Can Foreign Aid Moderate Ethnic Conflict?

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PEACEWORKS

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Summary

Since World War II, a complex network has emerged of bilateral and multilateral agencies that manage economic assistance to low-income countries in the form of investment projects, policy advice, and technical assistance. Although each of these agencies has its distinctive personality, most of them have avoided facing up to the post–Cold War reality of burgeoning ethnic conflict.

This reluctance to deal with the violent consequences of ethnic pluralism is often self- defeating, for such violence can destabilize the environment within which the agencies operate and thus undermine their efforts. The same reluctance can also blind agencies to the damage that the ill-considered provision of foreign aid can inflict on ethnic relations within aid-receiving nations. Some interventions may have neutral or even positive sum outcomes. Too many, spurred by the logic of "developmentalism" that ranks economic growth and modernization above values such as democracy and interethnic fairness, have distributional effects that generate or aggravate ethnic conflict, as one community is perceived by its rivals to be benefiting at their expense. Host governments—the critical intermediaries between assistance organizations and the local communities targeted to receive assistance—often ensure ethnically destabilizing outcomes by deliberately skewing the benefits of development aid in favor of a particular ethnic community.

The culture predominant among development assistance institutions has a pronounced technocratic and economistic bias. Economic resources and their efficient utilization have long been seen as the proper concerns of donors; attention to political issues and impacts has been strongly discouraged, with interference in the internal political affairs of member states expressly forbidden in the case of multilateral organizations such as the World Bank. Yet although most agencies (especially at their headquarters) remain allergic to political concerns in general and to ethnic realities in particular, some departures from this apolitical approach have recently been made, with organizations such as USAID promoting democratic development. Alongside concerns to promote democracy and human rights, a concern to address the ethnic dimension of foreign aid is also developing, albeit slowly and cautiously.

The donors' dilemma—whether to adhere to an apolitical stance and ignore ethnic problems or, by ignoring them, to compound them—is complicated by their uncertainty about the goals they should pursue and the methods they should employ. Should they aim through their aid to contribute to peaceful interethnic coexistence, should they strive to produce a sense of interethnic fairness in the distribution of resources and opportunities, or should they be content that their interventions inflict no harm on any ethnic community? Should they promote allocations on the basis of individual merit and competitive performance, of interethnic proportionality, or of compensatory preferences to members of disadvantaged communities? There are no simple answers to these dilemmas.

If development assistance agencies are to address the conflict potential of ethnic pluralism constructively, they must recognize that there are no standard formulas for managing ethnic conflict and that context conditions the effectiveness of interventions. Thus, agencies must first equip themselves with as much reliable information about a host country's ethnic dynamics and relations as they routinely gather about local economic conditions. For each proposed policy or project intervention, they should prepare an "ethnic impact statement" similar to the environmental impact statements that are now required. The ethnic impact statement should detail the ethnic landscape of the host country and assess the likely effects on ethnic relations of the proposed intervention. The statement should be prepared after negotiating with governments to attach and enforce conditions to the resources the donors provide, so that the interventions do not worsen and may in fact contribute to the reduction or moderation of ethnic-based conflict.

Preface

This paper represents the author's conclusions from a conference held in October 1995 at Cornell University on the effects of development assistance on ethnic conflict. Revised versions of the papers presented at that conference, which was financed in part by the United States Institute of Peace, are being prepared for publication by a university press under the title *Development Assistance and Ethnic Conflict*.

Academic observers have begun to focus on the international dimensions of ethnic pluralism since the collapse of the multiethnic Soviet empire and Yugoslavia drew worldwide attention to this phenomenon and its potential for violent and destabilizing conflict. The Carnegie Corporation has supported a series of conferences at Cornell on various aspects of this subject. Papers presented for the first of these conferences were gathered together in a volume edited by Milton J. Esman and Shibley Telhami; entitled *International Organization and Ethnic Conflict,* that volume was published in 1995 by Cornell University Press.

In reviewing the literature, it became clear that the implications of international development assistance for ethnic conflict have not been systematically examined, even though development assistance, from bilateral and multilateral sources, has become an important factor in international relations. The contributors to *Development Assistance and Ethnic Conflict* attempt to explain why foreign aid agencies have been so reluctant to address this problem; the authors also suggest measures that might be employed in the future to mitigate the severity of ethnic conflicts in the countries that receive foreign aid.

Although the views expressed in this short monograph were inspired by deliberations and debates at the 1995 conference, the author is solely responsible for the opinions here advanced. I am especially indebted to my colleague and partner in this enterprise, Ronald J. Herring.

1 Introduction

In most countries that receive development assistance—in Asia, Africa, and Latin America, in Eastern Europe and the successor republics of the former Soviet Union—ethnic pluralism has become an important dimension of politics. It is, indeed, often *the* most salient of factors in the political equation.

Does this saliency present a special challenge to the providers of development assistance? If so, how should they deal with it? Where ethnic divisions have become politicized, can donors continue to assume the existence of an integrated national economy where economic growth will raise all ships, or of a society of individualistic economic maximizers willing and able to participate in market competition, or of a government committed to equity among its diverse citizens and subjects? Or must they reach beyond technical rationality, beyond macroeconomic variables, to the actual structures, values, and political dynamics of the societies in which they intervene? Can economic development proceed under conditions of political turbulence induced by ethnic conflict? If not, must foreign assistance directly confront this reality? And has foreign assistance the capacity to prevent, alleviate, or help to resolve such disputes?

Two decades ago, the reluctance of development assistance agencies to consider the social impact of their interventions was held responsible for the failure of many projects and for inflicting needless pain on weak and vulnerable populations. As a result, "social soundness" or social-cultural compatibility was incorporated into the guidelines of several development assistance agencies.[1] Projects and policies were expected to take account of the values, preferences, life-styles, and capabilities of the publics they affected; the harm inflicted on any group should be held to a minimum. Although social soundness is now a recognized concern of development assistance agencies and is included in their operating instructions, it has not been fully institutionalized and is honored as much in the breach as in the observance. It has seldom been extended to such "political" factors as ethnic solidarities and their implications for development assistance.

2 The Ethnic Context and Consequences of Foreign Aid

THE IMPORTANCE OF CONTEXT

In developing sensitivity to ethnic pluralism, context is critical. Simplifying abstractions such as those that facilitate macroeconomic analysis and prescription are not useful for evaluating social and political realities. Every societal environment is distinctive, and that distinctiveness at national, regional, and local levels must be appreciated if development assistance is to have beneficial rather than detrimental effects on interethnic relations or on relations between ethnic communities and governments. Among the significant contextual factors are the identities and demographies (numbers and geographic distribution) of the principal ethnic communities; their relative power, economic roles, social status, and relations with government; whether interethnic relations are stratified or segmented (in other words, are members of particular ethnic communities confined to particular socioeconomic levels or are all ethnic communities represented at all socioeconomic levels?); the extent to which ethnic communities are politicized, mobilized, or passive; divisions or factions within the ethnic communities; their dominant values and capabilities; evidence of interdependency and of crosscutting affiliations and memberships; and the recent history of relationships among ethnic communities and between them and the state. In possession of such basic information, development assistance agencies can equip themselves to estimate the impact of proposed interventions on ethnic politics.

By intent or by inadvertence, development assistance produces changes, including changes in aspirations and expectations that can increase competition and hostility between ethnic communities. Contextual evaluation can reduce the uncertainties inherent in foreign assistance and in induced societal change. It can enable the adjustment or revision of proposed intervention strategies so that the resulting changes prevent unintended harm or even ameliorate interethnic relations. It is a precondition for the conversion of ethnic sensitivity to viable intervention strategies.

DISTRIBUTIONAL CONSEQUENCES

Externally introduced resources and externally induced policy changes have distributional consequences; they affect ethnic communities differently. During the 1950s and 1960s the test of effective foreign assistance, whether based on market processes or on state planning, was macroeconomic expansion, measured as growth in gross national product (GNP). Beginning in the late 1960s, it became evident that the benefits of aid-induced growth had failed to trickle down to large numbers of people, in many cases even to majorities. In spatial terms, "urban bias" was found to privilege urban centers to the detriment of rural societies. In class terms, the urban and especially the rural poor had been mostly bypassed.[2]

To correct these distributional biases, development assistance was expected to target the poor majority and to satisfy basic human needs, even if this necessitated some sacrifices in macroeconomic growth.[3] This antipoverty strategy influenced development assistance providers throughout the 1970s. The antipoverty thrust that explicitly recognized class and regional, but not ethnic factors was displaced during the 1980s. Forced to confront the debt crisis that disabled so many Third World economies and under pressure from the Thatcher-Reagan brand of economic liberalism, the aid community reverted to neoclassical economic orthodoxy, promoting stabilization and growth, marketization, privatization, and minimal government. Distributive concerns were superseded during the era of structural adjustment and economic liberalization—an era that persists to this day.

As a minor theme in the implementation of structural adjustment, a number of agencies (most notably, the World Bank) have recognized that some

components of this strategy, including the elimination of food subsidies and reductions in public services, can hurt some of the poorest and most vulnerable people in the aid-recipient countries. These agencies therefore include in their funding packages provisions intended to maintain minimal safety nets for these victims of fiscal retrenchment.

The differential impacts of development assistance on ethnic communities can occur by inadvertence. Modernization can threaten the cultures of indigenous societies whose members are ill equipped to cope with market economics. Foreign private investment promoted by the International Monetary Fund (IMF) and the World Bank has, in several countries, jeopardized the livelihoods and threatened the way of life of indigenous ethnic communities on the resource frontier. Native peoples have resisted, often by force, the donor-supported "transmigration" of Javanese settlers to the outer islands of Indonesia, charging the settlers with encroachment on their lands and livelihoods. The exacerbation of ethnic conflict in Yugoslavia and its successor states has been traced by an expert observer to inept efforts by the IMF to achieve economic stabilization.[4] None of these conflict-inducing consequences was intended by aid donors. Differential impacts can, however, be the product of deliberate manipulation by governments. President Moi in Kenya has attempted systematically to use aid-provided resources as patronage to members of his regime's ruling coalition.[5] These abuses have prompted development assistance agencies to apply a variety of tactics to negate that government's distributional biases.

The ideology of "developmentalism" claims broad support among staff members of development assistance agencies and host governments. According to this doctrine, in low-income countries economic growth and modernization must be the main goals of public policy, superseding when necessary other values, including democracy, human rights, and interethnic fairness. The temporary sacrifice of these latter values may be the price that must be paid for rapid economic expansion and social development from which all citizens will eventually benefit. Once self-sustained growth has been realized, as in Chile and among the Asian "tigers," then public policy is better equipped to accommodate the demands of aggrieved ethnic communities.

Some interventions may prove to have ethnically neutral effects. A few may be so managed as to produce positive sum outcomes. All too many have distributional effects that generate or aggravate ethnic conflict, as one community is perceived by its rivals to be benefiting at their expense. Agencies may attempt to mitigate these effects: for example, the World Bank now requires compensatory measures for communities displaced by dams and other large aid-financed infrastructure projects.[6] The agencies, however, may calculate that negative effects on interethnic relations can be offset and thus justified by the economic benefits produced by projects or policies. Yet, given the knowledge that is now available, development assistance agencies can no longer be excused for blundering into ethnic quagmires as innocents abroad.

3 The Principal Actors and Components of Development Assistance

THE MAIN ACTORS

The principal actors in this encounter between foreign aid and ethnic pluralism are development assistance organizations and their agents on the one hand, and ethnic communities and their spokespersons on the other hand. The critical intermediary is government. Foreign assistance normally reaches a society through the state as an expression of the latter's sovereignty. Development assistance agencies must negotiate with governments the terms and conditions of the resources the agencies provide. Once governments accept foreign assistance, the resultant projects and policies are administered through their bureaucratic agencies. Many aid-recipient countries depend on foreign assistance to finance their development budgets, to insure their fiscal stability, to balance their external payments, and to reassure foreign investors, yet governments at their discretion can set boundaries for their acceptance of foreign aid or exclude it altogether. The fact that donor agencies are interested in "moving money," in maintaining their programs, and in protecting the creditworthiness of client states leaves host governments with considerable bargaining strength.

When development assistance agencies choose to work through foreign or indigenous non-government organizations (NGOs), the role of the state may be reduced.[7] Yet, such arrangements require the acquiescence of governments, because they retain the power to proscribe or circumscribe the scope of the activities of NGOs. The shrinkage of government and economic marketization, which at present are vigorously promoted by the development assistance community, can limit but not eliminate the intermediary role of governments.

In the face of protests from ethnic communities that their members are hurt by the withdrawal of food subsidies or the encroachment of foreign corporations on their lands, governments may plead that they are helpless, having been forced by foreign pressures to accept these harsh measures, and that blame lies with the development assistance agencies. Such pleas, however, are seldom credible to the victims of such policies, who believe that their government, no matter how weak it might be, has the capacity if not the will to block, defer, or at least attenuate such measures. Governments cannot escape their role as the gatekeepers of development assistance.

The state normally serves as agent of the ethnic community or of a ruling coalition of ethnic communities that has captured the state apparatus. These rulers distribute the fruits of development assistance disproportionately, even exclusively, to their constituents. When the dominant ethnic community is a demographic majority, government can privilege its constituents by formal majoritarian democratic processes. When the dominant community is a minority, cruder methods are employed.

Where the benefits of development assistance are—or are widely perceived to be—systematically skewed in favor of a particular ethnic community, resentment and grievances will certainly ensue among those who believe they have been cheated or left out. Development assistance in such cases can exacerbate ethnic conflict and may precipitate violence, despite the innocence or good intentions of donors. What development assistance agencies can do to preclude or correct the biased distribution of the resources they provide or the policies they promote is considered later in this essay.

THE COMPOSITION OF DEVELOPMENT ASSISTANCE

Development assistance provides funds, or more precisely, supervised lines of credit to implement projects or policies.

Projects may run the gamut of activities from the "productive" sectors (agriculture and industry), to physical infrastructure (roads, dams, water-supply systems, airports), to social infrastructure (education,

health, family planning, public administration). They may be very large, "lumpy" activities such as electric-power systems or relatively small, divisible facilities such as community health services.

Policies are governmentally enforced measures that affect the entire society or particular sectors of the economy. The most obvious are the macroeconomic policies associated with economic stabilization and structural adjustment—increasing revenues, reducing public expenditures, devaluing the currency, privatizing the ownership and management of enterprises, eliminating protectionism, promoting foreign private investment, shrinking the role of government in the economy and society. Of growing importance are macropolitical measures relating to democratization and human rights; these include measures to promote freedom of expression and of political organization, free and fair elections, the rule of law, and protection of minorities.

Conditionality can be applied by donors to any flows of assistance. Of particular interest are the conditions attached by assistance providers to policy-related transactions. Budget support by the World Bank may be contingent on tax reform; IMF loans to support the balance of payments may be forthcoming only if the host country government agrees to devalue its currency or reduce its budget deficit; consortiums of donors may release development assistance funds only on condition that the host government allows opposition parties to function and conducts honest elections. To enforce conditionality, assistance agencies monitor the performance of governments, releasing funds only in periodic increments depending on compliance.

Humanitarian assistance is intended to provide relief and sustenance to victims of natural disasters or large-scale collective violence—the victims of which, as in Rwanda and Bosnia, may have been targeted on ethnic grounds. Such assistance is linked to development by the subsequent efforts at rehabilitation to assist victims, including refugees, to rebuild their lives and to become economically productive and self-sufficient.

Development assistance not only furnishes financial resources but also funds specialists who provide training or advisory services, as well as educational opportunities in donor institutions. The purpose of technical assistance is to expand the knowledge, skills, and capabilities of individuals and institutions.

Since they introduce fresh resources or allocate existing resources in new patterns, all these modalities of development assistance have potential implications for ethnic conflict. Some interventions may be conducive to peaceful coexistence and equity; others may aggravate tensions and precipitate conflict. Some present cruel dilemmas. Food and medical supplies intended to sustain the victims of civil wars may be hijacked by military contingents of their own ethnic community, leading their enemies to interdict all humanitarian assistance. Privatization, intended to enhance economic efficiency, may be perceived or indeed have the effect of favoring members of one ethnic group over others. Majoritarian elections may condemn an ethnic minority to structural subordination and discrimination. Resources provided in the project mode may be diverted by governments to favor fellow ethnics, while reductions in public expenditures may be administered in ways that spare one ethnic community while imposing costs on others. Development assistance can, however, be designed to minimize such negative consequences, to mitigate the effects of development projects on vulnerable ethnic communities, or to promote positive sum interethnic equity.

4 The Culture and Institutions of Development Assistance

For nearly half a century development assistance has been a significant presence in international affairs.[8] It has touched nearly all countries as contributors or recipients and generated intense controversy between contributors and recipients and within contributing countries. As development assistance institutions, bilateral and multilateral, gained experience in this novel enterprise, they evolved a culture—a set of beliefs and practices, and a special vocabulary—that guided their behavior and into which new recruits were inducted and socialized.

A prominent theme in this culture has been its technocratic and economistic bias. As the common goal was believed to be economic development, economic resources and their efficient utilization were seen as the proper concerns of donors, supplemented by the enhancement of skills, transfer of technology, and strengthening of institutions required for economic development. Formal deference to state sovereignty has been a component of this culture. Many recipient governments, recently liberated from colonial control, have been especially jealous of the symbols of their sovereignty, and their assertion of this newfound independence has not been challenged by the technicians and economists who have staffed the donor institutions and who tend to be uncomfortable with political matters. While decisions about which countries should be assisted and the volume of assistance have often been based on political, strategic, or commercial calculations, the implementation of development assistance has assumed a decidedly apolitical cast. The multilateral agencies have been especially deterred by their charters from involvement in the politics of their member countries.

Considerable attention has been paid to microeconomic factors such as the efficiency and output of individual projects, but the master criterion for success has been macroeconomic growth. For several decades, this approach was warranted by the ascendancy after World War II of the Keynesian paradigm and the evidence in Europe and Japan during the twenty years after the Marshall Plan that macroeconomic growth seemed, in fact, to lift all boats. When, as noted above, that impressive growth was found to bypass large numbers of people, questions of distribution were introduced into the culture of development assistance. Although those protected from harsh distributional consequences may have turned out to be members of minority ethnic communities, this was often accidental. Explicit ethnic concerns tended to be defined as "political," and thus beyond the proper purview of development assistance.

The end of the Cold War has introduced into the universe of development assistance fresh themes that challenge its established culture. The culture of foreign aid has begun to make room—albeit cautiously and selectively—for political values. Concerns such as human rights and democratization are now vigorously promoted by the United States Agency for International Development (USAID), the Netherlands, and the Scandinavian countries. These concerns cannot be written off as nonpolitical, and for that reason the World Bank limits itself to fostering improved "governance," but not democratization. Where human rights violations by weak states are conspicuous and flagrant, as in Kenya, the development assistance community is prepared to impose conditions on aid flows, demanding specific political reforms; where human rights violations and restrictions on democratic processes by more powerful states are similarly blatant, as in China and Indonesia, development assistance agencies have found it expedient to overlook them while continuing to provide substantial assistance. When the Indonesian government expelled the Dutch foreign aid agency for protesting human rights violations, an aid consortium chaired by the World Bank made up the loss of Dutch assistance. Following the logic of developmentalism, economic growth took precedence over concern for human rights and justice for ethnic minorities.

While some political factors have intruded into the practice of development assistance, this has been challenged as inappropriate interference both by leaders of developing countries and by some staff members of the development institutions. Japan, now the world's largest aid donor, is reluctant to impose political conditions. Donors are aware that ethnic tensions may undermine their assistance programs, but consistent attention to ethnic concerns has been slow to emerge. Although USAID has been the lead agency in promoting democratic development, its interest in ethnic politics has not been institutionalized.[9] USAID has declined to act in situations that might have promoted democratic development, fearing that intervention in ethnically sensitive situations might be construed as too "political."[10]

The allergy to political concerns in general and to ethnic realities in particular is more evident in institutional headquarters than among field personnel. Headquarters may be constrained by the language of their institutional charters and remoteness from the incidence of conflict, whereas field staff must find ways in their daily operations to cope with the realities they encounter. Especially when humanitarian operations encounter ethnic violence, the resourcefulness of field staff is tested to the limit. In the absence of agency policies and guidance on the management of assistance under conditions of ethnic tension and conflict, field staff are left to their own devices.

Each of the institutions that supply and manage development assistance has its own distinctive personality, a personality shaped by the institution's main constituency, assigned mission, and sources of staffing. Differences in personality are reflected in approaches to ethnic conflict.

The IMF considers its main constituency to be central bankers, finance ministries, and the international investment community. Its main mission is to help governments achieve fiscal stability, manage their external payments accounts, and maintain their creditworthiness. The IMF's staff come from the ranks of central bankers, public finance specialists, and fiscal and monetary economists. It is not surprising that internal distributional questions, including the status of ethnic communities, are not among their priorities.

In extreme contrast, OXFAM is a voluntary NGO whose constituents are mainly concerned with social justice and human rights. OXFAM's mission is to contribute to grassroots development, especially among poor and disadvantaged publics, and to help these groups assert their human rights. Its staff members are selected from university graduates from the left of center of the political spectrum. Whereas the IMF works only with governments and investors, OXFAM works directly with disadvantaged communities and is sensitive to the needs of ethnic communities that are oppressed or disadvantaged by governments or by the results of development assistance. Thus OXFAM's institutional personality contrasts sharply with that of the IMF.

OXFAM exemplifies one tendency in the heterogeneous ranks of the NGOs. While some NGOs are content to promote humanitarian or development activities in a strictly nonpolitical mode, others have become concerned with distributional equity among the publics they assist, including ethnic communities. Initially apolitical, they have been converted to advocacy for disadvantaged communities by their experiences in the field. NGOs in Ecuador, for instance, facilitated ethnic mobilization against structural adjustment measures and attempted to replace some government services to the poor that had been eliminated.[11] Some NGOs, notably sectarian agencies, may exacerbate ethnic tensions by favoring one community over another. A well-informed and sympathetic participant-observer of NGO operations reaches the surprising conclusion that NGOs have seldom been effective in mitigating interethnic conflicts:

> [T]hrough operational dilemmas encountered in providing aid, NGOs—whether focused on relief, development, human rights, or peace—have, to a greater or lesser extent, inadvertently exacerbated rather than lessened it [conflict] and its consequences. In some cases the negative consequences have been profound and costly.[12]

This observer cites as one of many examples the tragedy of the refugee camps in Goma, Zaire, near the Rwandan border. There NGO supplies intended for destitute refugees were distributed through refugee "leaders." These leaders proved to be officers of the Hutu militia whose fighters had committed genocidal atrocities against unarmed Tutsi civilians. The militias were using the camps and the supplies provided by NGOs for conscription, training, resupply, and sustenance in preparation for the reinvasion of Rwanda and the renewal of civil war against the Tutsi regime.[13]

Most government-sponsored development assistance institutions lie between the IMF and OXFAM on the cultural spectrum. The World Bank has become the world's largest and most prestigious development agency. Although dominated by engineers

and economists who emphasize technical and economic rationality, its ranks include a minority of social scientists who continue to raise distributional issues. These concerns are sometimes reflected in the World Bank's decisionmaking and in its loan provisions. As its charter forbids it to interfere in the internal political affairs of member states, its management tends to avoid matters such as interethnic relations that could be construed as explicitly political.

USAID has, in the past, been a pioneer in fresh approaches and a bellwether among development assistance institutions. Its main constituency is the U.S. Congress. USAID uses its diminishing resources in support of a variety of causes that are dear to members of Congress of different political persuasions; these causes include promoting private enterprise, providing humanitarian relief, and, most recently, promoting democracy and human rights. Its current guidelines for "Democratization and Governance Programs" refer to ethnic conflicts but provide scant instructions for USAID staff on how to proceed. It has begun, albeit hesitantly, to grapple with ethnic realities, as in its fostering of ethnic federalism in Ethiopia.

The Scandinavian aid programs, reflecting the social democratic values in Scandinavian societies, have been prepared to use their resources and their influence to stress social equity and human rights. These social democratic values include considerations of interethnic equity as a component of democratic political development.

The attitude of Japan's International Development Agency (JICA) toward "political" matters is an expression of Japan's sensitivity toward foreign, and especially Asian, perceptions of Japanese ambitions—perceptions colored by Japan's harsh treatment of other Asians during its era of imperialist expansion before and during the Pacific War. Therefore JICA prefers to avoid taking any measures that could be construed as "political." Yet, under pressure from Japanese public opinion and international human rights organizations, JICA did withdraw from the Sardar Sarovar dam project in India, which threatened to inflict severe privation on a large indigenous ethnic community.

Because of the United Nations's one-country–one-vote system of governance, most UN-related agencies remain cautious about tackling matters—including ethnic issues—that might provoke the displeasure of member-states. The main exception is UNICEF, whose mandate emphasizes services to disadvantaged children and whose constituency includes large numbers of private citizens from whom it raises funds and who are attracted to its people to-people and humanitarian image. In many respects UNICEF's outlook resembles the distributional orientation of many NGOs.

Cultures change, usually gradually, as societies are forced to confront fresh problems. So do institutions. The present development assistance culture and the institutions that embody it are made up of several components. The largest component is the orthodox, apolitical, technocratic-economistic growth strategy; this strategy continues to underpin the culture as a whole, which is why social soundness concerns are often overlooked. A second, smaller component is the distributional concern that claims significant, but minority support. The smallest element, and one struggling for wider recognition, is made up of concern to advance democratization and human rights values. To shift the metaphor: The contemporary development assistance culture includes themes that compete for attention and support among decisionmakers, practitioners, and the publics that finance them. The greater the influence that distributional and human rights themes come to enjoy, the more likely it is that ethnic concerns will gain legitimacy and be factored into intervention strategies.

5 The Goals of Intervention

There is an expanding body of knowledge—though no general theory—on the origins and manifestations of ethnic conflict and on processes for its regulation and management. It is based on analysis and evaluation of a large body of experience.[14] But the application of this knowledge to the circumstances of specific conflicts, especially when mediated by development assistance institutions with their special cultures, must be tempered by cautious and informed judgment. Development assistance agencies have not displayed conspicuous humility and prudence when making interventions in societies they understand imperfectly. Yet humility and prudence are precisely what are needed for interventions designed to influence so complex and uncertain a subject as interethnic relations. Once the specific context has been evaluated and efforts have been made to consult the parties that might be affected, each instance of intervention must be regarded as a hypothesis about the consequences that might ensue.[15] Moreover, interventions should be monitored to account for unanticipated consequences and to detect opportunities for timely corrections.

These cautions should serve as an ever-present reminder, not that the reality of ethnic conflict should be ignored, but that interventions dealing with such conflicts must be carefully and deliberately measured.

Assuming that donor agencies have gained some sensitivity to the ethnic dimensions of development, or have been compelled to confront them, what should be the goal or goals of those agencies' interventions? Once violence has erupted, agencies might be satisfied to limit its scale and intensity and to alleviate human suffering. But given the opportunity to consider longer-term outcomes, there are three possible goals:

- to avoid conflict and ensure peaceful coexistence;
- to achieve equity or rough distributional justice; or
- simply to do no harm to any ethnic community.

The pursuit of each of these outcomes is fraught with dilemmas and complications.

Economic growth theorists believe that restraining growth in the interest of distributional fairness is a misguided, short-term strategy.[16] Development assistance should, therefore, not be distorted by political objectives, especially because policies conducive to these ends are surrounded by high levels of uncertainty and may in any case be beyond the capabilities of development assistance. These theorists argue that the best hope for mitigating conflict—class conflict or ethnic conflict—is a vigorously expanding economy that permits the distribution of increments of growth to all competing communities. Because the introduction of ethnic criteria is likely to raise project costs or constrain the implementation of liberalization policies, the net effect of such extraneous considerations is to hobble economic growth and, perversely, thwart the one strategy that its proponents think is most likely to mitigate and resolve ethnic conflict in the long run.

Skeptics, including this author, reply that development assistance can contribute to sustained economic growth only when other conditions are simultaneously present. Among them is political stability, which is unlikely under conditions of intense ethnic conflict. Nor is there any convincing evidence to support the conventional wisdom that economic growth necessarily diminishes conflict.[17] Many ethnic conflicts have nothing to do with economic considerations, and competition over the distribution of growth may actually aggravate conflict.[18] Political goals are attained primarily by political means.

The objectives of conflict avoidance and of equity are, under some circumstances, contradictory. It may

not be possible to pursue both at the same time. Efforts to achieve distributive justice on behalf of low-status, disadvantaged groups can actually prolong conflict and cost lives.[19] Members of more-favored communities charge that affirmative action is in effect reverse discrimination, depriving them of opportunities they have earned by merit and hard work, and benefiting the undeserving.[20] Solicitude by NGOs and other outsiders for depressed communities may provoke envy from those who are little better off. Development assistance targeted to Indians in Ecuador provoked hostile reactions by low-income Mestizos.[21] Blue-collar whites in the United States have similarly responded to affirmative action for designated racial and ethnic minorities; upper-caste Hindus in India have protested violently against reservations of government jobs and university admissions for members of "backward" castes, many of whom are by no means impoverished. Such measures aimed at equity can precipitate backlashes that exacerbate conflict.

Similarly, the apparently minimalist goal of causing no harm to any ethnic community may have the unintended effect of provoking conflict. Although not harmed in an absolute sense, a mobilized ethnic community, aware that others are gaining at its apparent expense, can readily succumb to the malady of invidious comparison, and its consequent sense of relative deprivation may produce aggressive reactions.[22] These dilemmas illustrate the maxim that good intentions and good works can yield bad consequences.

Should development assistance activities aim to deemphasize, even delegitimate ethnic solidarity in the hope that other, presumably less violence-prone, collective identities may emerge as more salient sources of political alignment? Or should foreign aid agencies recognize ethnic solidarities as enduring and legitimate allegiances, while promoting measures conducive to peaceful, consensual coexistence? These two approaches are mutually exclusive, since they visualize contradictory political and societal futures. Those who advocate deemphasis argue that ethnic alignments are inherently unstable, provide incentives for extremist leadership and uncompromising claims, and tend to abridge the rights of individuals to freedom of choice.[23] In an effort to attenuate ethnic solidarity, they would promote crosscutting organizational memberships and policies that emphasize individual rights rather than ethnic affiliation.

Consociationalists and others who argue for legitimizing ethnic solidarities as political actors where ethnic cleavages seem deep and enduring believe they are recognizing political realities and responding to manifest social preferences.[24] They hope to achieve consensual patterns of power sharing where this is possible, and guarantees for minority rights where this is necessary. The Anglo-American confidence that individuals are the only legitimate claimants to human rights cannot and should not be imposed dogmatically on societies where collective solidarities are paramount; in such societies the emphasis on individual as opposed to group rights cannot be a successful prescription for managing deep-seated ethnic conflicts.[25]

The choice of strategies should depend on which approach—recognition or deemphasis—is most compatible with local preferences and which would be most likely to produce social peace and distributive justice. Because the goals of distributive justice and peaceful coexistence may not be compatible, at least in the short run, donors should be prepared to confront the likely trade-offs. A powerful case can be made for according priority to social peace even at the expense of distributive justice, since peaceful coexistence is prerequisite to the realization of other values. By the same token, donors should accept as legitimate existing expressions of ethnic solidarity, instead of attempting to transcend them, as there is little evidence that strategies intended to break down ethnic solidarities (especially when those strategies are promoted by outsiders) can be effective except over very long periods of time. President Tito's campaign to create an overarching Yugoslav identity failed completely; the merging of Normans and Saxons into Englishmen required four centuries.

6 Policies to Avert or Moderate Ethnic Conflict

There are no standard formulas for managing ethnic conflict. Unlike the IMF formula for economic stabilization, which is believed to be equally valid for Bolivia, Uganda, and Russia, one size cannot fit all. Context conditions the effectiveness of interventions. To appreciate the ethnic dynamics of the society in which they intend to intervene, development assistance agencies must first investigate and learn. The first step should be to examine the recent history of ethnic relationships; the next should be to consult with representatives of ethnic communities that might be affected by the programs the agencies sponsor or support. Development assistance agencies can rely on government spokesmen only for the government's often incomplete or biased assessment of underlying realities and the effects of proposed interventions.

Definitions of fairness by governments, by ethnic communities, and by intraethnic factions are likely to diverge. Donors must take care that local consulting firms or NGOs that they employ to clarify these relationships do not harbor biased viewpoints. Where possible, donors should foster dialogue that involves government agencies and ethnic communities, with the objective of achieving consensus on a fair apportionment of benefits and costs. Proposed projects or policies and methods of implementation may have to be adjusted and modified, and delays may occur as differences are identified and debated. While consensus may not be possible to reach, the communities affected will know at least that an effort has been made to solicit their views and take them into account. Dialogue does not necessarily yield agreement or even mutual respect, and spirited differences among participants may endure. But the search through dialogue for common interests and mutual accommodation can increase the legitimacy of the process and reduce the likelihood of conflict.

ALLOCATION FORMULAS

Among the important policy choices for development assistance agencies are allocation formulas. These apply both to projects and to policies.

The first such formula is the search for *common interests*. The ideal policy or policy set produces positive sum outcomes for all the parties concerned and mutual confidence that benefits and costs are equitably shared. USAID's support for rehabilitation of the large Gal Oya irrigation system in Sri Lanka that served both Sinhalese and Tamil farmers successfully incorporated this objective.[26] To be avoided are interventions that, whatever the intended macroeconomic benefits or anticipated economic rates of return, will be perceived as benefiting one community at the expense of another.

The second formula calls for *divisibility*. Where ethnic communities occupy territorially separate enclaves, the divisibility of projects can contribute to mutually tolerable results. Thus, each major ethnic community benefited from the World Bank–sponsored project that provided waste-management facilities for every district in Lebanon. Especially where projects reflect local demand rather than the preferences of governments or donors, where communities participate in project design and management and acquire a sense of ownership, the satisfactions produced by such activities contribute to an atmosphere of tolerance that bodes well for peaceful coexistence. Large projects that are perceived as damaging to an ethnic community may be redesigned and divided into several smaller projects that avoid the original damage, but achieve similar economic benefits. For example, several small-scale, locally controlled water-management systems could substitute for a large, government-operated dam project.

The third formula produces *interdependence*, where a division of labor between ethnic communities rewards cooperative rather than competitive behavior. An excellent example is an NGO-sponsored project in

Tajikistan designed to 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.[27]

Common interests, divisibility, and interdependence are formulas that should be conducive to peaceful coexistence.

Western donors normally favor allocation of resources and opportunities flowing from their interventions—scholarships, employment, business loans, privatization of state enterprises—according to objective criteria such as individual market competition or individual merit (no preferences, no discrimination). But where societies are divided along ethnic lines, market-merit processes can have unexpected results. While they can overcome the gross favoritism, corruption, and ethnic patronage practiced by some governments, they can also yield allocations that are skewed along ethnic lines, generating grievances among those who feel disadvantaged, left out, or cheated. Members of ethnic groups that are initially privileged by superior education or business experience benefit disproportionately from market-merit competition, widening the original gaps and yielding resentment that fuels ethnic conflict.

One remedy is proportionality, where jobs, licenses, contracts, university admissions, and so forth are allocated among ethnic communities according to relative numbers. Although proportionality may reduce economic efficiency and retard growth, it can ensure equitable participation. Governments may at times favor compensatory allocations for members of disadvantaged communities and expect donors to comply with this policy. Like proportionality, compensatory policies are vulnerable to the previously mentioned backlash reaction. Affirmative action for Sinhalese produced the anger among Tamils that precipitated the Sri Lankan civil war; more skillfully managed, compensatory measures in Malaysia contributed to rectifying previous patterns of ethnically based economic and occupational inequality at tolerable social cost.[28]

Individual competition, proportionality, and compensatory preferences are the principal formal criteria for allocation. All have implications for ethnic conflict. None is inherently superior on moral grounds. The effectiveness of each depends on the context in which it is applied. Development assistance agencies should evaluate the trade-offs in consultation with governments and with the relevant ethnic communities to determine which criterion is most likely to be perceived as fair and workable. Some anticipated efficiency and growth may have to be sacrificed in the interests of peaceful coexistence or interethnic equity.

Where governments engage in practices that flagrantly discriminate on the basis of ethnic membership and cannot be trusted to change their practices, development assistance agencies may (1) disqualify them for further assistance, (2) channel all resources through local authorities or NGOs, or (3) impose their own criteria and rigorously monitor performance. In Kenya, donors interested in democratization and interethnic equity imposed stern measures to prevent deliberate skewing of the distribution of the resources they provide. However, to repeat an earlier caveat, because of their neocolonialist implications, such interventions should be undertaken with circumspection and only after quiet diplomacy has proved to be futile.

THE PROMOTION OF DEMOCRATIZATION AND HUMAN RIGHTS

When foreign aid promotes democratization and human rights in ethnically divided societies, the first concern of aid agencies should be to eschew majoritarian politics. Majoritarian or winner-take-all elections, while impeccably democratic in form, tend in fact to exclude minorities from positions of power and influence, leaving their fate entirely to the mercy of majorities. This was the predicament of the Catholic minority in Northern Ireland before it launched mass protests and demonstrations in the late 1960s. If ethnic minorities are to feel secure they must have some control over their destiny. Where territorial autonomy is feasible, ethnic federalism is an option, as in Ethiopia. The national minority becomes the majority in its region; the regional government is operated by fellow ethnics, who control the allocation of land and natural resources, credit, and public contracts; the language of the regional majority becomes the language of government and education. At the same time, representatives of the national minority participate in the affairs of the central government in decisionmaking roles. The complications and risks of federalism are well known: minority communities within federalized regions may demand their own autonomy or independence; federal autonomy may

lead to demands for full independence. Secession, however, may be preferable to prolonged and violent conflict; it may forestall ethnic conflict when peaceful coexistence within a single polity proves impossible.

Where territorial autonomy is infeasible, power-sharing arrangements can enable minorities to control some of their own institutions, including schools, to use their own language in transactions with government, and to hold positions in government in rough proportion to their numbers.[29] Less far-reaching than formal power-sharing arrangements, minority rights provide the means for minorities to feel secure in a multiethnic polity, to maintain their cultures and their corporate existence.[30] Minority rights exemplify recognition and respect by government and the majority for the minority's distinctive status, thereby diminishing the sources of conflict.[31]

Although they are not panaceas for managing conflict, free elections do contribute to the legitimacy of governments. Election machinery should make it possible for minorities to be equitably represented. Proportional representation is one such method. Another is to design the electoral system to favor ethnically moderate candidates and make it more difficult for extremists to be elected. A number of such arrangements have been identified and analyzed.[32] Even where ethnic solidarities are recognized as legitimate and enduring, multimember districts in which voters from all ethnic backgrounds cast ballots for all the seats provide incentives for candidates to appeal for support across ethnic lines. This favors ethnic moderates and penalizes extremists. Party and election rules can sanction political organizations and candidates whose campaign appeals are blatantly ethnic and likely to provoke interethnic hostility.

ETHNIC CONDITIONALITY

Understanding of and concern for ethnic conflict among the major development assistance institutions has been hesitant, reluctant, inept, or completely absent. This despite the fact that ethnic solidarities have become politicized in many of the countries in which these institutions operate and that ethnic conflict, often violent, has become a global reality likely to affect the success of their interventions. The tendency to ignore this reality or to address it awkwardly or obliquely represents a culture lag that will have to be overcome.

An analogy can be found in the arena of environmental affairs. There, too, most development assistance professionals and Third World governments actively opposed the imposition of environmental conditions on foreign aid or were reluctant to complicate their calculations, negotiations, and operations with still another noneconomic impediment. They were forced to do so by the requirement that environmental impact statements be prepared for projects that might have environmental implications. While the results have often been disappointing to environmentalists, these impact statements have greatly increased the salience of environmental values in development assistance operations. Why not follow this precedent and introduce *ethnic impact statements* for policy initiatives or projects that might affect interethnic relations or relations between ethnic communities and governments?

What might ethnic impact statements contain? First, they would present a country or regional background analysis identifying the major ethnic communities and describing their demography, economic base, levels of mobilization and solidarity, the recent history of relations among these communities and between them and government, and government policies and practices affecting these relationships. The background analysis would be followed by an estimate of the effects of the proposed project or policy change on the state of ethnic relations in the country. This would include the effects on relations among ethnic communities and between these communities and the government. If the proposed intervention would be likely to generate grievances, could they be neutralized by measures that the donors and the government might implement? If not, should the proposal be modified or abandoned?

Ethnic impact statements would constitute extensions, in effect, of social soundness analysis. They would be not dissimilar to the economic background statements that donor agencies routinely require to inform their economic policy initiatives and project interventions. Armed with this information, donors would be better equipped to estimate the effects of proposed interventions on these relationships—on equity, coexistence, or conflict—and to design interventions accordingly.

These statements would be prepared by qualified social scientists with the participation of indigenous scholars and consultants. Some development assistance professionals would resist these statements, just

as they initially resisted similar requirements for environmental analysis and for similar reasons: that the statements would increase costs and delay implementation of economically sound projects or policies, divert attention from economic development, and have the mischievous effect of fomenting ethnic activism among previously passive communities. Governments may also regard this interest by donors in their domestic politics as an illegitimate, neocolonialist encroachment on their sovereignty

Yet it is no longer possible for donors to disregard the reality that dominates public affairs in many of the countries in which they operate, that has the potential to disrupt these interventions, and that can even reinforce or provoke conflict. Even equipped with accurate information, development assistance initiatives will still encounter uncertainties and unanticipated consequences. But reliable information can help reduce risks and avoid unnecessary mistakes.

Does ethnic sensitivity by donor agencies imply ethnic conditionality? What is the rationale for any form of conditionality, and would ethnic conditionality satisfy that rationale? Conditionality has been imposed for both instrumental and intrinsic reasons:

- Donors may believe that successful implementation of policies, projects, or humanitarian assistance requires responsive behavior by host governments. A project cannot be expected to succeed unless, for example, certain technical and administrative procedures are followed and measures are in place to ensure that the project can be sustained after external assistance ends. Such conditions are routinely incorporated into project agreements before projects are launched. Funds intended to achieve fiscal stabilization may be wasted unless revenues increase and expenditures, including subsidies, are curbed. These expressions of economic conditionality are intended to be instrumental to policy outcomes.
- Donors may believe that certain values and practices that are important to their constituents, that are intrinsic to their conception of a good society, must be respected. These may include free enterprise, basic human rights, and the rule of law. They become conditions for the donors' participation in a development assistance relationship. In the absence of some progress along these lines, donors may halt their assistance.

Ethnic conditionality is warranted by both sets of criteria. Funds intended to promote economic development and improve quality of life within a society will be dissipated unless that society enjoys internal peace and order, which may be jeopardized by ethnic conflict. Measures should therefore be taken to reduce or preempt ethnically based grievances by ensuring the equitable division of benefits and costs among ethnic communities and by other measures intended to foster peaceful coexistence. At the same time, donors may find it impossible to work with regimes that deliberately discriminate against or otherwise harm ethnic communities, or that flout the rights of minorities. Under such circumstances donors may opt for ethnic conditionality.

The process would be similar to methods employed for other forms of conditionality. First, donors would engage in discussions with representatives of government, a form of constructive engagement intended to negotiate agreement on the terms of conditionality. Such agreements may represent compromises, followed by the monitoring of compliance and further dialogue. If donors can persuade themselves that there has been progress—albeit perhaps less than stipulated in the terms of the original agreement—they may continue support, hoping that steady pressure will eventually persuade the government that the conditions serve its interests as well. Donors try to avoid the disruptive effects of terminating support, preferring to remain engaged rather than to apply sanctions. When all else fails, donors can suspend assistance until the government is willing to renew discussions. In that event, the process begins anew. Meanwhile donors may try to continue assistance to the country through NGOs or local authorities.

Ethnic conditionality may prove to be necessary to ensure effective or morally acceptable uses of development assistance resources in some ethnically divided countries. As the limitations of developmentalism become more apparent and foreign assistance increasingly emphasizes such political values as good governance, human rights, and democratization, there will be further need to resort to this instrument of development assistance.

Ethnic impact statements and ethnic conditionality reflect the increasing salience of ethnic politics in the affairs of aid-receiving countries and the need for development assistance to take account of this reality. Failure to do so has exacerbated tensions and violence. If it is skillfully administered, development assistance can contribute to preventing, to mitigating, and to regulating ethnic conflict.

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