Aid and Internal Conflict: Relevance, Prevention, Exacerbation

by Robert J. Muscat

There have been many calls for the World Bank and other international development agencies to work for conflict prevention in countries that are at risk of descending into large-scale violent internal conflict. Unfortunately, these calls seldom go beyond the hortatory. They seldom delve into the specifics: what does development aid actually consist of; how is aid relevant to the emergence of violent conflict; where aid has been relevant in the past, perhaps even salient, has it actually prevented or exacerbated violent conflict; how can activities be deliberately shaped to help ameliorate underlying tensions and divisions, or at least ensure they are not exacerbating conflict sources?

Although in recent years the World Bank, UNDP, USAID and other agencies have set up units dedicated to addressing conflict prevention and/or post-conflict recovery, and although some guidelines have been issued and a few country conflict studies have been undertaken, [i] conflict prevention has not been systematically integrated into the development planning and program frameworks of most if not all of these agencies. This is unfortunate given the fact that violent conflict has been one of the major reasons for development failure and persistence of poverty, especially in Africa. This chapter will illustrate how development aid policy-makers and practitioners can identify relevant options by looking at the nuts and bolts of development agency work through a conflict-prevention lens.[ii]

On the face of it, there are strong arguments for enlisting aid as an instrument for conflict prevention. In the periods, often measured in years, during which basic differences and grievances are festering and unresolved, but the antagonists have not resorted to violence (or to more than low-level violence), the international development agencies are the only instruments of the international community that are actively promoting and financing internal change, in effect intervening in social and economic processes. These agencies are commonly welcomed for their assistance, although there are exceptions, and relationships with host governments have ups and downs. Donors and recipient governments share a desire for the assistance programs to address non-trivial problems. Thus many of these programs may address and affect problems that relate to the basic differences and grievances putting a society at conflict risk . Through these programs, the aid agencies may (perhaps unwittingly) ameliorate or even exacerbate basic differences, or they may miss opportunities to ameliorate through sheer inattention to the conflict-relevance of their programs or to the potentialities for unintended consequences beyond their programs' immediate objectives.

There are obviously some country situations where development agencies have little or no scope for meaningful assistance or for addressing basic societal issues. A regime may view everything embodied in the modern development process as inimical to its world-view and its fundamental interests (e.g. the Taliban or Burma). The modern development paradigm envisages societies and polities that embrace local empowerment, gender equality, responsive and transparent governance, expanding trade and intellectual association, independent civil society and wide scope for human rights and cultural tolerance. State or non-state actors who reject most if not all aspects of this paradigm (e.g. violent religious fundamentalists) are not likely to be dissuaded from resort to violence by any activities of the agencies promoting such a world-view. Or a regime may be hostile to international aid "intervention," bent on pursuing predatory, divisive and repressive policies that maintain the hegemony of one (say) ethnic segment of the population over all others (e.g. Idi Amin in Uganda, or Sudan). There is likely to be greater scope for conflict prevention in countries where the state is strong rather than weak, and where the state itself is not implicated by being in the hands of one of the conflicting parties. Lastly, we do not attempt to address the problems of violent challenges to the state from drug barons (as in Colombia) or from warlords (as in Afghanistan). Solutions to these conflicts are not likely to hang on programs promulgated by the international development agencies.

There are also limits on the capacities of the aid system. Analyses and prescriptions may be faulty. There are endemic problems of program coordination and harmonization of objectives that frequently constrain aid effectiveness. It is ironic that typically there is no pressure to make conflict prevention a program objective during the years when there is no crisis atmosphere, when conflict violence is low (or the conflict-risk probability is judged to be low), and when there is time to analyze, harmonize, and reshape programs, while close to conflict when the political will to address the causes of conflict may finally emerge, there is no time left for development assistance to work on underlying causes

The development aid relationship comes in three forms - policy "dialogue," i.e. advice or pressure (conditionality); projects (in agriculture, education, health, infrastructure, etc.); and money (government budget support, or balance of payments support). We use the term "development aid" deliberately. That is, we will not examine the non-developmental activities some agencies have undertaken in recent years that use aid funds directly to promote democratic institutions and processes - elections, political parties, civil society NGOs, conflict management fora and media, etc. [iii]

Policy Dialogue

Aid agencies (not all, of course) have provided policy advice, or imposed policy-change conditions, since the early years of third-world development assistance in the 1950s. The policy subjects may range from macroeconomic questions (e.g. monetary policy, foreign exchange rate policy), to foreign trade (tariffs, controls), to sectoral issues (agriculture pricing policies, electricity pricing), or to institutional issues of economic management and governance (e.g. public sector enterprises, government budgeting and auditing).

The traditional concern of this kind of policy dialogue has been efficiency. Overall economic growth would be enhanced with better policies, fewer investment distortions, fewer interventions into the operation of markets, more rationalized allocation of public sector resources, and so on. The evidence showing that economic growth can be enhanced significantly through such efficiency gains is powerful. But a powerful case can also be made for substantial gains from taking distributional impact into account, that is, inter-group, or so-called horizontal inequalities, and economic grievances such as perceptions of discrimination in access to income earning opportunities. To the extent that such inequalities or discrimination are contributory causes leading to resort to violence, failure to address and improve the inter-group economic balance can result in enormous economic loss to a country's physical and human capital. Thus, it may actually be more efficient to substitute distributional for efficiency gains, if such a trade-off is in fact involved in specific cases.

Malaysia provides an important example of government deliberate opting for distributional over efficiency gains as the core of its development strategy. In 1971, shaken by urban riots (in 1969) in which Malays protested violently against the long-standing economic prominence and wealth of the ethnic Chinese population, the government introduced a comprehensive program of what we now style as "affirmative action." The program was announced as designed to increase Malay access to higher education, private sector employment of Malay workers, and Malay ownership of equity in the modern corporate sector. These policies had quantified and time-defined targets, based essentially on the principle of proportionality to ethnic share of the population. The policies added greatly to the previous more limited measures that favored the hiring of Malays in government employment and that financed land settlement schemes for landless Malay rural workers. The policies were promulgated by a ruling alliance of political parties representing the three major ethnic groups of the population - Malay, Chinese, and Tamils. The program was incremental and administered flexibly, and entailed no expropriation of existing wealth.

The affirmative action measures imposed considerable constraints on the operation of the domestic markets for land, labor and capital. As an extensive departure from economic orthodoxy, the policies were hotly debated inside the World Bank. Economists in staff offices of the Bank criticized what they saw as a formula for economic decline. Line officials responsible for the Bank's lending to, and relations with, the Malaysian government, supported the government's position and continued to extend loans. The upshot over the succeeding years has been a record of substantial attainment of the distributional goals, of sustained inter-ethnic harmony, and one of the world's fastest developing country growth performances. Critical to its success has been the government's willingness to adjust the affirmative action requirements, especially when they were seen as a potential drag during periods of macroeconomic stress. Also critical to its success has been the willingness of the ethnic Chinese community to bear the social and individual costs (such as the costs of overseas tertiary education for children unable to gain admission to Malaysian universities due to quota exclusion) as the price of overall harmony and economic growth. The Malaysian experience is particularly apposite in an era when ethnic divisions have been a principal source of internal conflict in so many developing countries.

In sum, adopting horizontal equity as the primary development objective was, in the event, in Malaysian circumstances, a very efficient, perhaps growth-maximizing, strategy. One can only speculate over the course Malayan dissatisfaction might have taken if the government had not pursued and achieved the distributional restructuring. Given the sweeping and unorthodox scope of the policy restructuring, responding to a mere four days of urban violence, the government and the reigning ethnic leaders evidently viewed the risks to the stability of the society and the state as clear and substantial.

A less happy example, in which external economic policy advice and support exacerbated internal divisions, is provided by the case of Pakistan and the civil war in 1971 that ended with the secession of the country's east wing, the now independent Bangladesh. Since the creation of Pakistan in the partition of 1947, the central government, seated in West Pakistan, had pursued a development policy that favored industrialization in the West wing. The industrialization and its infrastructure requirements were financed in part through resource transfers from the East to the West. The transfers were effected through the use of the foreign exchange surplus earned by the East's (mainly jute) exports, and through the maintenance of an overvalued exchange rate and a protective system for the country's domestic manufactures. The basic rationale was one of efficiency. Scarce resources should be invested where they would earn the highest return; opportunities for investment in the East were judged to be very limited, with low economic returns, even in agriculture.

For at least a decade before the civil war, the donors were well aware of the depth of resentment over these policies on the part of East wing intellectuals and politicians. The East's policy agenda called for reversing the growing income gap between the wings, increasing public investment in the East, and reversing the direction of net financial transfers. During that decade the policies discriminating against the East had been supported by the donors and by the economic advisory team that was being financed in part by the World Bank. By the time the government policy makers and donor advisors decided to right the imbalance against the East, in mid-1970, it was too late. The election in 1971 would have given central government control to the political party that had won the majority of the seats in the more populous East, the Awami League. The West's refusal to accept that outcome (and the jailing of the head of the Awami League) triggered the East's secession and the West's unsuccessful effort to hold on to the East wing by force.

Fundamental economic grievances were the major contributors to the readiness of the East's leadership to opt for secession. Through both sustained financial support and technical policy advice, the donors had backed the West wing's strategy of efficiency over distribution, up to the 11th hour. One can credibly speculate that the civil war might have been avoided if the policy reversal of 1970 had been undertaken, say, five years earlier. At a minimum, it is clear (as later admitted by the then chief of the economic advisory team) that World Bank experts and the Bank-financed Harvard advisory team had "collaborated intimately" with their Pakistani policy colleagues, and bore a share of the responsibility for the economic policies that were prominent among the roots of the conflict. [iv]

The Malaysia and Pakistan cases serve as examples of the potential relevance - indeed, salience - of economic policies in conflict-risk situations, and of the possible role of the sources of international policy advice and influence, especially the policy leadership role of the World Bank. There has been considerable debate over the political effects of the main economic paradigms of the 1980s-1990s spearheaded by the World Bank and the IMF: structural adjustment, and the transition of former socialist/dirigiste economies to market-based systems. The specifics of these paradigms have included policies such as privatization of public sector enterprises; shifting from administered to market-based determination of prices; harmonization and reduction of tariffs; dismantling of non-tariff trade barriers; government budget deficit reductions entailing such measures as tax reforms, enhanced tax collection, reduction of consumer subsidies, and elimination of subsidies to loss-making state enterprises. Much attention (and protest, at economic summits and Bank/Fund annual meetings) has been devoted to the "vertical" effects of these paradigms, their alleged harmful effects on the poor. There has been much less attention to, or analysis of, the horizontal or inter-group effects of implementing these paradigms. In the short run, at least, each of the individual policies, and the policy packages as a whole, may have significant differential effects on the economic activities of different groups (e.g. producers of different crops or manufactured products) or different ethno-geographic regions.

If these policies are examined through a conflict lens, policy makers may see a need to adjust their composition and timing, or to provide off-sets and transitional cushions. Policies like privatization have been especially open to non-transparent implementation, allowing politically favored groups to acquire a lion's share of the enterprises and a dominant position in an emerging private sector. If a favored group is also an ethnically distinct and advantaged group (as was the case for privatization in Mozambique in the 1990s), privatization may be a source of socio-political grievance and division, quite apart from its merits as an economic reform measure. The selection of commodities for trade liberalization may (even inadvertently) put the burden of income loss and adjustment onto individual ethno-geographic groups that have traditionally concentrated on the production of the chosen commodities. One analyst has shown how the package of economic policy reforms introduced in Sri Lanka in the late 1970s, with IMF and donor support, exacerbated Sinhalese-Tamil hostilities in a complex interplay of effects, perceptions, ands government responses.[v]

We need not elaborate further, policy by policy. The point is simple and obvious, even if it remains far from being systematically applied. The international development institutions and their supporting donors should apply a conflict-prevention perspective when analyzing and recommending policy reform packages, especially to countries that are at risk to violent internal conflict.

Development Projects

When a conflict-prevention lens is applied to project selection, content, or location, options may be perceived that might not appear at all, if project planning has to take account of the standard considerations only of technical and economic efficiency, and environmental and gender impact. A few examples of how some projects have been conflict-relevant will demonstrate the point and provide concrete illustrations of prevention, missed opportunities, and exacerbation. This will be followed by a brief listing of some typical development project areas and how such relevance might be taken into account.

Regional Aid Location. The northeastern third of Thailand was long seen by its inhabitants as culturally distinct from the dominant central plain and Bangkok Thai. Their shared Buddhism, loyalty to the monarchy, and language, were historic ties that appeared to hold the country together as a viable and relatively homogeneous nation. Nevertheless, differences of dialect, customs, and government attention and investment, underlay northeastern resentment and occasional expressions of disaffection. Beginning in the 1950s, the Communist Party of Thailand (CPT) tried to build an insurgent base in the region by exploiting these differences and dissatisfactions, and by carrying out violent actions against the government's officials and presence. As in many developing countries that have experienced violent conflicts, it was the concentration of the disaffected in a defined ethno-geographic region that provided the potentiality for political mobilization and manipulation.

The donors (the World Bank and USAID were the two largest at the time) responded with a location strategy of siting many of their projects in the Northeast. The US objective was made explicit in the annual budget requests documentation for the Congress. The rationale for aid to Thailand was conflict prevention: the "hearts and minds" of the rural Thai had to be made impervious to the CPT appeal. The disaffection in the Northeast had to be countered with programs demonstrating that the region was being included, even favored, in the country's development process. Inclusion required the government and donors to let distribution trump efficiency. The Northeast's location was relatively remote and its soil and water resources poor. It was recognized that investments in agriculture (industry was almost totally infeasible, mineral resources insignificant) would yield much lower returns than elsewhere in the country. Nevertheless, the donors financed economically marginal irrigation projects and made extensive investments in the region's transport and other infrastructure, and in the expansion of the public health and education systems.

One small public administration project is of particular interest for our perspective. Generations of civil servants and local government administrators had long viewed the Northeast as the least desirable place to live and work. The region and its inhabitants were considered backward, schools were poor, and electricity was available for a few hours a day at best in the provincial seats. A posting to the Northeast did not enhance one's career in the civil service. The ministries in Bangkok were known to send their weakest personnel to the region. One of the key government policy changes in the face of the CPT threat was to reverse these practices. As Bangkok began posting some its most capable administrators to Northeast provinces, an in-service training institute was set up at USAID's suggestion, and with USAID financial and technical assistance, to raise the skill levels of Northeast officials and to imbue them with new, positive, attitudes regarding their relations with ordinary citizens. Service and responsiveness was to replace arrogance and indifference. Although a modest effort in relation to the totality of aid to Thailand, and to the Northeast, the institute helped correct one of the critical sources of popular discontent in the region.

The full and complex story of Thailand's success in recapturing the loyalty of areas that had responded sympathetically to the CPT insurgency cannot be recounted here. While the aid-funded development and governance projects were not the only significant factors, they played an important role, even catalytic in some respects, in defanging the insurgency and denying it the popular support that would have been essential for its growth into a wider conflict threatening the stability of the state. Again, one can only speculate on the "what-if." But given the wars and insurgencies raging in Southeast Asia at the time, a credible case can be made that a much deeper challenge to the integrity of the Thai state would have eventuated if the prevention measures we have described had not been undertaken.

Location figures importantly in many kinds of projects and policy problems that donors may be involved in, especially in agriculture. Some examples: inter-communal land seizure;

irrigation system design; internal migration programs; development of property rights systems; rural credit access; agricultural commodity promotion, protection, or liberalization; rural road construction; provision of agriculture extension services; location of agricultural universities; environmental destruction and protection; downstream effects of upstream development; highway construction through previously remote regions inhabited by politically powerless, indigenous minorities. In all these problems and activities, the potential differential impact on winners and losers needs to be taken into account by any concerned donor.

Inclusion. Development projects can be designed and implemented in ways that bring potentially conflicting groups together in win-win relationships. The Gal Oya irrigation project in Sri Lanka is a well-known example. In 1980 the Sri Lankan government asked USAID to help rehabilitate the deteriorating Gal Oya system. In addition to the need for refurbishing the infrastructure, the project required agronomic and water distribution improvements to realize its production potential. The USAID project funded a technical assistance team from Cornell University to address the agronomic and water problems.

The essence of the water problem was maldistribution. Farmers at the upper ends of the canals were drawing out most of the water, leaving insufficient water for the farmers at the lower ends of the channels. The technical assistance team convinced the upper farmers that they were actually using too much water for optimal cultivation. By reducing their off-take, the upper farmers left sufficient water flowing through the lower reaches of the canals to meet the needs of the lower farmers. With the aid of the Sri Lankan facilitators who were members of the technical assistance group, the upper and lower farmers on each canal were brought together in water "user groups" that took responsibility for managing their own canal usage.

The upshot was increased production all along the canals and the abatement of the hostility the lower farmers had previously held for their upper neighbors. The social engineering that had been designed to overcome the core technical/economic weakness of the project had the secondary consequence of promoting good relationships between antagonistic groups. What makes Gal Oya a significant example of conflict prevention is the fact that the upper farmers were Sinhalese, the lower farmers Tamil. Subsequent efforts of the Tamil insurgent organization, the Tamil Tigers, to persuade the Tamil farmers to withdraw from the water user groups and end their cooperation with the Sinhalese farmers have failed. The project had created a common, inclusive interest on the part of the Tamil farmers, rendering them impervious to the calls for them to join in the country's larger, long-running ethnic conflict. In years when the water supply has been low due to inadequate rainfall over the Gal Oya watershed, the upper farmers have even voluntarily lowered their own off-take in order to share the available water equitably with the lower farmers.

The Gal Oya presents a striking contrast with another irrigation project in Sri Lanka which was marked by deliberate exclusion of Tamils. The Mahaweli irrigation project is massive compared with Gal Oya, the largest single infrastructure project ever undertaken in the country's history. During the long years of design and preparation, the government had touted Mahaweli in triumphalist ethnic terms, had planned on settling only landless Sinhalese farmers on the new lands the project would be watering, and had even cancelled out (purportedly on technical grounds) a canal that would have brought water to a region farmed by Tamils. The Tamils saw Mahaweli as a major confirmation that the Sinhalese majority was bent on a national policy of exclusion and hegemony.

Construction of Mahaweli depended upon donor finance. The donors recognized that Tamil exclusion would have a major impact on the country's heated ethnic politics. At one point three of the principal donors - the World Bank, Canada, and the US - met with the Mahaweli authority and recommended that Mahaweli should draw lessons from Gal Oya on inclusion. The authority rejected the recommendation. Rather than applying more severe pressure, or threatening to withdraw their financing, without which Mahaweli would likely have collapsed, the donors proceeded to support the project anyway. Much later, a World Bank evaluation concluded that the decision to proceed represented a missed opportunity for promoting conflict avoidance:

> If the Bank, along with other donors, had *forcefully* raised concerns about regional and ethnic balance and had convinced [the government] to appropriately modify the "Accelerated Mahaweli Development Program," it is by no means certain that this alone would have prevented the full-scale conflict that erupted in 1983. However, this is not to say that such concerns should not have been raised and *been made part of conditionality.* [vi]

The suggestion here that ethnic inclusion, in the context of deep inter-ethnic division, should have been made a condition for donor support of a country's centerpiece development project, is important. As in the East-West Pakistan case, the possibility that the tensions might have been mitigated, perhaps rendered more amenable to negotiation and nonviolent resolution, remains an untestable hypothesis. But the hypothesis is credible. A reshaped Mahaweli would have served as a high-profile example of co-operant, common-interest, ethnic relations, and a national symbol of minority inclusion. As such, the project could have increased the numbers of moderates on both sides and reduced the polarizing leverage of the extremists.

In these particular irrigation projects the ethnic groups were geographically concentrated but lived in contiguous areas that provided opportunities for their being embraced by the same projects. In regions where different groups are located without such contiguous, embracing opportunities, it may be possible to promote a sense of fairness through the financing in parallel of projects that are technically divisible, i.e. where separate and equivalent facilities can be located in each group's area in place of one large facility. Esman cites a World Bank project in Lebanon that put a waste disposal plant in each "confessional" community's territory instead of installing one large facility in one community's territory. He also cites an example in manufacturing in which an NGO-assisted project in Tadjikistan was designed "to avert economic competition and create economic interdependence among two hostile ethnic communities. One was given wool-producing machinery, the other carpet-making equipment. Economic interdependence fostered incentives for their joint economic success." [vii]

Aid projects in many sectors may create opportunities for inclusion, reducing inequalities, or weighing in against deliberate discrimination. To identify such opportunities, donors need systematically to examine potential conflict-relevance when planning program coverage and individual project design. Unequal access to *education*, especially at the higher levels, has been a source of deep discontent within groups less economically advanced in a number of conflict histories in Asia and Africa. If the inequality has arisen from historic imbalance in the location of educational facilities, donor educational aid can help right the imbalance by favoring the areas where the disadvantaged group(s) is concentrated. If the inequality has arisen from access discrimination, donors may make the elimination of discrimination an absolute policy condition, regardless of the particular level, disciplines, or physical aspects of the education system the aid is intended to strengthen. Aid resources should not be put into an education system if tertiary access is limited by discriminatory *language* requirements.

Donor projects to strengthen *public administration* may open up opportunities to address inequalities or discrimination or may inadvertently involve a donor in discriminatory practices. Civil servant training opportunities provided by projects designed to strengthen particular ministries or public sector functions, especially advanced overseas training that bestows professional credentials on the trainees, can be important in situations where an aggrieved group is generally disadvantaged because of educational deprivation. The donor should require trainee selection and subsequent placement to take account of such imbalances. In projects of wider scope, for example aiming to help civil service reform, it should be incumbent on the donor to examine system-wide hiring and promotion practices.

Projects helping to strengthen specific *technical functions* of government, e.g. agricultural research or primary health care, should take account of the location pattern of field service facilities; are there underserved groups or areas, and if so, should that be corrected? If it has been a matter of discriminatory policy, the donor should insist on an appropriate policy change or withdraw from the activity.

Assistance for *development policy analysis and research,* which may be located in a government planning bureau, central statistical office, or university or independent policy institution, should not overlook horizontal inequalities or roots of inter-group hostilities. For example, in many countries there are deep-seated prejudices stemming from popular belief that domestic commodity marketing systems are controlled by conspiring and exploiting ethnic minorities. Empirical research may demonstrate (as was the case in Thailand) that the markets are very competitive and that profit margins in fact are thin. Or if monopsony conditions are shown to be the reality, steps can be developed to foster competition.

Poverty assessment, pioneered by the World Bank, has become a standard tool of development planning. However, the traditional core statistical bases of poverty assessment - household consumption levels and household income distribution - are measured by income class (income brackets) across an entire country population. The income data, along with social measures like educational attainment, is seldom recorded by ascriptive group. It provides vertical but not horizontal analysis. The methodology for household surveys and economic and social comparison needs to be adjusted to allow for inter-group status comparisons over time.

Donors need to be aware of the possibility that projects justifiable on vertical, or absolute poverty grounds, may create horizontal problems by altering *group economic rights.* Recent conflicts in some parts of Indonesia (e.g .the Moluccas) have arisen from perceptions on the part of "indigenous" inhabitants that their traditional land rights (and local culture and political position) were being threatened by the rising numbers of migrants of different ethnicity and/or religion from other Indonesian islands. This inter-island migration had been supported and financed by the World Bank in earlier years. Farmers from densely populated islands had been induced to move to other lightly settled islands. At the time, the migration program was seen as economically justifiable, a contribution to the reduction of both absolute poverty and the (vertical) maldistribution of income. With benefit of hindsight, the subsequent violent conflict might have been avoided if attention had been paid to the potentialities for inter-group conflict in areas previously monocultural.

Finally, the mundane details of aid project implementation may affect inter-group dynamics and how the donor is perceived as a player in a conflictive environment. We referred above to the importance of "fair"selection of persons who will benefit from training under aid project auspices. The award of construction and procurement contracts can also be administered in a manner that avoids their virtual capture by firms of an already dominant ethnic or class group in a divided society. Details are important - like ensuring that news about impending aid procurement is made public through local media that employ minority languages. If a donor fails to make credible efforts to distribute project participant along these lines, it may be seen as a party to an established public sector hegemony.

Financial Support and the Overall Aid Relationship

Aid in the form of financial transfers - financing for the government budget; general import financing; debt reduction or refinancing; "sector" loans for general support of agricultural, industrial, or other sector development - has traditionally provided, and signaled, broad donor support for, and concurrence in, a government's policies and programs. While the different instruments for these transfers have commonly provided the basis for dialogue on policies most relevant to the sector, imports, or other subjects of the specific support being financed, the general character of straight monetary support entails policy concurrence that goes to the heart of the aid relationship, well beyond the policy particulars on which we focused at the outset of this chapter.

The point was vividly illustrated by the donor experience in Rwanda. Over the course of the two decades preceding the genocide in 1994, international aid to Rwanda rose to the extraordinary level (in 1993) of about $50 per capita or almost 25% of GNP. The comparable averages for sub-Sahara Africa were about $36 and 11.5%. Despite the country's history of Tutsi-Hutu animosity and violence, and the unabashed Hutu agenda of reversing the colonial-era Tutsi hegemony, the donors acted as if the development process and their aid were ethnically neutral, playing out in a separate developmental sphere. As documented in a World Bank evaluation in 1998, after the conflict, the Bank and other donors "ignored the signs of growing ethnic tensions and unraveling of the political framework in the 1980s."

> The most explicit critic in this respect is Peter Uvin [who] finds frequent references [in Bank documents] to Rwanda's putative "prudent, sound management, concern for its rural

population," and even "the social cohesion of its people" and "the ethnic and socioeconomic homogeneity of the country." But he finds no references to such issues as "state-sponsored racism; authoritarian government....and social, ethnic and regional inequality." [viii]

According to Uvin, no donor agency denounced the official racism and racial identification policies, "not even in the 1990s, when it was clear they were being used to prepare for mass killings."[ix]

At the project level, the Bank continued its financial support (in at least one cited agricultural case) for activity in which there was blatant discrimination in favor of Hutus. The larger point, however, is that the donors persisted for years in channeling large-scale resources to, and through, a government that was carrying out a national strategy of ethnic hegemony. Much of the aid was in the form of sheer finance, the most fungible form of development assistance. By providing that kind of aid, especially of such a magnitude in relation to the economy as a whole, the donor becomes an accomplice in a regime's central ambitions.

As the leading development policy institution the World Bank bears exceptional responsibility for the orientation of donors to issues of development strategy and of distribution. In the judgment of one development economist, Frances Stewart, "IMF and World Bank policy conditionality is 'blind' to these issues, i.e. they take no account of horizontal equity in their policy prescriptions." For the Bank and Fund to do so "would require a quite marked change in their programmes for conflict-prone countries." [x] As we have seen, operational departments of the Bank may or may not try to address issues of horizontal equity; in practice the Bank is not monolithic. Nevertheless, Stewart's judgment is basically right. The Bank as an institution has long viewed horizontal equity as an issue that is essentially political and thereby outside its mandate as defined by its charter. Over the years, the legal guardians of the Bank's charter have had to give ground as more and more subjects (e.g. corruption in government) have been seen as development factors legitimate for Bank attention. Even on narrow grounds of fiduciary responsibility for helping to prevent the destruction of assets it has financed, and for which client countries have incurred debt, the Bank should confront horizontal inequity. Although the Bank's president has cited conflict prevention as an important objective for the institution, systematic infusion of conflict prevention into Bank programs will require, as Stewart points out, a marked change.

In retrospect we can never know, of course, if an early and decisive donor stand against hegemonic policies, as in Rwanda, could have prevented genocide. Could a Malaysian approach have worked in Rwanda, bringing the ethnic leaders to the table to devise a transparent development strategy with horizontal inequities and grievances at the core? Could the hegemonic policies, and the attitudes behind them, have been modified if the Bank and other donors had abandoned ethnic neutrality and conditioned their continued support on fundamental distributional reform? Unfortunately, such an approach was not tried during all the years when development aid was a relatively huge factor in Rwandan economic viability. Are similar opportunities elsewhere being overlooked?

i.See for example *The International Response to Conflict and Genocide: Lessons from the Rwanda Experience,* 1996. Copenhagen: The Steering Committee of the Joint Evaluation of Emergency Assistance to Rwanda. Also, *The DAC Guidelines: Helping Prevent Violent Conflict,* 2001. Paris:OECD.

ii.The chapter draws on Muscat, *Investing In Peace*.

iii.For a review of democracy-promotion aid efforts, see Thomas Carothers, *Aiding Democracy Abroad: The Learning Curve,"* 1999, Washington, DC: Carnegie Endowment for International Peace.

iv.See Mason, Edward S., and Robert E. Asher, 1973, *The World Bank Since Bretton Woods*. Washington, DC: Brookings Institution. Pp. 666-675.

v.Herring, Ronald J., "Making Ethnic Conflict: The Civil War in Sri Lanka," in Milton J. Esman and Ronald J. Herring, eds., *Carrots, Sticks, and Ethnic Conflict: Rethinking Development Assistance*, 2001, Ann Arbor: Univ. Of Michigan, pp. 140-174.

vi.World Bank, 1998, *The World Bank's Experience with Post-conflict Reconstruction,* Vol. 5, p.145. Italics added.

vii.Esman, "Policy Dimensions: What Can Development Assistance Do?" in Esman and Herring, op. Cit. p.247.

viii.World Bank, op.cit., p.111.

ix.Uvin, Peter, 1998, *Aiding Violence: The Development Enterprise in Rwanda*. West Hartford, CT: Kumarian. P.44.

x.Stewart, Frances. 2000, "Crisis Prevention: Tackling Horizontal Inequalities," Oxford Development Studies, Vol. 28, No.3.