Grasping Aid for peace:

How does aid intersect with peace and conflict dynamics?

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Since the mid-1990s, development programs are implemented in conflict situations because of a shared belief that “there will be no development without security and no security without development” (Annan 2005). Of course, the association of economic conditions with peace is not new. For instance, classical liberal theories (Keohane and Nye 1977, Doyle 1983, Mueller 1989, Russett 1994) according to which economic development creates the conditions for peace undergirded the creation of the European Union. In accordance with this approach, development assistance since the Cold War has been used in order to boost the benefits of the “peace dividend” after a peace agreement and hence, give peace a chance. Indeed, development assistance has increasingly been used in war-to-peace transitions. Acknowledging the fact that civil conflicts also find their sources in socio-economic factors, it has also been associated with peace- and state-building before the signature of a peace agreement (Châtaigner 2004). In 2001, the Development Co-operation Directorate of the OECD (DCD-DAC) stated:

"To prevent violent conflict, societies must build voluntary co-operation that results in peaceful co-existence among diverse communities within and between nations. Conflict prevention is central to poverty reduction and sustainable development. Development agencies now accept the need to work in and on conflicts rather than around them, and make peacebuilding the main focus when dealing with conflict situations" (OECD 2001).

The "security-development nexus” has thus gradually become a shared principle of donor interventions in conflict and post-conflict settings (Uvin 2002, Bigdon and Korf 2004, Hurwitz

The idea that aid, developmental or humanitarian, can have negative impacts on conflict dynamics is no longer a debate among practitioners and researchers. As Anderson, Bush, Paffenholz and Reychler’s work shows, a tremendous effort has been done to introduce “peace and conflict sensitivity” in international cooperation. Indeed, methodologies, approaches and frameworks such as “Do no harm”, “Peace and Conflict Impact Assessment” (PCIA) or the “Aid for Peace Framework” have meaningfully contributed to diffuse the idea that aid can generate or exacerbate conflict (Anderson 1999, Anderson 2000, Anderson 2004, Paffenholz 2005, Paffenholz and Reychler 2007, Bush 2008). However, the use of development assistance as a tool for peacebuilding still faces theoretical challenges.

Firstly, by concentrating their efforts in introducing “peace and conflict sensitivity” in the different levels of planning, implementing and assessing aid projects, the literature related to aid in conflict settings has awarded much less efforts in a comprehensive theorisation of the mechanisms linking development aid to peace and conflict dynamics. Besides, much of the
debate was held in the humanitarian sphere rather than in the development one. However, given the different temporality of these interventions, it is far from certain that the impacts of humanitarian and development programs are the same. On the side of the literature on the causes of conflict, whereas a broad literature has been developed on the political economy of armed conflicts and the role of natural resources on conflict dynamics (FitzGerald 2001, Keen 2001, Le Billon 2001, Collier and Hoeffler 2002, Stewart 2002, Stewart 2002, Ballentine and Nitzschke 2003, Fearon 2004, Ross 2004, Stewart 2004, Korf 2005, Lujala, Gleditsch et al. 2005, Snyder 2006), little attention has been given to aid as a factor of conflict. Generally speaking, authors often claim that aid has fueled conflicts in one or another case, but rarely specify how it has been the case. Of course, the literature on aid in conflict situations parses out some particular impacts of development projects or programs in different settings. However the multiplication of particular impacts makes the understanding of the mechanisms linking aid and conflict dynamics scattered.

Secondly, in the cases where aid is said to have contributed to conflict dynamics, it is not always clear if it has affected the onset and/or the duration of the conflict. While the literature on the causes of conflict usually differentiates the two, it is rarely the case in the literature on aid and conflict dynamics.

Finally, there is a general tendency to think the relationship between development aid and conflict/peace in a “either/or” way. For example, the title of the well-known book of Mary B. Anderson argues that aid might “support peace – or war” (Anderson 1999). The idea that a unique program can have both positive and negative impacts on the dynamics of conflict in a same conflict setting is, indeed, rarely envisaged.
By taking Ross’ article “How Do Natural Resources Influence Civil War?” as my main inspiration (Ross 2004), I address these three shortcomings as follows. First, by drawing on the literature on the economic causes of conflict, I theoretically identify three broad mechanisms through which development aid can be linked to peacebuilding and/or conflict dynamics. I argue that development aid shapes war economies, horizontal inequalities and the social contract. As such, aid creates incentives for war or for peace; it widens or narrows group inequalities; and it contributes to increasing or decreasing the distance between citizens and the state.

Secondly, by differentiating the onset, the duration and the contributions to peace, I identify nine hypotheses that might link aid to peace and conflict dynamics according to these three mechanisms. In the second section, I describe these hypotheses, suggest how they might be confirmed and build on the analysis of aid’s impacts in Palestine in order to provide some examples. I chose to focus on the impacts of aid in Palestine for the following reasons. First, the Israeli-Palestinian conflict is a, if not the, case in which aid has been used as a tool for peace building. Following Oslo agreements, aid has first been used as a tool for peace consolidation. Aid was intended to support the peace process during the interim period. After the second Intifada, in accordance with the logic of Bush’s 2002 speech and the Road Map for peace, aid has been oriented towards peace building rather than peace consolidation: aid was intended to build the “missing” Palestinian partner for peace. Secondly, several authors have identified and criticized both aid’s limited achievements on the Israeli-Palestinian conflict and its negative impacts on the dynamics of conflict in Palestine (Roy 2002, Schmid 2006, Sayigh 2007, Le More 2008, Stotsky 2008, Hovdenak 2009). Not only have aid programs failed to achieve a two state-solution, but they have also contributed to the large process of social and political fragmentation
of the Palestinian society. However, aid’s negative impact on the dynamics of conflict in Palestine remains insufficiently understood. Sections one and two not only provide a more structured understanding of the links between aid and peace/conflict dynamics; they also offer a grid to better understand aid’s impacts on the dynamics of conflict in Palestine.

Finally, while the literature on the economic causes of conflict presented the three explanations described in the first section as separate alternatives, I argue that when it comes to the impact of aid on the dynamics of peace and conflict, we should rather consider them in relation. Thus, the paper not only offers the possibility to understand how a development project or program can support peace while at the same time inducing or nurturing conflict in the same conflict setting; it also deals with the linkages between the political economy of conflicts, horizontal inequalities, and the quality of the social contract.

This paper’s contributions are both academic and policy-oriented. It advances our knowledge on the role played by aid in conflict situations, both as a tool of conflict-management and as a factor of conflict. By considering aid as a factor of conflict, I enter into dialogue with the literature on the political economy of conflicts. I also explore the linkages between the political economy of conflict, horizontal inequalities and the quality of the social contract and their role in fostering violent dynamics. However, clarifying the links between aid and conflict dynamics is not only a theoretical endeavor. Given that peacebuilding is likely to be identified as one of the five transformative shifts of the post-2015 development (High-level Panel on the Post-2015 Development Agenda 2013) it is also an international policy challenge since, as Ross argued, “different mechanisms suggest different policy interventions” (Ross 2004).
Mechanisms linking aid to peace and conflict dynamics


Aid’s impacts on the political economy of conflicts.

For rationalists, individual motivations and economic opportunities explain civil wars. Poor economic conditions foster greedy behaviour and thus explain the risks of conflict (Williams 2012). According to P. Collier and A. Hoeffler (2004), a rebellion occurs when benefits are higher than the costs involved. Where rebels can control the exports of raw materials, rebellion becomes attractive. The opportunity costs of rebellion are further lowered by a high percentage of uneducated and unemployed young men, low income per capita, and weak economic growth. From this perspective, war becomes a rational alternative to peace as it provides benefits and advantages to rebel leaders and recruits. Conversely, strong economic development becomes a bulwark against war as it offers opportunities and raises the opportunity

Thus, any aid program that affects individual motivations and economic opportunities may have an impact on the dynamics of conflict. It can be positive if aid changes the cost/benefit calculation, promotes economic growth, offers peaceful economic opportunities and/or renders war costly (Collier, Elliott, Hegre, Hoeffler, Reynal-Querol and Sambanis 2003). It can also be negative if aid contributes to the political economy of conflict (Harborne 2012). Aid can be a crucial resource for conducting and financing the war efforts of governments or rebels (Anderson 1999). For example, Stewart and Samman show that, in Sudan, aid helped to sustain government revenues with food assistance being used to feed the troops (Stewart and Samman 2001). For Mary B. Anderson, aid does not only contribute to the protractedness of conflict, it can also serve as a trigger for war (Anderson 1999, Anderson 2000). Aid becomes a motive for rebellion since government positions are linked to access to and control of aid resources. In shaping the political economy of conflict, development assistance may impact the onset and duration of conflicts.

Aid’s impact on horizontal inequalities

Authors who defend a more socio-political interpretation of conflicts argue that inequalities, not opportunity structures, fuel animosity between groups. According to Stewart, a conflict may serve the interests of elites but it is a “collective activity” (Stewart 2000, Stewart 2004). For leaders to achieve their goals, it is necessary to rally combatants around a common identity (Stewart 2000). It is not so much cultural or ethnic differences, but differences between
groups in terms of power, political and/or economic conditions, that lead to violent mobilization. Thus, relative rather than absolute poverty (Gurr, 1970\(^1\)), political exclusion and poor access to health and education (Williams 2012), need to be taken into account in order to understand the causes of conflict. For Frances Stewart, these can be labeled “horizontal inequalities”.

We define these differences as horizontal inequalities. For simplification, we can categorize the latter into four areas: political participation; economic assets; incomes and employment; and social aspects. (Stewart 2000).

Accordingly, underdevelopment can contribute to the eruption of conflict when it produces horizontal inequalities that fuel group grievances. Aid can increase social tensions and feed grievances when it widens horizontal inequalities, by consolidating elite structures or regional disparities. For instance, development assistance in Rwanda before 1994 fuelled structural violence, social exclusion, inequality, humiliation and racism, all of which soon translated into physical violence and armed conflict (Uvin 1998). Conversely, in Sri Lanka aid was used in order to reduce inequalities; but privileged groups felt that development assistance programs threatened their position and they resorted to violence in order to protect their benefits (Stewart 2002, Bigdon and Korf 2004). In creating, sustaining or addressing horizontal inequalities, development assistance may contribute to the onset and duration of conflicts. While the previous explanation understood development mainly as economic growth, the “horizontal inequalities” perspective understands development as also embracing social justice.

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A third approach links conflict to the failure of the social contract. For authors such as Murshed, Azam and Mesnard social stability is based on an implicit contract between the government and society. The authority of the state is accepted if it delivers public services and a basic safety net. Failure of the social contract can be caused by economic bankruptcy, bad public policy, or government lack of responsibility for the welfare of the population. Internal conflicts are thought as a consequence, not just a symptom, of underdevelopment (Murshed and Tadjoeddin 2009). Development plays an important role in this framework because of its medium-long term impact on political institutions and on governments ability to respect the terms of the social contract that binds them to their citizens. However, aid can be counterproductive in restoring the social contract, strengthening institutions and developing civil society. Indeed, aid is often accused of weakening local institutions, creating dependence, distorting political development or making leaders more accountable to donors rather than their own population (Uvin 1998, Bigdon and Korf 2004, Paris 2009). Morrow argues that in Afghanistan, donors funded NGOs that took over functions that are usually provided by the state (Morrow 2012). As a consequence, institution building and improvement of the social contract have been hampered. Harborne argues further that postwar aid cannot contribute to rebuilding the social contract because it does not promote accountability and transparency:

Aid agencies respond to political elites in recipient countries; they are not answerable to whole populations. Aid therefore consolidates power rather than reshapes it, and the emphasis upon speed of project delivery is more to satisfy recipient governments than actual postwar needs of the local population. (Harborne 2012).
In this kind of situation, aid helps to maintain existing elites (Stewart and Samman, 2001; Uvin 1998), reframes the balance of power and shapes bureaucratic development (Brynen 2005). In shaping the social contract between the government and its citizens, aid may impact the dynamics of peace and/or conflict. According to this perspective, development is not only a matter of economic conditions; it is also a political and institutional issue.

In summary, I argue that aid might influence civil war by shaping the political economy of conflict, horizontal inequalities and/or the quality of the social contract. Table 1 summarizes the nine hypotheses linking aid to the prospects of peace, the onset and duration of conflict.
Table 1: Hypotheses linking aid to the dynamics of conflict/peace.

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<thead>
<tr>
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<th>A) Political economy of conflict</th>
<th>B) Horizontal inequalities</th>
<th>C) Social contract</th>
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<tr>
<td><strong>1) Aid contributes to the peacebuilding process</strong></td>
<td>A.1) Peace dividend</td>
<td>B.1) Bridging the gap</td>
<td>C.1) Vertical bridging</td>
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<td>Aid transforms the political</td>
<td>Aid reduces or eliminates horizontal</td>
<td>Aid improves the quality of the</td>
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<td>economy of conflict in such a way</td>
<td>inequalities and thus reduces</td>
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<td>that it is in one’s interest to</td>
<td>grievances between groups.</td>
<td>the distance between the state and</td>
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<td>commit to peace.</td>
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<td>society.</td>
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<td><strong>2) Aid contributes to the entry into conflict</strong></td>
<td>A.2) Looting</td>
<td>B.2) Generating Grievances</td>
<td>C.2) Checkmating the state</td>
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<td>Aid is a political and economic</td>
<td>Aid creates and contributes to</td>
<td>Aid displaces the state, weakens</td>
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<td>resource that transforms the</td>
<td>horizontal inequalities, fuelling</td>
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<td>grievances that eventually translate</td>
<td>and widens fissures between the</td>
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<td>that conflict erupts.</td>
<td>into violent conflict.</td>
<td>state and society, which eventually</td>
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<td>translates into violent conflict.</td>
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<td><strong>3) Aid contributes to the duration of conflict</strong></td>
<td>A.3) Fueling by looting</td>
<td>B.2) Widening the horizontal gap</td>
<td>C.3) Widening the vertical gap</td>
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<td></td>
<td>Aid is a political and economic</td>
<td>During the conflict, aid creates or</td>
<td>During the conflict, aid weakens</td>
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<td>resource that feeds the conflict</td>
<td>contributes to horizontal inequalities; conflict continues.</td>
<td>the quality of the social contract; the divide between the state and society perpetuates.</td>
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Hypotheses on the role of aid in conflict settings and illustration from the impacts of aid in Palestine.

In what follows, I describe these nine hypotheses and discuss them drawing on examples from the Palestinian case. I treat these hypotheses as discrete mechanisms so as to specify the precise role of aid in fostering peace or conflict mechanisms. However, as it will appear clearly in the third section, these mechanisms may coexist and interact in a same conflict setting.

A.1) “Peace Dividend” Hypothesis: *Aid transforms the political economy of conflict in such a way that it is in one’s interest to commit to peace.*

Aid delivery might contribute to peacebuilding as it may promote economic growth, employment, economic exchanges between parties in conflict and improve the general standard of living of individuals. As incentives to continue fighting are reduced, people commit to peace. If this hypothesis is correct, economic growth, an increase in employment in particular for former combatants, and/or an improvement of the general standards of living should be observed.

The “peace dividend” logic has clearly driven the delivery of aid in the Israeli-Palestinian conflict after Oslo peace agreements. Aid was overtly intended to render peace dividend immediate in order to gain popular support for the peace accords but also to divert former combatant from violent activities and insert them into a peaceful economy. For instance, Yasser Arafat used direct budgetary support to the Palestinian Authority (PA) in order to foster employment, in particular among his followers. While the explosion of the public sector was not necessarily praised by international donors (Brynen 2000), the sustained and important budget support to PA’s running costs did provide Yasser Arafat the means to gain Palestinian society’s
support – at least until the late 1990s- for the peace agreement. The over-staffed Palestinian security sector is also a good example of this state of affairs. The employment among the ranks of the different Palestinian security forces “of otherwise unemployed intifada-era street activists secured the loyalty of those affiliated with Arafat’s Fatah organization, while co-opting others away from opposition and the ranks of potential troublemakers” (Brynen 2000). In the long term, aid - whether disbursed through local and international NGOs or the PA - became “the only ‘life support’ available to an otherwise moribund peace process and the only mechanism available to avert an explosion of local political frustrations” (Brynen 2000).

A.2) “Looting” hypothesis: *Aid is a political and economic resource that transforms the political economy in such a way that conflict erupts.*

This hypothesis can be easily compared to the “looting mechanism” identified by Ross in reference to the links between natural resources and civil conflict. As he recalls, this hypothesis relates to the work of Collier and Hoeffler for whom natural resources provide “unusual funding opportunities” that allow the funding of “‘start-up costs’ of initiating a rebellion” (Ross 2004). Whereas for Collier and Hoeffler economic resources render rebellion particularly feasible, for authors such as Mary B. Anderson or Philippe Le Billon, economic resources might also serve as a trigger for war (Anderson 2000, Le Billon 2001). As stated earlier, aid might render conflict attractive so as to gain access and control of aid resources. Whether it is by being a cause or a mean, aid can contribute to the onset of conflicts. If this hypothesis is correct, before the conflict, aid should either be extorted so as to finance war efforts or rebels should well be aware of the existence of aid resource and confident that this resource can be looted through conflict.
In the context of international assistance’s cut-off following Hamas’ election in 2006, aid impacted the dynamics of conflict according to the “looting mechanism”, although a bit differently from what the hypotheses predicts. In order to regain access to international assistance – which, as it will become clear below, played a crucial role in Arafat’s, and later Abbas’, regime consolidation - Mahmoud Abbas decided to renounce to Hamas’ offer to form a national unity government. In order to circumvent Hamas’ rule and influence over the security sector, he placed the Palestinian security forces under his control. According to a European agent involved in the SSR at that time, this decision was clearly motivated by aid considerations:

There was a plan to merge the security services in order to get the international funding back by saying "they are not under the Ministry of the Interior". In other words, what happened in 2006 is that Fatah tried to unravel what we spent years to build in order to remove the forces from the president and the Prime Minister and to put the security forces at the ministerial level. They wanted to go all the way back... in order to... circumvent Hamas!

While aid did not become a motive for rebellion, it became a resource important enough for the President to try to secure control over it. Aid became an incentive for deeply antidemocratic decisions that led Hamas to form a new and illegal force, the Executive Force. Furthermore, the United States allegedly offered to implement an ‘Action Plan for the Presidency’. This plan - never officially confirmed - offered to increase the pro-Fatah security forces, equip and train them so as to dismantile the newly established Hamas’ Executive Force. In other words, this plan offered a way to be able to afford the start-up costs of fighting Hamas forces. In May 2007, new pro-Fatah Palestinian forces, equipped and trained in Egypt, entered the Gaza Strip. While their intention remains unclear, their entry was clearly the triggering event that led Hamas’ forces to fight Fatah’s forces in a pre-emptive way and take over the Gaza Strip.

2 This plan was however leaked by a Jordanian newspaper in April 2007 (Barthes, 2011, p 178)
Thus, aid played an important role in the onset of the inter-Palestinian violence of June 2007 (Hovdenak 2009). Aid resources were clearly important enough for Fatah leaders to take undemocratic decisions despite the risks of fuelling violence. Although less certain, aid resources may have also served as a means to enter into conflict. However, aid was both a worthy resource to fight for and a means to do so for the incumbent rather than for the opposition group. Therefore, (re)gaining access to and controlling aid resources through violent means is not the hallmark of rebel groups.

A.3) “Fueling by looting” hypothesis: Aid is a political and economic resource that feeds the conflict and thus perpetuates it.

Here too, the mechanism involved is similar to the one presented by Ross in reference to the links between natural resources and the duration of civil conflicts. The basic assumption is that conflicts tend to last longer when parties have access to aid resources either because combatants benefit individually from aid resources or because they use the latter in order to finance the war efforts. In both cases, the conflict is prolonged. If this hypothesis is correct, parties in conflict should benefit more from the conflict than from what they could expect from a peace economy or aid resources should be extorted in order to finance war efforts.

In Palestine, aid played an important role in the political economy of the conflict between Hamas and Fatah and significantly contributed to its duration. Since 2007, external support to the budget of the Palestinian Authority is highly conditional to Hamas’ exclusion from government positions. This not only impedes the implementation of a true national unity government but also
hinders the merging of the two Palestinian administrations that have developed in parallel in the West Bank and the Gaza Strip. As the PA Prime Minister Rami Hamdallah recognized in September 2014, “the problem of wages has turned into the main stumbling block to an intra-Palestinian reconciliation deal”. Indeed, the international community, and especially the United States, has “threatened to boycott the Palestinian leadership if it pays the salaries of former Hamas employees” (Ma'an News Agency 2014). Therefore, in order to avoid the 2006-scenario in which the International community cut off its support to the PA, Fatah’s elites have delayed the signature of reconciliation agreements or postponed its concrete implementation when a deal was broken in 2011, 2012 and 2014. The implementation of a national consensus government of politically “independent” technocrats in June 2014 is nothing but another example of the way in which aid impacts the political economy of conflict and prolongs the split. Indeed, the government made up of independent technocrats was thought to be a good path to reconcile the requirements of the parties in conflict while reassuring donors. While this move allowed the PA to maintain the disbursement of aid, it did not provide a solution for the merging of the two parallel governments. Indeed, soon after its implementation, the government was confronted with payment requests that it could not fulfill from former Hamas’ employees. Hamas’ leaders criticized the independent government’s lack of political will to effectively govern in the Gaza Strip and take responsibility for Gaza’s civil servants salaries and reconstruction after the 2014-war. The fact that Hamas’ security forces were still operating in the streets of Gaza throughout 2014-2015 is nothing but an example of the reconciliation process’ failure. Indeed, the reconciliation government resigned in June 2015, barely a year after its establishment.

Overall, Fatah’s elite preferred to maintain access to aid resources from which they derive direct or indirect benefits (in the form of salaries or in the form of regime consolidation through
aid resources’ distribution), rather than work towards a true and effective reconciliation. This choice is perceived by Hamas as a sign of Fatah’s lack of political independence and national courage. Aid considerations consistently contributed to prolong the split because of Fatah members’ knowledge that a national unity government with leaders from both political groups would contribute to a loss of aid resources from which they derive economic and political benefits.

B.1) “Bridging the gap” hypothesis: *Aid reduces or eliminates horizontal inequalities and thus reduces grievances between groups.*

By eliminating or reducing horizontal inequalities between groups in conflict, aid lessens grievances and contributes to peace. If this hypothesis is correct, a reduction of horizontal inequalities as defined by Frances Stewart should be observed. Unfortunately, the Palestinian case cannot serve as an illustration of the “bridging the gap” mechanism. Aid has not contributed to reduce horizontal inequalities. On the contrary, at a macro level, aid has played an important role in widening and sustaining horizontal inequalities (B.2 hypothesis). However, this is not to say that particular programs in some localities did not contribute to bringing people together.

B.2) “Generating Grievances” hypothesis: *Aid shapes horizontal inequalities, fuelling grievances that eventually translate into violent conflict.*

When aid systematically excludes a particular group and favors another one, it shapes horizontal inequalities. Inequalities can translate into grievances and thus, increase the probability of conflict. To confirm this hypothesis, aid should be partially allocated and excluded group should criticize the distribution of aid and advocate for greater equality. However, if aid efforts
try on the contrary to alleviate horizontal inequalities by favoring the disadvantaged group privileged group could resort to violence in order to protect its privileges. Thus, if this hypothesis is correct, it should be observed before the conflict that aid is delivered to a particular group, either the privileged or the disadvantaged one. We should also observe that the group that does not receive aid (it may be the privileged or the disadvantaged) shares a common identity and is conscious that aid widens or slackens horizontal inequalities. In the same way as Ross’s natural resources and grievances mechanism, aid related benefits must be considered important enough for the group to mobilize around this issue.

Since the Oslo agreements, aid has consistently been delivered in favor of the Fatah group and favored Fatah members’ access to political positions. If horizontal inequalities are understood as an uneven access to both economic resources and political positions, aid has contributed to the widening of horizontal inequalities. Indeed, the process of PA institution building was, from its inception, politically tainted and lacked inclusion. As a consequence, the Fatah group not only benefited from aid resources through their positions in the PA; they also dominated the PA, its institutions and its security apparatus (Sayigh 2001, Friedrich 2004, Brown 2005, Abdul Hadi, Friedrich et al. 2006, Friedrich and Luethold 2007, Lia 2007, Sayigh 2011, Cambrezy 2015). In a context where Israeli occupation and confinement policies greatly hamper any economic initiative, gaining access to positions in the PA is also a means to distribute these benefits to an entire group, either through patronage, political appointments or the share of one civil servant’s salary.³ Therefore, the biased international assistance has structured horizontal inequalities in the long term between political factions as well as between their entire communities. This unequal distribution of aid was made even more visible when the international community decided to

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³ It is estimated that one civil servant’s salary allows to support between 8 to 10 relatives.
boycott the newly elected Hamas’ government in 2006. Without a doubt, Hamas’ constant exclusion was a determinant factor in their mobilization in 2007.

B.3) “Widening the horizontal gap” hypothesis: During the conflict, aid shapes to horizontal inequalities; conflict continues.

During the conflict, aid might be delivered partially. Aid can contribute to the depth of horizontal inequalities if it favours the privileged. Aid can also target disadvantaged groups in order to lessen horizontal inequalities. In both cases, aid might increase grievances and thus nurture conflict dynamics. In the first scenario, disadvantaged groups mobilize so as to gain greater equality. In the second scenario, privileged groups mobilize so as to protect their privileges. If this hypothesis is correct, during the conflict, aid should be delivered to a particular group, either the privileged or the disadvantaged. We should also observe that the group that does not receive any aid (it may be the privileged or the disadvantaged one) should share a common identity and should be conscious that aid contributes to the existence and depth of horizontal inequalities. Aid related benefits must be considered important enough for the group to mobilize around this issue.

While Fatah group’s domination over the PA was until 2006 a recurring practice more than a formal rule, the constant international threat to reiterate the 2006-boycott in case a true national unity government was to be implemented institutionalized this practice. This sword of Damocles not only hampers the reconciliation process because of the “Fueling by looting” mechanism (A.3 hypothesis), it also deepens horizontal inequalities between the two groups and thus makes a reconciliation process extremely difficult to implement. Indeed, donor’s threat overtly prevents Hamas’ leaders and activists to access political positions, to benefit from aid
revenues through civil servants’ salary, and to distribute these benefits to their community. As it also impedes a merging of Hamas’ and PA security forces, aid requirements have become a major obstacle to a reconciliation process. Since the 2007 split, this practice of systematic exclusion extends beyond high figures of the Hamas group: PA civil servants whose salary is paid through the European program PEGASE are vetted on a regular basis in order to check for their political affiliation and proximity with Hamas members. USAID as well as the American security sector reform mission, The United States Security Coordinator (USSC), also vets their beneficiaries and overtly exclude Hamas active members from benefiting from their programs (Zanotti 2012). As explained elsewhere in further details, and considering the current process of PA security forces’ professionalization, “preventing Hamas members from joining the ranks of the Palestinian security forces today, will impede them from accessing leadership positions in the forces tomorrow” (Cambrezy 2015). Therefore, the vetting practice inevitably sustains and institutionalises horizontal inequalities between the two groups. As a consequence, the reconciliation process is considerably hindered. The 2014 “independent” government of transition has failed to address these important disparities, which did not go unnoticed from Hamas members. In June 2014, Haniyeh, Deputy Head of Hamas, called the PA to “fulfil its role of representing all Palestinians "without discrimination," and to treat the West Bank and the Gaza Strip equally and be free of the divisive "political will" that is holding it back” (Ma'an News Agency 2015). Therefore, aid-induced horizontal inequalities in Palestine are not only socio-political; they are also geographical.
C.1) “Vertical bridging” hypothesis: Aid improves the quality of the social contract and thus reduces the divide between the state and the society.

By strengthening institutions and good governance, aid improves the quality of the relationship between the state and society and thus reduces the risks of violence between the two. If this is the case, greater elites’ accountability, less corruption, peaceful conflict management practices, greater civil society consultations, as well as the implementation of democratic systems of governance should be observed. Overall, state-society relationship should be improved.

Rex Brynen has argued that aid has played a key role in PA’s political consolidation (Brynen 2005). By giving the means to Palestinian elites to set up a system of patronage, aid has contributed to Arafat’s, and later on Abbas’, regime consolidation. However, this is not to say that aid helped to strengthen the PA-society relationship. Unfortunately, in the Palestinian case the regime consolidation and the improvement of state-society relationships did not go hand in hand, quite the contrary. The high degree of political corruption, the recurring practice of political appointments and the lack of transparency have resulted in a progressive decay of Palestinian society’s confidence and satisfaction towards the PA.

C.2) “Checkmating the state” hypothesis: Aid displaces the state, weakens the quality of the social contract and widens fissures between the state and society, which eventually translates into violent conflict.

Because of its impacts on the quality of the social contract, aid might contribute to the outburst of conflict. By weakening and disempowering state institutions’ as well as in causing government elites to be more accountable to donors than to their citizens, aid weakens the
credibility of the state and society’s confidence and satisfaction. Such a poor quality of state-society relationships may translate into violent conflict. If this hypothesis is correct, very low governance indicators and a high degree of criticism from the society should be observed before the conflict. Also, the population should blame the aid delivery for these poor government results.

In spite of some riots often repressed with strength, the relation between the PA and Palestinian society cannot (yet?) be labeled as violent conflict. However, aid has largely affected the quality of the social contract. The role of security sector reform programs is a case in point. After the inter-Palestinian split, European and American SSR programs have put the emphasis on public order and security coordination with Israeli forces. In the aftermaths of June 2007 violence in the Gaza Strip and adopting the western logic of the war on terror, PA security forces have proceeded in hundreds of political arrests in the West Bank. After receiving training and equipment for public order maintenance, these same forces violently repressed Palestinian revolts that emerged in parallel to the “Arab spring”. The misuse of force was strongly criticized by Palestinian civil society who labeled PA security forces “Dayton forces” after the name of the Lieutenant General Keith Dayton who served as U.S Security Coordinator (USSC) from 2005 to 2010. Finally, the security coordination between Israeli and Palestinian forces, largely supported by the Americans, is widely criticized (Clarno 2014). As the security coordination principle transfers the maintenance of public order and the search for people considered as terrorists by Israel to the PA security forces, the latter are considered as fulfilling the occupant’s job and beholden to external interests. They are also accused of being reluctant to protect Palestinians from their main security threats: Israeli occupation and settlers’ aggressions. In brief, PA security forces are considered as collaborators (Cambrezy 2015). Therefore, SSR programs have brought a serious lack of confidence and satisfaction towards the Palestinian security forces, and more
generally speaking, towards the PA. While this did not degenerate into massive social unrest, it is highly problematic for a society that is already plagued by political divisions and located in a region marked by major upheavals.

C.3) “Widening the vertical gap” hypothesis: During the conflict, aid weakens the quality of the social contract; the divide between the state and the society perpetuates.

If aid undermines the credibility of state institutions during the conflict, aid might end up contributing to the continuation of the conflict. If this is the case, low governance indicators, high levels of social criticism - all attributed to the delivery of aid - should be observed.

Strictly speaking and because of the absence of state-society open conflict in Palestine, the Palestinian case does not allow to validate this hypothesis. That being said, it can be argued that Hamas capitalizes on the poor quality of the social contract between the PA and Palestinian society in the bargain with Fatah. PA’s lack of support allows Hamas to stand firm on requests on which Fatah cannot offer a compromise. As a consequence, the division perpetuates.

***

If we adopt the perspective according to which aid impacts conflict dynamics by shaping the political economy of conflicts, the existence and depth of horizontal inequalities and the quality of the social contract, nine hypotheses can be derived in order to explain how aid contributes to peacebuilding or to the onset and duration of civil war. These hypotheses highlight the existence of nine causal mechanisms linking aid to peace and conflict dynamics. Out of these nine causal mechanisms, five were observed (A.1, 2 & 3; B 2& 3) and two were not (B.1 ; C.1) in
the Palestinian case. While C.2 and C.3 hypothesis will hopefully not hold in the Palestinian case, we can argue that aid has already considerably contributed to the deterioration of the PA-society relationship even though violent conflict has not burst (yet).

Treating these hypotheses as discrete mechanisms is helpful in order to grasp the logic of each of the mechanisms involved. However, such an explanation of the links between aid and conflict dynamics is too stylized. Indeed, none of the hypotheses A.2, B.2 and C.2 or A.3, B.3 and C.3 is sufficient to explain alone the outburst of conflict or its duration. In the next section, I argue that the complexities of the linkages between these different causal mechanisms are worth considering.

**Dealing with multiple causal mechanisms**

Recognizing the existence of multiple mechanisms linking aid to peace and conflict dynamics requires considering their relationship. In what follows, I discuss three implications of what precedes: the possible coexistence of several mechanisms; contradictory contributions of a single aid program to peace and conflict dynamics; and the linkages between the political economy, horizontal inequalities and the quality of the social contract.

*Coexistence not exclusiveness*

As stated above, despite of the fact that these different mechanisms pertain to three often-competitive explanations of the economic causes of conflict, I argue that it is worth considering them as potentially co-existing. Therefore, the “looting” mechanism does not better explain the
outburst of conflict rather than the “generating grievances” or “checkmating the state” mechanism. Aid can contribute to the outburst of conflict because it transforms the political economy of conflict and widens horizontal inequalities and weakens the quality of the social contract (figure 1). In the same way, aid can contribute to the conflict duration because it feeds the political economy of conflict and sustains horizontal inequalities and deepens the fissures between the state and the society. Considering that these different mechanisms may lead to a same result, the challenge is then to identify the presence of all of them in reality. Hence the importance of clarifying, as I did above, what should be observed for each of these different mechanisms.

Figure 1: Mechanisms’ coexistence

Contradictory contributions to peace and conflict dynamics

Recognizing the existence of multiple mechanisms also allows acknowledging that a same program can contribute to peace and at the same time fostering conflict dynamics. Therefore, the relationship between aid and peace and conflict dynamics is not in an “either/or” way. For instance, it can be argued that SSR programs in Palestine have had positive impacts on the economy of conflict since they have permitted the integration of former combatants and potential
opponents in the ranks of regular Palestinian security forces. However, increasing the number of employees within these forces led to an increase of the budget’s share allocated to the security sector. Both the growing number of security forces and the fact that this sector receives the lion’s share of PA’s budget are two major sources of criticism of Palestinian society who argues that the PA has become a police state not interested in the “true” challenges faced by its population. In that particular case, aid led to contradictory results in terms of peace and conflict dynamics in a same conflict setting. Therefore, aid contributed to peace while simultaneously contributing to conflict dynamics in Palestine (figure 2). If we take into consideration the diversity of aid programs in a conflict setting, the picture becomes even more complex: one program can positively contribute to the political economy of conflict (“Peace dividend” mechanism) while another program affects it negatively through the “looting” mechanism (figure 3).

Figure 2: Contradictory results 1

<table>
<thead>
<tr>
<th>Aid Program</th>
<th>PEC: Peace Dividend</th>
<th>Contribution to PB</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HI: Generating grievances</td>
<td>Outburst of conflict</td>
</tr>
<tr>
<td></td>
<td>SC: Checkmating the state</td>
<td></td>
</tr>
</tbody>
</table>

Figure 3: Contradictory results 2

<table>
<thead>
<tr>
<th>Aid Program X</th>
<th>PEC: Peace Dividend</th>
<th>Contribution to PB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aid Program Y</td>
<td>PEC: Looting</td>
<td>Outburst of Conflict</td>
</tr>
</tbody>
</table>
Ripple effects

Finally, recognizing multiple causal mechanisms also requires questioning the links and potential sequence between them. In some cases, aid not only shapes peace and conflict dynamics in transforming the political economy of conflict and widening horizontal inequalities and weakening the social contract (figure 1); it may rather be that aid shapes the political economy of conflict whose result is to increase horizontal inequalities and decrease the quality of the social contract (figure 4).

For instance, international assistance’s main role in Palestine since Oslo has been to support the Israeli-Palestinian peace process. As stated by Jim Zanotti in his Report to the Members and Committees of US Congress,

“Successive (US) Administrations have requested aid for the Palestinians in apparent support of at least three major U.S. policy priorities of interest to Congress: Preventing terrorism against Israel from Hamas and other militant organizations; Fostering stability, prosperity, and self-governance in the West Bank that inclines Palestinians toward peaceful coexistence with Israel and a “two-state solution”; Meeting humanitarian needs. (Zanotti 2012)

Therefore, aid has been disbursed in order to shape the political economy of the Israeli-Palestinian conflict according to the logic of the “Peace Dividend” Hypothesis (A.1). However, the manner in which the political economy of the Israeli-Palestinian conflict has been shaped
resulted in a number of negative externalities on the Palestinian scene. The “new” Palestinian political economy has not only allowed to keep the peace process on tracks; it has also shaped the fault lines of social and political divide in Palestine. It has progressively led a political group to be systematically excluded from aid deliveries and PA’s political position, thus deepening horizontal inequalities between Fatah and Hamas factions. The “new deal” à la Palestinienne has favoured an extremely uneven economic development between the West Bank and the Gaza Strip. Moreover, in the West Bank, it has opened economic perspectives only in few places such as Ramallah for a limited number of people. In other words, international assistance, while changing the political economy of the Israeli-Palestinian conflict, led to a reconfiguration and deepening of social inequalities in Palestine. Furthermore, in reaction to the reshaping of the Israeli-Palestinian conflict’s political economy, the relationship between the PA and Palestinian society gradually deteriorated not only because of the high levels of corruption of Palestinian elites but also because of the very nature of the relationship between the PA and Israel. As stated above, the PA and especially its security forces are increasingly considered as the Israeli’s occupation subcontractor. Therefore, looking at the bigger picture of the Israeli-Palestinian conflict, it appears that the three mechanisms are not in a coexisting relationship; it is rather the “political economy of conflict” mechanism that shapes the two others.

**Conclusion**

This paper clarifies how aid programs may shape peace and conflict dynamics in three steps. First, it builds on the literature on the economic causes of conflict in order to identify three broad mechanisms linking aid to peace and conflict dynamics. I argue that aid may influence peace and conflict dynamics by transforming the political economy of conflict, structuring
horizontal inequalities and/or shaping the relationship between the state and society. Secondly, it develops nine hypotheses about how aid may influence the entry into and duration of conflict through these three broad mechanisms. Therefore, it further clarifies the role of aid as a factor of conflict by distinguishing between its role as a triggering or as an aggravating factor of conflict. Simultaneously, it builds on the Palestinian case so as to illustrate and discuss these hypotheses. While it is not the main objective of this paper, it also gives a better understanding of the impacts of aid programs on the dynamics of peace and conflict in Palestine. Finally, this paper breaks away with the tendency to consider the impacts of aid on the dynamics of peace and conflict in an “either/or” way by considering three broad causal mechanisms linking aid to peace and conflict dynamics as well as by discussing different configurations of such mechanisms. I argue that the three mechanisms linking aid to peace and conflict dynamics may coexist, producing either several paths towards a same result or contradictory results. I also argue that these three mechanisms are not always in a coexistence relationship; they may also be in a sequential order. For instance, the Israeli-Palestinian case can be analysed as a situation of ripple effects in which aid shapes the political economy of the conflict between Israel and Palestine, which, in turn, transforms both horizontal inequalities and the quality of the social contract in Palestine. Overall, this paper offers a more comprehensive understanding of the role of aid as a factor of peace and/or conflict.
Bibliography


