

Effect of Financial products and services Cash and in-kind transfers on Diplomatic relations & Peaceful dispute resolution

Financial products, including cash and in-kind transfers, can have harmful effects on diplomatic relations and peaceful dispute resolution in post-conflict settings.

Geographic Location: Global

Effect: Harmful effect ($g = -0.065$)

Confidence in study findings: Low (1 study with 2 effect sizes)

Short Summary:

The cell examines the political consequences of humanitarian aid, including cash and in-kind transfers, in post-conflict environments. The study finds that such interventions can have harmful effects on diplomatic relations when aid disproportionately benefits the losing side after a decisive military victory, creating a “revisionist party” that may challenge the existing peace settlement.

Long Summary

The Intervention:

The interventions typically include microcredit, microinsurance, and microsavings (including village savings and loan associations) and financial literacy support. They involve both cash and in-kind transfers, including direct food assistance and social safety nets, which may be conditional or unconditional. Short-term cash-for-work programs, which provide assistance in exchange for labor, and interventions combined with skills training or health support, are also included.

How the Intervention is expected to work:

Financial transfers in post-conflict settings are designed to meet immediate humanitarian needs and stabilize affected populations. By providing essential relief to those most affected by conflict, these interventions are expected to promote societal stability, support diplomatic engagement, and facilitate peaceful dispute resolution.

The Evidence Base:

This cell has 1 study which utilises a non experimental design. The cell also has a Global focus.

Evidence Findings:

The evidence indicates that financial transfers cash and in-kind can have harmful effects on post-conflict diplomatic relations and peaceful dispute resolution. When aid is distributed following a decisive military victory, it often disproportionately favors the losing side, creating incentives for renewed conflict. Conversely, aid distributed after stalemates or negotiated settlements has minimal impact. Overall, the intervention demonstrates a harmful effect on diplomatic relations and peace processes.

Included Studies

Narang (2014): This study suggests that financial interventions, particularly humanitarian aid in the form of financial products, services, and in-kind transfers, play a complex role in diplomatic relations and peaceful dispute resolution. The study argues that while humanitarian assistance is generally provided with the intention of alleviating suffering and maintaining stability, its effects on post-conflict peace depend heavily on the nature of the preceding conflict settlement. Narang highlights that in cases where civil conflicts end with a decisive military victory, financial assistance can inadvertently fuel instability by empowering revisionist factions that seek to renegotiate the terms of peace. This occurs when aid disproportionately benefits the losing party, thereby shifting the balance of power and creating incentives to challenge the existing settlement. The study references historical cases where aid inadvertently prolonged conflict by relieving warring parties of logistical burdens, as seen in the Bosnian conflict. Conversely, financial assistance appears to have a more stabilizing effect in post-conflict environments where neither side achieved a decisive victory, such as in negotiated settlements or temporary truces. Under these conditions, aid can serve as a confidence-building measure, providing essential services that foster cooperation rather than renewed conflict. This study is rated medium confidence due to partial description of the intervention and little to no mention of power calculations.

Confidence assessment

Overall Low: This cell is rated low confidence due to limited number of the studies.

Other outcomes in this study:

Human security / Economic security

Community and state governance / Government performance

Human security / Political security