style="list-style-type: none"> <li>• Focus on education and language training</li> <li>• Supporting intermediary institutions which bridge ethnic divides. For example NPC, Catholic church, women's groups</li> <li>• Support for wider peace constituency – media and civil society support</li> </ul>	<ul style="list-style-type: none"> <li>• Social costs of the transition, safety nets, humanitarian aid</li> <li>• Build links language, identity, particularly on the youth</li> <li>• Language programmes</li> <li>• Civil society strengthening</li> </ul>

## *Security*

Security-sector reform is essentially a **governance issue** and thus has to be tackled as such. It is also an issue that needs to be addressed with the utmost sensitivity. Timing is critical and evidently it is not appropriate in a context

like Sri Lanka, where the conflict has become open and protracted. However, even in this context there is still scope to work with the security sector on human-rights issues, the protection of civilians and bringing military spending under the budgetary review process.

Security-sector reform is unlikely to succeed without a **strong domestic constituency for reform**. There is a need to develop sector-wide strategies which reflect the interdependence of policing, courts and the penal system in the provision of safety, security and accessible justice. This means new partnerships between law enforcement, civil society and local government and the provision of ‘on the spot’ security.<sup>29</sup>

### *Political*

The case studies highlight the importance of **political vulnerability and political exclusion** as a source of grievance that has been mobilised by political entrepreneurs. The current transition model tends to focus on economic factors and places insufficient emphasis on politics and institutions. Therefore, donors should include explicit measures focusing on governance; including **both the dimensions of government and non-government** or state and civil society. For current governance frameworks to become more conflict sensitive, there should be a more explicit acknowledgement of factors such as clan, ethnic and/or religious cleavages that need to be accommodated. There might also be a greater stress on political frameworks, which include power-sharing structures and an emphasis on minority rights and inclusive policies. At the same time, donors need to be sensitive to the issue of local ownership. This may mean adjusting timeframes so that sufficient time and space are built into the process to generate local ownership and support. It may also mean being more prepared to adapt and compromise so that there is a better ‘fit’ between ideal type models and local realities.

Four critical areas highlighted in the case studies are:

(1) **The Judiciary**: although, like security-sector reform – an area of great

sensitivity – the judiciary is perhaps an area in which donors should take risks since it appears to be such a critical factor in relation to violent conflict. Areas that might be focused on by donors include support for an independent judiciary, models of accessible justice – including legal literacy campaigns – and penal reform;

- (2) **Anti-corruption:** corruption was highlighted as both a cause and consequence of violent conflict. In the early stages of a conflict, the conspicuous ‘greed’ of politicians helps generate the ‘grievance’ which legitimises subsequent violence – as for example in Nepal. When conflict becomes chronic, economic agendas and opportunities for ‘greed’ may become more entrenched, as, for example, in Sri Lanka where a lucrative war economy has developed. This suggests that donors should place a greater emphasis on preventing and fighting corruption at both a policy and project level;
- (3) **The media:** the case studies highlight the potential of the media to play a role in either fuelling or dampening violent conflict. Conflict actors appear to have a sophisticated understanding of how to manipulate the media for perverse outcomes. Donors could perhaps ‘skill up’ in this area and strengthen the peace-supporting impacts of media through a variety of activities such as soap-operas and training; and
- (4) **Civil-society actors:** the case studies point to the significant role of civil society – both positive and negative – in relation to the dynamics of violent conflict. However, donor engagement with civil society has tended to be *ad hoc* and piecemeal. Donors should focus on supporting the development of more strategic linkages between civil society and the state and strengthening the capacity of civil-society groups to make claims on the state and have an impact on public policy.

### *Economic*

Already mentioned has been the need to tackle horizontal inequalities and to be sensitive to the distributional impacts of aid. Nepal and Sri Lanka are striking examples of **spatially defined conflicts**. In the mid-west of Nepal, isolation

from markets, political marginalisation and social exclusion have contributed to **'spatial poverty traps'**. The dynamics of conflict have further increased vulnerability and isolation. Donors could focus on a range of interventions which aim to tackle poverty and exclusion and **reduce regional imbalances** before conflicts become violent. Although integrated rural development programmes (IRDPs) have fallen out of favour in recent years, there may well be an argument for revisiting area-based approaches in countries where there are strong inter-regional tensions. Well-targeted and **politically informed poverty programmes** can help, although the case studies also demonstrate the potential for poorly implemented and politicised poverty-alleviation programmes to exacerbate underlying tensions. The most successful programmes were based on clear political analysis, clearly defined criteria, strong monitoring and evaluation and local ownership. A range of other initiatives could play a role in mitigating conflict, including an investment in local infrastructure which connects remote areas to the market and increases access to state services, access to credit for poor people and initiatives which aim to combat the deterioration of the natural-resource base. Particularly important appear to be interventions which **reduce risk and vulnerability to external shocks**. This includes support for social safety nets, economic diversification and employment creation, especially for poor rural youth.

When conflict becomes violent, donors tend to reduce activities and provide a drip feed of humanitarian aid through NGOs to conflict-affected areas. In Nepal, the withdrawal of donor and government supported programmes has fed into the negative dynamic of the conflict. There is an urgent need to rethink current strategies and experiment with approaches that aim to **support livelihoods in areas of chronic instability**. Clearly, a sustainable livelihoods framework needs adapting in situations of open violence and donors would need to develop clear norms and criteria for implementing poverty alleviation programmes in such contexts. The World Bank Relief, Rehabilitation and Reconciliation programme in north eastern Sri Lanka is a significant step towards developing such an approach in a 'hot conflict zone'. Similarly, DFID

Nepal, through its health, community forestry and poverty reduction programmes, has moved towards a more **proactive investment in conflict affected areas**.

As well as addressing 'grievance', donors who aim to work explicitly 'on' conflict, may need to work more consciously on 'greed'. This may mean not only addressing the vulnerable but also limiting the **opportunities for 'greed'** and providing alternatives to conflict profiteers. This may involve a range of measures including anti-corruption, targeted sanctions, strengthening international regulatory systems, providing 'sweeteners' of reconstruction aid and supporting demobilisation programmes.

### *Social*

We have highlighted how social factors play an important role in creating a discourse of grievance which legitimises violence. Particularly important are history, ethnicity, education and language. Donor support in the areas of social policy and provision may inadvertently follow the fault lines of the conflict. Conflict-sensitive aid should, therefore, focus on counteracting social exclusion and supporting government reform to **ensure that social policy is more responsive to excluded groups**. Education and language policies are particularly sensitive; donor support in these areas may have positive impacts but also carry the potential to 'do harm'. A recent World Bank/DFID programme to support social harmony through the state education system has the potential to support reconciliation. However, previous donor interventions in the area of education tended to reinforce ethnic and language differences. Support for language policies which encourage equal access to employment and educational opportunities should also be supported. Efforts should be directed towards ensuring that legislation on language is implemented in practice.

The case studies also highlight the need for donors, on occasion, to be less risk averse and to exploit opportunities to work more explicitly 'on' conflict. In Sri Lanka, for instance, DFID has played an important role in working on **community-based mediation and reconciliation programmes**. Although in

themselves such efforts will not bring an end to the conflict, they may play an important role in preparing the ground for peace. Donors could be more proactive in supporting the ‘connectors’ and pro-peace constituencies within a conflict. This depends to an extent on the context and phase of the conflict. For example, in Sri Lanka there is a significant pro-peace constituency, which requires sustained and strategic support. In Moldova, however, civil-society groups are less active and have limited autonomy. In all four case studies the need for a much stronger focus on the needs of disaffected youth was striking.



# Endnotes

<sup>1</sup> DFID 'Conflict Reduction and Humanitarian Assistance' DFID Policy Statement, 1998.

<sup>2</sup> Le Billon, P., 'The political economy of war: what relief agencies need to know', *Humanitarian Practice Network Paper number 33*, (ODI, July 2000) p.1.

<sup>3</sup> These terms have been borrowed and adapted from Van de Goor, L., and Versteegen, S., *Conflict Prognosis. A Conflict and Policy Assessment Framework*, (Netherlands Institute of International Relations 'Clingendael' conflict Research Unit, June 2000).

<sup>4</sup> See, for example, Duffield, M., 'Globalisation, Transborder Trade and War Economies' in Berdal, M., and Malone (eds) *Greed and Grievance. Economic Agendas in Civil Wars*, (Lynne Reinner, 2000).

<sup>5</sup> Keen 2000.

<sup>6</sup> Caliphate is the state established under successors to the prophet Muhammed which in the early Islamic period united all Muslim lands under a single Caliph.

<sup>7</sup> Brown, L., *The Challenge to Democracy in Nepal*, (London, Routledge, 1996).

<sup>8</sup> See Luckham, R., Goest, A., and Kaldor, M., 'Democratic Institutions and Politics in Contexts in Inequality, Poverty and Conflict. A Conceptual Framework. *IDS Working Paper*, (IDS, 2000).

<sup>9</sup> Bastian 1999.

<sup>10</sup> Moore, M., and Putzel, J., *Politics and Poverty: a Background Paper for the World Development Report 2000/1*, (IDS, University of Sussex, UK, 1999).

<sup>11</sup> Collier, P., 'Doing well out of war. An Economic Perspective', in Berdal, M., and Malone (eds) *op.cit.* p.4.

<sup>12</sup> Ronnas, P., and Orlava, N., *Twice Hit – Badly Wounded. The Devastating Costs of an Inadequate Transformation in Moldova*, (SIDA, 1999) cited in Woodward, S., 'Strategic Conflict Assessment, Moldova' *INTRAC report for CHAD/DFID* (2000) p.8.

<sup>13</sup> Human Development Centre *Human Development in South Asia, 1999. The Crisis of Governance*, (The Mahbub ul Haq Human Development Centre, OUP, 1999) p.90.

<sup>14</sup> Duffield, M., in Berdal, M., and Malone (eds) *op.cit.*

<sup>15</sup> Collier, P., in *ibid.*

<sup>16</sup> Le Billon, P., *op.cit.*

<sup>17</sup> Ignatiev, M., *The Warrior's Honour. Ethnic War and the Modern Conscience*, (Chatto & Windus, London, 1999).

<sup>18</sup> Cliffe, L., and Luckham, R., 'What happens to the state in conflict? Political analysis as a tool for planning humanitarian assistance', *Disasters*, (Vol. 24, number 4, December 2000)p.311.

<sup>19</sup> Collier, P., in Berdal, M., and Malone (eds) *op.cit.*

<sup>20</sup> See Anderson, Mary, B., and Spelten, a., 'Conflict Transformation. How International Assistance Can Contribute' *Policy Paper 15*, (Development and Peace Foundation/Stiftung Entwicklung & Frieden, Bonn, December 2000).

<sup>21</sup> Macrae, J., and Leader, N., 'Shifting Sands: the Search for 'coherence' between political and humanitarian responses to complex emergencies', *ODI Humanitarian Policy Group Report 8*, (ODI, August, 2000).

<sup>22</sup> Woodward, *op.cit.*

<sup>23</sup> DFID 'Eliminating World Poverty: Making Globalisation Work for the Poor' *White Paper on International Development*, (DFID, 2000).

<sup>24</sup> UNDP *Thematic cluster evaluation of project and programmes focused on the Jaffna Peninsula, Sri Lanka*, (UNDP, 2000).

<sup>25</sup> Boyce, W., 'Beyond Good Intentions: External Assistance and Peace Building' in Forman, S., and Patrick, S., (eds) *Good Intentions. Pledges of Aid for Post Conflict Recovery*, (Lynne Reinner, 2000) p.367.

<sup>26</sup> Klugman, J., *Social and Economic Policies to Prevent Complex Humanitarian Emergencies. Lessons from Experience*, (UNU/WIDER, 1999).

<sup>27</sup> UNDP 1998, p.238.

<sup>28</sup> Lund, M., 'Improving Conflict Prevention by Learning from Experience: Issues, Approaches and Results' in Lund, M., and Rasamoelina (eds) *The Impact of Conflict Prevention Policy: Cases, Measures, Assessments, Yearbook 1999/2000*, (Conflict Prevention Network).

<sup>29</sup> DFID 'Strategies for Achieving International Development Targets: Making Government Work for Poor People' *Consultation Document*, (June, 2000) p.16.

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## Appendix 1: project phases, activities and outputs

<b>Phase 1: Preparation</b> (December – February 2000)	<b>Phase 2: Field work</b> (March – October, 2000)	<b>Phase 3: Writing/dissemination</b> (November-December, 2000)
<b>Activities</b> <ul style="list-style-type: none"> <li>• Refine methodologies</li> <li>• Reference group meetings</li> <li>• Consultations with DFID departments</li> <li>• Identified consultants</li> <li>• Developed TORs</li> </ul>	<ul style="list-style-type: none"> <li>• SCA/PCA Moldova</li> <li>• SCA Nepal</li> <li>• SCA Sri Lanka</li> <li>• SCA/PCA Kyrgyzstan</li> </ul>	<ul style="list-style-type: none"> <li>• Reference group meeting</li> <li>• Marketing/presentations</li> <li>• Prepare reports and guidelines</li> <li>• Marketing and dissemination</li> </ul>
<b>Outputs</b> <ul style="list-style-type: none"> <li>• Methodology paper</li> <li>• TORs</li> </ul>	<ul style="list-style-type: none"> <li>• Reports for Moldova, Sri Lanka, Nepal and Kyrgyzstan</li> <li>• Emerging findings report</li> </ul>	<ul style="list-style-type: none"> <li>• Comparative synthesis report</li> <li>• Draft conflict guidelines</li> <li>• Website</li> </ul>



## Appendix 2: glossary of terms

**Conflict:** takes place when two or more parties find their interests incompatible, express hostile attitudes, or take action, which damages the other parties' ability to pursue their interests.

**Conflict management:** activities undertaken with the main objective to prevent the intensification or spread of existing violent conflict.

**Conflict prevention:** activities undertaken over the short-term to reduce manifest tensions and/or to prevent the outbreak or recurrence of violent conflict.

**Conflict resolution:** activities undertaken over the short-term to end violent conflict.

**Early warning:** refers to monitoring and analysis of early signals of potential conflict, with a view to anticipating trouble spots in time to respond effectively.

**Human security:** signifies not only protection from violence but also from wider threats to physical well being and livelihoods, such as environmental degradation, disease and economic collapse.

**Impact:** the actual effects of an intervention, both intended and unintended, on the lives of its beneficiaries and other stakeholders beyond the immediate project output.

**Peace-building:** refers to action undertaken over the medium and longer-term to address the structural bases of violent conflict.

**Structural stability:** a situation involving sustainable economic development, democracy and respect for human rights, viable political structures, healthy social and economic conditions, with the capacity to manage change without resorting to violent conflict.

**Track one diplomacy:** official governmental international efforts to settle a dispute or conflict.

**Track two diplomacy:** unofficial private efforts by non-state actors (religious, academic, NGO or other groups) to achieve progress in peace negotiations.

**Conflict Analysis and vulnerability/risk assessment:** a means of developing a multi-dimensional understanding of the causes and dynamics of conflict as

well as the capacities for peace. Frameworks and models designed to assess the potential for violent conflict in a country/region.

**Peace and conflict impact assessment (PCIA):** methodologies and tools to assess the likely impacts (positive and negative) that development-assistance intervention might have on the conflict dynamics at the country, region or project levels.

**Early response and preventative assistance measures:** measures or actions which may be taken by internal or external actors in an integrated and comprehensive fashion to reduce or to prevent violent conflict. Preventative development refers to development strategies, programmes and projects that are specifically geared to the prevention of violent conflict.

## Appendix 3: acronyms

ADB	Asian Development Bank
CA	Conflict Assessment
CFE	Conventional Forces in Europe ( Treaty)
CHAD	Conflict and Humanitarian Affairs Department of DFID
CPE	Complex Political Emergency
CPN-M	Communist Party Nepal – Maoist
CSP	Country Strategy Paper
DAC	Development Assistance Committee
DFID	Department for International Development
EPD	Environment Policy Department of DFID
EU	Economic Union
FCO	Foreign and Commonwealth Office
FDI	Foreign Direct Investment
FIS	Former Independent States
GDP	Gross Domestic Product
GOSL	Government of Sri Lanka
IRDP	Integrated Rural Development Programme
IFI	International Financial Institution
IMF	International Monetary Fund
IMU	Islamic Movement of Uzbekistan
INGO	International Non-Governmental Organisation
IPKF	Indian Peace Keeping Force
JCDC	Joint Committee for Democratisation and Conciliation
JVP	Janatha Vimukhti Peramuna (People’s Liberation Front)
LNGO	Local Non-Governmental Organisation
LTTE	Liberation Tigers of Tamil Eelam
MICOM	Moldovan Initiative Committee of Management
NATO	North Atlantic Treaty Organisation
NGO	Non-Governmental Organisation
NPC	National Peace Council

OSCE	Organisation for Security and Co-operation in Europe
PFP	NATO's Partnership for Peace
PCA	Programme Level Conflict Assessment
SCA	Strategic Conflict Assessment
TACIS	Technical Assistance for the CIS
TNC	Trans National Corporation
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
UK	United Kingdom
USA	United States of America
WTO	World Trade Organisation