

**Structural Adjustment and Peacebuilding:  
Road to Conflict or Peace?**

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International financial institutions (IFIs) like the World Bank and the International Monetary Fund (IMF) are increasingly involved in post-conflict and peacebuilding situations. The IMF will often provide various conditional loans to post-conflict countries in order to mitigate the effects of the economic crises that are so common in that context. Additionally, in 1995 the IMF established the Emergency Assistance program, which is specifically targeted to post-conflict countries. The World Bank is also very present in countries emerging from conflict: it is estimated about a quarter of the World Bank's concessional lending, excluding that to India and China, is directed to post-conflict countries (Boyce and Pastor, 1998, p.4). In post-conflict countries, most IMF programs, and a quarter to a third of the World Bank's programs, come in the form of structural adjustment plans (SAPs). Structural adjustment loans are conditional loans geared to the reform of economic policies, collectively called SAPs, in the recipient country, generally through widespread economic liberalization.

Countries after a period of civil war are notoriously fragile. In addition to the high number of direct and indirect casualties of war, the large number of refugees and internally displaced persons, the de-legitimization of political institutions, and the deep social divisions and traumas that generally follow conflict, wars often cause severe economic crises. A World Bank publication reports that "during civil war countries tend to grow around 2.2 percent points more slowly than during peace" (Collier et al., 2003, p. 17). Resources are depleted and infrastructure is destroyed, and there is often an increased dependence on natural resource production. During a conflict, a country will often experience a sharp increase in poverty, generally felt disproportionately in certain geographical areas or social segments; in turn, this leads to increased inequality. All of these factors may also cause further conflict, and a country may fall into the "conflict trap"; it is estimated that a country coming out of a conflict has a 44% chance of conflict renewal within five years (Collier et al. 2003, p. 83).

Because of the high risk of conflict renewal and the vulnerability of post-conflict economic environment, it is important to look at the role of political economy reforms during the post-conflict period. Structural adjustment plans, under the helm of international financial institutions, are commonly implemented during period; however, some authors also claim that SAPs lead to rising political tensions, economic instability or recessions, increased poverty and inequality, and even conflict. Regardless, the evidence on the role of SAPs in post-conflict situations is presently inconclusive.

This paper attempts to answer the following question: can it be demonstrated that the Structural Adjustment Plans (SAPs) designed by international financial institutions (IFIs) have an effect on the risks of renewed civil war in post-conflict countries? What would be the economic policy implications of these findings for post-conflict developing countries, in order to achieve a sustainable peaceful environment? Since the World Bank and the IMF has a large presence in post-conflict countries, it would be important to assess whether these interventions do more harm than good.

## **I. Structural Adjustment: A Quick Review**

Structural adjustment plans have been controversial since the 1980s. Critics argued that they were foreign-led reforms unsuited to local realities. Moreover, some claimed that SAPs, especially those implemented in the 1980s, led to increased poverty through reduction of government budgets, cuts social services and subsidies on essential products, the privatization of state

industries, and the reduction of state bureaucracy. Moreover, the structural adjustment loans were sometimes repaid through increased exports of primary products, especially the products where the recipient country was deemed to have an advantage in production; however, increased dependence on primary products, coupled with increased open trade, could make a country more vulnerable to price volatility and economic instabilities.

Partly as a response to the criticism received, the World Bank and the IMF created a new lending mechanism in 1999: Poverty Reduction Strategy Papers (PRSPs). PRSPs are economic plans for poverty reduction emanating directly from the recipient countries. The World Bank and the IMF argue that this process allows for much more country ownership over their own economic development; moreover, it should lead to a decrease in poverty. As a reflection of this change, the IMF's Structural Adjustment Facility was renamed Poverty Reduction Growth Facility, and the World Bank's Adjustment lending was renamed Development Policy Lending. While the IMF and the World Bank claim that PRSPs represent a significant shift in adjustment lending, critics argue that PRSPs are simply SAPs under a new name. Since the World Bank and the IMF must still approve of the reforms suggested in the PRSPs, critics argue that countries must still follow the IFIs' model of development in order to receive funding, and that the SAPs' macroeconomic model for economic growth and poverty reduction remains. Because of the timeline of this quantitative research, there are no PRSP credits included. However, because macroeconomic reforms continue to occur in post-conflict countries, the findings of this research may help indicate the prospects for PRSPs in post-conflict countries.

## **II. Structural Adjustment Plans and Conflict: A Link? Three Arguments**

### ***2.1 The “austerities” argument***

It has often been argued that SAPs have caused significant political tensions in recipient countries. Some authors have linked certain protests, dubbed the “IMF riots”, to discontentment because of the effects of the SAPs on both equity and peace (Woodroffe and Ellis-Jones, 2001). Indeed, SAPs may demand reduced government spending and strict fiscal policies – including reducing the size of the state bureaucracy and reducing subsidies on essential goods - which in turn could increase income inequality and poverty, especially in the short term. In the face of increasing prices, rising unemployment, and increased poverty, social unrest may lead to rioting. Ho-Won Jeong, for example, claims that World Bank and IMF conditionalities caused rioting in Senegal, Morocco, Egypt, Tunisia, and Nigeria. Moreover, the author believes that these rising tensions contributed to the collapse of the Sudanese (1985) and Zambian (1990) governments (Jeong, 1996).

Some authors even argue that structural adjustment plans can cause widespread conflict. Regine Andersen (2000) claims that the World Bank and the IMF's SAP in Rwanda in the early 1990s was a contributing factor to the conflict and genocide. Her main argument is that the IMF-mandated (or arguably, imposed) SAP undermined the legitimacy of the government while it was attempting to democratize its practices. However, future loans from the World Bank and the IMF were dependent on democratization and the progress of the peace process. The result, Andersen argues, was a set of contradictory strategies that led to increasing tensions, and eventually war and genocide, in the country. Additionally, she believes that the majority of the funds received as

part of the structural adjustment loan were redirected into military spending in preparation for the war.

Susan Woodward (1995) argues that structural adjustment contributed significantly to the conflict in Yugoslavia. In her book *Balkan Tragedy*, she explains that the country needed IMF loans because of a shortage in foreign currency. The IMF agreed to the loans, but these were accompanied with demands of economic policy changes, like the elimination of subsidies on food and other products, such as fuel. Interest rates rose, as did unemployment and the inflation rate, while real incomes fell. Woodward argues that these factors eroded the middle class in Yugoslavia and caused a rising sense of insecurity in Yugoslavia. This insecurity and the burden of austerities, Woodward claims, led to the subsequent conflict.

Roland Paris (2002) adds that SAPs led to a heightened risk of conflict renewal in El Salvador, Nicaragua and Guatemala. He argues that the liberal economic policies promoted by the IMF, the World Bank, USAID, and the Inter-American Development Bank in the three Central American countries exacerbated inequality and poverty - those same factors that are often considered the root causes of the conflicts in the region. Paris argues that those economic reforms are causing social unrest and may even lead to a conflict renewal.

### **2.1 The “don’t blame the doctor” argument**

While the evidence against SAPs may seem overwhelming, the issue is more complex than it seems. Structural adjustment plans are often designed to mitigate economic crises; therefore, structural adjustment loan recipients tend to be countries that suffer from pre-existing economic difficulties, like low economic growth, high levels of poverty and/or inequality, high unemployment, high debt loads, and high inflation rates. All of these economic issues, many of which pre-date SAPs, are also risk factors for conflict and social unrest. Paul Collier and Anke Hoeffler (2002) claim that “the average aid recipient [carries] a risk of around 11.7% that a conflict would be initiated during a five-year period”. There is therefore a possibility that the case studies linking SAPs to conflict are, metaphorically speaking, blaming the doctor (in this case, SAPs) instead of the illness (the pre-existing economic problems) for political tensions and conflict.

Additionally, many case studies on SAPs and conflict suffer from the lack of counterfactual: it is difficult to confirm whether tensions would have existed *without* the interventions of IFIs (Rowlands and Joseph, 2003). Arguably, without the financing available through structural adjustment loans, governments may be required to carry out even deeper cutbacks. As Dane Rowlands argues: “The presence of IFI programs is worse than their absence only if the policy conditions skew the fiscal cutbacks in more harmful ways than the government would choose on its own, or if the net financing available is actually reduced below that which the government would acquire without IFI intervention” (2000, p. 18). For example, while critics often blame SAPs for reduction in social spending, during a conflict, governments may be unable or unwilling to give social services to all or certain segments of the population; a reformed fiscal policy through a SAP may often lead to *more* social spending and reduced inequality. SAPs will also often permit countries to reschedule debt payments; better tax policies could increase state capacity. Loan conditionalities could include reducing military spending, as well as better regulations in primary product exploitation and exportation (Swanson, Oldgard and Lunde, 2003; Crossin, Hayman, and Taylor, 2003).

Moreover, while it should be recognized that any abrupt governmental policy change has the potential of causing discontentment for some groups in society in the short term, the long-term effects of SAP conditionalities are unclear. After all, SAPs aim to mitigate economic crises, reduce inflation, and increase economic growth. If these programs are successfully implemented and work as intended, then theoretically at least, the long-term effects could be a reduction of the risk of conflict. Collier and Hoeffler (2002) argue that ‘better’ policy and aid could lead to a lower conflict risk. The authors rated ‘better’ policies as those that fared better on the World Bank’s Country Policy and Institutional Assessment (CPIA). The CPIA measures the recipient countries’ economic policy in four policy ‘clusters’, where a total of twenty criteria on policy, governance, and institutions are assessed<sup>1</sup>. ‘Better’ policies therefore refer to the World Bank’s definition of sound economic policies; they are the policies generally recommended by the World Bank to the recipient as part of SAPs. Collier and Hoeffler considered a one-point improvement on the CPIA rating and a one-dollar per capita aid level sustained over five years. The combined effect of this policy-and-aid package would reduce risk of conflict in a five-year period from 11.7% to 8.4%. The causal effect was not direct: it was rather due to the increased growth of GDP and income per capita, and a decrease in primary commodity export dependence resulting from the ‘better’ policy.

Quantitative, large-N studies like those of Scott Sidell (1988), Juha Auvinen (1996), and Troy Joseph and Dane Rowlands (2003) have concluded that “in general, IMF programs are either statistically unrelated to civil disturbances, or reduce the incidence of such disturbances” (Rowlands, 2000, p. 18). Macartan Humphreys (2005) and Jeni Klugman (1999) also examine the issue and find no systematic links between conflict and adjustment programs.

### ***2.3 The implementation/political instability argument***

An additional dimension to the debate on SAPs and conflict is whether the reforms demanded by the World Bank and the IMF are actually being implemented. There is some evidence that strong special interest, political instability, and ethno-linguistic division hinder the implementation of Structural Adjustment Plans; indeed, Ivanova et al. (2003) argue that the level of implementation of IMF programs does depend mostly on those political economy factors, rather than on conditionalities or internal and external economic conditions. Arguably, the same factors that hinder SAP implementation are also be present in those countries that are likely to experience conflict renewal. In this scenario, SAPs would be implemented more fully in more stable countries where risk of conflict renewal is lower; in more risk-prone countries, SAPs would not be fully implemented. If this is the case, then the renewal of conflict in unstable countries would not be conclusively linked to SAPs, since the reforms would not have been carried out.

Few case studies examine the level of implementation of SAPs. However, Andersen (2002) admitted that the Rwandan SAP preceding the genocide was only partially implemented. Additionally, Woodward and Paris also noted that the implementation of SAPs was incomplete in

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<sup>1</sup> A) Economic Management B) Structural Policy C) Policies for Social Inclusion/Equity D) Public Sector Management and Institutions. Source: “2001 CPIA Outcomes for IDA Countries”. URL: <http://www1.worldbank.org/operations/licus/documents/2001CPIAResultsIDAcountries.pdf>

Yugoslavia and Guatemala. The question remains, if these SAPs were not fully implemented, how much of a role could they have had in causing conflict or conflict renewal?

### **III. International Financial Institutions in Post-Conflict Situations**

While there is no consensus on the effects of SAPs in any context, there are additional concerns when they are implemented in post-conflict countries. As mentioned earlier, the post-conflict context is especially fragile. Roland Paris (1997) argues that policy-based loans in post-conflict El Salvador, Nicaragua, Mozambique, and Cambodia have led to the potential for renewal of conflict. According to Paris, the equation is simple: SAPs lead to increased inequalities, and intra-state inequalities lie at the root of conflict<sup>2</sup>. He argues that SAPs should be more attentive to risks of increasing social tensions and should allow for more government spending while delaying other macro-economic policies, like disinflation. United Nations agencies like the Research Institute for Social Development (UNRISD) and the Conference on Trade and Development (UNCTAD) also support the claim that economic liberalization and a rapid integration in the world economy can intensify the risk of conflict (Fitzgerald, 2001).

While the relationship that Paris draws between policy-based loans, inequality, and conflict seems straightforward, the conflict analysis literature does not agree on whether inequality alone causes conflict, like Paris assumes. It should also be noted that conflict itself could worsen inequalities very significantly (Stewart and Fitzgerald, 2000, p. 232); post-conflict inequality is often the result of conflict, and not necessarily of post-conflict policies. The risk of conflict re-ignition is always high, and it is difficult to isolate the causes of renewed civil wars after a peaceful period.

It is interesting to note that while the World Bank and the IMF are getting more involved in post-conflict situations, and are more aware of the risks and challenges involved, neither has examined in depth their role in increasing tensions or even conflict renewal. The World Bank did commission a study of selected post-conflict countries and their perspectives on World Bank aid (Colletta and Gebreselassie, 2003), and issues of the timing, sequencing and ownership of reforms as well as unequal development were highlighted. However, more in-depth research would be necessary.

There is a need to explore how SAPs may affect the risk factors for conflict and conflict renewal in order to understand the relationships between the two. Most present research on the topic present anecdotal information; a more systematic analysis is required.

### **IV. Conflict Risk Factors and International Financial Institutions**

A few authors explore the causes of conflict renewal. Bigombe, Collier, and Sambanis (2000) argue that the risk of conflict renewal in Africa is due to natural resource dependence, the lack of alternative economic opportunities, and the negative effects of ethnic dominance. Collier (2000) argues that conflict renewal could be a result of pre-existing risk factors, economic difficulties caused by the previous conflict, new grievances generated in the war, or risk factors that became more potent following the conflict. In fact, the attributes of the previous conflict (how it started,

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<sup>2</sup> Paris also claims that political liberalization, leading to quick elections, has caused increased instabilities in Angola, Rwanda, and Bosnia.

how it was carried out, and how it ended) are often mentioned as one of the main causes of conflict renewal. Walters (2004) believes instead that conflict renewal is a function of individual hardship and the absence of non-violent means for change. In any case, the risk of conflict renewal is always high, especially in the first decade after the end of the conflict (Collier and Hoeffler, 2000; World Bank's CAF, 2005). The potential role of IFIs could be implied: programs that encourage economic diversification and new opportunities for livelihood could reduce the risk of conflict renewal, while policies that favour a certain ethnic group over another could increase the risk of conflict renewal.

The literature on conflict and the role of IFIs is weightier. There are several conflict risk factors mentioned in the literature, and some of those could be altered through SAPs. Social factors most often mentioned include inequality and ethnic divisions. Research has not shown consistently that inequality is an important cause of conflict. However, most research on the topic so far had examined vertical inequality, or *individual* inequality regardless of cultural or geographical belonging. Klugman (1999) and Stewart (2002) both argue that horizontal inequality, defined by Klugman as *group* inequality, is the significant risk factor for conflict. There is some evidence that SAPs may increase inequalities within a country. Rowlands (2000) argues that the distribution of aid could potentially fuel divisiveness and competition. Humphreys (2005), Fitzgerald (1997, 1999), Douma (2001), 'Bayo Adekanye (1995), and Moore (2000) argue that SAPs could increase inequality within a country, and therefore fuel ethnic tensions or conflict. Klugman (1999) instead argues that IFIs tend to be 'blind' to horizontal inequalities, and do not take it into consideration when designing SAPs. Ethnic dominance (a group forming between 45% and 80% or 90%<sup>3</sup> of the population) is also considered to be a potential risk factor for conflict (Collier, 2001; Collier and Hoeffler, 2002; World Bank's CAF, 2005). Although IFIs will not affect the ethnic composition of a country, policies may inadvertently favor one ethnic group over another (Esman, 1997; 'Bayo Adekanye, 1995), or simply turn a blind eye on rising ethnic tensions as aid continues to pour in (Boyce, 2002). Demographic factors could also have an effect on conflict. Humphreys (2005) and Collier and Hoeffler (2000) note that population size tends to have a positive relationship with conflict risk. Urdal instead specifies that it is a "youth bulge" in a poor country that creates a conflict risk (2004).

Economic risk factors are central to the analysis in this paper. A point of general agreement in the literature is that low or negative economic growth and low per capita income are important risk factors for conflict (Rowlands, 2000; Rowlands and Joseph 2003; Humphreys, 2005; Collier, 2000; Klugman, 1999, World Bank's CAF, 2005; 'Bayo Adekanye, 1995; Staines, 2004). Collier also notes that a marginal increase in economic growth is more effective in reducing risk of conflict in a post-conflict situation than in any other context; this implies that a relatively strong relationship should exist between economic growth during the post-conflict period and length of the "peace" period.

The effects of SAPs on economic risk factors are one of the most direct routes for IFI influence on risk factors. Researches on the role of SAPs on economic growth have various conclusions. Rowlands (2000) finds that IMF intervention may reduce economic growth in the short term. If the economic slowdown is severe enough, it may lead to a conflict; however, growth will tend to

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<sup>3</sup> Collier (2000) uses 80% while Collier and Hoeffler (2002) and the World Bank's Conflict Analysis Framework (2005) use 90% as the maximum figure for ethnic dominance.

increase in the long term. Boyce (2002) believes that most SAPs tend to increase poverty. Fitzgerald (1997) argues that globalization increases unemployment and instability in the economy; SAPs tend to increase liberalization of the economy, and if this results in more unemployment and instability, it could lead to conflict renewal. Hegre, Gissinger and Gleditsch (2002) instead find that economic openness is linked to high growth (and reduced violence), and Rowlands and Joseph (2003) argue as well that economic openness is linked to lower levels of conflict.

Rowlands (2000) links high inflation to conflict. IFI conditionality generally decreases inflation (Klugman, 1999); however, Rowlands also notes: “Suppressing inflation may promote violence if it relies heavily on demand restraint” (2000, p. 24). Inflation may also rise under SAPs if conditionalities include currency devaluation, since it tends to increase inflation. The evidence on inflation, conflict, and SAPs is therefore inconclusive.

Another risk factor for conflict is low levels of education, which Humphreys (2005) and Collier (2000) link to increased conflict. While the World Bank has lending programs focused on increasing social spending, conditionalities that demand a reduction of government spending may restrict growth in the education sector (‘Bayo Adekanye, 1995). High levels of unemployment, especially for young males (World Bank’s CAF, 2005) are thought to increase the risk of conflict. J. ‘Bayo Adekanye (1995) and Boyce, James (2002) maintain that SAPs lead to rising unemployment; Fitzgerald (1999) makes the same link with economic liberalization and unemployment.

Klugman (1999) and the World Bank’s Conflict Analysis Framework (2005) note that the debt burden and its side effects could increase the risk of conflict, and that IFIs should take this risk into account when designing SAPs. ‘Bayo Adenkanye (1995) and Fitzgerald (1999) sustain that economic liberalization and SAPs may increase a recipient country’s debt burden.

Military spending has also been linked to increased risk of conflict (World Bank’s CAF, 2005; Rowlands and Joseph, 2003), although the causality may run in the opposite direction. Both Rowlands (2000) and Humphreys (2005) argue that IFIs often include a reduction of military spending within their conditionalities. Bayo Adekanye (1995) and Klugman (1999) instead note that IFIs are often reluctant to demand a reduction of military spending.

Primary products dependence is frequently mentioned as a conflict risk factor (World Bank’s CAF, 2005; de Soysa, 2000; Klugman, 1999; Douma, 2001), especially where an armed group can extract high-value, easily transportable primary products like diamonds and cocaine. Collier (2000) considers natural resource rents to be the strongest risk factor for conflict, with the risk level peaking when primary products represent 25 to 30% of GDP; he also notes that dependence on natural resources may rise during conflict and therefore is an even more significant risk factor in post-conflict countries. Collier and Hoeffler (2000), Le Billon (2001), and Ross (2003a, 2003b, 2004) also study the relationship between primary product dependence and increased risk of conflict. Ballentine and Nitschke (2003) examine the various effects of “lootable” and “unlootable” resources, and argue that both could cause conflict through a different mechanism. MacDonnell (2004) specifies that resources with point extraction and a low weight-to-value ratio are the most likely to provide revenues for rebels.



Swanson, Oldgard and Lunde (2003) argue that the IMF could reduce the risk associated with primary product dependence by promoting a fiscal transparency code for natural resource revenues at the government level. Crossin, Hayman, and Taylor (2003) also note that aid conditionality could be used to ensure the proper management of natural resources and prevent looting. Aoul et al. (2000) and Marcoux (2003) instead argue that the privatisation of the mining sector in Africa as a result of World Bank and IMF intervention has weakened the state apparatus and lowered regulations, which led to increased looting by rebels and the rise of private security forces to protect those resources.

The IMF and the World Bank officially claim to be apolitical, however, some authors believe that their policies could affect the political environment in recipient countries. A crisis in state legitimacy could increase the risk of conflict (Klugman, 1999; World Bank's CAF, 2005, Ballentine and Nitzschke, 2003). Humphreys (2005), Fitzgerald (1999), and Colletta and Tesfmichael (2003) believe that SAPs could weaken the state apparatus and its ability to invest in social programs. The weakening of the state apparatus could therefore increase the risk of conflict. Douma argues instead that SAPs tend to "coincide to a large extent with the interest of local politicians, who had vested interests in order either to sustain or to create their own clientelist networks and to ward off potential rivals" (2001, p.23); Herbst concurs with this interpretation. Rowlands (2000) and Boyce (2002) that conditionalities often demand accountability and transparency at the government level, and by extension could help reduce public discontentment with the state (and the risk of conflict).

Another important factor that increases the risk of conflict and conflict renewal is the presence of a regional conflict (World Bank's CAF, 2005; Ballentine and Nitzschke, 2003). There is no evidence that an SAP in one country would increase the level of conflict in other countries in the region; however, is it still included in the analysis since it is an important risk factor in conflict ignition and conflict renewal.

**Table 1: Summary of literature review on conflict risk factors and possible effects of SAPs**

<b>CONFLICT RISK FACTOR</b>	<b>REFERENCES</b>	<b>SAP EFFECT ON VARIABLE (AND PEACE)</b>	<b>REFERENCES</b>
<b>Economic factors</b>			
Low economic performance (GDP)	Klugman, Jeni (1999); Collier, Pauk (2000); Rowlands, Dane (2000); Humphreys, Macartan (2005), World Bank's CAF (2005)	<b>Positive:</b> SAPs may increase growth, especially in long run <b>Harmful:</b> may provoke initial (or possibly even long-term) reduction of growth.	Rowlands, Dane (2000); Rowlands and Joseph (2003); Hegre, Gissinger and Gleditsch (2002); Fitzgerald, Valpy (1999).

Low economic development and poverty	World Bank, CAF; Staines, Nicholas (2004); Humphreys, Macartan (2002); Fitzgerald, Valpy (1999); Klugman, Jeni (1999); 'Bayo Adekanye (1995).	<b>Positive:</b> IFI involvement may provoke more rapid growth, especially in long-run. <b>Harmful:</b> Cutting subsidies, trade liberalization, devaluation, layoffs or wage cuts.	Rowlands (2000); Rowlands and Joseph (2003); Fitzgerald, Valpy (1997), (1999); Boyce, James (2002); J. 'Bayo Adekanye (1995).
High unemployment (especially youth)	World Bank, CAF (2003)	<b>Positive:</b> policy changes leading to economic growth and increased investment; <b>Harmful:</b> Cut in social services and subsidies, privatization of state firms.	Fitzgerald, Valpy (1999); Boyce, James (2002); J. 'Bayo Adekanye (1995).
Inflation	Rowlands, Dane (2000)	<b>Positive:</b> IFI intervention tends to reduce inflation. <b>Harmful:</b> currency devaluation could increase inflation	Rowlands, Dane (2000); Klugman, Jeni (1999)
High debt load and aid dependency	World Bank CAF; Klugman, Jeni (1999)	<b>Positive:</b> loans may include debt reschedule or debt forgiveness; <b>Harmful:</b> IFI loan repayment schedule may increase debt service ratio	Fitzgerald, Valpy (1999); J. 'Bayo Adekanye (1995).
High dependence on primary commodities exports (overall or specific)	World Bank, CAF; de Soysa, Indra. (2000); Ballentine, Karen and Nitzschke, Heiko (2003); Paul Collier and Anke Hoeffler (2000); MacDonnell, Francis, (2004); Douma, Pyt (2001); Ross, Michael (2003a,b), (2004); Klugman, Jeni (1999); Collier (2000); Le	<b>Positive:</b> IFIs could promote transparency, standards, codes; <b>Harmful:</b> Privatization and structural adjustment may encourage a focus on comparative advantage in this sector; IFIs could promote privatization and deregulation (which in turn may	Swanson et al. (2003); Crossin et al. (2003); Aoul et al. (2000); Marcoux, Jean-Philippe (2003)

	Billon (2001).	lead to private security forces, etc.)	
High military spending	World Bank, CAF (2005); Rowlands, Dane (2000); Rowlands and Joseph (2003).	<b>Positive:</b> Peace/economic conditionality of aid/loans. <b>Harmful:</b> May also be reluctant to impose demands, aid could be diverted to military spending.	Boyce, James (2002); Klugman, Jeni (1999); Rowlands, Dane (2000); J. 'Bayo Adekanye (1995); Humphreys (2005).
<b>Political/Governance Factors</b>			
Restricted civil and political rights, authoritarianism (expected to be a U-curve relationship)	World Bank, CAF (2003); Klugman, Jeni (1999)	<b>Positive:</b> Pressures for democratization (increased accountability, transparency, decreased corruption).	
Political instability and/or state weakness	World Bank, CAF (2003); Ballentine, Karen and Nitzschke, Heiko (2003); Fitzgerald, Valpy (1999); Klugman, Jeni (1999)	<b>Positive:</b> IFIs may help rebuild state capacity and reduce its involvement in policy-making. <b>Harmful:</b> privatization (undermining state's capacity to direct investment and promote specific economic development) -funds (contention over resources); layoff of civil servants or security employees. Note that this effect is not well documented.	Douma, Pyt (2001); Boyce, James (2002); Fitzgerald, Valpy (1999); Humphreys, Macartan (2005); Colletta and Tesfmichael (2003); Herbst, Jeffrey (1990); Rowlands (2000).
Regional Conflict	World Bank's CAF (2005) Ballentine and Nitzschke, 2003		
<b>Social/Demographic Factors</b>			
Horizontal inequality; ethnic dominance	World Bank, CAF (2003); Collier, Paul and Hoeffler, Anke	<b>Positive:</b> enforcement of conditionalities may reduce	Douma, Pyt (2001); Stewart, Frances (2002); Fitzgerald,

	(2000); Humphreys, Macartan (2005); Stewart, Frances (2002); Klugman, Jeni (1999); Moore (2000); Collier (2000).	inequalities, aid/policies may increase social spending. <b>Harmful:</b> Aid/loans used for clientelist networks or conflict purposes; reduction of state budget to ‘pay off’ the discontented; trade liberalization leading to increasing inequality.	Valpy (1997), (1999); Moore, David (2000); Klugman, Jeni (1999); Esman, Milton (1997); ‘Bayo Adekanye (1995); Boyce, James (2002).
Demographic pressures	Collier, Paul and Hoeffler, Anke (2000); Humphreys, Macartan (2005);	None specified	

## V. Hypothesis:

This quantitative research aims to test the validity of three main arguments on the role of SAPs in conflict renewal (the austerities argument, the ‘don’t blame the doctor’ argument, and the implementation/political instability argument). Is there evidence that supports the argument that SAPs demand many austerities, which then lead to increased political tensions and even conflict? Or are SAPs benign or positive forces in the post-conflict environment? Or again, are SAPs not even implemented in the most conflict-prone countries?

## VI. Methodology:

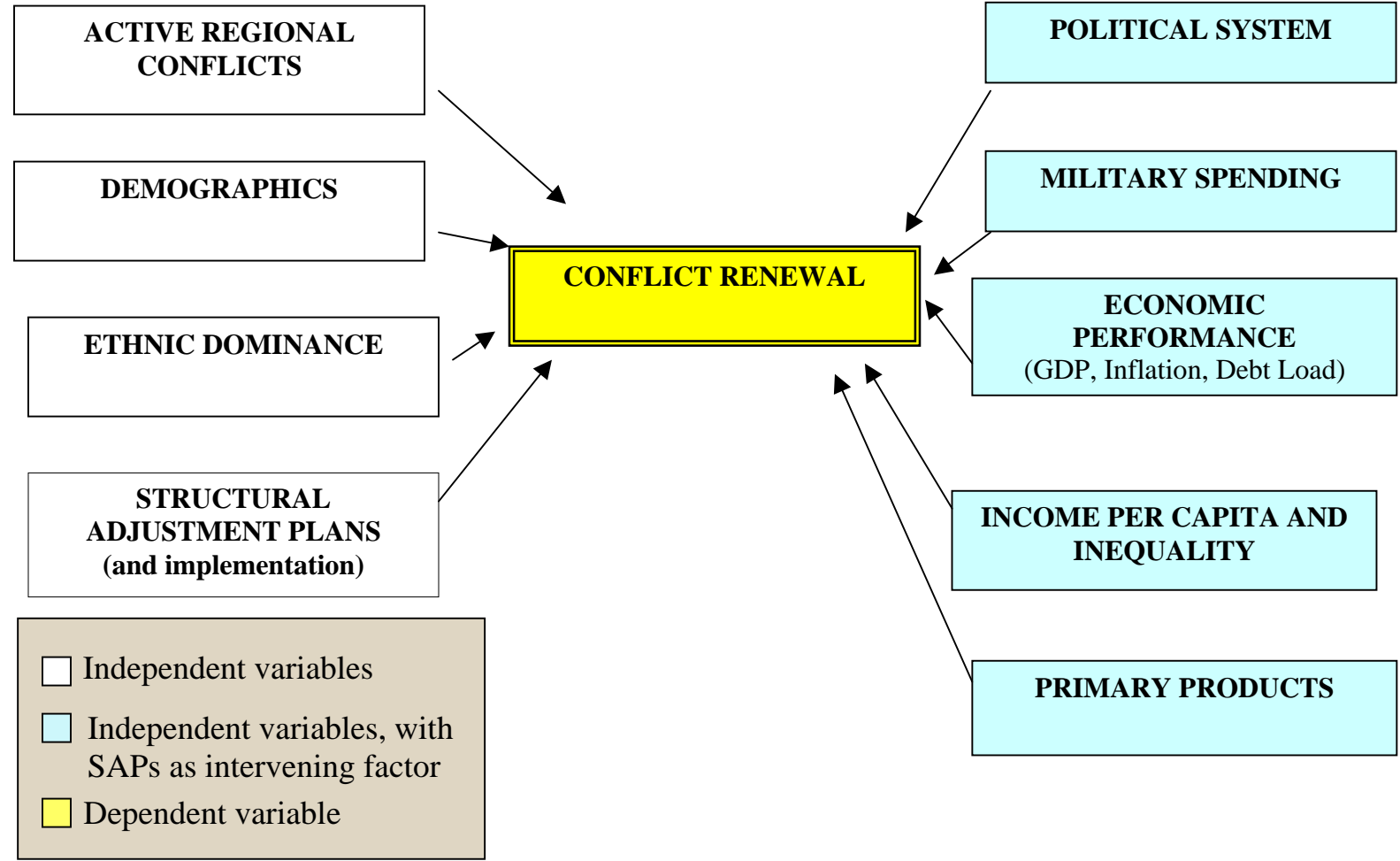
A large-N, quantitative method was chosen because much of the research on this topic is based on case studies where conflict has occurred while the World Bank and the IMF had ongoing SAPs; moreover, clear parameters of variables are not established when the case studies extend to more than one country.

In order to determine the various risk factors for conflict renewal, Juha Auvinen’s article “IMF Intervention and Political Protest in the Third World: A Conventional Wisdom Refined” provided a useful starting point. Auvinen looked at the role of IMF high-conditionality programs and other factors in generating political protests in developing countries. His model looked at GDP growth, inflation, debt, the presence of IMF conditional loans with a binary variable (0 for absence, 1 for presence), IMF credit as a percentage of the recipient’s GNP, the country’s history of IMF involvement, ethnic dominance, authoritarianism, urbanization, economic development through the GNP per capita, history of political protest and the extent of rebellion.

This research took Auvinen’s model and modified it in order to represent the findings of the literature review, as well as the particularities of this research. First, the World Bank’s conditional

loans are included in this research, and the independent variable here is conflict renewal, instead of the extent of political protest. The history of political protest and extent of rebellion were eliminated: this research looks at post-conflict situations, so each country has a recent history of conflict (see Chart 1: Conceptual Model).

**Chart 1: Conceptual Model**



### ***6.1 Countries sampled for the regression***

This quantitative study will look at 31 countries. Some appeared more than once due to conflict renewal, and each case was examined separately; therefore, 43 case-conflicts were examined in all. Twenty-eight of the observed cases experienced an IFI intervention in the form of adjustment plans at some point during the ten years following the end of the conflict. The list of countries sampled was based on the Armed Database Codebook Version 3.0, available through PRIO. Only countries that experienced war (as opposed to a minor or intermediate conflict) were included. All the countries included in the research have experienced a war-to-peace transition after an intra-state civil war. Each country sampled has a post-conflict period starting after 1980 but before 1996-the latter limitation was necessary to ensure that the period studied for each country was ten years long and not shorter.

### ***6.2 Dependent variable: conflict renewal (CONF)***

The conflict renewal variable was constructed thanks to the Armed Database Codebook Version 3.0. A minor conflict (coded as “1” in the regression) causes at least 25 battle-related deaths per year and fewer than 1,000 battle-related deaths during the course of the conflict. An intermediate conflict (coded as “2” in the regression) consists of at least 25 battle-related deaths per year and an accumulated total of at least 1,000 deaths, but fewer than 1,000 per year. A war (coded as “3” in the regression) provokes at least 1,000 battle-related deaths per year. In this research, “0” represents no conflict renewal. In the year-to-year breakdown, every country received a 0-3 rating for conflict renewal for each year. In the 5-year and 10-year average breakdown, the highest level of conflict during that period is used.

### ***6.3 Independent variables***

#### ***World Bank and IMF Structural Adjustment Loans***

This research looks at World Bank and IMF structural adjustment plans that have been approved or were ongoing during time period examined. Initially, programs from Regional Development Banks were to be included, but were later dropped because of lack of data for the time period examined.

For the World Bank, only Adjustment Lending (since 2004 called Development Policy Lending) Programs were examined, because they were attached to significant policy-based conditionality-the variable that is of interest here. IMF structural adjustment programs were also included. In total, 96 World Bank programs and 61 IMF programs will be included in the regression.

A binary, or dummy variable called **IFI** will note the presence (1) or absence (0) of a Structural Adjustment Plan (World Bank or IMF) in a particular country for a particular year. Two other variables aim to test the “weight” of World Bank and IMF involvement. **WBGDP** and **IMFGDP** are the funds as a percentage of GDP (constant 1995 US\$) spent by the World Bank and the IMF, respectively.

#### ***Economic variables***

The variables GDP growth (**GDPGRO**), the consumer price inflation (**INFLA**), the squared total debt service as a percentage of the country’s GNI (**DEBTSQ**), GNI per capita (**GNICAP**, Atlas

method, current US\$), agricultural products, minerals and ores, and fuel exports as a percentage of merchandise exports (**AGRI**, **ORES**, and **FUEL** respectively), as well as primary products as a percentage of merchandise exports (**AGRI+ORES+FUEL**, **PRIM**) were taken for the World Development Indicators (WDI), produced by the World Bank. The economic inequality between ethnic groups (**ECDIF**), on a 1-4 scale, was taken from the Minorities at Risk Database. Military expenditures as a percentage of GDP (**MILIT**) are taken from the SIPRI database.

#### *Social and political variables*

The ethnic dominance binary variable (**ETHDOM**) is defined as one group representing 45-90% of a country's population (based on Collier and Hoeffler, 2002). The number "1" will indicate that one ethnic group represents 45-90% of the population, while "0" means that no group falls into that category. The ethnic composition was taken from the US Department of State's Background Notes online.

The level of autocracy (and its square) determined by the Polity IV database, which has a year-to-year breakdown on a 0-9 scale, 9 being complete autocracy (**POL** and **POLSQ**). The squared level of urbanization (**URBANSQ**), a form of demographic pressure, was taken for the World Development Indicators. The regional conflict variable (**REGCONF**) was constructed by assessing the level of inter- or intra-state conflict in all neighbouring states (with common frontiers) based on the Armed Database Codebook, Version 3.0, on a 0-3 scale with the same parameters as the conflict renewal variable.

#### **6.4 Implementation of SAPs variable**

**WBI** and **IMFI** are variables representing the level of implementation of World Bank and IMF programs on a 1-6 scale. Implementation is expected to be lower in countries where conflict has subsequently renewed. For the World Bank, implementation was determined based on project completion reports, which rate implementation as highly unsatisfactory (rated here as 1), moderately unsatisfactory (2), marginally unsatisfactory (3), marginally satisfactory (4), moderately satisfactory (5), and highly satisfactory (6). For the IMF, since no such rating is publicly available, the variable was constructed from comments in completion reports on the number or percentage of conditionalities met (also on a 1-6 scale).

#### **6.5 Overall level of aid per capita sent to countries**

This number is the aid per capita (current US\$) from WDI, with the data originated from the OECD-DAC. More strictly defined as "the actual international transfer by the donor of financial resources or of goods or services valued at the cost to the donor, less any repayments of loan principal during the same period. Grants by official agencies of the members of the Development Assistance Committee are included, as are loans with a grant element of at least 25 percent, and technical cooperation and assistance. Aid per capita includes both ODA and official aid, and is calculated by dividing total aid by the midyear population estimate." (from the WDI CD-Rom)

## VII. Results

### 7.1 Risk factors in conflict renewal

This portion of the research will use an Ordinary Least Square (OLS) regression, as well as Probit<sup>4</sup> and Tobit regressions to verify the results. Regressions provide coefficients, which assess the relative importance of each independent variable in predicting change in the dependent variable (in this case, conflict renewal). The regression coefficients represent the change in the dependent variable when the independent variable increases by 1 unit. The statistical significance refers to the level of probability that a relationship found in the regression is also found in real life. A statistical significance of 1% means that there is a 99% probability that the relationship exists in real life, and so on. Each post-conflict situation is first examined year-by-year over a period of ten years (for a total of 430 observations), second in five-year periods (for a total of 86 observations) and thirdly over the full ten-year period (for a total of 43 observations). The use of three different period divisions is to ensure that some data is not overemphasized through repetition (in the case of a year-by-year analysis, for example) or again hidden within an average over a long period. A one and two-year lag was then introduced on the independent variables to ensure that a proper causal relationship was drawn.

The first equation tested will be the following:

$$\text{CONF} = \text{GDPGRO} + \text{GNICAP} + \text{INFLA} + \text{DEBTSQ} + \text{FUEL} + \text{AGRI} + \text{ORES} + \text{PRIM} + \text{ECONDIF} + \text{IFI} + \text{WBGDP} + \text{IMFGDP} + \text{ETHDOM} + \text{POL} + \text{POLSQ} + \text{URBANSQ} + \text{MILIT} + \text{REGCONF}$$

- 1) Simple OLS, year-by-year
- 2) Tobit, year-by-year
- 3) Logit, year-by-year, CONF variable modified: 0,1=0; 2,3=1.
- 4) Simple OLS, same as equation 1, but with a 1-year lag on independent variables (t-1)
- 5) Same as 4), but with a 2-year lag (t-2)
- 6) OLS equation, 5-year periods
- 7) OLS, 10-year periods. This equation failed on STATA.

**Table 2: Results, risk factors for conflict renewal (STATA software)**

Dependent variable: CONF

	1(ols)	2 (probit)	3 (logit)	4 (ols, t-1)	5 (ols, t-2)	6 (5-year)
R <sup>2</sup> (adj. or pseudo)	0.5158	0.3105	0.6771	0.478	0.468	0.6588
Observations	174	174	174	162	153	30
Constant	1.3255***	1.5139***	0.7298	1.211***	1.544***	5.0246
GDPGRO	-0.0067	-0.0148	0.1312	0.0168***	0.021**	-0.1958
GNICAP	-0.0005	-0.0013	-0.0053***	0.0004***	-0.0003**	-0.0008
INFLA	-0.0001	-0.0003***	-0.0005	0.0000	0.0000	-0.0002
DEBTSQ	-0.0007**	-0.0029**	-0.0118**	-0.0007*	-0.0003	-0.0064
FUEL	0.0656***	0.1221***	0.6086**	(dropped)	-0.0036	-0.0312

<sup>4</sup> The dependent variable CONF (conflict renewal) was modified into a binary variable (1 for intermediate conflict or war renewal and 0 for no conflict renewal or minor conflict renewal) for the Probit regression.



ORES	0.0817***	0.1502***	0.6338**	0.0143*	0.0102	-0.0901
PRIM	-0.0740***	-0.1346***	-0.7134**	-0.0005***	(dropped)	0.1136
ECDIF	0.4617***	0.7260***	2.3777***	0.499***	0.472***	-0.3493
IFI	-0.5456***	-0.9917***	-3.2340***	-0.355*	-0.691***	-0.5032
WBGDP	-0.1690*	-0.2288	0.4791	0.0077	0.209	0.0409*
IMFGDP	-0.2096*	-0.5145**	-1.6750*	-0.252*	-0.188	-0.2066
ETHDOM	-0.6856***	-1.0326***	-1.0037	0.908***	-0.972***	-1.8052
POL	-0.6856***	0.9525***	3.9626***	0.160	0.128	0.5940
POLSQ	0.4520***	-0.1414***	-0.4907***	-0.0336**	-0.0215	-0.2266***
URBANSQ	0.0003***	0.0005***	0.0026***	0.0001	0.0001	-1.8052***
MILIT	0.0714	0.1865***	-0.5132	0.0245	-0.0886	-0.5032
REGCONF	0.0442	0.0371	0.4158	0.0646	0.0635	0.1940

\*Significant at the 10% level

\*\*Significant at the 5% level

\*\*\* Significant at the 1% level

**NOTE:** AGRI (agricultural exports as a percentage of merchandise exports) was dropped in all regressions due to collinearity

The results in the different methods and observation periods are very consistent for most variables. The binary variable for the presence of a SAP funded by an international financial institution (IFI) in a post-conflict country is showing a strong negative relationship with conflict renewal. The variables IMFGDP and WBGDP, which assessed the level of funds given to a recipient country by the IMF and the World Bank as a percentage of GDP, also point to a negative relationship between SAPs and conflict renewal when the results were statistically significant. This relationship is generally weaker than the relationship between the presence of SAPs (IFI) and conflict renewal.

This does not necessarily confirm the hypothesis that Structural adjustment plans would reduce the risk of conflict. IFIs may pre-select countries that have a more stable post-conflict environment, like a peace process with the support of the international community<sup>5</sup>. Woodward (2002) argues: “Unless there is strong political pressure from a major member of the executive board of the IMF or the World Bank, the IFIs will be reluctant to support what appears to be a risky peace. This, in turn, can lead to self-fulfilling prophecies about the success of aid”.

Moreover, IFIs would be likely to interrupt SAPs in case of conflict renewal, also reinforcing a negative relationship between conflicts and IFIs (although there is no indication that this happened in any of the programs examined here). Boyce (2002), however, argues that when compared to a commercial bank, IFIs do not put much emphasis on risks of conflict and conflict renewal: “In commercial banking, the fact that repayment is tied to performance gives the creditor an incentive to take account of all relevant information – including the risk that the value of the asset will be impaired or destroyed by violent conflict – before making a loan. This incentive is lacking at the IFIs, where loans are repaid or rescheduled regardless of their effects.” (Boyce, 2002, p. 1041).

<sup>5</sup> This hypothesis is not firmly confirmed here. The correlation between the presence of SAPs and peace agreements is only 0.167, significant at the 1% level.

At this point, no sophisticated method was devised in order to test the selection bias of IFIs. Instead, the Country Indicators for Foreign Policy (CIFP) risk assessment was conducted for every case study for the first year of peace (CONF=0), in order to proxy for the level of stability of the peace process. The CIFP numbers were based on the nine indicators and the weighting assigned to each as defined by the CIFP methodology. These risk assessment, on a 1-9 scale with a 9 meaning very high risk of conflict, were then correlated with structural adjustment indicators (see table 3). The results indicate a correlation between the presence of SAPs (IFI) and the stability of the peace process, as proxied by the CIFP numbers. More research is needed to confirm this relationship.

**Table 3: Correlation: Country Indicators for Foreign Policy and Structural Adjustment**

	CIFP	IFI	WBGDP	IMFGDP
CIFP	-----	-0.637***	-0.016	-0.055
IFI	-0.637***	-----	0.162	0.358**
WBGDP	-0.016	0.162	-----	0.008
IMFGDP	-0.055	0.358**	0.008	-----

\*Significant at the 10% level

\*\*Significant at the 5% level

\*\*\* Significant at the 1% level

Another possibility is that SAPs function as a “gatekeeper” for other aid agencies. In other words, once a country receives aid in the form of a World Bank or IMF structural adjustment loan, it will increase donor confidence in that country’s ability for development, economic growth, and debt repayment. In that case, the strong negative relationship between SAPs and conflict renewal could instead proxy the benefits of other forms of aid and loans, like infrastructure reconstruction. A correlation was made between aid per capita (including in the first and second year following) and presence of SAPs. A positive relationship is indeed present, albeit not a very strong one.

**Table 4: Correlation between SAPs and aid per capita**

	AIDPC	IFI	IFI-1	IFI-2
AIDPC	1.000	0.196***	0.136**	0.095*
IFI	0.196***	1.000	0.805***	0.730***
IFI-1	0.136**	0.805***	1.000	0.826***
IFI-2	0.095*	0.730***	0.826***	1.000

The variables GDP growth, inflation, and GNI per capita are not conclusively linked to conflict renewal in this equation. However, a negative relationship between those variables and conflict renewal were much clearer in a smaller equation (closer to Auvinen’s), with more observations but lower R-square<sup>6</sup>. The potential relationship between high inflation rates, surprisingly, seems to decrease the probability of conflict renewal; this could be because the kinds of measures

<sup>6</sup> CONF=GDPGRO+GNIPC+INFLA+IFI+IMFGDP+WBGDP+DEBTSQ+ETHDOM

needed to reduce inflation lead to more hardship. Another interesting point is that debt load is weakly linked to less risk of conflict renewal; this may be because the benefits of loans outweigh the cost of repayment in most countries.

The two other variables, the level of authoritarianism (POL) and regional conflict, are also significant. The positive relationship to the autocracy variable and negative to its squared term (POLSQ) indicates an inverted U-curve relationship. Therefore, more autocracy leads to an increased likelihood of conflict renewal, but highly autocratic regimes also seem to stifle conflict renewal. Democratization, however, is not generally linked to IFI activity or conditionalities in a recipient country, but rather to the progress of the peace accords.

Interestingly, while ethnic dominance is strongly negatively linked to conflict renewal, *economic differences* between ethnic groups seem to be one of the main causes of conflict renewal. Other significant factors include the export of fuel and ores/minerals, both of which are linked to increased risk of conflict renewal. This relationship could indicate a looting capacity, and is also related to issues of governance and equity surrounding natural resources.

In conclusion, the most important factors in conflict renewal, according to these results, are income inequality between ethnic groups, democratization, and specific natural resources. Moreover, there is some inconclusive evidence that GDP growth and poverty reduction will reduce conflict renewal, while attempts to decrease inflation will increase the risk of conflict renewal. Structural adjustment plans are, for their part, strongly negatively linked to conflict renewal, although a significant selection bias is likely. So far, the evidence seems to point tentatively toward a neutral or positive effect of SAPs on peace.

## **7.2 Level of Implementation of SAPs**

Three arguments on SAPs and conflict are presented in this paper. The results above have looked at validity of the ‘austerities argument’ and the ‘don’t blame the doctor argument’. So far, there is tentatively more evidence for the ‘don’t blame the doctor’ argument. However, there is also a third argument presented above: the relationship between implementation and conflict renewal. Intuitively, it could be presumed that implementation is lower in more unstable countries; therefore, it is not necessarily SAPs that cause difficulties within that country, but rather pre-existing political instability.

This assumption is not supported with the implementation indicator constructed here, which indicates that implementation is *positively* correlated with conflict renewal. A first correlation (Table 5) was conducted between World Bank (WBI) and IMF (IMFI) implementation levels and conflict renewal year-by-year (280 observations). A second correlation (Table 6) was conducted by taking each post-conflict situation with an SAP (28 observations), averaging the implementation level over that period, and noting whether there was conflict renewal or not.

**Table 5: Year-by-year correlation, implementation of SAPs and conflict renewal**

	WBI	IMFI	CONF
WBI	1.000	.286***	.343***
IMF	.286***	1.000	.221***
CONF	<b>.343***</b>	<b>.221***</b>	1.000

**Table 6: Correlation of implementation indicator average and conflict renewal over 10-year period**

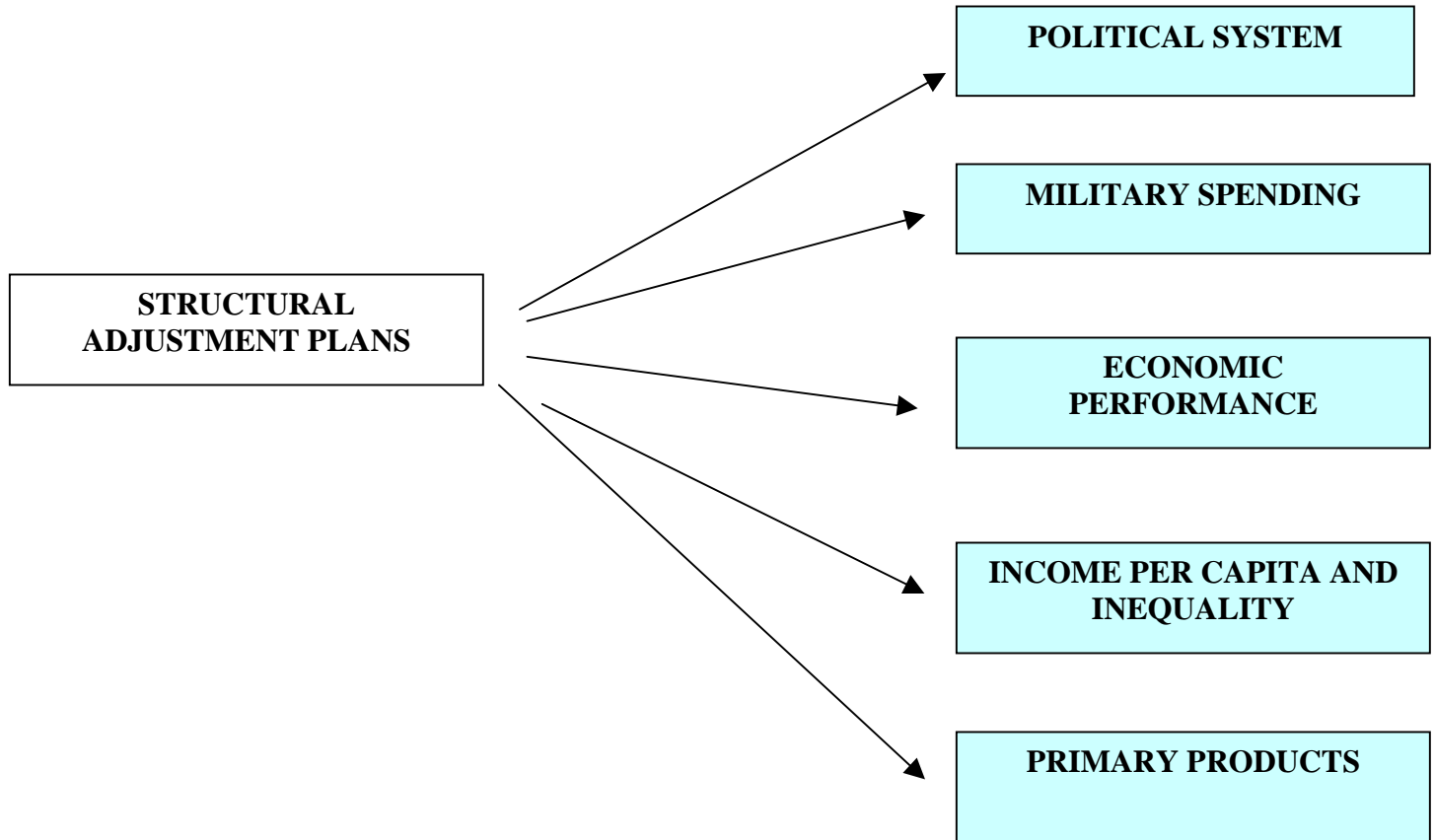
	WBI	IMFI	CONF
WBI	1.000	.363*	.303
IMF	.363*	1.000	.069
CONF	<b>.303</b>	<b>.069</b>	1.000

The results therefore contradict the expected relationship. A possible explanation for these results is that the implementation indicator is not accurate. This variable was derived from reports emanating from the IMF and World Bank themselves; these institutions may have a stake in putting a positive spin on the level of implementation of their plans. Another possible explanation is that despite the negative relationship between SAPs and conflict renewal as well as the selection bias, economic reforms are still destabilizing for a country, especially in a post-conflict context.

### ***7.3 IFIs, variables and conflict renewal:***

It is interesting to note that while the results above indicate a negative relationship between SAPs and conflict renewal, they also show that a decrease in inflation – a central part of many SAPs – will not increase stability of the peace process, and may even contribute to instability. Moreover, it should be noted horizontal inequality and dependence on certain natural resources are strongly related to higher risk of conflict renewal. Meanwhile, critics of SAPs often point to increasing inequalities and dependence on natural resources as a result of structural adjustment. While the causes of conflict renewal have been explored, the effect of SAPs on various indicators (see chart 2).

**Chart 2: Structural Adjustment Plans and their Effects**



The methodology used in this case was not very sophisticated: three simple OLS regressions were performed for each indicator (becoming the dependent variable) and the presence of SAPs (IFI-now the independent variable). One regression was performed in the same year, then a lead of one and two years was also introduced, since it is assumed that SAPs may take a few years to be implemented. Moreover, this eliminates the risk that an indicator, like inflation, for example, reflects results *prior* to the SAP. For example, inflation could be high on the first year of an SAP, but this would be a pre-existing condition, while the SAP would be implemented as a solution to the high inflation.

**Table 7:** Three Regressions for GDP growth and SAPs

	GDPGRO	GDP1	GDP2
<b>IFI</b>	0.3724	-0.6038	-0.6915
Obs.	386	387	376

**Table 8:** Three Regressions for GNI per capita and SAPs

	GNIPC	GNI1	GNI2
<b>IFI</b>	-405.6859***	-379.7741***	-378.6651***
Obs.	352	355	353

**Table 9:** Three Regressions for debt (square) and SAPs

	DEBTSQ	DEBT1	DEBT2
<b>IFI</b>	3.701765	-8.773646	-6.975738
Obs.	336	327	313

**Table 10:** Three Regressions for inflation and SAPs

	INFLA	INFLA1	INFLA2
<b>IFI</b>	-177.7516***	-184.512***	-131.9744**
Obs.	387	379	367

**Table 11:** Three Regressions for military spending and SAPs

	MILIT	MILIT1	MILIT2
<b>IFI</b>	-2.618444***	-2.457024***	-2.100774***
Obs.	328	324	318

Overall, while SAPs seem successful in decreasing military spending and inflation in recipient countries, there is no clear evidence of increased economic growth, and GNI per capita seems to *decrease* in the first two years of a program.

**Conclusion:**

This research seems to demonstrate a paradoxical relationship between structural adjustment and conflict renewal. The relationship between the SAP indicators and conflict renewal are strongly negative. On the other hand, when SAPs are most successfully implemented, conflict renewal is more likely. Moreover, SAPs are not very successful in quickly improving indicators such as GNI per capita; while there is success in decreasing inflation rates, disinflation policies may be destabilizing. Overall, the role of SAPs in the post-conflict context is inconclusive.

Despite these challenges, there is some indication that SAPs could be better targeted to strengthen the peace process. The first priority should be to reduce horizontal inequalities between ethnic groups. Traditionally, IFIs would first aim to increase GDP growth, and would argue that through a trickle-down effect, inequality would be reduced. However, this may not be sufficient in a post-conflict context. Another top priority should be the management of natural resource exploitation, especially fuel and certain minerals. These resources could fuel conflict renewal. Careful consideration should therefore be taken before encouraging increased exploitation of these resources, the privatization of their exploitation, etc. There is also some indication that inflation reduction should come later in the peace process, when a greater level of stability is achieved.

Further research is required on this topic. Notably, it would be important to assess whether IFIs select more stable countries for structural adjustment, and how much this selection bias is affecting the results of this study. Moreover, it would be important to verify the conclusions of this research with case studies.

**Countries studied:**

Angola  
Azerbaijan  
Bosnia and Herzegovina  
Cambodia  
Chad  
Colombia  
Croatia  
El Salvador  
Ethiopia  
Georgia  
Guatemala  
India  
Iran  
Iraq  
Lebanon  
Liberia  
Macedonia  
Mozambique  
Myanmar  
Nicaragua  
Peru  
Philippines  
Rwanda  
Serbia and Montenegro  
Somalia  
South Africa  
Sudan  
Syria  
Uganda  
Tajikistan  
Yemen



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