

# Aiding Peace? Donor Behavior in Conflict-Affected Countries<sup>1</sup>

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## Table of Contents

Aiding Peace? Development Programs in Post-Conflict Countries .....	1
<b>Overview</b> .....	<b>2</b>
<b>Key Findings</b> .....	<b>5</b>
<b>Responsiveness to Conditions on the Ground</b> .....	<b>5</b>
Donor response to peaceful cooperation .....	5
Donor response to violent conflict.....	6
<b>Donor-Level Attributes and their Effect on Aid Allocation</b> .....	<b>6</b>
Influence of Strategic Interest on Donor Behavior .....	6
Influence of Organizational Flexibility on Donor Behavior.....	7
When Strategic Interest and Organizational Flexibility Work Together.....	7
<b>Donor-Level Attributes Combined with Conflict and Cooperation</b> .....	<b>7</b>
Strategic Interest Combined with Conditions on Ground.....	7
Organizational Flexibility Combined with Conditions on Ground .....	8
What is the relationship between responsiveness and effectiveness? .....	8
<b>Why Less May Be More</b> .....	<b>9</b>
<b>Policy Implications of ‘Less is More’</b> .....	<b>10</b>

## Overview

Foreign donors face a complex challenge: countries that need assistance the most are often countries that suffer from endemic violence.<sup>3</sup> Donors claim to be sensitive to conflict, but are donors meeting the challenge of aiding development and peacebuilding?

This brief draws on evidence from over 160 interviews across four conflict-affected countries – Democratic Republic of the Congo, Sudan, South Sudan, and Nepal – as well as extensive statistical analysis based on local data on aid and violence, to identify trends around donor behavior in conflict affected countries.

Among the many **lessons learned**, a few stand out.

*First*, donors are much more responsive to both cooperation and conflict than indicated in existing policy or scholarly work.

*Second*, donors are more responsive to conflict among armed groups than to cooperation. Donors tend to ‘reward’ conflict with more funding allocations, but withdraw support once the context has been stabilized.

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<sup>3</sup> World Bank, *World Development Report 2011: Conflict, Security, and Development* (Washington, DC: The World Bank, 2011).

*Third*, two attributes help determine the way donors respond: strategic interest in the recipient country and organizational flexibility. Donors that have a strategic interest in the recipient country tend to be much more responsive to both conflict and cooperation – but this is often the result of ‘interference’ from the donor capital, which seems to undermine aid’s effectiveness. Flexible donors, where the country office decides on aid allocation, are much more likely to reward cooperation with more aid, and discourage violence by providing less aid.

This research also suggests three key **policy implications**. Underlying these policy implications is the acknowledgement that donor systems, incentives, and behaviors are part of the problem facing conflict-affected countries. To improve the effect of aid in these contexts, donors need to also address their own deficiencies.

*First*, in conflict-affected countries, less is more. Instead of focusing on spending more money, donors should focus on doing a few things well. The focus on spending money, and assessing performance based on how much money they spend, undermines donor effectiveness. Instead, donors should focus on funding a few key interventions, engaging directly with people that they fund and their beneficiaries, and directly monitoring the evolution of programs over time. This approach would enable donors to engage with the complexity of a particular conflict-affected country and develop innovative approaches suited to its reality. To apply this approach, donors need to alter their internal operating procedures: increasing the ratio of the number of country staff to the amount of money spent (permitting more staff time per dollar spent), which will allow donor staff to spend more time ‘accompanying’ program implementation and enabling necessary adaptation and learning.

*Second*, to support more effective aid, donors should focus on longer-term programs that enable flexibility, rather than short projects that aim to achieve a peace dividend. A short-term focus on highly visible results often precludes support for more foundational change. By having a longer-term strategic focus, donors can adapt to challenges that hinder the delivery of humanitarian and development programs, such as political instability, bureaucratic weakness, corruption, or weak rule of law.

*Third*, to ensure country offices can support innovative and flexible programming, donors should combine attention from headquarters with decentralized decision-making at the country level. Attention from headquarters to the political context can help the country office navigate bureaucratic barriers inherent to development aid, while decentralized decision-making can enable the country office to identify and adapt to local changes, and to their own successes and failures.

## Background

The 2011 World Development Report makes a definitive and compelling argument: successful economic development depends crucially on addressing the challenges of political violence.<sup>4</sup> International actors, asserting an understanding of this dynamic, boldly claim that their policies are “conflict sensitive,” or are able to positively affect a country’s conflict dynamics.<sup>5</sup> Conflict sensitivity is widely considered to be a prerequisite for effective peacebuilding, statebuilding, and, ultimately, economic development in war-torn countries.<sup>6</sup> A casual perusal of the news suggests that in many violent contexts, some international actors are responsive to conflict dynamics both in word and in deed – and these first impressions could be correct. But they could also be incorrect: to date, there is a dearth of systematic analyses of international behavior in conflict-affected contexts.

Foreign assistance is one of the primary tools that international actors use to influence conflict-affected states. But do international actors allocate development assistance in conflict sensitive ways? More specifically: Is foreign assistance responsive to the ebbs and flows of peace processes, or is it largely driven by donor-specific considerations, such as bureaucratic characteristics or political imperatives?

To address these questions, the Swiss Network of International Studies (SNIS) funded a two-year research project, *Aiding Peace? Donor Behavior in Conflict-Affected Countries*. Under this project, we conducted a quantitative and qualitative analysis of the behavior of international aid donors in four different states – The Democratic Republic of the Congo (DRC), Sudan, South Sudan, and Nepal – from 1990 through present day. Using over 160 country interviews and statistical analyses of the trends in donor allocations, we explain the reasons for the similarities and differences in foreign aid donors’ behavior. Included in this analysis were traditional Western donors, newer non-western donors, multilateral development banks, and bilateral aid agencies.

We examined four key factors that may motivate international donor behavior. From the perspective of donors’ own incentives, foreign aid allocation may be motivated by their *strategic interest* in a particular recipient country and the degree of *organizational flexibility* that they possess. From the perspective of the recipient countries, the behavior of donors may be motivated by *negative events* (such as violent conflict, botched elections, protests, or corruption scandals) and *positive events* (such as free and fair elections, peace agreements, and durable ceasefires) that receive high levels of international media attention. These four factors provide

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<sup>4</sup> Ibid.

<sup>5</sup> International Alert, Saferworld, and FEWER, *Conflict Sensitive Approaches to Development, Humanitarian Assistance and Peacebuilding: A Resource Pack* (London, UK, 2004).

<sup>6</sup> OECD-DAC, *Principles for Good International Engagement in Fragile States and Situations* (Paris: Organization for Economic Cooperation and Development, 2007).

a framework for understanding how donors behave in the context of war-to-peace transitions. We attempt to understand whether these factors motivate changes in donor aid allocation in three ways: (1) do donors make large positive or negative changes in aid, (2) do they shift aid from sectors such as development to others such as humanitarian, and (3) do they shift the location of foreign assistance from one region of a country to another?<sup>7</sup>

## Key Findings

This document provides preliminary findings from our study on donor behavior in conflict-affected countries. Conclusions may change as we advance the analysis; the full results will be reported in several peer-reviewed journal articles and a book.

### Responsiveness to Conditions on the Ground

Contrary to critiques that donors are not sensitive to the ebbs and flows of conflict, we find that donors are highly responsive to both conflict and cooperation. Most donors, most of the time, increase or decrease the amount of development aid they provide in response to violent conflict or peaceful cooperation.

#### Donor response to peaceful cooperation

In response to visible instances of peaceful cooperation, such as the signature of a peace agreement, donors are likely to both increase and decrease the amount of development, humanitarian, and peacebuilding aid that they provide. Donors are likely to reward cooperation by giving more money to locations where cooperation happens, but are also likely to *discourage* cooperation by reducing funds in the face of important instances of peaceful cooperation. In many cases, decreasing aid was due to a desire to reallocate aid to areas with greater need, or a shift to budgetary support.

Our interviews showed that donor country offices feel it is difficult to get the attention of their headquarters when things are going well, particularly when the country is viewed as 'post-conflict' or 'post-peace agreement' rather than 'in conflict'. In each of the four case study countries, overall funding levels dropped after significant decreases in conflict levels. In this post-conflict phase, many of these countries were not viewed as ready for high levels of budgetary or other development aid, but they were also no longer seen as meriting high levels of aid to support peace processes or immediate post-war recovery.

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<sup>7</sup> In this brief, we do not articulate all measurement decisions or findings. For more details on measurement, results, and publications, please see the following website: <http://www.susannacampbell.com/research/aiding-peace/>.

## Donor response to violent conflict

In response to violent conflict, donors also both increase and decrease the amount of development, humanitarian, and peacebuilding aid they provide. While one would expect increases in humanitarian or peacebuilding aid in response to violent conflict, in several countries donors also *increase* development aid in response to violent conflict. This could be because these areas also receive a high level of media attention, leading to pressure from donor headquarters to respond with more aid.

In several cases we find that conflict spurs an increase in humanitarian aid and a decrease in development aid. Development and humanitarian actors seem to ‘split up’ the country, designating conflict-affected locations as the domain of humanitarian donors and non-conflict-affected areas as the domain of development donors, with little overlap. In South Sudan, many perceive this division of territory between donors as doing harm to the population. They argue the singular focus of humanitarian aid on areas affected by conflict, in an overall context of reduced development aid, increases the impoverishment of people living in areas not affected by conflict. The vulnerability of these populations, in turn, leads to violent conflict in formerly peaceful areas.

## Donor-Level Attributes and their Effect on Aid Allocation

Even though donors seem to be much more responsive to both conflict and cooperation than expected, not all donors are equally responsive. Two crucial donor attributes determine how donors respond to conflict and cooperation: their strategic interest in the recipient country and their degree of organizational flexibility.

Strategic interest refers to whether or not a donor considers the recipient country to be one of its ‘priority countries’ globally.<sup>8</sup> Organizational flexibility refers to whether or not the donor’s country office has the authority to shift the sector, location, and amount of aid after headquarters approves the initial allocation decision.

### Influence of Strategic Interest on Donor Behavior

Donors with strategic interest in a particular country are much more likely to shift their aid in large negative *and* positive directions. This is a surprising finding, as much of the scholarship about strategic interest argues that these donors will give money to reward the state without concern for how these funds relate to events on the ground. Our research shows that strategic interest has exactly the opposite effect on donor behavior, making donors more likely to change their behavior than those with no strategic interest.

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<sup>8</sup> Priority status is sometimes an official designation for donors, but otherwise refers to a strategically important country for economic or political reasons.

Strategic interest leads to high levels of attention by politicians and bureaucrats in the donor capital. Our interviews in the DRC, Nepal, Sudan, and South Sudan reveal that most country-based observers feel this centralized decision-making has a detrimental effect on aid. The interest of the United States, United Kingdom, and Norway in South Sudan provides an obvious example. These donors played a crucial role in helping to establish South Sudan as an independent state in 2011, and politicians and officials in their capitals continue to maintain a high level of interest, including making decisions about the type, amount, and location of aid. This type of top-down decision-making is viewed as having a detrimental impact on aid in conflict-affected countries, as it is disconnected by space and time from the dynamic reality on the ground.

### Influence of Organizational Flexibility on Donor Behavior

Donors with high organizational flexibility are more likely to shift their aid in large negative *and* positive directions. This aligns with the general expectation that donors with higher organizational flexibility are more likely to behave ‘flexibly’ by changing the amount, sector, and location of their aid when necessary. As we show below, however, these donor attributes have different effects on donor responses when combined with cooperation and conflict dynamics.

### When Strategic Interest and Organizational Flexibility Work Together

In several instances, donors had both high levels of strategic interest and decentralized decision-making. This combination of strategic interest and organizational flexibility enables headquarters to play a support role to the country office, and allows the country office to implement a riskier aid portfolio because it has high levels of headquarter support. Observers view this combined effect of as generally positive, although they agree it is quite rare for donors to decentralize such a high degree of decision-making to the country office.

### Donor-Level Attributes Combined with Conflict and Cooperation

When donors have strategic interest or organizational flexibility they are generally more responsive to conditions on the ground, but they are not equally responsive to conflict and cooperation.

### Strategic Interest Combined with Conditions on Ground

Donors with strategic interest are more likely to decrease their aid in response to cooperation than to conflict. As cooperation increases, donors with strategic interest are more likely than other donors to decrease the amount of aid they provide, as discussed above. As the severity of the conflict increases, however, donors with strategic interest are less likely than other donors to decrease the amount of aid that

they give to conflict-affected areas. As a result, strategically interested donors implicitly signal to host countries that high levels of violent conflict are not enough to stop them from giving development, humanitarian, or peacebuilding aid.

The effect of this pattern on conflict and peace is unclear. On the one hand, the willingness of strategically interested donors to 'stay the course' in the face of conflict may, in fact, incentivize violent conflict, or at least fail to discourage it. On the other hand, the willingness of donors to continue to fund development in locales that experience conflict may enable people in these contexts to be more resilient.

### Organizational Flexibility Combined with Conditions on Ground

We find that donors with greater organizational flexibility, or the authority to make aid allocation decisions at the country level, have more targeted responses to both conflict and cooperation. In response to conflict, for example, donors with organizational flexibility tend to decrease the amount of aid provided; in response to cooperation, they tend to increase the amount of aid. This nuanced approach follows conventional thinking about development aid: it should focus on stable areas and reward good behavior. This approach has also been criticized because it can lead the allocation of only life-saving humanitarian aid to conflict-affected areas, furthering underdevelopment and increasing the vulnerability of these populations. Like strategic interest, the effect of organizational flexibility on peace and development is unclear.

### What is the relationship between responsiveness and effectiveness?

The findings discussed above show that donors tend to be highly responsive to both violent conflict and peaceful cooperation in conflict-affected countries. But what does this mean for the impact of aid these countries' peacebuilding processes? Much development literature argues that donors who continuously respond to events are more likely to be able to influence these events. However, these arguments ignore the impact of aid decisions at the allocation and programmatic levels.

An increase or decrease in aid in response to a national event sends a message that the donor supports or condemns a particular action by national actors. At the programmatic level, however, the continuation of aid in the face of conflict can enable staff to build the resilience of communities to resist future conflict. Likewise, the withdrawal of aid in the face of cooperation can allow national actors to take the process into their own hands, nourishing national and local initiatives that might have been crowded out by increased aid. In sum, the effect of increases or decreases in the amount of aid allocated to a particular locale is not fully clear.

## Why Less May Be More

International donors are allocating increasing amounts of aid to fragile and conflict-affected countries. Because political violence undermines development, particularly in states that are considered fragile or weak, donors often believe that more aid will lead to less conflict and, therefore, more development. Our research in four conflict-affected countries shows that less aid may, in fact, be more effective.

Each of the case study countries are in the midst of their own complex war-to-peace transition, subject to numerous advances and setbacks – and these transitions are far from linear. As in South Sudan, the signature of a peace agreement may be preceded and followed by bouts of violence as parties attempt to influence political negotiations. Even when the outside world has classified a country as post-conflict, such as Nepal or the DRC, violence may brew within disenfranchised groups or unemployed youth. The solutions to each country's problems are complex, difficult, and fundamentally political: they are, in large part, about who has access to which resources. International aid inserts itself directly into this highly charged dynamic. The problem is that few donors seem equipped to manage their aid in such a politicized context.

The vast majority of our interviewees said that one of their primary challenges is that donors are incentivized to spend money, not build peace or enable development. Donor staff and their NGO partners focus on measuring the consistency of their 'burn rates,' or rates of expenditure throughout project cycles. The leadership of donor country offices are primarily assessed on expenditure rates: if they do not spend the money allocated by the end of the financial year, they will likely receive less funding the subsequent year and their performance will be viewed as declining. While this focus on spending may suit measurement needs at headquarters and the incentive structures of legislators who decide allocation amounts, it undermines the effectiveness of aid at the country level.

In the countries studied here, which have a relatively low state capacity to deliver services and ingrained patterns of corruption and kick-backs, the focus of donors on spending money is perceived to fuel institutional dysfunction and corruption rather than remedy it. Some donors attempt to address this by focusing on achieving concrete results. This focus on results, however, often privileges deliverables that are relatively easy to achieve and measure – such as the number of buildings constructed or the number of people trained – rather than more complex peacebuilding processes that are more difficult to measure, but which deliver more nuanced, locally-relevant outcomes. Furthermore, a focus on spending money and delivering results, while maintaining low staff and overhead costs, means that many donors have a relatively low capacity to monitor the effect of money spent.

Our research therefore reveals a clear paradox: international donors give aid to conflict-affected countries to build peace and create sustainable development, but

donors' focus on spending allocated funds undermines their capacity to create desired change in these countries. In places like Nepal, many argue that donor funding crowds out national human rights and peacebuilding efforts, which lose local legitimacy when they become linked to the agenda of funding donors. International aid may be more effective if it attempts to do less, but does it much better.

## Policy Implications of 'Less is More'

As indicated above, in conflict-affected countries, **less is more**. Instead of focusing on spending more money, donors should focus on doing a few things well. The focus on spending money, and assessing performance based on how much money they spend, undermines donor effectiveness in conflict-affected countries. Instead, donors should focus on funding a few key interventions, engaging directly with people that they fund and their beneficiaries, and directly monitoring the evolution of programs over time. This approach would enable donors to engage with the complexity of a particular conflict-affected country and develop innovative approaches suited to its reality. To improve their effectiveness in conflict-affected countries, however, donors would have to institute several internal reforms.

**Donors should create flexible, longer-term funds that can adapt to the quickly evolving reality of a conflict-affected country.** A focus on short-term peace dividends and quick results undermines donor capacity to understand the context, and develop and fund suitable programs. Instead, donors and sub-contractors become preoccupied with starting up and closing out programs, and demonstrating quick results, rather than engaging in programs that may not deliver quick and easily communicable results but may, instead, have a more important impact on crucial political, security, and economic dynamics in the country.

**Donors should increase the ratio of number of country office staff to amount of money spent.** To build the relationships and understanding necessary to implement and monitor projects they fund in conflict-affected countries, staff need time to engage with their partners, visit their projects, and talk with beneficiaries and observers. In other words, donor staff need more time to 'accompany' the aid that they allocate. To support this, donors should increase the number of country office staff and incentivize them to relate directly with the people whom they aim to help.

**Donors should reconsider their decision to subcontract most of the implementation of their aid programs to private contractors or INGOs and/or allocate more time to 'accompanying' these partnerships.** With each contractual agreement, donors lose flexibility and information. The need to get further contracts creates a disincentive for subcontractors to convey information about failures or

alter the program design.<sup>9</sup> In other words, subcontracting creates a disincentive for learning and adaptation. In conflict-affected countries, it is particularly important that aid donors learn and adapt.<sup>10</sup> The context is constantly changing, requiring donors to adapt their analyses and program designs to this evolving context. Each conflict-affected country needs a different type of aid programming that is suited to its particular needs and capacities, requiring that the aid donors figure out (or learn) whether or not their aid works in that context. To ensure that learning and adaptation take place, donors need to sub-contract less and/or engage more directly with their grant recipients, accompanying them in their learning and adaptation.

**Donors should structure themselves to combine high strategic interest with high organizational flexibility.** Strategic interest, on its own, can lead to top-down decision-making detached from the reality of the conflict-affected country. When combined with organizational flexibility, however, the attention of headquarters can actually enable more innovative aid programming at the country level, permitting staff to circumvent bureaucratic barriers and helping to maintain a high level of awareness of evolving conflict dynamics. High levels of headquarter involvement and earmarking seems to greatly undermine donor capacity to respond to the specific needs of the country they aim to help. Our research shows that donors should increase the authority of donor country offices to develop the policies, decide on allocation amounts, shift priorities, and determine delivery timeframes.

Underlying all of these policy implications is the **need for donors to recognize that their behavior is part of the problem facing conflict-affected countries.** To improve aid in conflict-affected countries, donors need to understand and alter their own behavior. At the heart of this is the need to change some of the basic incentive structures underlying aid, focusing on doing less but doing it better. This also requires that donors acknowledge to their own bureaucracies and political masters that peacebuilding is difficult and experimental. In each of our case study countries, donors faced enormous uncertainty about how to support development and peace. There is no easy answer. What is required, instead, is a much more nuanced approach to aid allocation and programming, one that is based on a solid understanding of the political context and seeks to find innovative ways of working within that context. Donors needed to focus on politics and people, not on spending money and delivering (their own) results.

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<sup>9</sup> Alexander Cooley and James Ron, "The NGO Scramble: Organizational Insecurity and the Political Economy of Transnational Action," *International Security* 27, no. 1 (2002): 5–39.

<sup>10</sup> Susanna P. Campbell, "When Process Matters: The Potential Implications of Organizational Learning for Peacebuilding Success," *Journal of Peacebuilding and Development* 4, no. 2 (2008): 20–32; Susanna Campbell, "Routine Learning? How Peacebuilding Organizations Prevent Liberal Peace," in *A Liberal Peace? The Problems and Practices of Peacebuilding*, ed. Susanna Campbell, David Chandler, and Meera Sabaratnam (London: Zed Books, 2011), 89–105.