



THE CONTESTED CORNERS OF ASIA

Subnational Conflict and
International Development Assistance

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List of Terms and Acronyms

ADB	: Asian Development Bank
APIS	: Annual Poverty Incidence Survey (Philippines)
ARMM	: Autonomous Region in Muslim Mindanao
AusAID	: Australian Agency for International Development
BEAM	: Basic Education Assistance in Mindanao
BIFF	: Bangsamoro Islamic Freedom Fighters
BKPG	: Bantuan Keuangan Pemakmue Gampong (Financial Assistance for Village Development)
BRA	: Badan Reintegrasi Aceh (Aceh Reintegration Board)
CBD	: Community-based Development
CDD	: Community-driven Development
CPP-NPA	: Communist Party of the Philippines-New Peoples' Army
EU	: European Union
FAB	: Framework Agreement for the Bangsamoro
GAM	: Gerakan Aceh Merdeka (Free Aceh Movement)
GIZ	: Deutsche Gesellschaft für Internationale Zusammenarbeit (German Society for International Cooperation)
HCB	: Heidelberg Conflict Barometer
ICRS	: Information, Counseling and Referral Service
IOM	: International Organization for Migration
JICA	: Japan International Cooperation Agency
KALAHI-CIDSS	: Kapitbisig Laban sa Kahirapan-Comprehensive and Integrated Delivery of Social Services
KPPOD	: Komite Pemantauan Pelaksanaan Otonomi Daerah (Regional Autonomy Watch)

LDI	: Local Development Institute
LTTE	: Liberation Tigers of Tamil Eelam
MAC	: Muslim Attorney Center
MAR	: Minorities at Risk
MILF	: Moro Islamic Liberation Front
MinDA	: Mindanao Development Authority
MNLF	: Moro National Liberation Front
NGO	: Non-governmental Organization
NSAGs	: Non-state Armed Groups
NVMS	: National Violence Monitoring System
ODA	: Overseas Development Assistance
OECD DAC	: Organisation for Economic Cooperation and Development Development Assistance Committee
PNG	: Papua New Guinea
PNPM	: Program Nasional Pemberdayaan Masyarakat (National Community Empowerment Program)
PREM	: Poverty Reduction and Economic Management
PSG's	: Peacebuilding and Statebuilding Goals
PULO	: Pattani United Liberation Organization
SBPAC	: Southern Border Provinces Administration Center
SNC	: Subnational Conflict
TAF	: The Asia Foundation
UACD	: Uppsala Armed Conflict Dataset
UNICEF	: United Nations Children's Fund
USAID	: United States Agency for International Development.
WDR	: World Development Report

1. Introduction

Subnational conflict is the most widespread, enduring, and deadly form of conflict in Asia. Over the past 20 years (1992-2012), there have been 26 subnational conflicts in South and Southeast Asia, affecting half of the countries in this region.¹ These conflicts are among the world's longest running armed struggles, often lasting for multiple generations, and 45.2 years on average.² Prominent subnational conflicts in Asia include Mindanao in the Philippines, southern Thailand, Aceh and Papua in Indonesia, Assam and Kashmir in India, northern Sri Lanka, and Baluchistan in Pakistan. In Myanmar/Burma alone, there are 7 major subnational conflicts, with 6 of them lasting for more than 5 decades.³

Asia is particularly prone to subnational conflicts, which are defined as armed conflicts over control of a subnational territory, within a sovereign state.⁴ Most of these conflicts emerged in the decades after independence from colonial powers in the 1940s and 1950s, when Asian governments sought to consolidate control over minority populations that objected to integrating into the new state. In last 10 years, nearly 60% of the world's active subnational conflicts have been found in Asia. In contrast, fragile states are relatively rare in Asia.⁵

Asia's experience with subnational conflicts shows that large-scale, armed violence can occur and endure in strong states as well as weak ones. Remarkably, the majority of subnational conflicts take place in

generally-stable, middle-income countries, with relatively strong governments, regular elections, and capable security forces. As such, subnational conflicts are different from fragile states and they present the international community with a distinct set of challenges.

Subnational conflicts in Asia challenge much of the conventional wisdom about the causes of armed conflict and its relationship to state capacity and development. Most subnational conflicts areas in Asia have a functioning system of government, though central state authority may be contested and weak in some areas. Furthermore, the relationship between economic development and conflict is complex and generally defies simple predictions that long-term development will reduce or end armed conflict. While many areas are relatively under-developed compared to the rest of their respective countries, they are generally not the poorest regions, and it is rare to find absolute poverty.

This form of conflict is the most deadly in Asia. At least 1.35 million people have been killed in Asian subnational conflicts since 1946, according to data from the Uppsala Conflict Data Program. Between 1999 and 2008, more people were killed in subnational conflicts in Asia than in all other forms of conflict combined. Over the same 10-year period, conflict-related deaths in Asian fragile states were significantly below those occurring in subnational conflicts.⁶

Taken as a whole, it is possible to see the scale and urgency of Asia's subnational conflict problem. For example, although protracted subnational conflicts in Asia affect a small minority (around 6.5% of a country's population, on average), this adds up to more than 131 million people. While subnational conflict affects less than 20% of a country's territory,⁷ on average, and usually in remote, peripheral regions, across South and Southeast Asia approximately 1.76 million km² are affected. This is an area roughly the size of Indonesia, and significantly greater than the combined territories of fragile states in the region.

Subnational conflict is an endemic problem in Asia that has gone relatively unnoticed. Unlike fragile states, this form of conflict has not received much international attention because most media coverage and analysis focuses on individual conflicts, rather than looking at them as a common phenomenon. Furthermore, many of these conflicts have low intensity violence, rarely capturing international attention. Even within affected countries, subnational conflicts are not a major issue in national politics, unless there are active hostilities or peace negotiations underway. These turbulent regions of Asia are often ignored, as well, because they are home to minority populations who have little influence in national politics, and their small, local economies contribute little to the national economy.

Asian subnational conflicts have also received relatively little attention because most of them are located in a 'good neighborhood.' South and Southeast Asia

is widely seen as a development success story. Over the past 25 years, this region has dramatically reduced poverty levels and improved standards of living. Governments in the region are widely recognized for their achievements and their leaders are increasingly influential in regional and global affairs. Subnational conflicts are a lingering problem that has not been resolved by expanding development and improved governance. Instead, these areas continue to lag behind in a region that is rapidly evolving and prospering.⁸

Concerned about foreign interference, national governments limit external access to conflict areas by journalists, diplomats, and personnel from international development agencies and non-governmental organizations. As a result, many subnational conflict areas are poorly understood by outsiders and easily overshadowed by larger geopolitical issues, bilateral relations, and national development challenges.

Re-thinking aid programs

The international community provided nearly US\$ 6 billion in official development assistance to subnational conflict areas in Asia over the period 2001 to 2010.⁹ However, most of this assistance has not been explicitly focused on conflict issues. Although aid programs are often justified on the basis of contributing towards long-term peace and security, nearly 88% of aid programs focus on traditional development sectors such as infrastructure, economic development, and service delivery (though there have been increasing efforts to customize programs to avoid exacerbating local conflicts).

Despite significant funding, the overall impact of international development assistance on subnational conflict is unclear. In Aceh, the international community played a constructive and important role through aid programs that supported the 2005 peace agreement. But in Sri Lanka, Mindanao, Baluchistan, and southern Thailand, it is difficult to tell whether aid programs have made any positive difference at all.

International development assistance can help to end subnational conflict, but doing so requires working in very different ways from the standard approaches. In subnational conflict areas, much of the conventional wisdom on how aid contributes to peace does not reflect reality. Some of the core objectives of development assistance—increasing economic growth, strengthening government capacity, and improving service delivery—do not seem to help reduce violence or resolve subnational conflicts. In some cases, they tend to exacerbate conflict. Indeed, many of the lessons that the aid community has learned from its engagement in fragile states—most notably the need to strengthen and extend the reach of state institutions—are actively counterproductive in subnational conflict areas. Without close attention to the dynamics of the conflict, development programs can reinforce conditions that prolong conflict.

This study includes a framework for distinguishing between the strategies needed to end subnational conflicts, and the strategies typically used by international development agencies. The framework draws upon several core concepts from the

World Development Report 2011, which focuses on the need for aid programs to prioritize a) *building confidence* of key actors in the transition to peace, and b) *transforming institutions* that are directly related to the sources of conflict. These strategies are distinct from the vast majority of development assistance models. They intend to encourage transformation of the underlying dynamics that fuel a violent conflict. For this reason, the study refers to these changes as *transformational outcomes*.

Transformational outcomes are fundamentally political outcomes. In most cases in Asia, subnational conflicts are a result of discriminatory or insensitive policies and practices by the state or local authorities, collusive relations between national and local elites that marginalize some minority populations, and entrenched horizontal inequalities that concentrate power and resources in some ethnic groups at the expense of others. Ending or reducing these practices requires a shift in the political balance that has kept them in place for so long.

Building confidence is not necessarily about shoring up support for a weak or contested government. Instead, it requires changing the perceptions and political calculations of key actors in government, armed groups, political opposition, and local leaders, particularly in the conflict-affected area. The most effective ways to improve confidence usually involve major symbolic changes or dramatic course corrections by government, armed groups, or key non-state actors, which give credibility and authenticity to a process of transition

to peace. All of these approaches are deeply political, and will inevitably lead to a new set of winners and losers, and attendant resistance from those who have benefitted from the status quo.

Developing more effective approaches to address the problem of subnational conflict requires a better understanding of the characteristics of subnational conflict areas, how they differ from other development contexts, and which types of development assistance have worked, or not, in subnational conflict areas. Since 2001, development agencies have increased their focus on the problems of violent conflict and fragile situations, particularly on how development and security issues are often inter-twined, and how addressing these challenges in isolation can be counter-productive.¹⁰ In areas affected by conflict, development assistance has expanded from its traditional emphasis on economic growth and poverty alleviation, to also address security and governance problems. As result, there is now a considerable body of critical analysis on donor engagement in conflict-affected regions. However, the focus—and the lessons learned—have primarily been on fragile states and post-conflict transitions. Unfortunately, many of these lessons have less relevance for countries grappling with protracted subnational conflict.

Rationale for this study

The purpose of this study is to provide a comprehensive and critical examination of this enduring form of conflict, and international efforts to help through

official development aid. There is a clear need to improve understanding of the unique challenges in subnational conflict-affected areas, and adapt development approaches in order to improve their relevance and effectiveness. While several of these conflicts have been the focus of previous studies, relatively few studies have specifically analyzed the key trends in subnational conflicts across countries, and the unique challenges for aid programs to these regions.

Subnational conflict areas are poorly understood by outsiders, including those living in the respective national capitals. Security risks, government restrictions, and physical remoteness all greatly limit opportunities for outsiders to visit regularly and develop a nuanced understanding of local dynamics. Also, the narratives that resistance groups use to justify conflict are often misleadingly simple, giving an impression of solidarity and unity of purpose, while masking internal divisions, extreme diversity, and varying relations between the local minority population and state actors. In the Philippines, for example, while the international community is primarily focused on vertical conflict between the Moro-Muslim insurgents and the government, the most critical drivers of violence are local-level, inter-elite competition and clan conflict. With major gaps and inconsistencies in data on violence, socio-economic conditions, public perceptions, and governance, it is extremely challenging to get an accurate picture of current local conditions, differences between local areas, and how conflict areas are changing. The level of violence may be dramatically

under-reported or misrepresented too, making it very challenging to accurately assess the intensity of conflict.

This study contributes to understanding subnational conflict areas by drawing on new primary field research on sensitive issues from locations and sources that are often inaccessible to researchers and aid practitioners. Extensive efforts were made to understand what life is like for people living in areas with protracted conflict, and especially in communities that are recipients of aid programs. Through multiple, independent data collection efforts, the research team gathered extensive data on localized conflict, public and elite perceptions, socio-economic conditions, violence, aid flows, and political dynamics. By triangulating these datasets, the research team developed a comprehensive and nuanced view of key local issues, including some revealing inconsistencies between data sources.

The goal of this study is to improve aid programs to subnational conflict areas through:

- Deepening understanding of the context, causes, and dynamics of subnational conflicts; and
- Improving the positive contribution of international aid programs to transform these areas from conflict to durable peace.

The study intends to contribute to the global debate on aid effectiveness in

conflict-affected areas by focusing on a type of conflict that is not well covered in current literature and policy dialogue. The New Deal for Engagement in Fragile States and the Peacebuilding and Statebuilding Goals¹¹ (both products of the International Dialogue on Statebuilding and Peacebuilding)¹² are important advancements in international aid policy commitments towards conflict-affected areas, but they have not adequately addressed the distinct challenges of conflict in stable, developing states. Most of the mainstream aid approaches and models, including those designed for fragile states, are not well suited for subnational conflict areas.

This study includes an analysis of all development programs to subnational conflict areas (not just those that explicitly focus on reducing conflict) in order to better understand the net impact of international aid on these regions. There is a clear need to reconfigure aid programs working in these areas, based on in-depth analysis of local conflict and political dynamics. Questions this study sought to answer include: What unique strategic and operational problems do subnational conflict areas pose for development assistance providers? Do development assistance programs adequately adapt to these contexts? How can better informed aid decision-making help transform local socio-economic conditions, improve governance, and reduce the incidence and risk of violent conflict?

1.1 Research methods

The research included three levels of data collection and analysis. First, the study undertook a regional analysis of conflict, development, and aid in 26 subnational conflict areas in Asia, largely drawing on secondary data. Second, the research team conducted in-depth case studies in three major subnational conflict areas: Aceh (Indonesia), Mindanao (the Philippines), and the southernmost provinces of Thailand, drawing upon original field research and survey data. Third, to draw conclusions on aid effectiveness and key characteristics of subnational conflict areas, the study made some cross-country comparisons, largely between the three country case studies.

The three case studies were selected because of their shared conflict characteristics, and different stages of peace negotiations or transition from war to peace. All three regions closely fit the study's definition of subnational conflict, and have a long history of conflict that is generally confined to a conflict area in a peripheral region of the country. While there are differences in the drivers of conflict, the three country case studies demonstrate comparable dynamics between the government and a discontented minority population, which is frequently recognized as a central explanation for the conflict. In each case, the stated intentions of the armed resistance movements have been limited to self-governance or separation, and have never involved aspirations to take over control of the national government. All three countries also have middle-income status, with relatively stable, functioning central governments.

However, the three country cases capture different stages on a continuum between active conflict and peace. In Aceh, the former armed resistance group signed a peace agreement with the Government of Indonesia, and subsequently integrated into provincial politics, taking control of the executive and legislative branches of the local government. In Thailand, by contrast, there are no active, open peace negotiations between the insurgents and the government, and there has never been a formal peace agreement.¹³ The Philippines case can be described as perpetual transition, with one peace agreement signed in 1996 and another in 2012, but violence levels and uncertainty about the peace process remain high.

The cross-country analysis was based on a systematic identification of subnational conflicts in South and Southeast Asia, by triangulating data from three major sources.¹⁴ The research team analyzed national and provincial-level data on conflict, official development assistance, economic growth, governance, and development conditions, drawing on several international datasets comparing countries. The project team also compiled data on development conditions in subnational conflict areas through a combination of desk reviews and asking government agencies for key development indicators at the province/state, district or subdistrict level. For data on official development assistance, the research team filtered project-level data to compile a dataset on international aid projects implemented in subnational conflict areas.

The case study research in the three subnational conflict areas used mixed methods, including:

- Perception surveys of conflict-affected populations to assess perceptions of the state, aid, insurgent movements, and the key governance issues of populations within the conflict area.¹⁵ In the case of Mindanao and southern Thailand, the survey also included a modest comparator sample drawn from outside the conflict area;
- Community-level ethnographic case studies of selected localities in subnational conflict areas to examine local political and conflict dynamics, and their interactions with aid programs at the local level;
- Key informant interviews and focus group discussions with elites, government officials, military officers, citizens, insurgents, and other influential actors in the conflict areas and at the national level;
- Qualitative analysis of major donor practices, policies and programs through interviews with donor officials and implementing partners, analysis of donor documents, analysis of macro aid flows, and a review of recent literature;
- A detailed mapping of violence, socio-economic conditions, and aid flows to the subnational conflict area.

For the analysis of aid in the conflict areas, the research team focused on specific communities rather than specific aid projects. This allowed the researchers to look at the experiences, perceptions and behavior of individual communities in the conflict area, and gain their perspectives across a

range of aid projects. By focusing on multiple locations within the conflict area, the approach also allowed the research team to draw out key areas of difference between conflict-affected communities. This helped increase understanding of diverse local conditions and their implications for aid impact and conflict, and also helped to assess the aggregate effect of aid on diverse local dynamics.

For each case study, the project team selected 10 localities from across the conflict area as focal points for ethnographic research and perception surveys. The locality level selected was roughly comparable across the three countries, with an average population of 25,000 to 50,000.¹⁶ The research team used multi-stage, stratified random sampling to select the localities. While the sampling procedure differed slightly between cases, generally the stratification held socio-economic conditions constant, while capturing diversity in violence levels and the intensity (or presence) of international development assistance. To ensure accurate stratification, extensive data on aid flows, violence, and a variety of socio-economic indicators were collected prior to the locality sampling.

Through locality case studies, the ethnographic analysis of local political and conflict dynamics addresses a major 'blind spot' in aid programs. With aid project monitoring focusing primarily on either apolitical issues, or more macro factors, there is little systematic data collection or analysis of how conflict actors and communities in subnational conflict areas perceive aid, and how they interact with


it. Furthermore, analysis of data from the local level increases understanding of how community-based programs interact with local conflicts and political dynamics.

The local research teams were usually familiar with the conflict area and local politics prior to the study. To track the implications of conditions for targeting aid and selecting beneficiaries, researchers made multiple visits to each sampled locality, and in many cases, documented local political networks and rivalries. These case studies utilized a political economy lens to investigate the complex interdependencies between local political networks, access to resources, violence, governance, and aid flows.

The research team made considerable effort to overcome the challenges of data collection in conflict-affected areas. To minimize the anxiety of interviewees in discussing sensitive political and conflict-related issues, the perception survey and locality case studies were designed according to international best practices for conducting surveys in conflict and post-conflict zones. Those involved in the collection of ethnographic and survey data were mostly local researchers who speak the same language as respondents, and in many cases were from the same ethnic group.¹⁷ In all three country cases, the research team took extensive steps to ensure the safety and anonymity of respondents. Survey techniques to ensure anonymity included randomized start points for enumeration teams; rapid, parallel enumeration to reduce the risk that survey teams would be tracked or harassed; and use of trusted

intermediaries to negotiate access to conflict areas. The perception survey instruments were subjected to thorough *in-situ* pre-tests in each conflict area to find ways to probe sensitive issues and eliminate questions that were too sensitive. Furthermore, in order to triangulate findings, and bolster the validity of evidence, the research collected data from multiple independent sources.

Despite these measures, there were several challenges in data collection that may have impacted the findings. Conflict environments are notoriously challenging for perception survey accuracy, as many local people are worried about their safety and may not respond truthfully, or at all, when asked sensitive questions. Thus survey results must be interpreted carefully, with the potential for bias always in mind. Many of the localities selected were heavily conflict affected, and, as a result, insecurity was a major challenge for the field research. While the perception surveys were not generally affected by insecurity, collection of primary qualitative data was occasionally limited in some sample municipalities (particularly in the Philippines) due to clashes between armed groups. Also, since local research teams were collecting case study data from inaccessible areas, it was impossible to spot check their work because of the high security risk for outsiders.¹⁸ Finally, interviews for the community-level qualitative research were often conducted in the presence of local leaders, though attempts were made to carry out interviews in private when possible.



How much can be generalized based on the case study analysis? The three cases share one common, unique characteristic—all were historic Malay sultanates in Southeast Asia. However, the study found no indications that Malay insurgencies differ systematically from other kinds of Asian subnational conflicts. Moreover, the states facing these insurgencies differ on many important variables: the degree of political centralization, the role of the military in national politics, the ethnic and political culture of the national majority group, and the openness to foreign development actors. There are other groupings of subnational conflict areas, such as those in upland Myanmar/Burma and Northeastern India, which should be explored further for their unique characteristics.¹⁹

Overview of this report

The research from this study is presented in four separate papers: this main report, and country case study reports for Mindanao, Aceh, and southern Thailand.

Chapter 2 examines several of the defining characteristics of subnational conflicts, in order to illustrate how these conflicts are different from other forms of conflict, and why they are so important in Asia. The chapter also dispels some of the common assumptions about civil war related to subnational conflict, including links with economic growth/stagnation, income levels, and regime type.

Chapter 3 presents the analytical framework for the study, drawing on the World Development Report 2011 and evidence from the three country case studies. This framework serves as the basis for interpreting conflict dynamics and analyzing aid programs in subnational conflict areas.

Chapter 4 presents key trends in the current practices and programs of the major bilateral and multilateral donors working in subnational conflict areas.

Chapter 5 analyzes aid practices using the analytical framework in Chapter 3 to determine how well aid organizations and programs have adapted their work to the unique challenges and needs of subnational conflict areas.

Chapter 6 provides an analysis of the interactions between conflict, politics, and aid at the local level. The chapter examines local power structures based on the locality case studies, and how aid is shaped by these local political dynamics. To understand the implications for aid programs, the chapter also explores the relationship between conflict-affected communities and local armed actors, including insurgent groups.

Chapter 7 presents the key findings on how, and under what circumstances aid programs can contribute meaningfully towards resolving long-running conflicts.

Chapter 8 presents final conclusions and policy recommendations.





2. Subnational Conflict in Asia

International development assistance to address conflict has been guided by several widely held assumptions on the nature of conflict, and the relationship between violence and development. The first assumption is that economic growth will eventually lead to a reduction in violent conflict, and that the prospect of increased economic prosperity is enough to make armed actors end their use of violence. The second assumption is that violence is a direct consequence of weak state capacity, and that a key antidote for conflict is to strengthen the government, extend its presence to peripheral regions, and shore-up its legitimacy and authority among conflict-affected populations. The third assumption is that poverty and under-development are a major source of conflict, and that increased access to development in conflict areas will reduce the support for armed violence.

In subnational conflict areas in Asia, there is good reason to question all of these assumptions. Despite decades of economic growth and rising levels of development and prosperity, subnational conflicts are still widespread across South and South-east Asia. Even as Asian governments have grown more capable, strengthened their presence in conflict areas, and in many cases, developed more open democratic systems, violent resistance to state presence is still a primary driver of conflict.

This chapter explores the key characteristics of subnational conflict in Asia, and explains why these regions seem to defy conventional wisdom.

2.1 Defining subnational conflict

While there are many varieties of internal conflict, this study focuses on armed conflict over control of a territory within a sovereign state. This type of internal conflict is usually driven by ethno-nationalist movements, emanating from an ethnic minority that lives in the conflict-affected territory. In most cases, these are asymmetric conflicts, generally between the central government (or its allies and agents in the conflict area) and a group of armed actors who ostensibly represent the particular identity group (ethnic, religious, clan/tribal) that lives in the conflict-affected area. In most cases, the defining characteristic of the conflict is the presence of an armed political movement with ethno-nationalist motivations that is seeking greater self-rule through increased political autonomy from the central government, greater control over local resources and economic activity, or outright separation.

Conflict environments are notoriously complicated, particularly in cases of long-running ethno-nationalist unrest. While ethno-nationalist struggle may be the most common explanation for organized subnational conflict,²⁰ multiple overlapping sources of violence can usually be identified. Vertical conflict between the state and non-state actors frequently intersects with, and sometimes intensifies, highly localized forms of horizontal societal strife, such as clan-based conflict or criminal violence. While these conflicts tend to have a simple, widely-acknowledged narrative (that reflects the state-minority conflict), the underlying dynamics often involve extensive local power struggles, a morass of complex social relations, and incentives for people to use violence.²¹ In some cases, new sources of violence between local actors can emerge over time as a result of the instability generated by a protracted conflict between state and non-state actors.

As a result, the definition for subnational conflict includes vertical state-minority conflict as well as horizontal conflict between local actors.

Subnational conflict – Armed conflict over control of a subnational territory within a sovereign state, where an opposition movement uses violence to contest for local political authority, and ostensibly, greater self-rule for the local population. Armed violence may take many forms, as competition between local elites and inter-communal violence may be closely linked to the vertical state-minority conflict.²²

Subnational conflicts should be distinguished from internal conflicts to take control of the central government. In Asia, this latter form of conflict was much more common during the Cold War (1947-1991), as leftist, ideologically-motivated movements were widespread in South and Southeast Asia. Today, only a few of these ideological conflicts remain, notably in the Philippines and India, as well as in Nepal until 2006. These conflicts may take on some of the characteristics of subnational conflicts, and are often concentrated in remote regions that are home to minority communities. However, the political aims of ideological internal conflicts are clearly distinguishable from subnational conflicts—i.e., taking control of, or reforming, the central government.

Protracted conflict

*There is a growing body of evidence that the average length of internal conflicts is increasing.*²³ Ethnic conflicts, in particular, are of much longer duration than other forms of conflict.²⁴ One explanation for the increasingly long duration of internal conflicts is that they are a result of norms in the modern international system that prevent a re-drawing of international borders. The international system generally refuses to recognize territories that are seeking to separate from sovereign states and, as a result, break-away regions typically find themselves in long-running conflict stalemates.²⁵

The World Development Report 2011 argues that violence often recurs, and that onsets of new conflicts increasingly arise in countries with a recent history of violent conflict.²⁶ The percentage of new conflicts (or violence onsets) in countries with a previous history of violent conflict has been increasing over the past 50 years. During the decade after 2000, approximately 90% of all new conflicts emerged in countries with a previous history of conflict.

This research on subnational conflict in Asia leads to a similar conclusion—that violence tends to concentrate in countries that have seen conflict before. *Analysis also indicates, however, that the onset of new subnational conflicts in Asia can most accurately be interpreted as the re-emergence of a pre-existing conflict.* Such conditions are referred to in the literature as long-standing or ‘intermittent’ conflicts.²⁷ In most of the cases examined in this study, new outbreaks of violence (or escalations of low-intensity violence) have direct connections to previous rounds of violence. New conflict onsets typically share several fundamental characteristics with earlier rounds of conflict, particularly regarding the political character of the group opposing the state. For example, the stated grievances and political rationale of the armed opposition tend to be consistent between rounds of violence. The same ethnic groups (and clans or factions within these groups) tend to form the political nucleus in subsequent rounds of violence. Furthermore, the same policies or practices of the central government and its allies that inspired previous generations of insurgents, tend to inspire and mobilize today’s insurgents in much the same way.

These findings support the case that new outbreaks are part of long-term conflicts. Onsets of violence indicate that the conflict is re-emerging after a period of dormancy, though political mobilization, threats, and low intensity violence (often misinterpreted by local authorities as criminal activity) may have been active during the interim period. Analyzing conflict activity (or presence) solely on the basis of binary violence/no violence may obscure the diversity of methods used by conflict actors.²⁸ “The absence of violence, for instance, can characterize several different situations: it may indicate a complete absence of conflict, or it may mean that actors in conflict are utilizing any of a number of non-violent strategies to attain their objectives.”²⁹ By conflating a temporary pause in violence with conflict termination, one can mistake the re-emergence of violence as a new phenomenon, and miss the ongoing, under-the-radar, determined struggle that has persisted throughout the period of calm.

Research findings indicate that subnational conflicts tend to show relatively consistent patterns of political contestation or grievance articulation since the formation of modern states (i.e., late 1940s to mid-1960s). The same grievances and forms of contestation remain over long periods of time, even though the key conflict actors may change. While violence levels may rise and fall over time, the political factors that perpetuate the conflict usually remain unchanged, spanning generations of insurgents and resistance movements. For example, in the case of southern Thailand, there have been at least seven rounds of

escalation over the past 110 years, including 1903, 1922-1923, 1947-1948, the late 1960s, 1975, 1979-1981, and 2004 to the present.³⁰ Most of the political demands by insurgent groups and political leaders from the Malay-Muslim minority link back to a 1947 petition to the Thai Government by Haji Sulong, a local leader. In the most protracted conflicts, the political context also evolves to become more complex with new rivalries and sub-conflicts emerging, which further entrench the conflict.

Ethnic minority populations in peripheral regions

Subnational conflicts are primarily found in remote, border regions of the country that are home to ethnic minority populations with a history of autonomous self-governance. All 26 of the ethno-nationalist subnational conflicts identified in Table 2.2 are found along international borders or on maritime boundaries.

Table 2.1: Percentage of new internal conflicts that are “ethnic” (global)

Period	Percentage of new internal conflicts that are “ethnic”
1945-49	53%
1950s	74%
1960s	71%
1970s	67%
1980s	81%
1990s	83%
2000-08	100%

Source : Fearon and Laitin (2009)

Table 2.2: Subnational conflicts in South and Southeast Asia (1992-2012)³¹

Conflict Area	Ethnic Group	Active 2012	Duration (years)
Bangladesh			
Chittagong Hill Tracts	Chittagong Hill Tribes	N	17
Myanmar (Burma)			
Kachin State	Kachins	Y	51
Karen (Kayin) State	Karens	Y	64
Karenni (Kayah) State	Karenni	Y	64
Mon State	Mons	Y	64
Rakhine State	Arakan	Y	64
Shan State	Shans	Y	60
Chin State	Zomis (Chins)	Y	24
India			
Assam	Assamese	Y	33
Assam	Bodos	Y	18
Kashmir	Kashmiris	Y	65
Manipur	Manipur	N	48
Mizoram	Mizos (Hmar)	Y	26
Nagaland	Nagas	N	65
Punjab	Sikhs	N	65
Tripura	Tripuras	N	34
Indonesia			
Aceh	Acehnese	N	52
East Timor (until 1999)	Timorese	N	24
Papua	Papuans	Y	51
Nepal			
Limbuwan and Khambuwan	Kiratis/ Kosi, Mechi, Sgaramatha	Y	20
Terai	Madeshi	Y	8
Pakistan			
Baluchistan	Baluchis	Y	65
Papua New Guinea			
Bougainville	Bougainvilleans	N	7
Philippines			
Mindanao, Sulu Archipelago	Moros	Y	43
Sri Lanka			
North/East Sri Lanka	Tamil	N	33
Thailand			
Southern Thailand	Malay-Muslims	Y	110

The population in these areas invariably has a distinct ethnic identity that pre-dates the formation of the modern state, often by several hundred years. For example, in Fearon and Laitin's analysis of "sons of the soil" conflicts, they found that ethnic conflict has been increasing since 1945, as shown in table 2.1. In the period 2000-08, 100% of new onset civil wars were classified as ethnic conflicts.³² Many of these ethnic minority populations are under pressure from the in-migration of other ethnic groups in the country, which is often promoted (or tolerated) by the central government. Fearon and Laitin found that this problem was particularly widespread in Asia. More than half of new ethnic civil wars (51.6%) since 1945 have been found in Asia.

Minority populations living in subnational conflict areas are often subjected to prolonged assaults on their identity that contribute to their perceptions of injustice. Such assaults are quite often policy driven such as language policies, citizenship criteria, and discriminatory access to productive assets, including land and credit, among others.³³ This discrimination continues to feed an inter-generational narrative of fear and distrust of the state, and especially of its security and justice institutions.

2.2 Subnational conflicts in Asia since 1992

Since 1992, there have been 26 active subnational conflicts in Asia. Table 2.2 provides the list of conflicts that have been included in this study.

The research team identified these conflicts using a systematic process of elimination. Across Asia, there are dozens of small, intra-state conflicts recorded in a given year, so it was important to carefully select only those conflicts that fit this study's definition. The research team relied on three well-established sources—the Uppsala Armed Conflict Dataset (UACD), the Heidelberg Conflict Barometer (HCB), and the Minorities at Risk (MAR) project. Individual conflicts were included in this study if they were found in at least two of the three datasets. The selected conflicts only include those that have been active at some point in the past 20 years (1992-2012), and are located in South or Southeast Asia.³⁴

These datasets have some important differences that helped to establish a strong empirical basis for the list of subnational conflicts. The UACD uses the threshold of 25 battle-related deaths per year, and the presence of a political dispute (i.e., a dispute over government and/or territory) between two armed parties.³⁵ The HCB uses a process-oriented method that establishes a level of conflict intensity based on concrete actions by conflict actors and communication between them.³⁶ The HCB continues to track conflicts during periods of low intensity violence, whereas the

UACD requires a minimum level of battle-related deaths. The MAR dataset identifies ethno-political groups that are under threat from government or other ethnic factions, and/or have organized themselves to jointly defend their interests, often by armed means.³⁷ This combination ensures that the conflicts included in this list are significant enough to meet the criteria of these three datasets which select conflicts (or conflict groups) based on highly relevant and slightly distinctive characteristics.

A widespread problem in Asia

Subnational conflicts affected 50% of countries in South and Southeast Asia from 1992 to 2012. The map in Figure 2.1 shows the location of the 26 subnational conflicts identified through this study's selection process.

On an individual basis, these conflict areas are generally peripheral to national political and economic life. All 26 conflict areas are located along an international land or maritime border. Subnational conflicts are usually found in peripheral regions, far from the economic growth hubs and political capitals of their respective countries. For example, the distance from Bangkok to the southern Thailand conflict area is roughly 1,000 km, making it the most distant region in all of Thailand. Two foreign capital cities are closer to Bangkok than Pattani. Aceh and Papua, at 2,700 and 3,700 kilometers, respectively, are the most distant provinces from Jakarta. Jakarta is closer to every capital city in Southeast Asia than it is to Jayapura in Papua. There are no cases of political leaders from subnational conflict areas rising to the head of state level, and very few become cabinet ministers, and senior military officers.

Figure 2.1: Map of subnational conflict areas in South and Southeast Asia



Added up, however, subnational conflict areas encompass an enormous population and territory. Based on the most recent census data from the 10 countries, more than 131 million people live in these conflict-affected areas. On average, the population in subnational conflict areas is roughly 6.5% of the national population. Similarly, with the exception of Myanmar/Burma,³⁹ the territory affected is generally below 20% of the national territory (16.6%, on average). Yet taken as a whole, subnational conflicts affect 1.76 million km², which is an area nearly the size of Indonesia, and significantly more territory than all the fragile states⁴⁰ in Asia, combined.

While subnational conflicts are found in many parts of the world, Asia has by far the highest number of conflicts, and the longest running conflicts. Figure 2.2 shows the number of active subnational conflicts in four major regions (Asia, Africa, Europe,

Table 2.3: Population of subnational conflict areas (South & Southeast Asia)

Subnational Conflict Area	Total Population	% of National Population
All conflicts in Asia	131,398,423	6.46%
Aceh	4,494,410	1.89%
Southern Thailand	1,879,801	2.94%
Mindanao ³⁸	5,544,719	6.06%

and Middle East) since 1946. Over this 65 year period, Asia had more subnational conflicts than the rest of the world combined in 55 of the 65 years, and has had the highest number of subnational conflicts since 1949.

Compared to other regions, Asian subnational conflicts last significantly longer. Table 2.4 shows the average duration, based on UACD data for 1946-2011. Asian conflicts of this type last nearly twice as long as the global average.

Figure 2.2: Number of active subnational conflicts – global comparison by region⁴¹

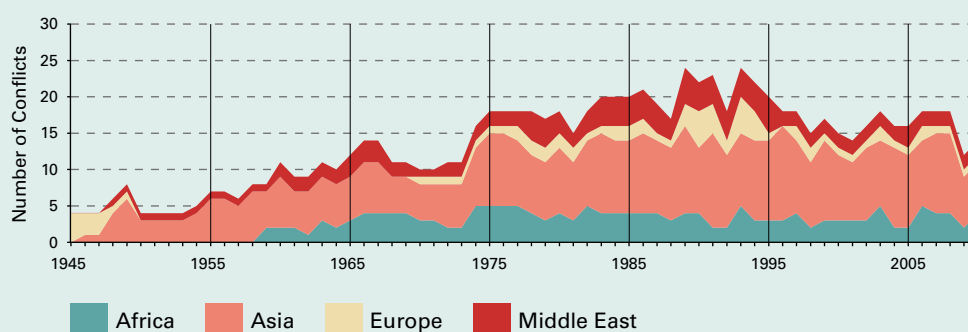


Table 2.4: Average duration of subnational conflicts 1946-2010 (UACD)⁴²

Region	Average duration (years)
Middle East	28.4
Europe	5.2
Asia	33.3
Africa	12.0
Global	16.8

Within Asia, subnational conflicts have been the most common form of armed conflict since 1955. Figure 2.3 shows the number of active conflicts with 25 or more battle deaths for each year since 1946. This figure shows that subnational conflict has been far more prevalent than any other form of conflict. By comparison, Figure 2.4 shows the same data for Africa. Internal (and internationalized) conflicts over the central government are more common than subnational conflicts.

Figure 2.3: Frequency of conflict types in Asia (1946-2011)

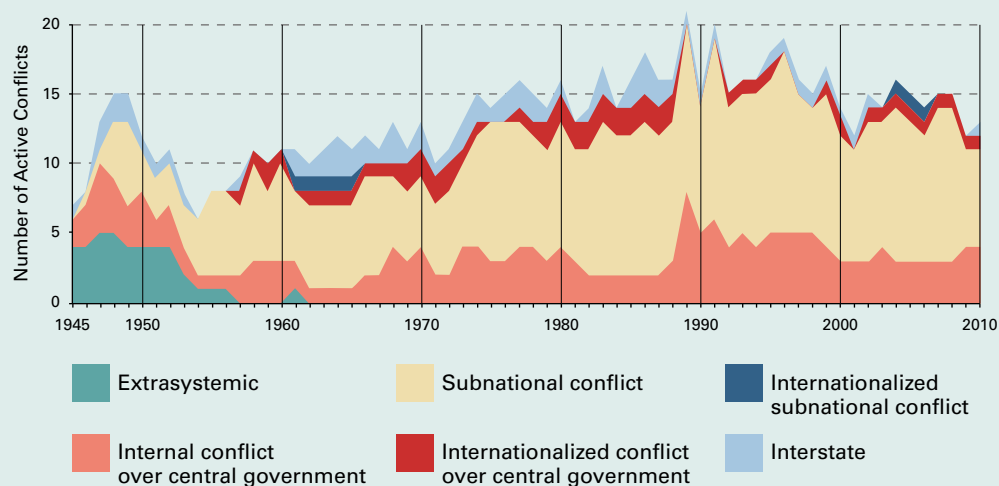
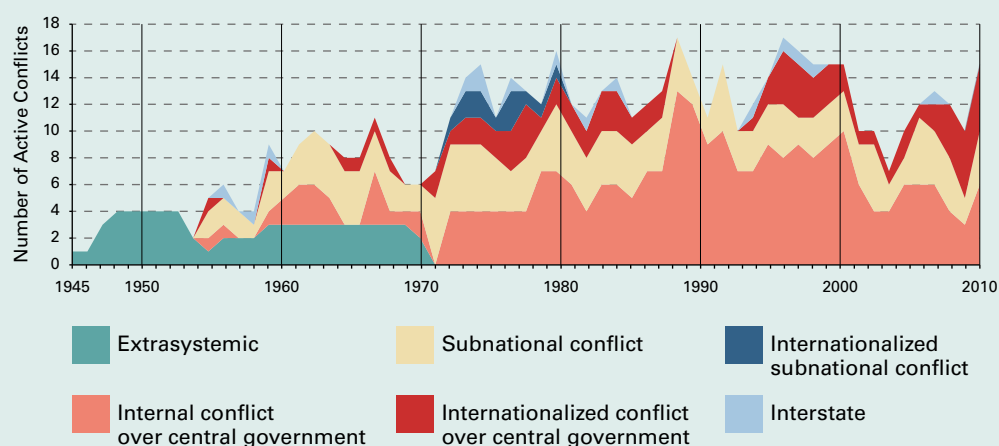


Figure 2.4: Frequency of conflict types in Africa (1946-2011)



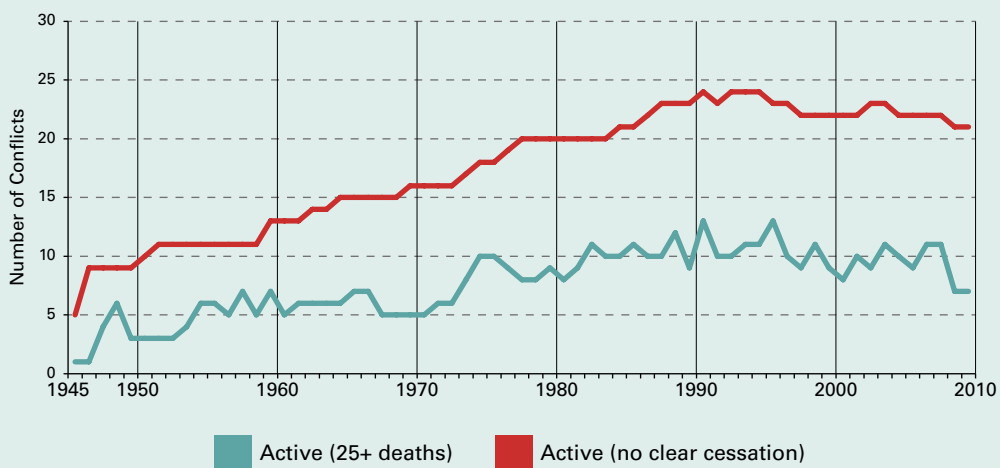
Measuring duration and active conflicts

As already stated, subnational conflicts in Asia tend to be some of the longest running conflicts in the world, though the level of violence may fluctuate between high intensity and relative calm. Most conflicts will go through periods of dormancy, where the level of violence declines to very low levels. However, as argued in Chapter 3, low violence levels do not necessarily mean that the conflict is inactive. Even if the violence ceases for a period, many of the key conflict dynamics are still present, and the core political, social and economic factors that drive the conflict remain relatively consistent over time.

What is an “active” conflict? As discussed above, according to the UACD definition, an active conflict is one with more than 25 battle-related deaths in a given year. However, this study argues that subnational conflicts remain active until there is a clear cessation of the conflict, either through a peace agreement or a military

victory by one side.⁴³ As a result, there are two different methods for calculating the duration of conflicts, and the number of active conflicts. The first method defines as active, only those conflicts with more than 25 battle-related deaths in a year. Using this definition, the number of active conflicts is much lower, and conflict duration is less clear, with multiple intermittent periods of active conflict. The second definition assumes that a conflict is active from the first major violent incident until there is a clear cessation of the conflict.⁴⁴ This study argues that relying on the first method risks greatly overstating new conflict onsets, while glossing over the long-term, persistent nature of violence in low-intensity conflicts.⁴⁵ Figure 2.5 illustrates the difference between these two methods of calculating the duration of conflicts. The blue line, which is based on Uppsala Armed Conflict Dataset, shows the number of active internal conflicts based on 25 or more battle-related deaths per year. The red line shows the average number of active internal conflicts based on the absence of clear cessation.

Figure 2.5: Number of internal conflicts by year (1946-2011)⁴⁶



The second method (no clear cessation of subnational conflict) indicates several striking trends. First, based on this method, the average duration of the 26 subnational conflicts in Asia is 45.2 years. Based on this method of analysis, more than 85% of these conflicts have lasted longer than a generation (roughly 20 years), with 10 conflicts continuing for more than 60 years (or three generations).

Furthermore, the data show a dramatic and steady build-up of subnational conflicts from the late 1940s until the early 1990s. For 20 years since 1992, there has been a gradual reduction in the number of active subnational conflicts in Asia from 24 to 21. Over the 1990s and 2000s, only three subnational conflicts have started in Asia, and there have been five clear cessations.

There has been a significant reduction in the number of new onsets of subnational conflict over 20 years, and some improvement in efforts to permanently resolve these conflicts. Only one of these conflict endings (Sri Lanka) was through outright military victory. The rest were achieved

through successful peace negotiations, including Aceh, Chittagong Hill Tracts, and Bougainville, while East Timor was allowed to create a new independent state.

2.3 Violence levels

Most subnational conflicts have low intensity violence, with sporadic periods of high intensity. In almost all cases, subnational conflicts are highly asymmetrical with the government side possessing significantly superior military capability.⁴⁷ As a result, armed non-state groups tend to use guerilla tactics that are inherently low intensity.

In 2011, the vast majority of the 26 subnational conflicts were low to moderate intensity. Table 2.5 shows the conflicts included in this study classified on a continuum from non-violent dispute to war, based on the Heidelberg Conflict Barometer. Nearly 70% (18 of the 26) of the conflicts were categorized as “Non-violent Crisis (level 2)” or “Violent Crisis (level 3)”, with only three conflicts listed as “Limited War” or “War”.

Table 2.5: Conflict intensity⁴⁸

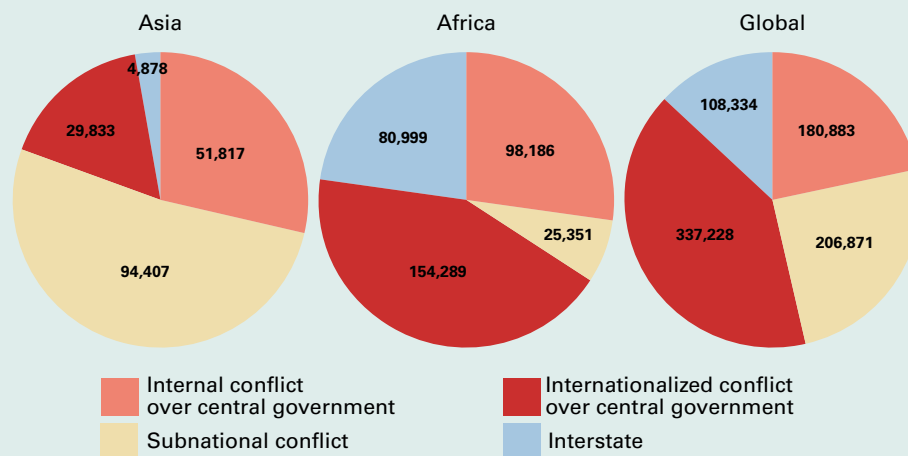
Dispute (level 1)	Non-violent crisis (level 2)	Violent crisis (level 3)	Limited war (level 4)	War (level 5)
Mizoram (Hmar), Aceh	Chittagong Hill Tracts, Sikh/Punjab, Bodoland	Manipur, Kashmir, Tripura, Naga, Assam, Papua, Arakan, Chin, Kayah, Mon, Shan, Eastern Nepal, Terai, Baluchistan, Moro/Mindanao	Southern Thailand	Kachin, Karen

Despite the low levels of intensity, subnational conflict is the most deadly form of conflict in Asia. Since 1946, subnational conflict has killed more than 1.35 million people. From 1999 to 2008,⁴⁹ subnational conflicts killed more people in Asia than every other form of conflict combined (a total of 94,907 battle-related deaths).⁵⁰

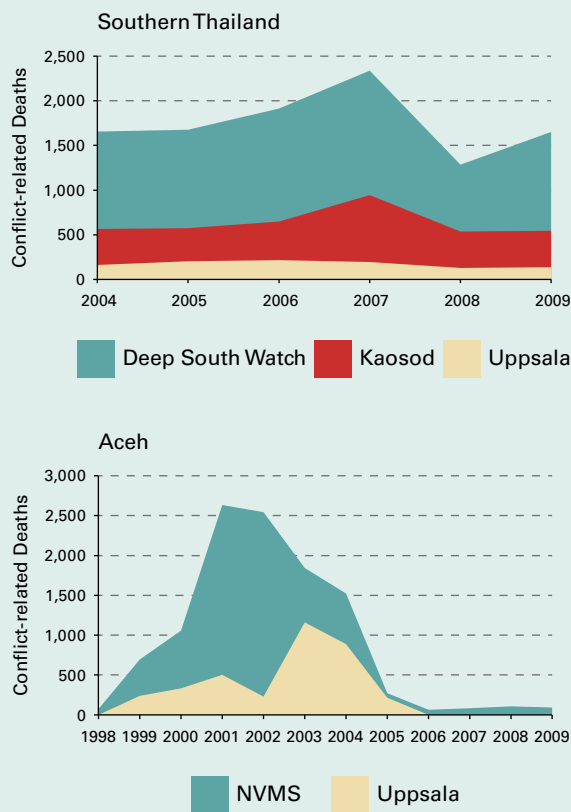
The patterns of battle-related deaths in Asia contrast starkly with those in other regions. Figure 2.7 below compares the distribution of battle-related deaths by conflict type in Asia, with a similar distribution for Africa and globally. In Asia, subnational conflict is by far the largest source of battle-related deaths, whereas in Africa, it is the lowest. Furthermore, compared to global averages, Asia has a much higher percentage of battle-related deaths from subnational conflict. Asia's subnational conflicts account for nearly half (46%) of all battle-related deaths in subnational conflicts in the world.

In low-intensity conflicts, it is often quite difficult for outside observers to estimate the degree of insecurity and risk. However, data on crime and causes of death from subnational conflicts help to illustrate the insecurity. For example, in southern Thailand, local residents are 3 times more likely to die from violent death than residents in the rest of Thailand, and 7 times more likely than residents of the capital, Bangkok.⁵¹ Also crime statistics indicate that the rate of violent crime is much higher in the conflict area. In 2010, the southern Thailand conflict area recorded 4 times the national average for reported violent crimes, and only 1 in 7 reported cases led to arrest. Mindanao is another example of a region that is known for levels of crime and insecurity that far exceed the national average.

Figure 2.7: Battle-related deaths (1999-2008)—cumulative⁵²



**Figure 2.8: Conflict-related deaths:
discrepancies between sources**



Under-reporting of violence levels

The figures for subnational conflict deaths (figure 2.8) are highly conservative estimates, based on the Uppsala Conflict Battle-Related Death dataset.⁵³ This study's analysis of data when compared with other sources indicates that insurgency-related deaths may be significantly under-reported in regions such as southern Thailand and Aceh. For example, Figure 2.8 shows the discrepancy between three different sources of data for insurgency-related deaths in southern Thailand between 2004 and 2005. In 2007, Deep South Watch (a respected local civil society organization that monitors the Thai conflict) reported 2,337 deaths, which was more than 12 times the number of reported deaths in the Uppsala data for battle-related deaths. Similarly in Aceh, in 2002, the Uppsala dataset for deaths shows 10 times fewer deaths than those recorded in Indonesia's National Violence Monitoring System (NVMS) dataset, which was compiled by the World Bank through a systematic process of reviewing media reports.⁵⁴

Perhaps more importantly, the limited available data suggest that under-reporting is not consistent over time, and in some cases, may obscure important shifts in conflict trends.

2.4 Economic growth and subnational conflict

There is no clear relationship between economic development and subnational conflict in Asia. Many development agencies and authors have argued that increased levels of economic development will eventually reduce the frequency and severity of armed conflict. While there may be evidence for this in other cases or regions (e.g., fragile states), the evidence from Asian countries affected by subnational conflict shows no clear relationship.

Even though national economies have grown rapidly for decades, subnational conflicts have continued and become more intense and pervasive. Many of these conflicts began when countries were poor (i.e., designated low income), but conflicts have continued, despite countries rising to middle-income status. The data show that economic transformation in Asia—particularly since 1975—does not seem to have had any impact on the long-term trajectory of subnational conflicts. From 1950 to 2010, the average GDP per capita (in 2005 figures) for most of the region⁵⁵ grew 5-fold (from US\$ 769 in 1950 to US\$ 3,651 in 2010). Over this period, the average number of active conflicts in each year increased steadily too from 0.4 in the 1950s to 7.6 in the 2000s. The research team compared data on national income

per capita with data on active conflicts (more than 25+ battle related deaths) for six countries and an aggregate for the region.⁵⁶ Figures 2.8 through 2.15 show country-level comparisons over a 50-60 year period. In most cases, with the exception of Indonesia in 1998-2003, periods of active subnational conflict do not seem to correlate with periods of economic decline. In fact, in nearly every case, steady and rapid national economic growth has coincided with periods of conflict. Even in the case of Sri Lanka, where nearly 30% of the territory was affected by long-running, intense subnational conflict, the rate of economic growth continued to rise throughout the worst years of the violence.

Subnational conflicts are found in low- and middle-income countries alike—in fact, the majority of subnational conflicts in Asia are in middle-income countries. Using the list of 26 subnational conflicts over the period 1992 to 2012, Table 2.6 shows the distribution of these conflicts across income level classifications. The majority of conflicts in the region (61%) are found in lower middle-income countries. While low income countries are more likely to be affected by subnational conflicts (75%) and high income countries have no active conflicts, more than half (60%) of middle-income countries (lower and upper middle-income) are affected by subnational conflict.

Understanding charts comparing subnational conflict with economic growth and regime type

Figures 2.8 to 2.15 and 2.18 to 2.23 compare subnational conflict activity with economic growth and regime type. The shaded areas indicate active subnational conflict(s) in the country. If there were multiple active conflicts, this is indicated by progressively darker shading. The Uppsala Armed Conflict Dataset (2012) is the source for this comparison—the same data found in figure 2.5 (the blue line)—and generally represents 25+ battle-related deaths in a given year.

Figures 2.8-2.15: Comparisons of national GDP per capita and active subnational conflicts (1950-2010, constant USD)

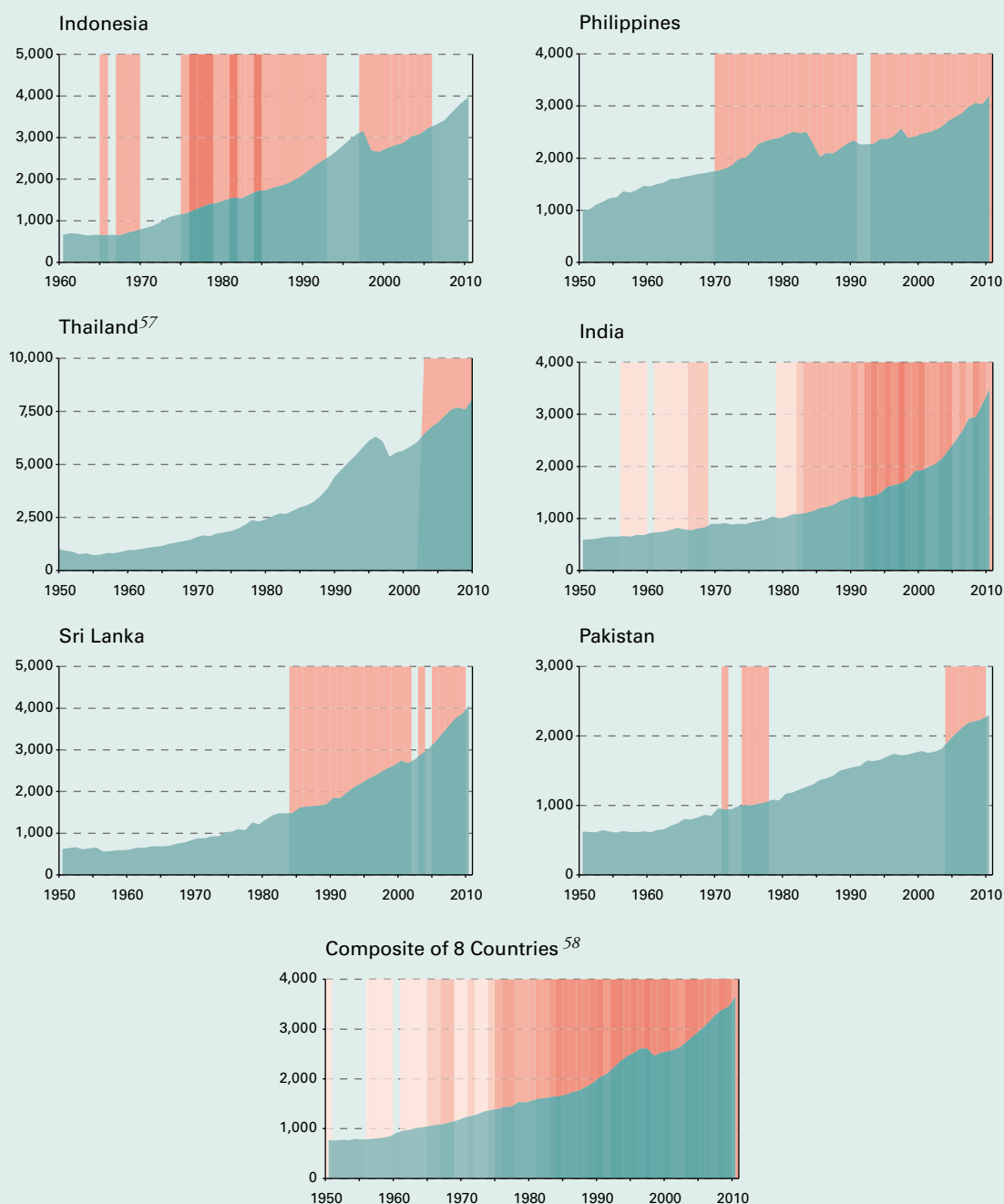


Table 2.6: Income level classifications⁵⁹ and subnational conflict occurrence (1992-2012)

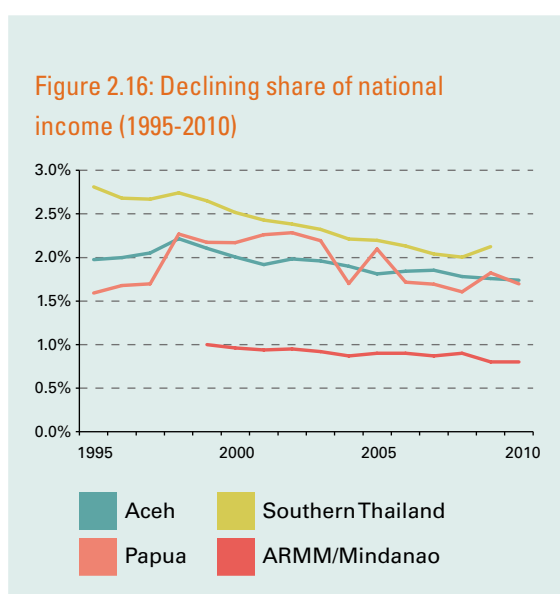
Income level	Low Income (US\$1,026 or less)	Lower Middle Income (US\$1,026 - \$4,035)	Upper Middle Income (US\$4,035 - \$12,475)	High Income (US\$12,475 or more)
Countries with subnational conflict	Bangladesh, Myanmar/Burma, Nepal (3 of 4, 75%)	Indonesia, India, Pakistan, Papua New Guinea, Philippines, Sri Lanka (6 of 10, 60%)	Thailand (1 of 3, 33%)	None
Number of conflicts	10 (36%)	17 (61%)	1 (4%)	0 (0%)
Countries with no subnational conflict	Cambodia	Bhutan, Lao PDR, Timor-Leste, Vietnam	Malaysia, Maldives	Brunei, Singapore

The economic data from conflict-affected regions give a mixed picture. While national economies have transformed, the provincial (or state/district) economies of subnational conflict areas have generally not participated in this explosive growth. Subnational conflict areas do show modest, but consistent, economic growth; however, the rate of growth is generally much slower than the national average. As a result, most subnational conflict areas have a declining share of national income.

The project team compared provincial-level economic growth with the national average in Thailand, the Philippines, and Indonesia. In the Thailand and Indonesia cases, the team excluded output for the national capitals (Bangkok and Jakarta) to avoid distortions from these hyper-growth cities.⁶⁰

Figure 2.16 indicates that the gap between the conflict area and the rest of the country is growing. For example, the conflict-affected areas of southern Thailand have seen a reduction in their share of national income (excluding Bangkok) from 3% in 1981 to 2% in 2009. Aceh has seen a similar decline compared with national income—from 1.98% to 1.74% of national income over the period 1995-2010 (excluding oil and gas, and Jakarta's portion of national GDP).

It is quite common to find significant economic growth in neighboring provinces, leading to a growing gap between the conflict area and the province next door. For example, Songkhla Province in southern Thailand, Northern Sumatra



in Indonesia, and South Cotabato and Davao Provinces in the Philippines have been important growth hubs over the past few decades, compared with neighboring conflict-affected province.

It is clear that economic development at the national level has little or no impact on sub-national conflict in Asia. However, relative inequality between conflict-affected areas (and particularly their minority populations) and the rest of the country increases the widespread perception of injustice, unequal opportunities, and marginalization that fuels resistance movements.

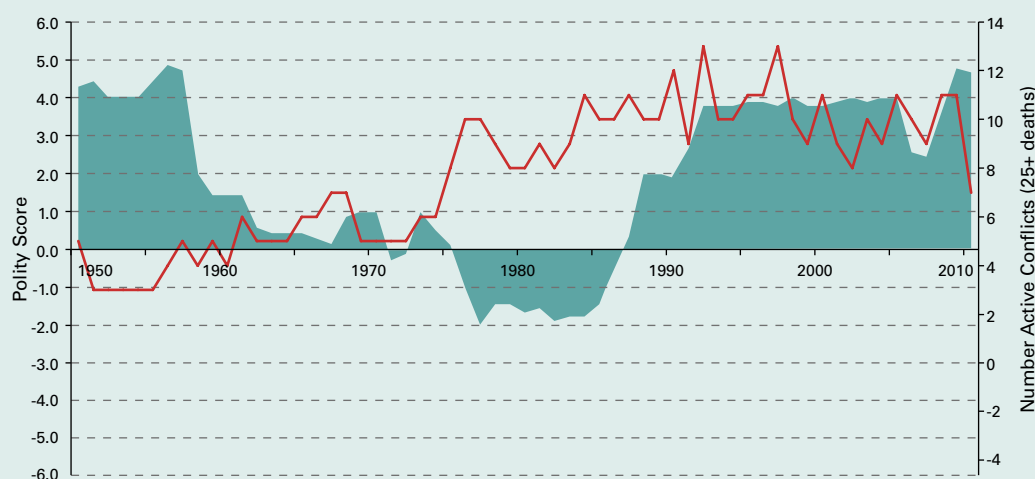
2.5 Regime type and subnational conflict

Over the past 60 years, subnational conflicts have been found in countries across the continuum of regime types—from electoral democracies to authoritarian regimes. Since the mid-1970s, South and Southeast Asia have seen a major shift away from authoritarian towards democratic rule. However,

the findings from this study indicate only a weak relationship between regime type at the national level and subnational conflict. Using data from the Polity IV project, the research team compared regime characteristics with the incidence of subnational conflict. For this analysis of Polity scores,⁶¹ Myanmar/Burma and the eight countries in the economic growth comparison were included (see Figure 2.17).

As figure 2.17 illustrates, the region reached a low point in 1977, with a Polity score of -2.0. However, from 1977 to 1992, the score improved, as several countries (including Thailand, the Philippines, Pakistan, Nepal, and Bangladesh) moved away from authoritarian regimes. In 2009, the region reached a high point with regard to democratic development, with a Polity score of 4.8. The level of active, internal conflicts in the region reached a plateau after this transition to democracy. Figures 2.18-2.23 present a similar comparison for six countries.

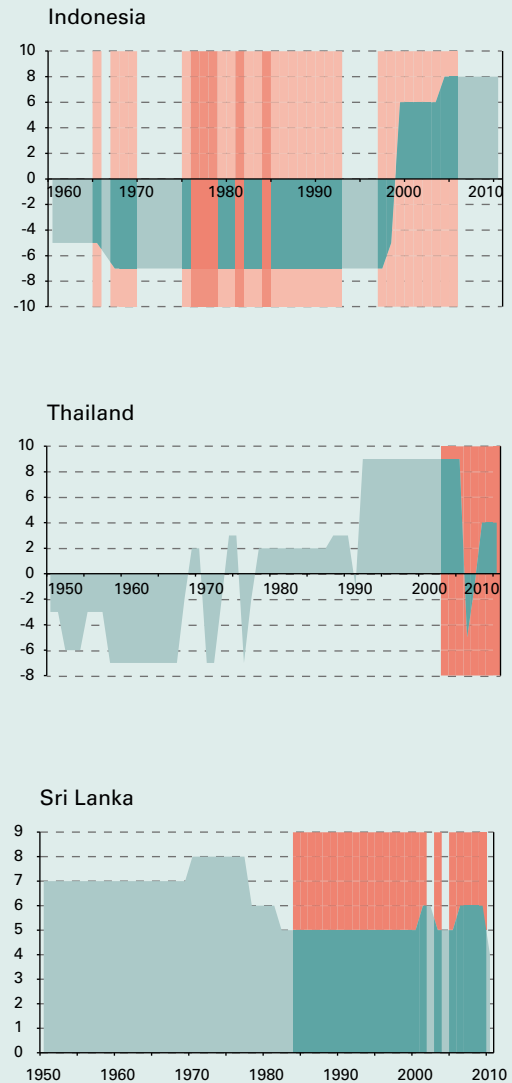
Figure 2.17: Comparison of regime type⁶² and active subnational conflicts in eight countries (1946-2011)



This comparison by country illustrates three trends. First, subnational conflicts are found in countries with established, stable democracies, including India, Sri Lanka, and the Philippines. Second, in some cases, subnational conflicts became more active during transitions towards democracy. This was particularly the case in Indonesia from 1997 to 2005, and Pakistan from 2005 to 2010. Third, in several cases, a shift towards more authoritarian government coincided with re-emerging subnational conflict. This occurred in Indonesia in the late 1960s, and in the Philippines in the early 1970s.

These findings indicate that both democracies and autocracies can prolong or exacerbate subnational conflicts. As mentioned previously, minority populations in subnational conflict areas are generally marginalized in national politics, and have little influence, even in a democratic regime. There is a common perception that elected rulers use hard-line policies against restive areas in order to boost their political support—for example, Thaksin Shinawatra in Thailand, and Joseph Estrada in the Philippines.⁶³ In both cases, these elected leaders orchestrated major policy shifts towards a military response, while dismantling the structures and institutions designed to maintain peace. It is telling that India, the most well-established democracy in this group, is afflicted by the highest number of subnational conflicts, indicating how difficult it is for democratic regimes to resolve subnational conflicts.

Figures 2.18-2.23: Comparison of regime type⁶⁴ and active subnational conflicts (1946-2011)



2.6 State capacity and subnational conflict

Subnational conflict areas can be found in states with robust central government capacity, even in the conflict area. In some cases, the presence and capacity of state actors in subnational conflict areas is comparable to other regions—and in the case of security forces, the capacity of state agencies in conflict areas generally exceeds other subnational regions by a wide margin.

Table 2.7 shows the distribution of subnational conflicts by state capacity, based on the Failed States Index 2012 by the Fund for Peace. While the weakest capacity states have the highest frequency of subnational conflict occurrence, most of the subnational conflicts in the region are found in moderate capacity states, such as Thailand, the Philippines, Sri Lanka, and India.

*One important difference between subnational conflict areas and fragile states is that increased government capacity does not necessarily lead to less violence.*⁶⁶ These trends indicate that there is a problem with using analytical approaches developed for fragile states in a subnational conflict environment. All too often in subnational conflicts, donors have focused on capacitating the state, rather than prioritizing efforts to improve state-society relations. The legitimacy of the state, and not its capacity *per se*, may be the pivotal factor in local contestation and attendant demand for, and delivery of, donor aid and government programs.

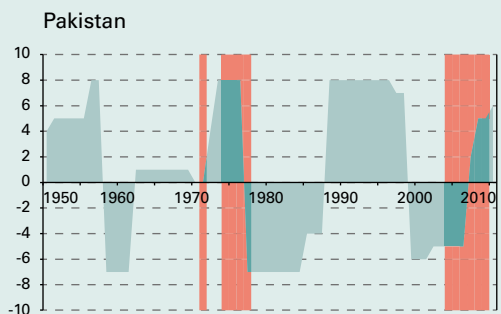
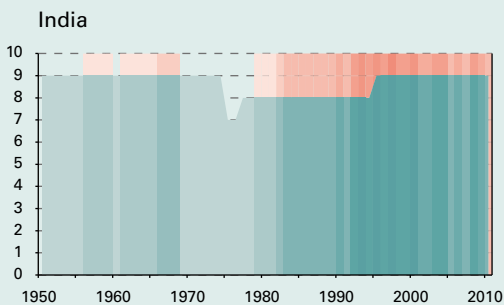
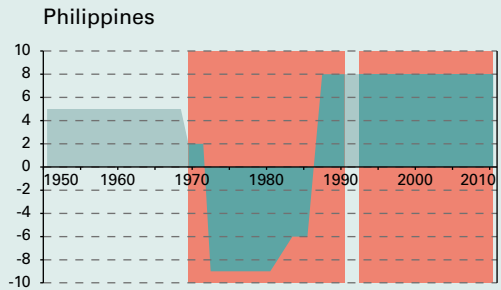


Table 2.7: State capacity classifications⁶⁵ and subnational conflict occurrence

State Weakness Category	Weak State Capacity	Moderate Capacity	Moderately Strong Capacity	Strong Capacity
Countries from South & Southeast Asia	Timor-Leste, Myanmar/Burma, Pakistan, Bangladesh	Nepal, Cambodia, Papua New Guinea, Philippines, India, Lao PDR, Sri Lanka, Indonesia, Bhutan	Maldives, Thailand, Vietnam, Malaysia,	Brunei, Singapore
Countries with SNC	Myanmar/Burma, Pakistan, Bangladesh (3 of 4, 75%)	Nepal, Papua New Guinea, Philippines, India, Sri Lanka, Indonesia (6 of 9, 66%)	Thailand (1 of 4, 25%)	None
Number of conflicts (percentage of 26 conflict in Table 2.2)	9 (35)	16 (62)	1 (4)	0 (0)

A key characteristic across subnational conflict areas is that central government authority and legitimacy is contested by a local movement or faction, often based on ethnic cleavages. This contestation enjoys enough support from the local population to sustain itself and generate pressure on the state. While the state may be militarily dominant, rebel movements are able to employ effective irregular or guerrilla tactics to mount enduring challenges to state authority.⁶⁷ In addition to a military counter-force, non-state actors sometimes provide alternatives to the normal state functions of public safety or civilian protection, justice, and delivery of basic services such as health and education—thus further undermining the legitimacy and authority of the state. In such situations, local control over alternative instruments of socialization and assimilation (the local media and education—e.g., religious schools)

become a central means of recruiting supporters for the ethno-nationalist call for greater autonomy or separation.

2.7 Levels of fear in subnational conflict areas

There is strong evidence that subnational conflict areas have very high levels of fear, particularly related to security. Data from the perception surveys undertaken by this study in southern Thailand and Mindanao show that people living in subnational conflict areas are much more concerned that violence will affect their lives. In the Philippines, survey respondents were asked if they were worried that someone close to them would be hurt by violence. In the subnational conflict area, 81.2% of people claimed to be very, or somewhat, worried.⁶⁸

Table 2.8: Fear that someone close will be hurt by violence: The Philippines

	Respondents in subnational conflict area (%)	Respondents outside subnational conflict area (%)
Worried (very/somewhat)	81.2	66
Not worried (not very/not at all)	18.5	34

In southern Thailand, people living in the conflict area are more likely to believe that a violent incident will occur in their community at some point in the next year, compared to people living outside of the conflict-affected area.⁶⁹ The high level of non-response rates in the conflict-affected area can also be interpreted as a high likelihood of violence, or fear in answering the question.

The non-response rate on sensitive questions in the perception survey is another measure of fear levels. The non-response rate was consistently higher in the conflict areas, and significantly higher in southern Thailand. Table 2.10 shows the average non-response rate for a group of sensitive questions, comparing people inside the conflict area to those outside the conflict area.⁷⁰

Table 2.9: Likelihood of violent incidents in your community: Thailand

	Respondents in subnational conflict area (%)	Respondents outside subnational conflict area (%)
Likely (very/somewhat)	32.3	20.3
Unlikely (rarely/never)	52.5	78.7
No Answer	15	1

Table 2.10: Non-response rates on sensitive questions

	Respondents in subnational conflict area (%)	Respondents outside subnational conflict area (%)
Southern Thailand	13.51	7.02
Mindanao	3.94	2.28

2.8 Development levels in subnational conflict areas

The research team compared key socio-economic indicators in subnational conflict areas across Asia to assess the level of development in these areas. The research team collected provincial- or state-level data⁷¹ for most of the subnational conflict areas in the region (see list from Table 2.2), and compared these data to national averages.

Data are presented in terms of the ratio of the conflict area compared to the national average. In Figures 2.24 to 2.27, the national average is a ratio of 1 (indicated by the blue circle). Any data point above 1 (i.e., outside of the circle) indicates that the conflict area is worse off than the national average. If the data point is less than 1 (i.e., inside the circle), then the subnational conflict area has a better score than the national average. This annex includes an explanation of the precise indicator, year, and source for each data point in these charts.

Generally, the analysis compares the same (or very similar) indicators across countries, though there may be different methods in different countries. By comparing ratios between the conflict area and the national average, the data presented minimize the effect of cross-country differences.

In almost every case, subnational conflict areas have lower income levels than the national average. However, poverty levels in subnational conflict areas are mixed. Figures 2.24 to 2.27 compares the average poverty rates in provinces or states affected by subnational conflict.⁷² In several conflict areas, such as Papua (Indonesia), Aceh (Indonesia), southern Thailand, and Moro Mindanao (the Philippines), the poverty rates are significantly higher than the national average. However, in a few cases, notably the conflict areas in India, poverty rates are actually lower than the national average. With regard to adult malnutrition, in 6 of India's 8 conflict areas, adults are considerably better nourished than the country's national average.

Figures 2.24 - 2.27: Comparison between conflict-affected provinces and the national average

Figure 2.24: Poverty Rate

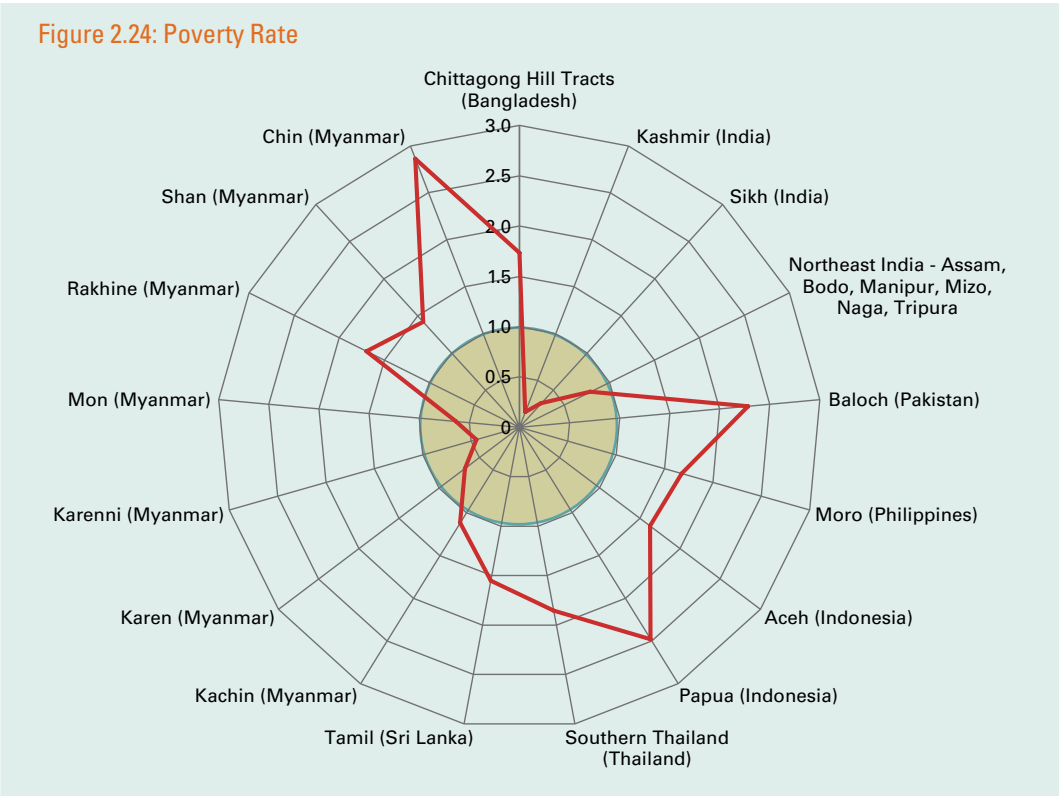


Figure 2.25: Income level

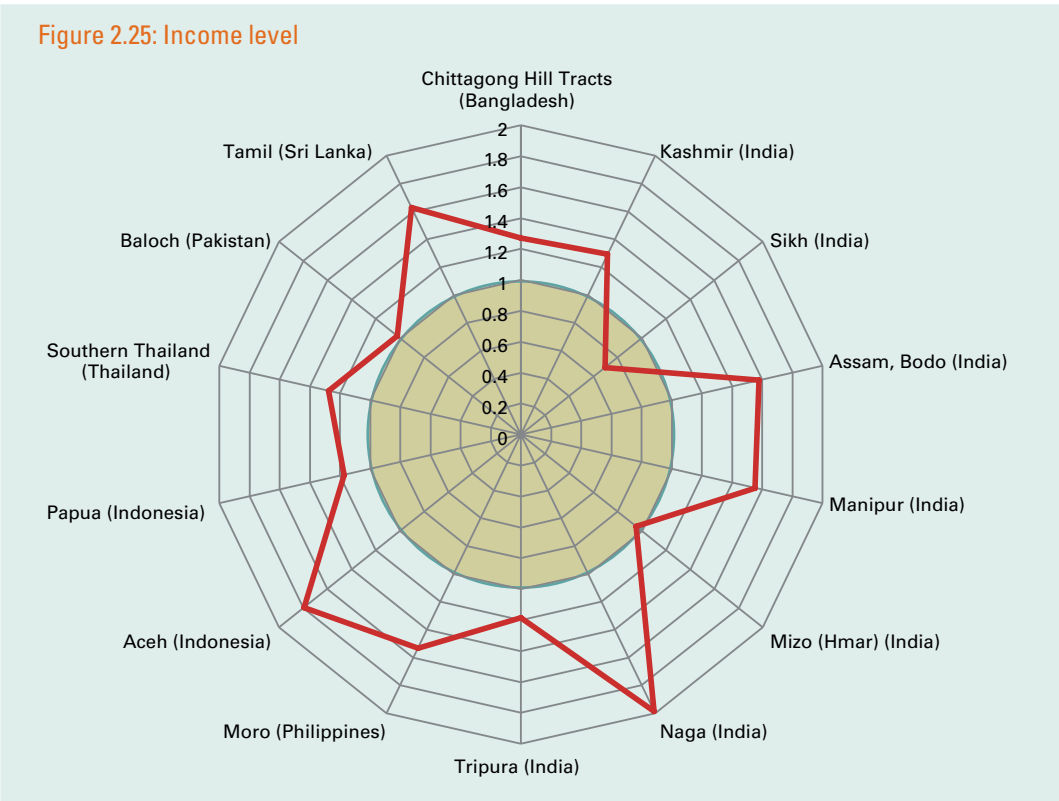


Figure 2.26: Infant Mortality Rate

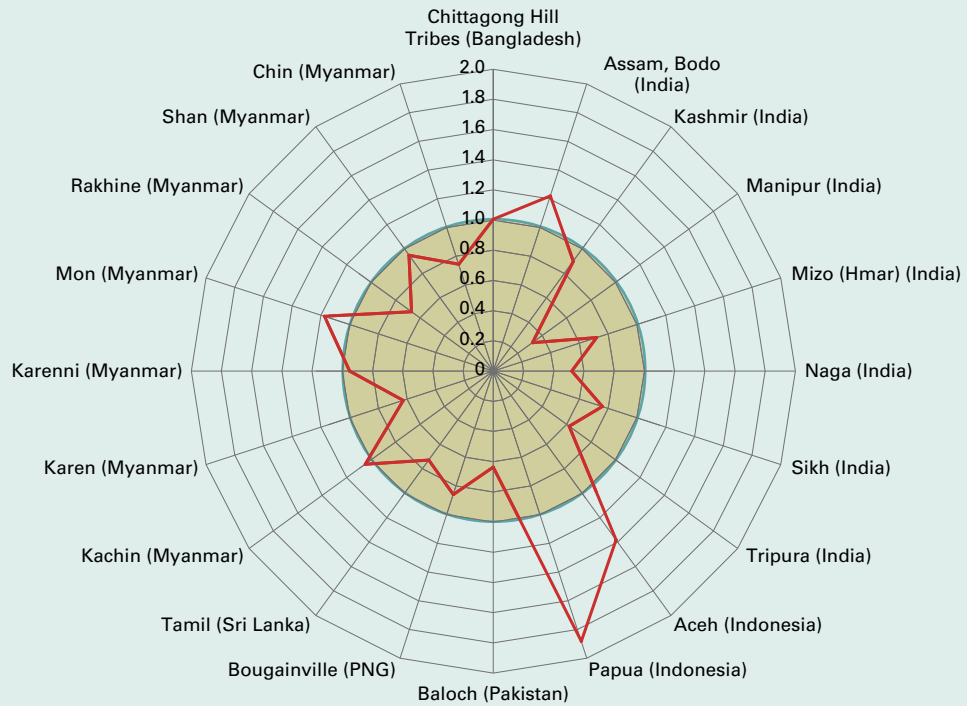
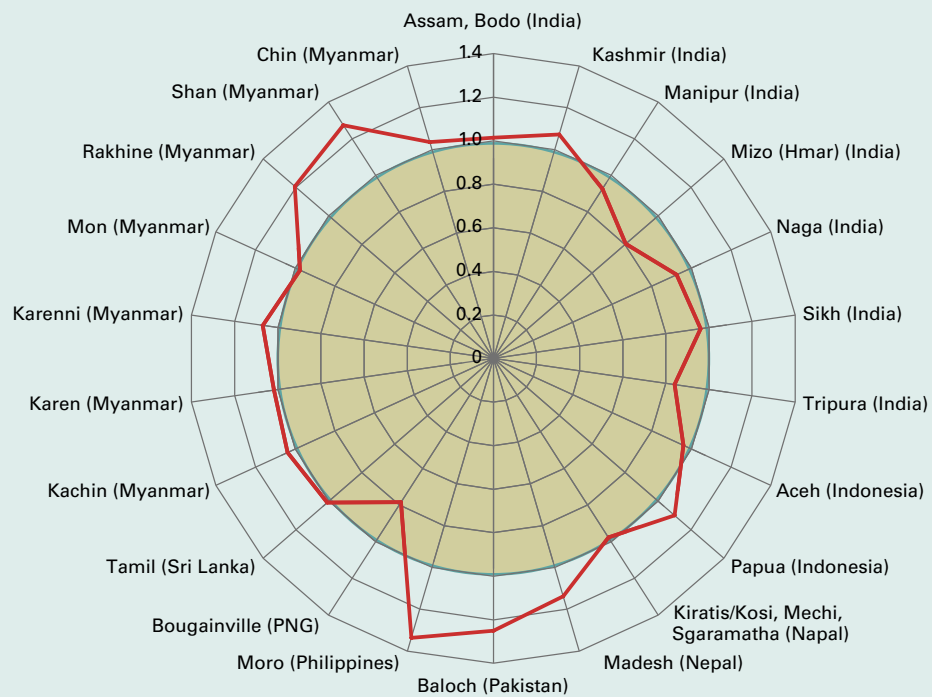


Figure 2.27: Literacy Rate



On several key development indicators, the subnational conflict areas show a remarkable degree of parity with national averages. For infant mortality rates, the majority of conflict areas are within 10% of the national average, or better than the national average. However, other health indicators may be much lower in subnational conflict areas than the national average. For example, southern Thailand has the poorest health indicators in the country, with under-5 mortality 48.4% higher than the national average, and maternal mortality more than double the national average.

Subnational conflict-affected populations are generally well-educated. On literacy rates, subnational conflict areas are generally equivalent or better than the national average. This may be a result of local efforts to educate the minority population in its local language, and/or state efforts to use education to encourage integration into the national mainstream. For example, in the conflict area in southern Thailand from 2003 to 2008, public expenditures on education (per capita) were 31.8% above the national average. In Aceh, the mean for years of schooling is above the national average, though Papua is slightly below. Mindanao is a major exception, with significantly lower education scores compared to the rest of the Philippines.

Governments often spend significant public or donor resources on infrastructure development in subnational conflict areas, which typically are remote, and poorly integrated into the national economy. Governments often rationalize this infrastructure spending with three reasons. First, by expanding road networks into these conflict areas, it will be easier for the local population to integrate into the national economy, and easier for outside companies to access resources in the conflict area. Second, expanding transportation infrastructure is often justified as a military necessity to allow security forces to access remote areas that may be held by insurgents. Third, large infrastructure projects provide tangible evidence of central government investment in the conflict area, which, ostensibly, should encourage restive populations to have greater confidence in, and appreciation for, the government.

Table 2.11: Comparisons for the percentage of households (HH) with access to drinking water

Conflict Areas	Indicator/Year	Conflict Area	National Avg	Ratio
Aceh	% of HH with Access to Pipe Water	7.80%	11.57%	0.7
Papua		7.40%	11.57%	0.6
Moro	% of HH with Access to Improve Water Supply/2010	53%	85.98%	0.6
Assam		83.30%	91.40%	0.9
Punjab		99%	91.40%	1.1
Manipur		49.10%	91.40%	0.5
Mizoram		44.40%	91.40%	0.5
Tripura		80.20%	91.40%	0.9
Nagaland		64.40%	91.40%	0.7
Kashmir		85.80%	91.40%	0.9
Limbuwan	% of HH with a Source of Drinking Water/2011	3.18%	20.47%	0.2
Khambuwan		1.17%	20.47%	0.1
Madesh/Terai		1.57%	20.47%	0.1
Chittagong Hill Tracts	% Population with Improved Sources of Drinking Water/2009	68%	97.80%	0.7

In many cases, data on infrastructure in subnational conflict areas are striking. In southern Thailand, for example, 64.2% of villages have all-season roads, a percentage which is well above the national average of 50.7%, and the average for other border provinces (49.2%). Aceh has similarly high levels of road infrastructure, with nearly double the national average for total length of road per land area. In India, most of the conflict-affected provinces are above the national average for road length per land area. However, Moro areas of Mindanao, with relatively poor levels of transport infrastructure, are an exception.

With regard to household-level infrastructure, subnational conflict areas tend to be much worse off. Table 2.11 indicates the low levels of access to household drinking water in conflict areas in India, Indonesia, the Philippines, Bangladesh, and Nepal.



3. Framework for Analysis: Subnational Conflict and Transformational Aid

Subnational conflict does not fit neatly into the dominant paradigm that shapes international development approaches. As discussed in Chapter 2, subnational conflicts are not a product of weak government capacity, poor economic growth, or under-development. The factors that fuel these conflicts—and sustain them for decades—are political, usually involving contestation between the government (and national elites) and a local group of actors that are resisting central control. Vertical, center-periphery conflict often unfolds as a competition between different factions of elites at the national and local level.

What is needed to end a subnational conflict is a political process that allows conflict actors (including the government) to reach a political settlement that will bring the conflict under control and end large-scale violence. The process of moving from war to durable peace is usually long and difficult, as it requires a fundamental shift in the political dynamics that have sustained the conflict. This study refers to such a process as a *transition* to peace.

The goal of international development assistance should be to encourage and support a transition from protracted violence to durable peace. This study proposes a framework for how aid programs can contribute to a transition, which this study calls *transformational aid*. The three core elements of transformational aid are:

1. Identifying and addressing the most critical forms of contestation
2. Calibrating a program strategy based on the stage of political transition
3. Focusing aid programs through the use of transformative strategies

The framework builds on many of the concepts presented in the World Development Report (WDR) 2011. The WDR 2011 includes a comparative analysis of countries affected by violence and insecurity to identify the major factors that prevent these countries from achieving sustainable peace, security and development. This study of subnational conflict builds on the WDR 2011 findings by applying key elements of the WDR framework to the context of subnational conflicts in South and Southeast Asia, with particular emphasis on restoring confidence and transforming institutions.

3.1 Characteristics of subnational conflict

Understanding the characteristics of subnational conflicts requires disaggregating the different forms of contestation and conflict that occur within them. Subnational conflict regions are invariably affected by multiple, overlapping forms of violent conflict. The WDR 2011 identifies the rising complexity of violent conflict as a global trend, and notes that various forms of violence are frequently inter-linked.⁷³ Recent literature on civil wars has also emphasized this point, showing how violent conflicts are a product of multiple factors and motivations.⁷⁴

Narratives and analyses of subnational conflicts in Asia have largely focused on the ethno-nationalist struggle between an aggrieved minority community and a central government dominated by other ethnic groups. However, while this is a defining feature of subnational conflicts, this characterization does not adequately capture the complexity of subnational conflict environments. Conflict and violence is frequently driven by a diverse set of local factors and individual and group motivations. For example, a discontented identity group resisting state authority may be affected by highly-localized horizontal conflicts among and between clans, political parties, or individuals. Such localized violence may sustain or accentuate vertical conflict between the state and discontented populations, or more conflicts may emerge in the post-conflict phase, even after state-minority contestation has been resolved.

It is important to distinguish between the various forms of violent conflict that occur in peripheral regions, in order to allow for more nuanced understanding of the causes and issues driving conflicts. In many cases, the various forms of conflict interact in complex ways that are difficult to interpret through frameworks that highlight only one form of conflict. For example, in the southern Philippines, clan conflict is one of the most prevalent forms of violent conflict. Locally-driven violence between clans affiliated with the national government and clans affiliated with insurgent forces has often been the trigger for an escalation of violence between the military and insurgents.⁷⁵ In some instances, factions break away from the dominant insurgent group, engage in violent conflict with their former allies, and this sparks conflict with the State's armed forces. In such cases, it can be difficult to determine whether spikes in violence are the result of broader escalation between state and insurgent forces, or a reflection of purely localized conflict dynamics between clans or tribal factions competing for land.⁷⁶

In summary, any single explanation for violence is usually inaccurate or incomplete. For this reason, this study's analytical framework includes three over-lapping levels of contestation, which are typically found in subnational conflict areas:

- **State-minority conflict** ('contested governance') – active struggle between local political factions over the primary source of legitimate authority in the subnational conflict-affected area, and the presence and legitimacy of state actors and institutions in local governance;
- **Elite competition and conflicts** ('secondary political settlement')⁷⁷ – rivalries between different actors or factions at the local level (often from the same identity group)
- **Communal conflict** (inter-group rivalries and mistrust) – tensions and violence between different identity (ethnic or religious) groups at the local level

Figure 3.1: Three forms of contestation in subnational conflict areas

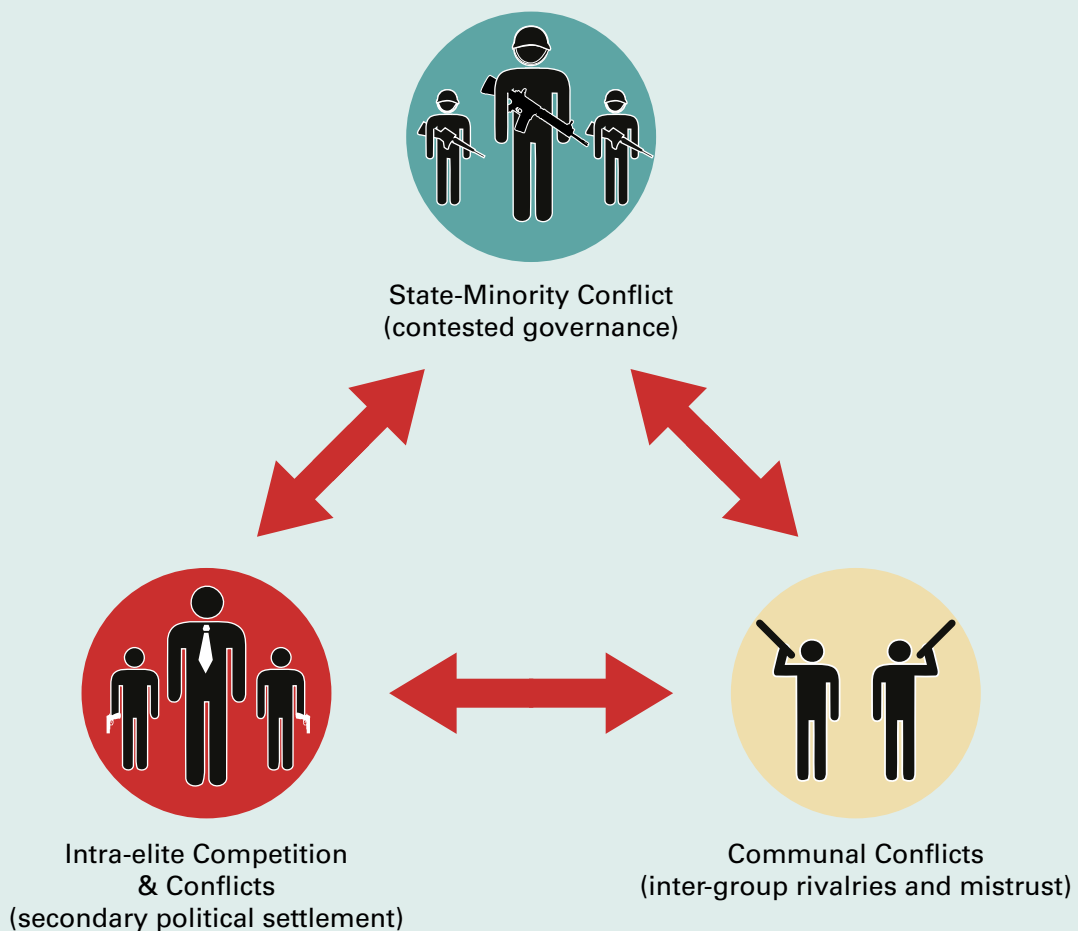


Table 3.1: Overview of three forms of contestation in subnational conflict areas

Conflict Driver	Key Actors	Strategies and Policies of Key National Actors	Local Dynamics	Nature of Violence
State-minority conflict				
Contested governance	Separatist or resistance movement	Discriminatory policies against identity or political groups from conflict areas; promotion of migration/settlement by plurality or majority group	Contested legitimacy of state actors in SNC areas	For the resistance: limited targeting of civilians, attacking state symbols and institutions, use of asymmetric guerrilla tactics
Vertical conflict between state actors and armed opposition	Supporters of the resistance movement	Government programs and protection designed to reward allies in SNC area	Threatened identity of local identity group	For the state: tactics may range from counterinsurgency operations to containment
	Government (security forces, administrative apparatus)	Security concerns prevent conciliatory measures to SNC population	Population relies on non-state actors for key services (e.g., security, justice)	
	Allies of the state (ethnic, religious or political groups with an interest in state predominance)		Violent challenge to the state's authority and monopoly of violence	
Elite competition and conflict				
Secondary political settlement	Local political rivals	National (or external) political elites use local divisions to control local politics	Intense, often violent competition between local elites over resources and power	Targeted assassinations and use of unconventional tactics, primarily against civilians
Competition between local elites for power and access to resources	Criminal networks, both local and transnational	Some local elites form alliances with national elites to access power and resources	Secondary political settlement that produces or legitimizes violent, local elite competition	Violence between competing criminal networks
	Local state agents, including security forces and customs officials			Harassment, extortion, and targeted assassinations
	Local elites and powerbrokers			
	Non-state actors who may tax or appropriate illicit commodities or resource flows			
Communal conflict				
Inter-group rivalries and mistrust	Local actors, usually separated by clan, kinship group, family, religion, or political group	Government favoritism for one ethnic group or faction creates tensions and animosity between local communities; promotion of settlement may intensify tension	Pervasive mistrust between ethnic/political factions in SNC area;	Targeted assassinations and use of unconventional tactics against primarily civilian targets;
Horizontal conflict between rival identity groups living in close proximity	Identity group (ethnic, religious) militia	Civil servants and security forces primarily from one ethnic group/faction	Local disputes, particularly regarding land, can quickly escalate into violence	Ethnic riots or massacres

State-minority conflict (contested governance)

A defining feature of subnational conflict is that the nature of governance and state authority in subnational conflict areas is often contested. Contested governance in subnational conflict areas involves the active struggle over the presence, role, authority, and legitimacy of government actors and institutions in local governance.⁷⁸ In subnational conflict areas, the government does not necessarily have a universally-accepted monopoly on governance, and may not even be the primary source of authority.⁷⁹ As a result, the nature of governance in these regions is shaped by ongoing competition between state and non-state actors at the local level.

Contestation over governance, in the context of expanding central government authority, is one of the primary drivers of conflict in these regions. Over the past century, as states have sought to extend their authority to the outlying regions of their territory, they have encountered resistance from historically autonomous populations. From the perspective of discontented minority populations, the preservation of traditional culture and identity can take precedence over integration into the national economy and political system. In many cases, such as southern Thailand, Aceh, and Mindanao, the process of state penetration was perceived as expropriation of land, exploitation of labor, unjust taxation, denigration of local culture, and social and economic marginalization. Planned (and sometimes forced) transmigration

of populations from other regions of the country was a significant policy instrument of state penetration and control.⁸⁰ Government officials and in-migrants typically controlled commerce and access to valuable local resources, and resided in the cities and towns. The traditional local ethnic group was usually excluded from the formal economy. Their livelihoods were derived primarily from subsistence, tenant or estate agriculture. With the introduction of large-scale plantation or estate agriculture, the local population generally provided labor, while allies of the state controlled the resources and managed production.

Sometimes experiences of alienation and marginalization provide a basis for armed confrontation between groups representing the local population and the government. In other cases, such as Nepal, Pakistan, and Afghanistan, the state has been unable to extend its authority to some remote regions of the country. In these countries, the state leaves the provision of core governance functions to local, traditional governance structures and non-state actors, while attempting to project state power via political proxies. The governance arrangements between national governments and these outlying regions have been a source of contention for decades. While some governments have negotiated special autonomy arrangements or decentralization of authority as a compromise, in practice, the implementation of such arrangements has been problematic.⁸¹

Key governance functions may be provided by state or local non-state actors. A significant portion of the population may be unwilling (or unable) to rely on the state for key services such as security, justice, and the regulation of property and local industry. Local non-state actors provide an alternative (and often competing) form of governance, (e.g., Sharia law and religious councils, and clan codes) that are usually more acceptable to the local population. Furthermore, this dual system of governance limits government influence on the local population by allowing a substantial portion of the local population to have minimal contact with the state and its institutions of socialization and regulation.

Subnational conflict regions are characterized by long traditions of local resistance to central government authority. This resistance takes many forms. Armed separatist movements, and related political factions are the most active and open forms of resistance, but typically only involve a small portion of the local population as combatants. More commonly, many members of the local population may engage in passive resistance by avoiding government schools, minimizing interaction with officials, and relying on non-state actors for key services.⁸² Efforts to undermine state legitimacy and authority are reinforced by the formation of extensive, local, informal institutions—or the continued reliance on traditional (often religious) institutions such as Islamic schools that pre-date extension of the modern secular state presence in these regions. Such institutions often play a central role in socialization and recruitment to the insurgency.

Elite competition and conflict

Violence is not only driven by cleavages between the central government and discontented minority populations, but also by rivalries between local actors in the conflict area. Over time, the causes and texture of violence at the local level are typically shaped by local patronage networks of powerful elites, and the intersection of political power and the sources of wealth-creation within a specific locality.

*Subnational conflict areas typically have 'messy politics' with political fault lines that do not necessarily line up with ethnic identities or affiliations with the state.*⁸³ In some cases, the political, economic and social networks in these regions reflect the divide between supporters and opponents of the state. But more frequently, and contrary to conceptions of state-minority conflict, the lines of conflict and political contestation involve powerful local actors from the same minority group, or between state-affiliated actors. At the subnational level, local elite competition may take the form of rival clans, political factions, or political families that compete for predominance in their immediate area.

Political dynamics at the national and subnational levels interact in complex ways that can influence the direction and nature of conflict and governance in the conflict area. For example, national elites or government officials may develop alliances with some elites from the conflict area (to the exclusion of others) in order to control security or access to resources in parts of the conflict area. In some cases, there may be

an interest in forging political alliances or collusive relationships to influence national electoral outcomes. As a result, these links can influence political dynamics in both directions—at the national level, and within the subnational conflict area.⁸⁴

To understand the political economy of subnational conflict areas, it is important to dissect the common formulations of ‘state’, ‘insurgents’, and ‘discontented minority population’ to understand the patterns of elite political networks, and their competition for power and resources. For example, in the southern Philippines, some of the most powerful local actors in the conflict region are Moro elites that have allied themselves with Filipino political elites from Manila and other regions. These elite actors (usually clans or powerful families) are the rivals of other local Moro clans that play a leadership role in the separatist movements. In exchange for their alliance with national political elites, these Moro elites benefit from special access to state resources and privileges, and protection by state security forces (or private armies tolerated by the government).⁸⁵ It is also common for state-affiliated actors, such as police, military and local officials, to be in competition that occasionally turns violent.⁸⁶

The ‘state’ should not be considered monolithic—instead state policy is a reflection of a diverse set of interests at the national level. Policy towards the conflict area is often the product of ongoing political struggles between national actors with opposing views or interests. To understand the barriers to policy change, it is important to recognize the configuration of national

interests (groups and individuals) opposing or supporting key policy reforms.

Recent research on fragile states and political settlements focuses on the centrality of elite bargains and competition as a key explanation for stability, conflict and governance.⁸⁷ The core proposition of such research is that institutions are shaped by bargaining and conflict between powerful political elites (and their constituencies). Similarly, to expand their control, elites may exploit inter-communal tensions and unite their constituencies in the face of a common threat. Subnational conflicts are often shaped by elite contestation at the local level, or secondary political settlements.⁸⁸ State-minority conflict and local communal tensions interact with elite rivalries, and therefore local conflict dynamics must be carefully analyzed to detect potential political dynamics between powerful local elites and their constituencies.

Subnational conflict areas typically lack the strong formal institutions that allow for open access to the state (i.e., open political competition, access to public office, and distribution of state resources), and control of violence through the state.⁸⁹ Instead of relying on the state for protection and critical services, the local population tend to rely on powerful local elites for protection and access to resources. As a result, resilient patron-client relationships are a critical feature of subnational conflict regions, and often can explain why conflict does not fall neatly along ethnic or state-minority lines.⁹⁰ The system that emerges allows the dominant local circle of elites to limit access to valuable resources and economic

privileges as a means for controlling violence by creating incentives for elites to avoid violent competition. Political systems in subnational conflict areas tend to fit the concept of a “limited access order”—even in cases where politics at the national level are shaped by more robust, relatively open competition for public offices, open market systems, and active civil society (e.g., closer to the characteristics of an “open access order”).⁹¹ However, as pointed out in the WDR 2011, elite deals which seek to maintain security and stability through coercion and patronage, are typically accompanied by high levels of corruption and human rights abuses and may actually increase violence in the long term.

*The informal and illicit economy often determines how resource flows shape subnational conflict, local actors’ motivations, and the scale of aid, relative to other resource flows.*⁹² The relative porosity of government control in subnational conflict areas gives rise to a vibrant informal economy as economic activity is not effectively monitored, regulated, or taxed by the state. Significant resource flows—both domestic and transnational—accrue to non-state actors opposed to the state, and to both local elites and criminal networks. This creates winners and losers through allocation of land and property rights, control of the movement of goods, and other regulatory systems. Furthermore, the introduction of external resources (including aid) may strengthen local patronage networks, sometimes undermining state legitimacy and capacity or, in other cases, improving short-term stability and confidence during a fragile period of transition.

Communal conflict

Conflict between separate ethnic (or identity) and religious groups living side-by-side is the third form of contestation frequently found in subnational conflict areas. This study focuses on conflicts where the government is an explicit or implicit party to the conflict. As a result, conflicts that are primarily inter-communal, such as the Hindu-Muslim riots in India, and Christian-Muslim violence in Central Sulawesi and the Moluccas in Indonesia, are not included in this study. However, this study’s analysis of subnational conflicts indicates that communal tensions and conflict are nearly universal in the cases studied; often play a major role in conflict escalation and prevention of peace agreements; and are closely linked to elite competition.

*Communal conflicts are often the primary factor in escalation of subnational conflicts.*⁹³ The escalation of ethnic civil wars is often a product of local horizontal conflicts—usually tensions between indigenous minority populations and in-migrating populations from a different ethnic group. These conflicts escalate into vertical conflict as the state intervenes to defend its allies (usually the migrants).⁹⁴

The history of state penetration and trans-migration of settler populations into subnational conflict areas has led to a seemingly permanent problem—two ethnic populations with a long tradition of animosity and occasional violence, living in close proximity. The settler population is often very influential in local and national politics,

and this influence has frequently been used to scuttle efforts to end state-insurgent conflicts through negotiation. For example, the collapse of the peace negotiations between the Government of the Philippines and the Moro Islamic Liberation Front in 2008 was largely a product of pressure and public grand-standing by prominent political leaders from the Christian communities that live closest to the Moro-inhabited areas in Mindanao. These same predominantly-Christian migrant communities have often been the most affected by Moro insurgent violence, and ostensibly have the most to lose from a political agreement that brings greater autonomy to the area.

Even in cases where there have not been any major incidents of inter-communal violence, such as in southern Thailand, there is strong evidence that inter-communal tensions are a major factor. For example, over the nine years since the resumption of major hostilities in 2004, there was a significant movement of Buddhists out of the south, leaving behind a determined, but increasingly small, Buddhist minority. One of the core functions of the Thai military in the conflict area has been to protect this community. Among the most striking images of the conflict have been those of monks or school children guarded by heavily-armed soldiers. Similarly, there is some evidence that inter-communal violence is occurring, though it is usually blamed on the insurgents. For example, the attack on the Al Furqon Mosque in Narathiwat in June 2009 was initially blamed on insurgents, but subsequent accounts indicate that a Buddhist militia in the adjoining village was most likely responsible.

Interaction between three forms of conflict

The interaction between these three forms of contestation provides important insights into how conflicts originate, escalate, and evolve over time. Subnational ethno-nationalist conflicts are usually seen as initially driven by state-minority contestation, with roots in the decades after independence from colonial powers, or during the process of expanding central authority in the late 19th and early 20th centuries (e.g., Thai assimilation of provinces in southern Thailand, Spanish and American colonialism in the Philippines, and Jakarta's exploitation of Acehnese resources). While the origins of most subnational conflicts have roots in state-minority contestation, in some cases other forms of conflict have become more significant over time. For example, in the Philippines, the rivalries between powerful local leaders emerged as a major factor in the conflict, particularly after the 1976 peace agreement led to several break-away factions from the Moro National Liberation Front. Similarly, government support for the migration of settlers into areas of Mindanao that had traditionally been the domain of the Moro population, and of local indigenous peoples, contributed to rising tensions between the settlers and the Moro inhabitants.

Research on the evolution of civil war has generated several competing theories. For example, Fearon and Laitin⁹⁵ argue that communal conflicts stemming from internal migration are a primary factor leading to escalation of "sons of the soil"

ethnic conflicts. In these cases, the authors suggest that localized inter-communal violence can lead to increased intervention of the central government on behalf of the migrant community. In his work on civil war,⁹⁶ Paul Collier argues that the “grievance” explanations for civil wars (including state-minority conflicts) are a less powerful explanatory factor than economic factors, and that civil wars tend to occur in places where rebels can access the economic resources needed to mobilize an armed group, and where the opportunity cost of rebellion is low. In his book *Breaking the Conflict Trap*, Collier argues that civil wars are often sustained because the elites that manage the conflict tend to personally benefit from the continuation of the status quo. Based on these arguments, elite contestation (especially when fragmented into two major groups) and conflict may be equally important in explaining the onset and continuation of subnational conflicts, even if there may be some element of state-minority contestation in the origins of the conflict. In particular, elite contestation helps to explain the prevalence of opponents to a transition to peace, and the duration of these conflicts.

Diversity of conditions (geographic variation)

Subnational conflict areas in South and Southeast Asia show significant variation in violence incidence and local political dynamics within each conflict-affected area. This geographic and cultural variation is generally not well understood by outsiders, including central governments, security analysts and international development

agencies. In Mindanao, for example, “conflict dynamics in one community may contrast starkly with conflict in neighboring communities where, due to a different configuration of political actors, family or clan networks, ethnic cultural groups, security forces, and/or insurgents, local conflict conditions may be very different.”⁹⁷ In Sulu, in the Philippines, many people in the local ethnic minority population (the Tausug) feel more threatened by local elite rivalries and would welcome increased presence and authority of the central state. In other areas of the country, such as parts of the Moro Islamic Liberation Front (MILF)-dominated municipalities in Maguindanao and Lanao Del Sur, ethno-nationalist sentiments run extremely deep in the local Moro population, albeit this is sometimes complicated by tribal tensions between the Maranao and Maguindanao peoples. In areas of these provinces with small Christian populations, the predominant form of conflict is contested governance. However, some communities in Maguindanao are controlled by local Moro clans, such as the Ampatuans, who are rivals of the MILF. Similar patterns of variation, although not as pronounced, may be found in Aceh, southern Thailand, and other subnational conflict-affected areas.

3.2 Stages of transition

Each subnational conflict can be placed along a continuum of transition from war to durable peace. At one end of the continuum, conflict may be stuck in protracted violence, with no credible political process in place to facilitate a transition to peace. Where there are efforts to facilitate a transition—most commonly through a formal peace process between the central government and the armed non-state opposition group—there can be a wide range of conditions and trajectories. In many cases, there is widespread skepticism that the transition process will lead to a durable peace, due to stalled negotiations, fragmentation of armed groups, or failure to deliver on promised reforms or concessions. In cases where there is high confidence in the transition process, the government, non-state armed groups, and key leaders from the conflict area have more political space to proceed with difficult compromises and concessions. This allows for faster resolution of contentious issues. Finally, the consolidation stage is the other end of the continuum, taking place usually after a major agreement has been reached, when institutions undergo major transformation.

The path from war to durable peace is not linear, however. It is very common for political transition processes to follow winding, circuitous paths, with major setbacks at multiple points in the process. After many decades of conflict, most of the subnational conflicts in Asia have yet to reach a point of durable peace. Instead, conflicts are often stuck at some point along the transition

continuum, unable to proceed to the next stage under the current security and political conditions, or conflicts are marked by multiple transitions and frequently slide backwards into conflict or instability.

For a transition to proceed, there must be confidence among key actors that the process will lead to a better and safer outcome. Drawing on the WDR 2011, this study defines *confidence* as the *level of expectation among rival actors that the conflict situation (and the political dynamics that influence the conflict) can be overcome*. In a protracted conflict environment, confidence is closely linked to perceptions that a transition process will lead to real change, and that it is worth accepting short-term risk in order to realize long-term transformation. Confidence also entails an incremental improvement in the level of trust between rival actors.

This concept is particularly important for armed actors, and those who control violence. In a protracted conflict environment, armed actors will not stop using violence unless they believe that their adversaries will also stop using violence against them. As such, confidence is the way out from endless cycles of violence, but it is challenging for conflicting parties to credibly commit to refraining from violence. Confidence among the wider population at the national level, and within the conflict area, is also important, particularly in a democracy where public opinion will affect the decisions of political leaders. However, in most cases, the confidence of key actors (particularly those who could return to violence) is more important than general confidence.

Subnational conflicts can be categorized under four major stages of transition. Table 3.2 provides an overview of the key characteristics of each stage. The *No Transition* stage is defined as the absence of a credible political process of transition. In this case, government and armed opposition groups are focused on confrontation, and there are no clear signals that either side is willing to compromise. In long-running subnational conflicts, governments and

armed groups carry on fighting for years (and even decades). While there may be some informal negotiations, these talks are often conducted in secret and do not involve any formal commitments to a peace process. Both sides have greater interest in continuing violence, and little incentive to trust the other side.⁹⁸ Most of the history of conflict in southern Thailand exemplifies this stage of transition.

Table 3.2: Stages of transition

	No transition	Fragile transition	Accelerated transition	Consolidation (or advanced transition)
Transition from war to peace <i>stages of transition</i>	No talks (except perhaps in secret) No credible signs that the situation is changing/improving	Early stage negotiations, ceasefire agreements, stalled negotiations	Advanced negotiations (publicly acknowledged) or peace agreement signed Commitment mechanisms implemented (e.g., international monitoring)	New structures established, peace agreement implemented
Confidence of key actors <i>confidence of armed actors and influential leaders in the transition to peace</i>	No/low confidence that things are changing or likely to change Strong incentives to continue fighting	Low confidence that peace process will lead to durable security Weak incentives to stop fighting	High confidence that change is happening or about to happen Strong incentives to stop fighting and 'get on board' with the transition Potential incentives for opponents of the peace to emerge	Confidence in newly-established institutions and structures is a new focus—if this remains high, no return to violence; if low, splinter factions may form, and violence may recur
Institutional changes related to conflict <i>common scenarios and motivations for institutional change</i>	Institutions that exacerbate conflict are reinforced Some unilateral reforms by government to win the trust of people	Confidence-building measures or symbolic gestures Quick, visible results are implemented to help restore confidence	Government and insurgents begin to implement key tenets of agreements; further confidence building measures	Implement peace agreement, set up new political structures, changing patterns of behavior between state and local actors

In the second stage, *Fragile transition*, a process of political transition is unfolding, but the level of confidence in the process is low. For example, the peace process in Myanmar/Burma between the government and various non-state armed groups is at a very early stage. Despite multiple ceasefire agreements, efforts to initiate a political dialogue process have proceeded slowly resulting in widespread skepticism that these conflicts will reach a durable peace.⁹⁹ In Mindanao, the peace process between the Moro Islamic Liberation Front and the government has experienced several periods of fragile transition, including 2008 to 2010 after the collapse of peace talks and the resumption of hostilities. Even after the signing of the 2012 Framework Agreement on the Bangsamoro (FAB), people are still skeptical that the peace process will lead to comprehensive security and peace.

The third stage, *Accelerated transition*, describes a condition where the transition enjoys relatively high levels of confidence among armed actors, key leaders, and the wider population. From 2005 to 2008, the transition process in Aceh could be considered an accelerated transition. After the implementation of the Helsinki MOU, Aceh entered the *Consolidation* stage. Since 2008, most of the major institutional reforms have been implemented, and the locus of contestation and any remaining conflicts have tended to shift from state-minority violence to local elite contestation. During this stage, there is a risk that key actors could reject the agreements made during the transition and return to violence.

If a conflict moves to a different stage of transition, the patterns of contestation in subnational conflict areas often change, leading to shifts in the predominant forms of local contestation. For example, in Aceh, the movement from *no transition* to *accelerated transition* to *the consolidation stage* led to a dramatic change in conflict dynamics. Previously, the region was affected by long-running, state-minority conflict, and significant inter-communal tensions. After the peace agreement was signed, the former resistance movement (Free Aceh Movement or GAM) transitioned into a political role and split into two major factions. Since 2005, the predominant form of violent contestation in Aceh has been elite competition, as former GAM factions struggle with each other to secure elected office and state resources.

3.3 Strategies for supporting transitions to peace

International actors have the potential to use development assistance to improve conditions in subnational conflict areas and support transitions to a durable peace. These regions are often the lagging areas where an increasing percentage of the poor and marginalized live, trapped in long-running cycles of conflict. However, providing aid to these regions brings the risk of contributing to contestation or power dynamics that prolong or worsen the conflict. If development assistance is going to reach these marginalized minority populations, aid programs will have to be increasingly delivered in active conflict areas where there is a serious risk of doing

harm.¹⁰⁰ As noted previously, these conflict environments can be extremely complex, and aid programs can easily have unforeseen negative impacts, especially when they exacerbate horizontal inequalities and marginalization that fuel the conflict. The development that reaches subnational conflict areas tends to be distributed and consumed in ways that reflect local politics in the conflict-affected area.

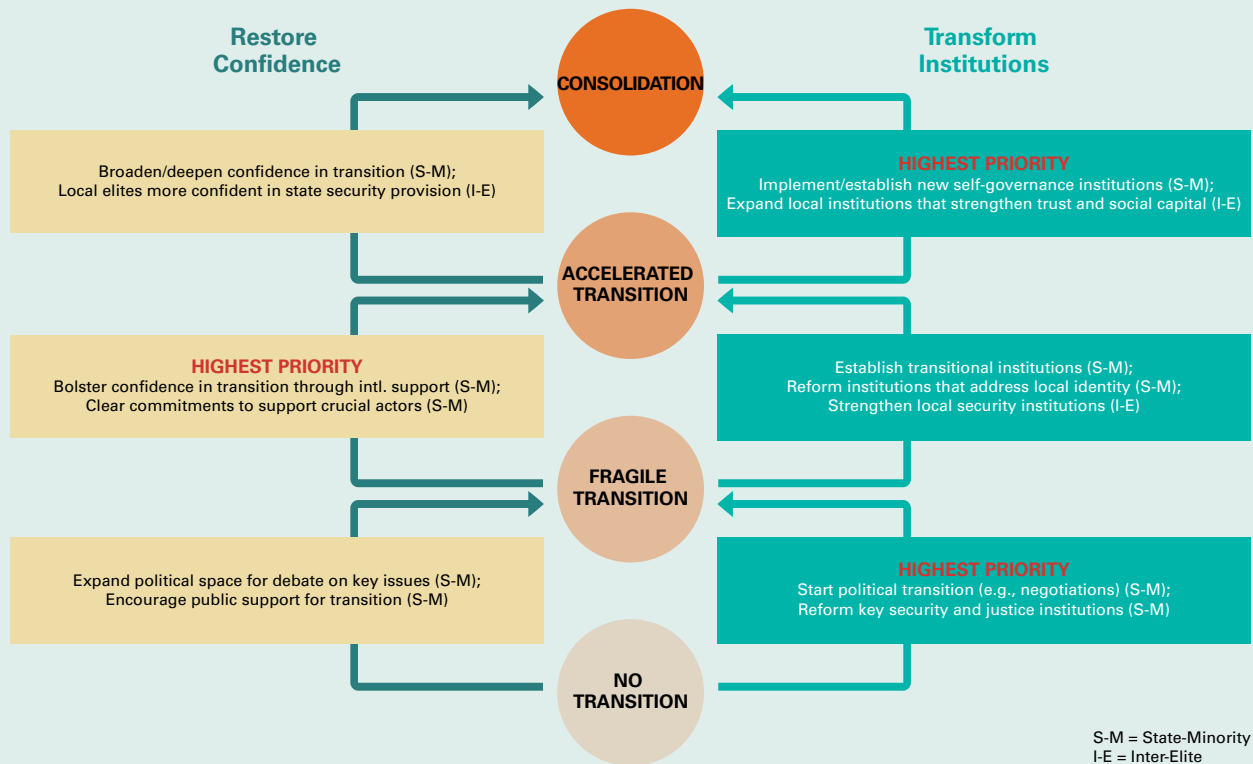
Therefore, it is essential that development agencies supporting programs in these regions understand their impact on transitions to peace, and to the best extent possible, contribute to these transitions in positive ways. All aid programs may have an impact on the confidence in (and trajectory of) the transition to peace. Even development programs that have no stated intention of working on conflict issues, or supporting a peace process, may have a significant impact on the prospects for ending a conflict. Given the intense levels of contestation in a subnational conflict area, if development programs are not sensitive to local cultural and political conditions, there is a significant risk that they will be captured by local networks to enhance the existing, and often unequal, distribution of economic and political power.

At each stage of transition, there are opportunities for aid programs to meaningfully contribute to peace. During a *No Transition* phase, the opportunities to contribute positively to the transition are limited, and the risk of prolonging or exacerbating conflict is exceptionally high. In these conditions aid programs can help to expand the political space¹⁰¹

for debate on key issues related to the conflict, and broaden public support for a peace process or reform efforts.¹⁰² There may be opportunities for aid programs to strengthen institutions at the local level that address inter-elite competition or inter-communal violence. However, in many cases, aid programs to conflict areas in a *No Transition* stage run a serious risk of channeling funds through power structures that are active conflict actors, or targeting populations that are closely associated with only one side of the conflict.

During a *Fragile transition* phase, there is a more urgent need to bolster confidence in the transition process. This can be done, for example, through high profile international support to a peace negotiation, and/or clear commitments to support crucial actors (such as combatants or vulnerable 'settler' communities) during the transition. Similar to the *Accelerated transition phase*, development agencies can support institutional change (at the level of predominant contestation), through supporting key governance reforms, regulation of the security sector, and/or community-level programs.

Figure 3.32 Calibrating strategy to the stage of transition



During the *Accelerated transition* stage, international aid can make powerful contributions by broadening and deepening confidence in the process, and strengthening key institutions (particularly security and justice) at all levels to address the key areas of contestation that could lead to violence. The WDR 2011 argues that quick-impact reforms of key security and justice institutions will lead to greater confidence in the transition. In areas where state-minority contestation is predominant, key institutional change

could involve changes to key services (e.g., public education) that preserve local identity (often a key grievance of the minority population) and/or make access to justice through state systems more accessible and legitimate. Reducing the control of state security forces and preventing abuses of the local population are other examples of key institutional changes. Likewise, provision of support for demobilization and socio-economic reintegration of former combatants is a common strategy for strengthening

confidence in the process. In areas where the predominant forms of contestation are local (inter-elite or inter-communal), aid programs can contribute to local-level stability by supporting local institutions that improve cooperation and trust among key local actors, or that target aid beneficiaries in a way that re-balances local inequalities and ends practices of discrimination and ‘aid capture.’ When development programs are sensitive to strengthening both vertical and horizontal social ties, they can make a positive contribution towards improving trust and social cohesion, even in the midst of violent conflict.¹⁰³

It is important to be realistic about the limitations of aid to influence conflict. Violent conflict is a product of multiple, diverse factors, which are largely driven by political dynamics that are well beyond the influence of development programs. As a result, aid projects on their own generally have limited impact on the trajectory, severity or nature of violent conflict on a macro level (or a sub-regional/subnational conflict level). However, aid projects do interact with conflict and political dynamics in complex ways that are often not intended and poorly understood by the aid provider. It is extremely rare to find that one project was the critical factor that shaped the trajectory of a conflict, and especially of state-minority violence. However, it is quite common to find that aid projects interacted with local power dynamics or inter-communal tensions in ways that were either helpful or harmful.

3.4 How aid can support transitions to peace

The WDR 2011 describes a plausible pathway for countries and subnational regions to emerge from protracted cycles of conflict and weak governance. The framework focuses on two broadly applicable conditions that prolong conflict: a) lack of confidence or trust, and b) difficulty in establishing legitimate, effective institutions to provide citizens with security, justice, and jobs.¹⁰⁴ The critical path is to restore confidence long enough to allow for the meaningful institutional transformation necessary to improve conditions. However, the path is rarely linear, as institutional reforms often elicit backlash from some groups, which can threaten the fragile gains. As a result, the WDR 2011 depicts a circular, cyclical path of restoring confidence, transforming institutions, repeated again and again, until conditions have achieved a level of resilience. These concepts have broad relevance for subnational conflicts, though with some important limitations.

Restoring confidence

Under the right circumstances, aid programs can play an influential role in shoring up confidence in a transitional process. In fragile and conflict-affected situations, the WDR 2011 argues that “the state cannot restore confidence alone” and there is often a need for external assistance to shore up confidence in the short term.¹⁰⁵ Strategies may involve supporting “inclusive-enough coalitions” to bring together the critical actors needed to end violence and allow

for reforms of key institutions. These efforts need not be fully-inclusive but must include a critical mass of actors to stabilize the situation and set a trajectory for greater confidence. The key is to buy political space and time for institutional changes to make lasting contributions to stability and peace. Furthermore, commitment mechanisms and signaling by rival groups that they intend to cooperate can help to restore confidence at critical moments. Delivering early results from cooperation can also reinforce confidence.

When translated to subnational conflict contexts, restoring confidence relates to the expectation that the conflict situation (and the political dynamics that influence the conflict) can be overcome, and that a credible transition to peace will occur. The term restoring confidence is especially important for describing the perceptions and behavior of conflict actors who must decide whether or not to continue using violence. These actors effectively hold ‘veto’ power over the transition process, as they can quickly reverse progress by increasing the level of violence. If conflict actors (including insurgents, the state, and local elites) believe that a credible transition is unfolding that will lead to greater personal security and attainment of some political objectives and personal benefits, then they are less likely to continue using violence.

Where this concept differs in subnational conflict areas is in the role of confidence in the central state. In subnational conflict areas, using aid to improve confidence in the central government may run counter to supporting a transition to peace. Overt

efforts to strengthen confidence in government may reinforce perceptions that aid supports one side of the conflict, and also reduce the credibility and neutrality of donors and other aid providers in the eyes of minority populations, local elites aligned against the state, and insurgents.

Transforming institutions

In conflict-affected areas, it is critical to encourage adaptation (or establishment) of institutions that can change the dynamics that fuel contestation and conflict by perpetuating identity group marginalization, inequitable service delivery, and abusive state practices. Therefore, transforming institutions in a subnational conflict environment involves the creation or reform of rules and/or practices to address inequities within the conflict areas in security, justice, economic activity, and key public services. Transforming institutions often requires organizations, both government and non-government, that better meet the needs and aspirations of conflict-affected communities. Depending upon the context, institutional transformation may also focus on removing incentives for intra-elite contestation, by eliminating opportunities for rent-seeking, and promoting more transparent local governance.

In many cases, promoting institutional transformation will be very difficult. The WDR 2011 argues that “transforming institutions—always tough—is particularly difficult in fragile situations”, and may take generations. Furthermore, there are challenges to institutional change from low (or in some cases, exaggerated)

Table 3.3: Illustrative strategies for supporting a transition

	No transition	Fragile transition	Accelerated transition	Consolidation stage
Restoring confidence of key actors	<p>Expand political space for debate on key issues related to the conflict</p> <p>Broaden public support for a peace process or reform efforts</p>	<p>HIGHEST PRIORITY Bolster confidence in the transition process through international support</p> <p>Make clear commitments to support crucial actors (e.g., combatants or vulnerable 'settler' communities) during a transition</p>	<p>Broaden and deepen confidence in the transition process through broad consultations with affected communities, and building 'inclusive enough' coalitions</p> <p>As necessary, provide individually-targeted benefits for potential opponents to the peace (including former combatants), balanced with broader programs benefiting the wider population</p>	<p>Maintain confidence in newly-established institutions and structures</p> <p>Maintain public commitments to implement the peace agreement</p>
Transforming institutions: changes related to conflict	<p>HIGHEST PRIORITY Strengthen institutions at the local level that address state/minority conflict, inter-elite competition, or inter-communal violence</p> <p>Start a political transition process through key reforms or negotiations</p>	<p>Establish and strengthen transitional institutions Promote institutional change (at the level of contestation) through supporting key governance reforms, particularly in respect to local identity, justice, and the security sector</p> <p>Strengthen local institutions that improve security and inter-elite dispute resolution</p>	<p>HIGHEST PRIORITY Establish/strengthen key institutions that directly address local grievances (including self-governance, security force withdrawal, or autonomy arrangements) that will help to resolve the conflict</p> <p>Improve state services and systems that affect local identity and access to justice</p> <p>Prepare former resistance networks for transition to political competition</p>	<p>HIGHEST PRIORITY Implement peace agreement, set up new political structures, and change patterns of behavior between state and local actors</p> <p>Strengthen capacity and improve responsiveness of local government</p>

expectations of change. There is also a high risk of exacerbating conflict in the short term. For example, major changes in security provision by state forces could lead to serious political backlash from some groups. If the Philippines military were to suddenly withdraw from Mindanao, and/or the government was to hand over control of local security to an autonomous government controlled by the Moro leaders, the Filipino-Christian population in the region would feel very threatened and would apply pressure to prevent such changes. For this reason, some of the most important reforms can actually erode confidence in the short term.

Developmental outcomes vs. transformative outcomes

Most aid projects typically focus on *development outcomes* such as improving livelihoods, health, and education, and local economic growth. In many cases, however, aid projects may influence key elements of a transition to peace, by affecting confidence or influencing institutions that go beyond traditional development outcomes. For the purposes of this study, this second category is referred to as *transformative outcomes*. These outcomes transform the governance, social, security, and political dynamics that generate or sustain conflict and prevent a region or community from reaching a level of sustained stability and functioning governance.

Table 3.4: Categories of aid

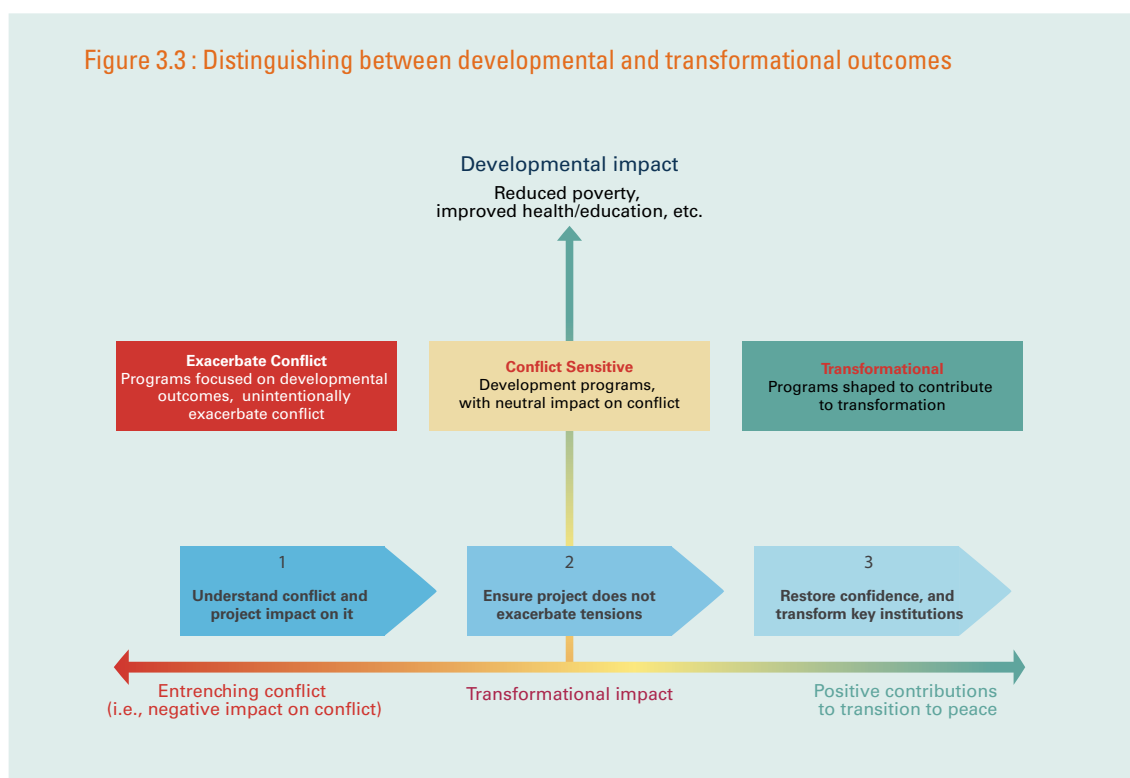
	Type	Outcome	Impact on conflict	Risks
Transformational outcomes	Confidence-building outcome	Improved confidence in the transition to peace, and increased likelihood that armed actors will stop violence	Direct, immediate impact	Exaggerated expectations that cannot be met
	Institution-transforming outcome	More legitimate and effective processes, rules or mechanisms for improving security, justice, and jobs	Direct, short to medium-term impact	Backlash by some groups that benefit from status quo
Developmental outcomes		Reduced poverty, improved health and education (among others)	Indirect, depends on targeting and institutional reforms	Benefits may exacerbate conflict if they are concentrated in one group, or lead to competition between local rivals

In communities where there is a strong need to rebuild social cohesion and community trust, it may be more important to emphasize an inclusive process of deliberation on community needs, a fair process of negotiating priorities, and a transparent and accountable process of project implementation. The goal is to help the community benefit from having identified and implemented development activities cooperatively. In these cases, the actual deliverable—whether it be community infrastructure or a livelihoods initiative—may be less important than the way the project is delivered and who it targets. In communities where conflict has destroyed or delayed infrastructure and economic opportunities, in the short term, building infrastructure that will support

the local economy may be more urgent than improving institutional capacity and social capital. A flexible approach is crucial so that projects are based on good understanding of the community context and needs, as well as local capacity to achieve developmental and transformative outcomes.

One of the most common assumptions of development policymakers and planners is that sustained economic development over the long term will eventually have a transformative effect and help to reduce violence and improve stability. This theory assumes that development outcomes and transformative outcomes will become mutually reinforcing over the long term, and effectively blur the distinction.

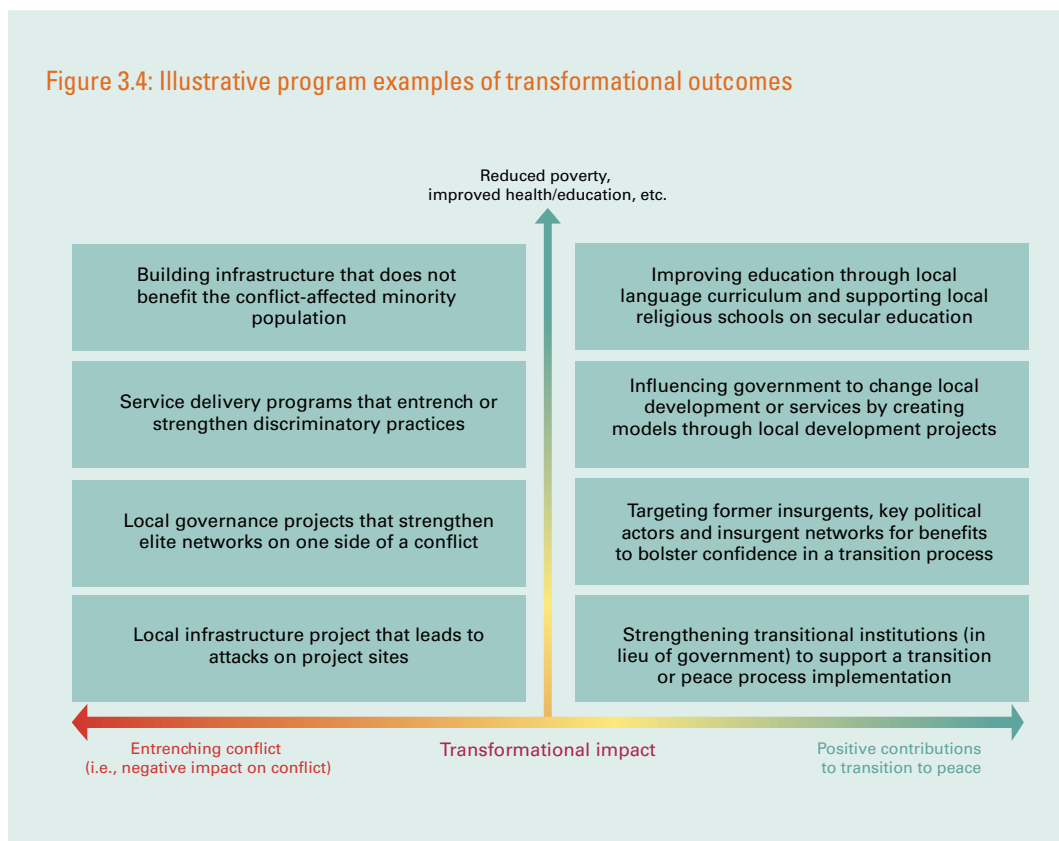
Figure 3.3 : Distinguishing between developmental and transformational outcomes



While development outcomes are important to improve local conditions, they are not adequate to end the conflict and/or improve conflict management. While economic growth is inherently positive, the way in which it is shaped by local and national political dynamics makes it imperative to take a closer look. These dynamics influence how growth is perceived by minority populations in subnational conflict areas. In particular, uneven growth risks exacerbating the perceptions of inequality that fuel subnational conflict. It is important to recognize the politicized nature of subnational conflict dynamics. There is a risk that development agencies prioritize

issues that rest most comfortably with their economically-focused remit, and in the process, draw attention away from highly relevant but controversial issues such as access to justice, security policy, or the political and cultural marginalization of minorities. It is important to recognize that aid providers, foreign intermediaries, and embassies are limited by sovereignty considerations, and generally engage in self-limiting behaviors to avoid friction with the host government. Donors may avoid controversial issues because they are uncomfortable working outside the safe space of poverty reduction.

Figure 3.4: Illustrative program examples of transformational outcomes



It is essential for development agencies to determine whether their programs are having a net positive or negative impact on a transition to peace. Figure 3.3 and 3.4 illustrate how aid programs can be found along a continuum of influence on conflict dynamics (i.e., transformational impact). Projects which are solely focused on developmental outcomes, without paying attention to their impact on conflict dynamics, might unintentionally exacerbate the conflict situation (left quadrant). Conflict-sensitive programs will be designed to minimize any negative effect on conflict, allowing for delivery of development outcomes in conflict areas without exacerbating local tensions. Development projects which contribute to transformation (by strengthening confidence and/or transforming institutions) are found in the right quadrant. Figure 3.4 provides illustrative examples of typical programs implemented in subnational conflict areas, and where they would fall on the continuum.

If development projects are going to help conflict-affected communities to become stable and well-governed areas, then they must help to restore confidence and transform institutions. However, if projects have the opposite (or neutral) effect, then they may be extending or strengthening the conflict. The critical issue for development agencies is to understand what impact their projects are having on the complex, overlapping levels of contestation, and ensure that their programs are pushing in the right direction.



4. Aid Practices and Trends in Subnational Conflict Areas

Aid agencies concerned about peace-building focus mainly on fragile and heavily conflict-affected states. Subnational conflicts present a very different set of needs and challenges that have important implications for program interventions. Since subnational conflicts are often found in middle-income environments and in relatively strong states, donors do not have the level of influence or independence that is typical for fragile states or donor-dependent governments. Countries affected by subnational conflict are rarely economically dependent on foreign aid flows. Unlike countries recovering from major crises such as Cambodia, Bosnia, or Sierra Leone, foreign actors are rarely in a position to influence key political decisions or shape governance in the conflict-affected areas.

Even if high-profile conflicts and fragile states have taken the bulk of donors' attention, some subnational conflicts in Asia have been addressed through a range of aid initiatives. Increased concern over conflict has changed aid agency practice globally, affecting implementation in these lower-profile situations too. This chapter describes the patterns of aid provision to subnational conflict areas in Asia. The overview presented in this chapter provides a basis for Chapter 5, which asks why certain patterns of funding and donor behavior emerge, and explores the incentives and challenges that shape foreign assistance to subnational conflict areas.

The data presented in Chapters 4 and 5 are drawn from three sources. First, the data on official development assistance funding levels are based on donors reporting to the Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD DAC).¹⁰⁶ The research team systematically filtered the data to isolate projects that were specifically targeted at subnational conflict areas or were addressing issues related to a conflict. Second, some of the findings are drawn from the three case studies of subnational conflicts in Aceh, Mindanao and southern Thailand on which this main report is based.

This chapter also presents an analysis of the challenges associated with tracking aid at the subnational level. It draws on the research team's experience utilizing both cross-national aid data, as well efforts to systematically reconstruct aid flows using data gleaned from donors and government coordinating agencies in southern Thailand and Mindanao.¹⁰⁷

The research team also conducted a review of 30 large-scale projects in subnational conflict areas across Asia that focused on how these projects respond to conflict dynamics. The projects selected for this assessment fall into three categories:¹⁰⁸

- *Invitation to support the peace process*—17 projects were selected from subnational conflict areas during formal peace processes. For these projects, the international community was invited to provide support. Projects were sampled from Aceh (2005-08), Sri Lanka (2003-06), Bougainville (2001-04), Chittagong Hill Tracts (2001-10) and Mindanao (2001-10);
- *No peace process, tightly controlled access*—10 projects were selected from subnational conflict areas where there was no formal peace process, and the recipient government tightly restricted aid programs to these areas, including Assam, Kashmir, Baluchistan, Punjab, Papua, Tripura, and Mizoram;
- *National peace process*—3 projects were selected from subnational conflict areas in Nepal, where a national peace process has been underway since 2006.

4.1 Tracking aid flows to subnational conflict areas: challenges and gaps

International aid flows are not systematically mapped to subnational areas and, as a result, it is extremely difficult to tell precisely how much aid was spent in a subnational conflict area. International donors generally allocate and report aid spending on a country level. As a result, all of the systems for tracking aid flows are organized around the country level. Since donor agency reporting requirements rarely include tracking aid flows to subnational areas, most implementing agencies and beneficiary governments do not have systems to track expenditures or budgets at the subnational level.

It is possible, however, to estimate the level of aid allocations for projects that specifically target a subnational conflict area or issues directly related to the conflict. This requires that the donor specifies that a project is intended for the subnational conflict area only. It is quite common for donors to target conflict areas with special projects, which makes tracking aid to these areas possible, albeit time consuming and resource intensive.

There are further complications in tracking aid flows to subnational conflict areas. The majority of aid programs are designed to provide benefits to targeted populations around the country, or to strengthen the central government's efforts to deliver services or expand development. For these national-level programs, it is extremely difficult to determine the percentage of

program funds that are delivered in subnational conflict areas. As a result, estimates of aid to subnational conflict areas, or aid that addresses issues that are directly related to the conflict, are bound to be underestimated due to these critical gaps.

There are major limitations in beneficiary government tracking of aid flows, and limited capacity among donor organizations to reconstruct aid expenditures. The project team attempted a ‘bottom up’ mapping of aid flows in Thailand and the Philippines by acquiring data on individual projects from donors and government agencies.¹⁰⁹ In Mindanao, the project team estimated that the government agency responsible for coordinating aid to the conflict area, the Mindanao Development Authority (MinDA), had data on only about 10% of total foreign development projects. And of this subset, it only had local-level aid spending data from one series of USAID projects for which MinDA had formal oversight (and therefore, access to project proposals and completion reports). The project team found that while the World Bank and the Asian Development Bank were able to provide details at the municipal level on total spending by a given project, they were unable to provide year-on-year spending. Most donors do not have the systems in place to provide even total spending, much less annual disbursements. In Thailand, a case with relatively little foreign development assistance, the project team found that while the cognizant government agency (Southern Border Provinces Administrative Centre or SBPAC) tracked the sub-districts in which foreign projects were active, its

records were in some cases inaccurate, and did not track spending. Moreover, some types of foreign assistance, including counterpart funding, were not systematically tracked by the government.

Donor reporting to OECD DAC has many inconsistencies that have made the process of filtering for projects in subnational conflict areas challenging and subject to interpretation. For example, many of the aid projects reported to OECD DAC do not clearly specify the intended beneficiary population, sector or activities, making it difficult for the project team to determine whether the project was specific to the subnational conflict.¹¹⁰

Despite these challenges, the project team managed to compile an extensive dataset based on a highly-robust and consistent process. This is a useful, rough approximation of aid flows to subnational conflict areas, and the aid flow data presented in the following sections are based on this dataset.

4.2 Overview of overseas development assistance (ODA) funding to subnational conflict areas

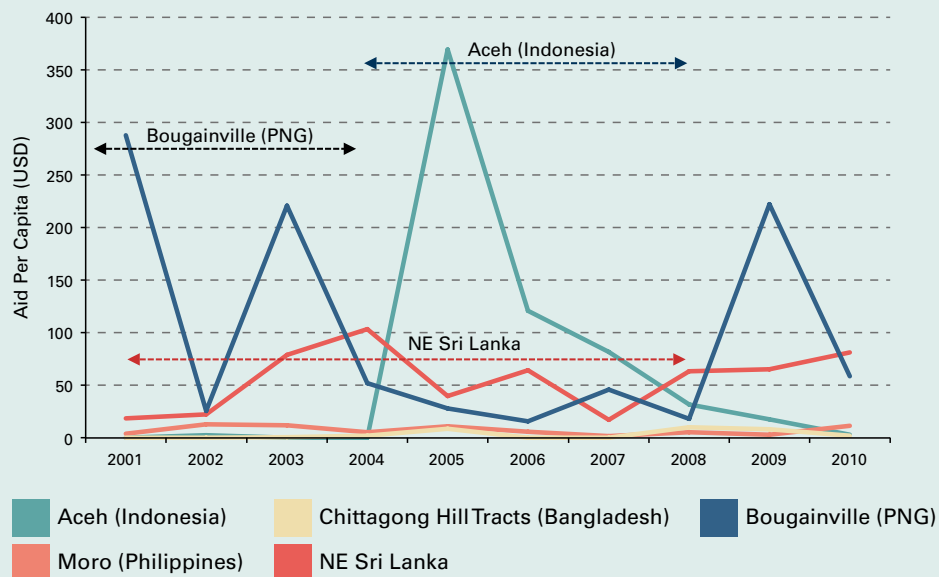
Most subnational conflict areas have very low levels of foreign aid. In many cases, aid agencies provide no aid—or minute quantities of aid—to subnational conflict areas. For example, conflict areas in north-east India and Myanmar/Burma received very limited attention from foreign aid agencies between 2001 and 2010. Aceh received very little aid for most of the conflict period as a result of government reluctance to allow international access to the area. Aid funds directed to the conflict-affected areas in southern Thailand from 2007 to 2012—around US\$ 8 million annually—were financially insignificant when compared with government budgets for the area.¹¹¹

In terms of aid funding per capita, subnational conflict areas are generally below the national average, except during major peace processes. For the 26 subnational conflict areas, the average aid per capita is US\$ 12.30 annually, which is well below the average at the national level for the region (US\$ 82). Only in 3 of 26 subnational conflict areas does per capita aid to the area outstrip national averages (Figure 4.1).¹¹²

Table 4.2: Aid funding per capita (2001-10)¹¹³

Conflict	Country	Conflict Area (USD per capita)	National (USD per capita)
Chitt. Hill Tracts	Bangladesh	3.2	21
Assam/Bodo	India	2.2	8
Kashmir	India	3.8	8
Manipur	India	0.6	8
Mizoram	India	11.2	8
Nagaland	India	0.3	8
Tripura	India	2.9	8
Punjab	India	1.7	8
Aceh	Indonesia	62.7	26
Papua	Indonesia	17.0	26
Chin	Myanmar	0.8	5
Mon	Myanmar	0.0	5
Kachin	Myanmar	0.2	5
Karen	Myanmar	0.1	5
Karenni	Myanmar	0.5	5
Rakhine	Myanmar	0.5	5
Shan	Myanmar	0.5	5
Moro	Philippines	7.3	25
Terai/Eastern Nepal	Nepal	1.9	31
Balochistan	Pakistan	12.5	42
Bougainville	Papua N.G.	97.5	103
NE Sri Lanka	Sri Lanka	55.5	23
Southern Thailand	Thailand	0.9	13

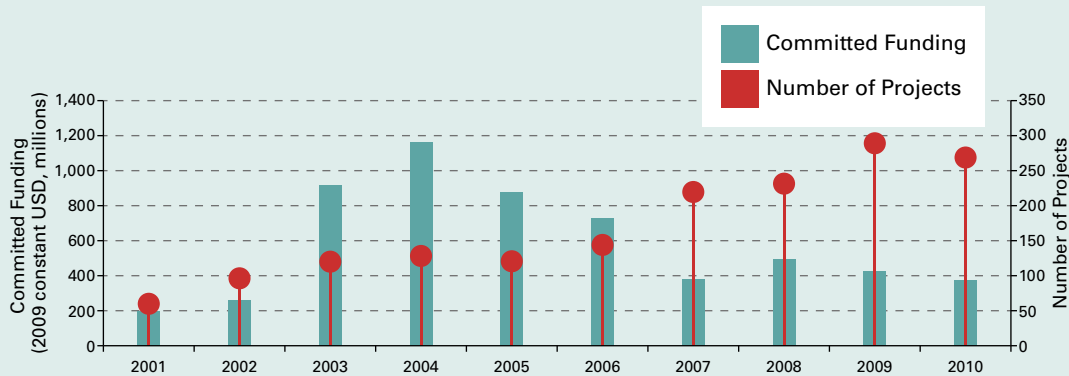
Figure 4.1: Aid per capita during peace processes (excl. tsunami aid)



During peace processes, the aid funding per capita tends to equal or exceed the national average in aid per capita. For example, in Aceh and northeast Sri Lanka, the level of aid per capita exceeded the national average. Figure 4.1 shows how aid per capita increases dramatically around the time of a major peace process when the government gives an open invitation for international support. The arrows indicate the time when the peace process was ongoing. The data from Bougainville, Aceh, and Sri Lanka clearly indicate that aid per capita in the conflict area during a peace process is significantly higher than other periods. In Mindanao and the Chittagong Hill Tracts, the aid per capita has been low, despite ongoing peace processes. The data also indicate substantial volatility in aid flows during and after peace processes, a problem that has been linked to macroeconomic instability and negative growth.¹¹⁴

From 2001 to 2010, the international community provided US\$ 5.8 billion in assistance to subnational conflict areas in South and Southeast Asia. The highest levels of aid were from 2003 to 2006, primarily due to the large-scale programs supporting the Sri Lanka and Aceh peace process, and because of large, new, multi-lateral loans in Assam, Baluchistan, Kashmir, and West Papua. After a decline in 2007, annual funding levels stabilized at around US\$ 400 million per year.

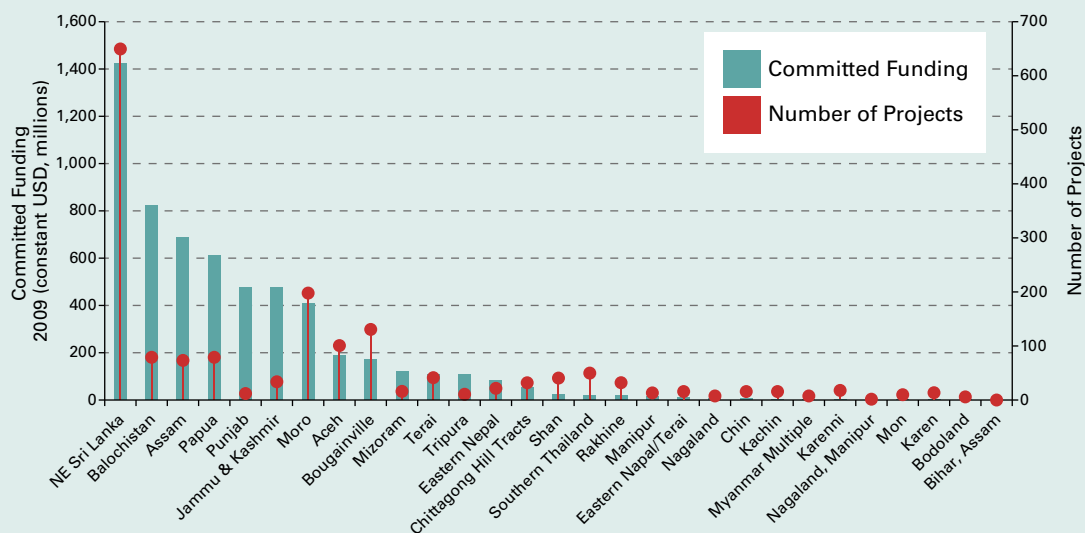
Figure 4.2: Annual ODA commitments to subnational conflict areas in Asia (excl. tsunami aid)



While levels of aid to subnational conflicts have not increased, the number of projects implemented in these areas more than quadrupled from 2001 to 2010. This increase was due to the rapid growth in the number of peace and conflict and governance programs working with civil society. These initiatives tend to have small budgets in comparison with other aid programs.

International aid funding to subnational conflict areas is concentrated in a small number of places. Figure 4.3 shows the distribution of aid funding and projects across subnational conflict areas in Asia for 2009. The nine largest recipients (out of 26) received 90% of international aid funds and 80% of projects. For 17 of 26 subnational conflict areas, international aid flows were extremely low, averaging less than US\$ 3.5 million per conflict area annually.

Figure 4.3: Aid levels by conflict area, 2001-10 (excl. tsunami aid)



Type of aid

The increase in small programs working on peace and governance indicates donors' growing acknowledgement of the issues of subnational conflict. Programs that directly address peace and conflict issues are the third largest sector in terms of funding levels (US\$ 675 million) but the highest by far in terms of the number of projects (561): see Figure 4.4.

Who provides Aid?

The largest donor to subnational conflict areas is the Asian Development Bank, with US\$ 2.17 billion in aid to Asian subnational conflict areas. This level is nearly equivalent to all bilateral donors combined (US\$ 2.2 billion). The World Bank's contribution is actually larger than the chart below indicates, because some of the funding managed through World Bank trust funds is included in bilateral donor contributions. Altogether, the two major development banks are programming at least 61% of all aid flows to subnational conflict areas in Asia.

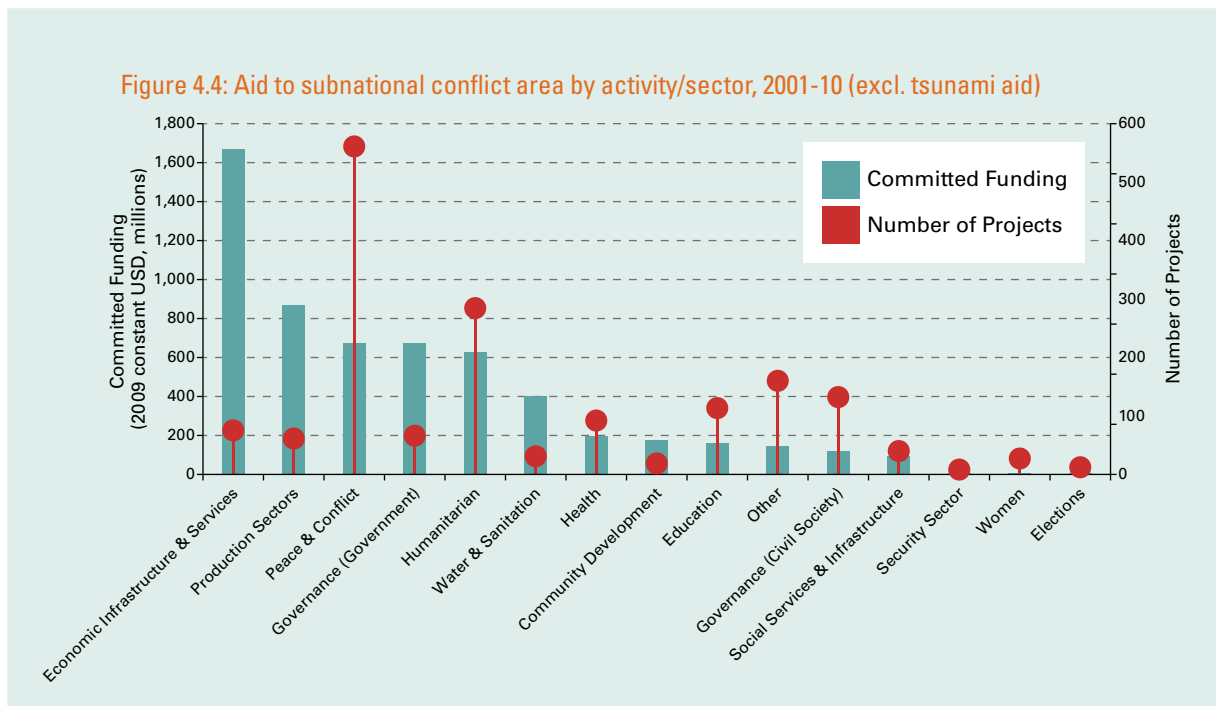
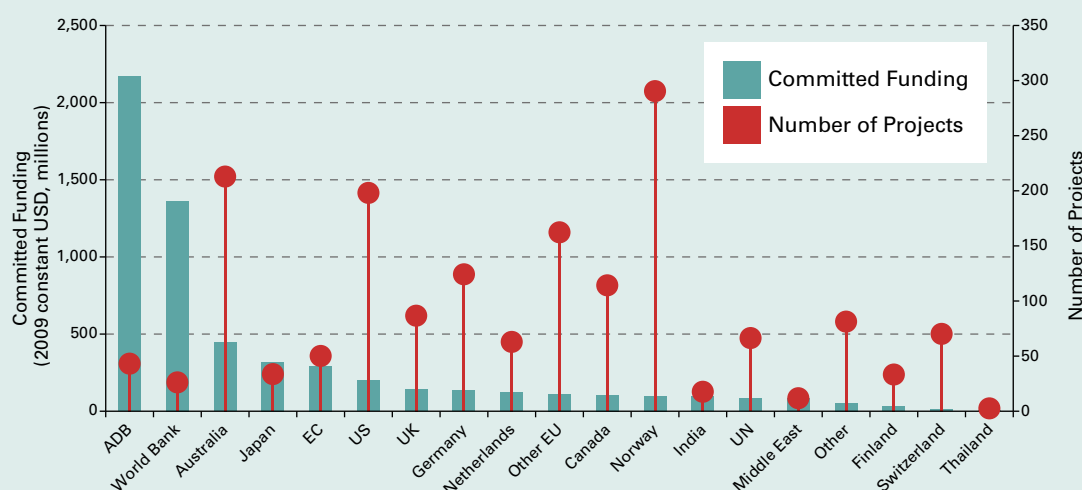


Figure 4.5: Aid funding levels to subnational conflict areas by donor, 2001-10
(excl. tsunami aid)



While data on non-OECD DAC donors are limited, it is clear that several Asian and Middle Eastern governments are significant donors to subnational conflict areas. Table 4.1 presents the five non-OECD DAC donors that have reported official development assistance programs to the OECD, specifying a subnational conflict area. India is by far the largest donor, with major contributions to conflict areas near

its borders, including the Terai (southern Nepal), Rakhine State in Myanmar/Burma, and northeast Sri Lanka. Saudi Arabia and the United Arab Emirates have made large contributions to subnational conflict areas. China is also a major actor in subnational conflict areas, particularly in Myanmar/Burma, though very little data are available on Chinese overseas development assistance programs.

Table 4.1: Non-OECD DAC donors (2001-10)

	Total funding (USD)	Total projects	Conflict areas	Largest recipient
India	90,994,385	17	Aceh, Sri Lanka, Rakhine, Terai	Terai (\$74.2 million)
Islamic Development Bank (ISDB)	2,586,434	8	Assam, Kashmir, Manipur, Mindanao, southern Thailand	Mindanao (\$1 million)
Saudi Arabia	35,342,833	2	Mindanao, Sri Lanka	Mindanao (\$21.5 million)
Thailand	522,664	2	Aceh	Aceh (\$523,000)
United Arab Emirates	40,885,869	1	Baluchistan	Baluchistan (\$41 million)

4.3 How the presence of a peace process influences aid flows

There are significant differences between aid programs in places where there is no formal peace process or political transition unfolding.¹¹⁵ Figures 4.6 and 4.7 compare aid funding levels between those subnational conflict areas with an active peace process and those that have no peace process.¹¹⁶ In areas with a peace process, the diversity of bilateral and multi-lateral donors involved is significant, with relatively similar funding levels from the top ten donors. In areas with no peace process, the vast majority (72%) of funding is provided by the multilateral development banks (i.e., the Asian Development Bank and World Bank). Major donors during peace processes, such as the United States, European Commission, Canada, and Norway, have extremely small programs in areas without a formal peace process.

There are also substantial differences in the types of aid provided to subnational conflict areas with and without peace processes. In areas with formal peace processes, the largest sector in terms of level of funding, is peace and conflict programming. This is not surprising, as one would expect significant aid to directly support the peace process. During periods without a formal peace process, peace and conflict programs are extremely small, with only US\$ 8.8 million annually for the entire region (or 2.1% of total aid). Without a formal peace process, 86% of funding supports economic development or service delivery programs, including 56% for economic infrastructure or production sectors.

Figure 4.6: Distribution of aid by donor to areas with and without peace processes

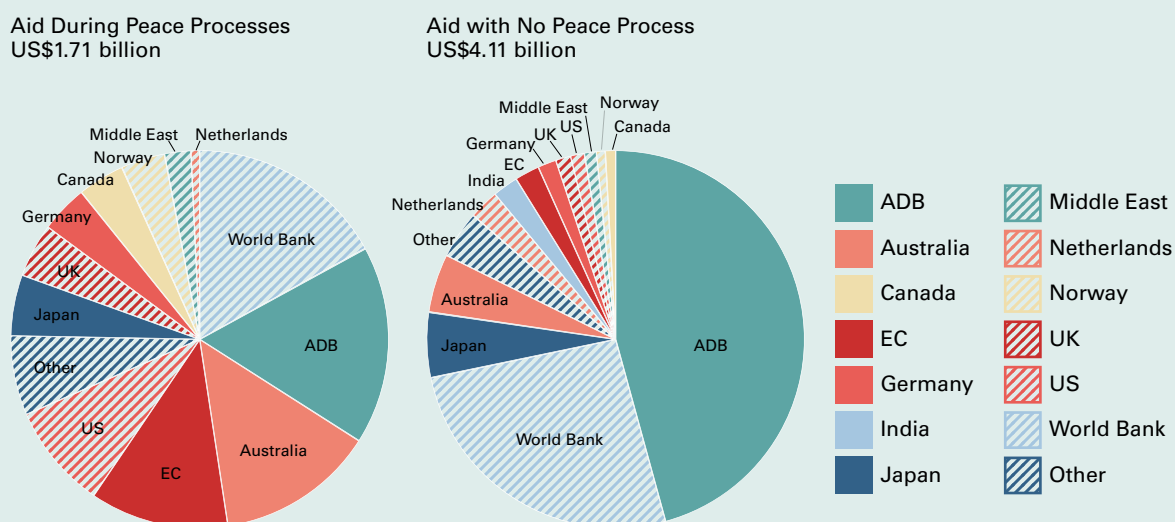
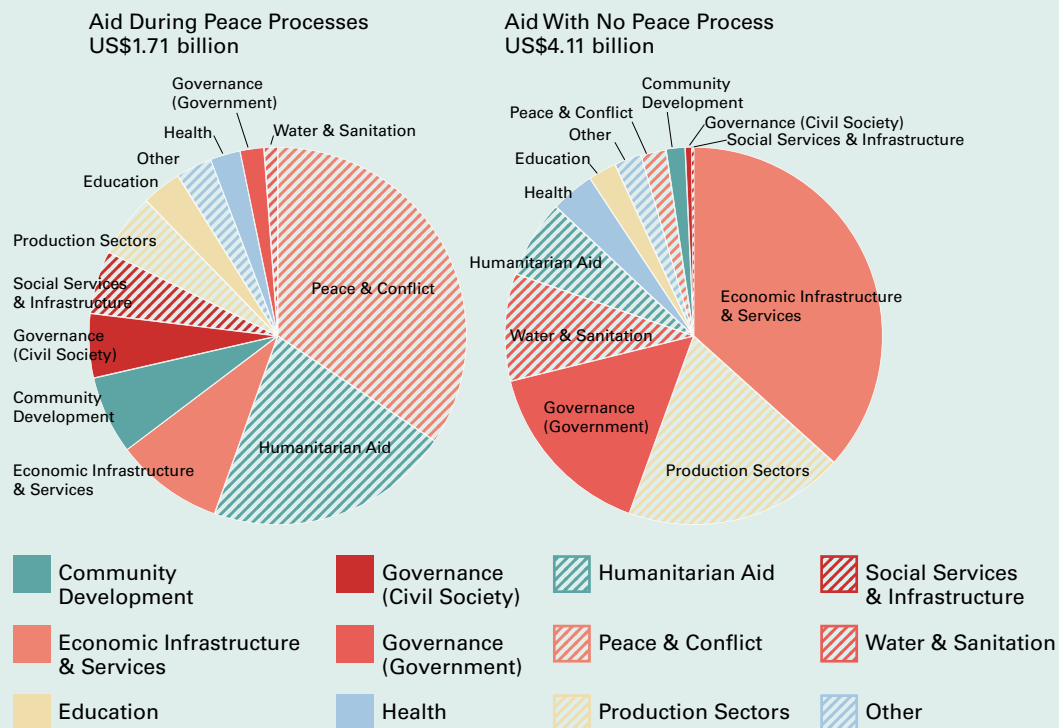


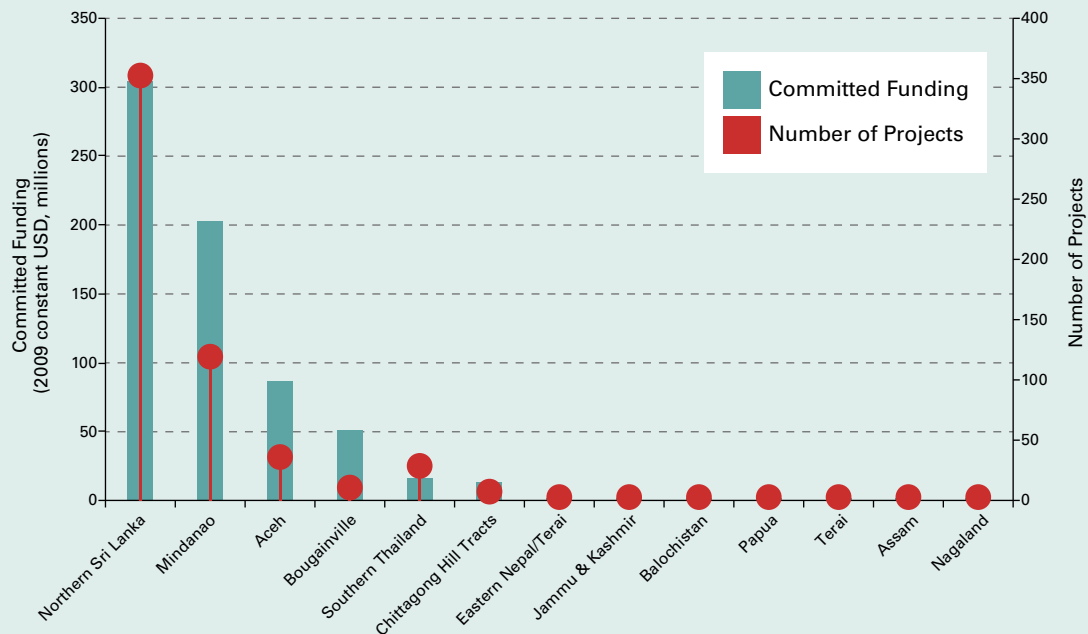
Figure 4.7: Distribution of aid by sector to areas with and without peace processes



Interviews with aid officials indicate that some large agencies do not significantly differentiate between a subnational conflict area and the rest of a country. For example, in parts of India, the government is reluctant to allow aid as it would increase international publicity about the conflict and the instability it causes. Lack of focus on peace and conflict may also result from donors' tendency to treat countries as single, uniform units.

Programs that focus on peace and conflict issues are almost exclusively in countries where there have been active peace negotiations and implementation of peace agreements. Figure 4.8 shows that levels of peace and conflict funding are almost entirely concentrated in six conflict areas—Sri Lanka, Mindanao (Moro), Aceh, Bougainville, southern Thailand, and the Chittagong Hill Tracts. Of these 6 conflict areas, 5 have had active formal peace processes that have received significant international support. Southern Thailand is the only case with identifiable levels of peace and conflict funding in the absence of a formal peace process, and even then the sums involved are very modest.¹¹⁷

Figure 4.8: Peace and conflict-related programs, 2001-10



In contrast, in subnational conflict areas without peace processes, aid programs tend to focus primarily on traditional areas of development assistance, particularly infrastructure, production sectors, strengthening government, and key services. Aid to areas with tight government control and no peace processes has mostly been large-scale projects, including Baluchistan (average US\$ 10.5 million per project), Tripura (US\$ 13.4 million per project), Papua (US\$ 7.8 million per project), and Punjab (\$US 52.8 million per project). In southern Thailand, where aid flows are limited, donors have funded a range of small-scale initiatives that often work with civil society as well as government partners and tend to promote changes in government policy.

In some cases, formal peace processes enable aid agencies to provide large sums

to support government policies. Large aid flows generally need government support, especially in middle-income countries, with relatively strong institutions. For example, donors pledged US\$ 4.5 billion for reconstruction in support of the unsuccessful Sri Lanka peace process in 2003.¹¹⁸ There and elsewhere, programs support specific elements of the peace process itself, including monitoring teams, assistance for victims and former combatants, and peace negotiations.

The vast majority of donor aid to subnational conflict areas without a peace process in progress is 'business-as-usual' for donors. Business-as-usual means that aid programs are primarily focusing on traditional development assistance sectors and approaches, with minimal attention to the key issues that drive or prolong the

conflict (particularly in the approaches to targeting, distribution, and partnership with government). The departments within the donor agencies that are implementing programs in these conflict areas are often working through mechanisms and on sectors that allow them to largely ‘work around’ conflict.¹¹⁹

These findings also illustrate the extent of government control over aid to subnational conflict areas without a peace process. The vast majority of aid delivered in these areas is delivered through multi-lateral loans, channeled through government, and exclusively promoting economic growth, government strengthening, and/or service delivery. These characteristics indicate that, in the absence of a peace settlement, governments are often willing to allow large aid programs in the subnational conflict areas, but only if they are either a) channeled through government, or b) working on politically innocuous sectors, or c) are strengthening government capacity to deliver services or improve administration. This encompasses a wide range of relatively conventional development programs—infrastructure, service provision, scholarships, and so on—but rarely addresses the transformational needs of subnational conflict areas that were explained in earlier chapters of this report. The extremely low levels of programming in sectors that are more politically sensitive—especially peace promotion and related governance issues—indicate that governments are carefully managing the types of aid as well as the donors that are allowed to work in subnational conflict areas.

4.4 Improving aid tracking

In cases where aid is targeted to a conflict area, it is important to track aid flows to these areas more closely than current practice and systems allow. There are two critical gaps for improving geographic tracking of aid. First, donor agencies and international reporting systems, such as OECD DAC, do not have the capability to track data below the national level. While tracking all aid to the provincial/state level may be excessively costly, it is much more feasible to implement systems for particular subnational regions with special circumstances such as conflict or humanitarian disasters. Not all donors keep clean datasets (and relevant meta-data) for each project, and frequent staff turnover makes it problematic to find and interpret data, especially for projects that have been completed and ceased operations. Second, reporting by recipient governments, implementing agencies, and local partners does not include disbursements to special geographic areas, like subnational conflict areas. Recognizing that some local organizations may already be overburdened by donor reporting requirements, it is critical for this reporting to balance the need for this additional data with the capacity of the implementing partner. As a result, provincial-level reporting may be the most feasible place to start, as opposed to more local levels (districts, communities). Some recent progress in geo-referencing aid projects, most notably at the World Bank, and AidData’s geo-referencing collaboration with USAID, could serve as a useful model for tracking aid to subnational conflict areas.

However, tracking aid to the local level may not be necessary in all cases. For some projects, tracking aid to the provincial, district or community levels is simply not relevant. For example, projects that provide training for teachers or health workers that work throughout a conflict area may benefit multiple communities (or even provinces). Programs that address key conflict-related issues may not be geographically tied to the conflict area. For example, programs to support education policy reforms to allow minority languages to be taught in public schools, or training of mediators to expand mediation services to rural populations, are not tied to a specific geographic area, and could plausibly benefit many regions of the country, in addition to the conflict area.¹²⁰

While acknowledging the limits and costs of local level tracking of aid, especially to the lowest administrative levels, it is striking that aid to a conflict area is not closely monitored. Without a clear picture of aid flows to the region, it is difficult to account for the aggregate impact of aid on the conflict, and the contribution of international actors to the peace process, and it is even more difficult to assess the impact of aid interventions in specific areas. This information may also be important for strengthening local actors' confidence in a peace process, and responding to accusations of foreign interference. This study found very few systematic efforts to closely monitor aid flows to subnational conflict areas as a whole. These are typically relatively-large areas (province/state, or multiple provinces) that could be feasibly tracked with relatively modest additional processes and systems.

While aid that is geographically tied should, in many cases, be rigorously tracked, this does not mean that it is necessary—or desirable—to emphasize geographically-tied aid over other kinds of interventions. An emphasis on greater tracking to local geographic levels may encourage projects to be geographically specific, and focused on the community or local level. The analysis of conflict in Chapter 3 indicates that in many cases, such as southern Thailand, the most critical issues to address may be at the higher levels, such as policy reforms in line ministries or security forces, or support for formal peace talks. Therefore, to address the wider institutional environment (which may be critical for transformation), there will always be a crucial need for aid that is not geographically tied.

Table 4.3: Overview of case study findings

	Key transformative needs	Donor response
Aceh (during transition)	Build and maintain confidence of former warring parties (including combatants) and strengthen/establish institutions for mediating between the center and the periphery	Programs helped to consolidate support and confidence in the peace process; support key transitional institutions that contributed to successful implementation of the MOU
Aceh (consolidation stage)	Institutional transformation at the local level to mediate inter-elite competition, and consolidate the peace process	Programs shifted to local institutions too late in the process; with very low funding levels remaining, the key area of contestation (inter-elite) is not addressed
Mindanao	Deepening confidence in political transition (especially among fragmented Moro elites), supporting local institutions to mediate local conflicts, and address unequal levels of development	Support for the peace process seems to be contributing, though overall confidence levels remain low among key actors Broad engagement at the community level still struggles to address core transformative issues on inter-elite contestation
Southern Thailand	Supporting incremental transformation through opening space for peace dialogues and key policy and governance improvements.	Small initiatives are bolstering local capacities for transformation, and slowly contributing to opening political space Very slow progress in transforming national institutions and mediating between the center and the periphery.

4.5 Case studies of Aceh, Mindanao and Southern Thailand

The three subnational conflict case studies of Aceh, southern Thailand and Mindanao present different contexts. Donor involvement also varies significantly between the three areas. This section

describes the key needs and the relevance of the donor response in each case, illustrating a mix of positive contributions, missed opportunities, unsupportable claims, and constraining factors.

Aceh

The 2005 peace agreement provided significant political and economic autonomy to Aceh, extending decentralization underway across Indonesia.¹²¹ Elements of the peace agreement, such as the demobilization of troops, disarmament of former rebel factions, and provision of financial support for former combatants and victims of conflict, all offered opportunities to build confidence in the process among key actors and groups. Important short-term measures included supporting these early steps and generating wider support through information campaigns.

Implementing these measures was achieved by establishing transitional government institutions, chiefly the BRA (Aceh Reintegration Board or Badan Reintegrasi Aceh), alongside ongoing peace negotiations and international monitoring. Over the longer term, a wider set of needs came to the fore. These included strengthening and transforming permanent local government institutions that not only needed to respond to demands for greater efficiency, accountability and justice but also had greatly expanded authority under the peace agreement. As trust between former rebel leaders and the government was established and consolidated through elections (won largely by former combatants or their affiliates), dominant peacebuilding issues in Aceh shifted to those of increasing inter-elite contestation and lack of trust in communities, including lower-level former combatants' lack of trust in Aceh's leaders. Addressing these issues requires the building of impartial and effective government

institutions that manage elite competition, deliver services and goods to Aceh's population, and support equitable growth.

In the early stages of the peace process, aid agencies were reluctant to antagonize the Government of Indonesia. Instead aid agencies were primarily concerned with maintaining the viability of their huge tsunami reconstruction programs in Aceh, and generally kept a low profile except where they were able to quietly support government policy. One exception was the European Union which offered assistance to amnestied political prisoners who were released following the peace agreement and, as a result, strengthened former insurgent leaders' confidence in the transition. This complemented other elements of European Union support that had already included backing for initial peace talks.¹²² Other aid agencies also backed initial confidence-building steps. In contrast, the far larger sums for post-tsunami reconstruction largely ignored ongoing conflict concerns in Aceh, and paid little attention to 'Do No Harm' methodologies or other conflict-sensitive approaches.

As the peace process unfolded, other donors and agencies also sought a role in the post-conflict program. Yet they had a relatively limited role in shaping national and local government strategies for post-conflict programming. Donors provided technical assistance and support programs backing the reintegration work of BRA and other peace support initiatives. But with government actions driven by the politics of the peace process, which understandably prioritized the immediate interests

of senior former insurgent and military leaders, there were limits on the degree to which technical support, information updates, and other analytic products led to evidence-based decision-making.

Over time, donors distanced themselves from the main government programs for reintegration that helped to build the support of former rebels for the peace process but did not address longer-term transformational needs. Some donors established institutional programs to support new local government structures. Others built up large community-based initiatives aiming at improved development outcomes and at cementing wider confidence in the peace process. International NGOs and some official aid agencies helped build the ability of civil society groups to promote accountability and democratic practice, while the European Union also backed election monitoring for a brief period (primarily in 2005-06). By 2012, these donor programs still remained focused on improved service delivery and local governance.

These approaches recognized the longer-term needs of Aceh's post-conflict transition, which increasingly revolved around the quality and representativeness of government institutions at all levels. However, much like earlier donor efforts to promote accountable reintegration programs rather than responding only to elite political bargains, they met with limited success. Some programs that, for example, worked to improve public expenditure and generate civil society demand for good governance, have had positive effects. But these achievements are very much at the margins.

Levels of donor funding are minute compared with local government budgets. As political power has consolidated in Aceh, there are few incentives for incumbent elites to transform institutions. In summary, while donors successfully supported some early steps in the peace process, their efforts to promote longer-term change may be a question of 'too little, too late.'

Mindanao

Mindanao has seen repeated peace processes that have achieved mixed results. A 1996 pact with the Moro National Liberation Front (MNLF) was labeled the "Final Peace Agreement" but is widely seen as a disappointment, given the combination of inconsistent national government policy and a total lack of political transformation in the Autonomous Region in Muslim Mindanao (ARMM). Similarly, the collapse of peace talks in 2008 between the government and the Moro Islamic Liberation Front (MILF) and subsequent escalation in violence and displacement was also seen as a failure at the time.

*With widespread cynicism among local elite leaders and the wider population, there is a pressing need to restore confidence in ongoing steps towards peace.*¹²³ At the central level, there is a need to promote consistent government policymaking and to demonstrate change in actual practice in Mindanao. Steps include prioritizing the political and security concerns of local citizens, reconstruction of infrastructure in conflict-affected areas, and making visible symbolic changes in how the government works. This would show a serious commitment to a peace process and to operating differently.

The environment for aid programs in Mindanao is remarkably different from Aceh and southern Thailand, where national governments have exerted much more control over the flow of aid funding. By contrast, Mindanao has seen consistently high levels of aid funding, with a proliferation of projects and aid organizations having a relatively free hand in designing initiatives.

Historically, the vast majority of aid funding to Mindanao focused on major infrastructure and was concentrated in areas unaffected by conflict. However, after the 1996 Final Peace Accord, and particularly from 2001 to 2010, more than 78% of aid to Mindanao (US\$ 318 million) has been justified on the basis of supporting peace. Programs in rural infrastructure, service delivery and community development have concentrated on conflict-affected areas and typically claim to promote peace by supporting institutional transformation.

However, closer analysis shows that these claims are often vague and aspirational. Projects backing local development initiatives often assume that improved socio-economic outputs will contribute to peace, while community programs often claim to support local stability. Most projects do not monitor their impact on conflict or on institutional transformation at the local level so it is hard to say whether these programs are, in practice, responding to conflict-related need.

Some key elements of both donor practice and the operating context hinder the capacity to respond to need. Aid agencies have supported a wide range of overlapping projects that address similar issues, with little success in coordinating their responses or in enabling domestic institutions to provide an overall structure to channel their inputs. They have also tended to support local-level initiatives that provide some assistance, yet are unlikely to stimulate the wider economic connectivity and stimulus needed to generate jobs and promote inward investment.

As the October 2012 Framework Agreement for the Bangsamoro (FAB) is implemented, there will be a need for steps to transform institutions by supporting transitional and permanent authorities in the conflict-affected area.¹²⁴ This will require building a broad-based constituency for peace in order to sustain the peace-building effort as many FAB provisions will need Congressional approval. For example, the Transitional Authority, to be set up in 2015, needs to exercise greater fiscal autonomy from the central government. However, this will only be possible if the Philippine Congress is willing to provide secure funding to the autonomous region, and the latter is able to generate its own resources too. Permanent local institutions need to improve their capacity to build on the outcomes of peace negotiations and to operate effectively.

Southern Thailand

There is an ongoing need to encourage policy change to enable the highly-centralized Thai state to respond to the needs and demands of conflict actors and the wider population in southern Thailand. Efforts to promote dialogue between the government and insurgent representatives have established a potential basis for progress towards peace but as of June 2013 had not yet reached any significant milestones. While there is increasing political space for meaningful transformation in the relationship between the Thai state and its conflict-affected southern provinces, the prospects for a viable and sustainable solution are still unclear.


The main source of violence is state-minority contestation, with the area's local population remaining politically, economically and culturally marginalized at the national level. In addition to changes in the practices and policies of central government ministries (for example addressing critical issues such as language policy), there is a need for enhanced local self-governance through some form of devolution or autonomy within the Thai state. Without these measures, it is hard to see how people in southern Thailand will become more confident in government institutions.

Low levels of international influence and relatively strong national institutions point towards a need for domestically-defined solutions. There is a need for stronger promotion of national policy change with regard to peace that would underpin a

political negotiation process and generate debate over options for governing southern Thailand differently. Civil society groups at both an elite and a community level can play a role in this, alongside the news media, think-tanks, research bodies, and government agencies. The promotion of externally-generated ideas in support of a potential peace process may be counterproductive, given acute concern over external interference. External support for government programs also needs careful consideration, given mixed signals from the government regarding its willingness to undertake meaningful reforms.

In southern Thailand there is limited aid agency involvement, as was the case in Aceh before 2005. Even so, donors have been able to back small, domestic initiatives promoting reforms across a range of fields. Some initiatives have supported policy experiments and proposals on critical issues. These include the use of the Malay language alongside Thai in the public education system, as well as wider debate over options for more empowered local government in southern Thailand. Aid agencies have worked indirectly to find entry points, supporting domestic institutions and maintaining a low profile.

International support from agencies such as UNICEF and the World Bank is carefully brokered with Thai government officials. Involvement takes time and effort, with small pilots followed by larger initiatives, and funding to civil society bodies or research institutes provided alongside engagement with state institutions. Aid agencies recognize the need to work at the




national level as well as in southern Thailand. Efforts to link local leaders and civil society groups with national policy makers have involved support for peacemaking networks and news media initiatives.

Aid agency initiatives have small budgets—typically a few hundred thousand dollars annually. These aid budgets are insignificant when compared with Thai government or private sector budgets. Their significance lies in their ability to bolster domestic efforts to promote solutions to the conflict rather than achieving change through resource transfers.

Aid agencies also have to consider a range of practical constraints. In addition to respecting government restrictions on their actions, aid agencies may need to find resources from other donors and make the case for allocating funds to address a conflict in a middle-income country, and also keep a low profile while doing so. In addition, donors need to find viable delivery mechanisms—a major limitation given challenges in trying to work with the government; restrictions on offices in southern Thailand; a lack of alternative, non-governmental channels; and the importance of supporting domestic institutional capacities for transformation.

While donors have increasingly been able to support small-scale, incremental measures promoting transformation in southern Thailand, large-scale aid funding to Thailand as a whole has paid little attention to the conflict and is concentrated on support for infrastructure, including rapid transit systems, bridges and power stations in Bangkok and its surrounding provinces. Overall aid funding for southern Thailand amounts to only around 1% of aid flows to Thailand, while far larger sums of concessional assistance continue to back political and economic concentration in the capital city.





5. Understanding the Patterns of Aid Provision

Building on Chapter 4, the research team used the analytical framework for conflict dynamics to assess whether aid programs were focusing on the most important actors and institutions, and at the most important level. In addition, the analysis tried to determine whether current aid projects are explicitly focusing on restoring confidence and transforming institutions in ways that will contribute meaningfully to conflict resolution.

It is important to recognize the challenges that aid agencies face. Interviews with donor representatives and government officials provided valuable material on the constraints, strategies and tactics that shape aid flows. Donors must work within the parameters of national sovereignty of the recipient country, which has important implications for the nature and scale of aid to subnational conflict areas. Efforts to remain neutral (between conflict actors), a common recommendation in conflict environments, will often bring aid agencies directly into disagreement with recipient governments. Donors also frequently operate with extremely limited data on local conditions in conflict areas, including basic socio-economic statistics and information on trends in violence. Without this information, it is extremely difficult to assess local conditions, design programs, and measure progress. Other important considerations explored in this chapter include the difficulty for aid agencies to

engage in the absence of an active peace process, the practical barriers created by aid agency regulations and procedures, and the difficulty in improving conflict conditions through community-based approaches.

There are many ways that aid programs can make a positive contribution in subnational conflict areas. The difficulties experienced by aid agencies that are documented in this chapter do not mean that donor efforts to support peace in subnational conflicts are impossible to carry out or inevitably counterproductive. There are many examples where aid agencies have found space to maneuver or responded to openings available. Although constraints exist, aid programs can, in many cases, focus on restoring confidence or transforming key institutions as well as on specific components of a peace process such as negotiations or demobilizing armed groups.

5.1 How does foreign aid function during different phases of a transition process?

Programs in areas with no peace process

With a few rare exceptions, donor projects in areas with no peace process and tight government control, do not address conflict or even acknowledge the presence of conflict. The project team conducted an in-depth analysis of 10 foreign aid projects in subnational conflict areas with no peace process, including projects in Assam, Kashmir, Baluchistan, Punjab, Papua, Tripura, and Mizoram. The southern Thailand case study also provided relevant project examples. Of the 10 projects reviewed, none claimed to address conflict in any way. Only two projects acknowledged the presence of conflict in the publicly-available project documents, and this was primarily in the discussion of the local context, which was relatively generic and descriptive, and did not include any local political economy and conflict analysis. All of these projects were focused on infrastructure, production sectors, or strengthening the capacity of government in the conflict area. The monitoring and evaluation of these projects focused entirely on developmental outcomes, with none of the projects monitoring conflict levels or institutional changes relevant for resolving the conflict.

Some elements of these projects address issues that have the potential to yield transformative impacts, including decentralization and improving service delivery. But a review of project documents suggests that conflict issues are not explicitly and consciously addressed,

resulting in lost opportunities to make headway. Many of these projects have addressed institutional issues that could help to support a transition to peace, though it is unclear from the project reports whether this has been an explicit aim. For example, the Baluchistan Resource Management Program, funded by the Asian Development Bank, has supported expanded decentralization to the provincial level, and also a more responsive and open provincial government. Similarly, the World Bank-funded Punjab Rural Water Supply and Sanitation project has focused on improving delivery of key services to the rural population. However, the project documentation does not suggest that conflict-sensitive methods were an explicit focus or consideration.

Programs during peace processes

Without an invitation from potential recipient governments to support peace efforts, aid agencies do not focus on conflict issues and avoid programming in conflict areas. Where no peace process exists, aid flows to subnational conflict areas typically follow conventional development approaches that are widely used in non-conflict environments. Under these circumstances, donor programs to the conflict areas tend to resemble ‘business-as-usual’ development programs. These programs usually pay little or no attention to the structural causes of conflict. As a result, they risk reproducing rather than tackling the grievances, inequalities and governance problems that sustain subnational conflicts.

Importantly, where a transition towards peace is under way, engagement is often easier. Donor countries may be able to build, rather than damage, diplomatic relations by supporting peacebuilding objectives. This, for example, has been the case in Aceh and in Mindanao.

For donor projects in areas with active peace processes and open invitations from government, all projects included in the review claimed to be supporting the peace process, though some were more direct than others. For example, in Mindanao, every project in the review claimed to be supporting peace in some way, and the majority of the projects cited peace and conflict as the primary or secondary rationale for the project. In Sri Lanka, Bougainville, and the Chittagong Hill Tracts, all six projects claimed to be addressing conflict. In Nepal (where a national peace process is being implemented), the results were mixed with only one of three projects claiming to directly address conflict, including monitoring of local conflict conditions.

Donor projects operating in areas where a peace process is ongoing often justify traditional programs on the basis of 'peace dividends' or vague notions of confidence building through economic growth, which are not underpinned by a plausible causal model. In most cases, the focus on conflict was justified on the basis that "peace was a pre-requisite for economic growth," or that the project would contribute to confidence building through economic development. In Mindanao, for example, most of these projects are working primarily on development activities and outputs.

For most donors, poverty reduction is the overarching objective of the different donor agencies, whereby promoting peace and stability in Mindanao is seen as a critical aspect for achieving this goal. In Sri Lanka and Bougainville, all four projects (Japanese government and ADB-funded) were supporting infrastructure or livelihoods on the basis of conflict rehabilitation. In these projects, most theories of change statements include an assertion that improved economic outcomes or improved service delivery will contribute to peace building, without any explanation of causality for this claim.

Those projects claiming to affect conflict rarely monitor conflict or key transformative changes. Very few projects actually monitor transformative outcomes or conflict in a systematic way, making it extremely difficult to verify these claims of transformative impact. In Mindanao, nearly 80% of aid to the subnational conflict area has been justified on the basis of supporting peace. Yet many of these interventions do not adequately explain how they are likely to do so. A review of 10 large aid projects in Mindanao found that although they all listed peacebuilding as an objective, only 4 of them monitored any kind of transformational impact and none of them monitored their impact on levels of violence. Justifications are generally based on untested expectations that poverty reduction will improve conflict conditions. While efforts to tackle poverty may be worthwhile, and some subnational conflicts do affect groups of very poor people, it is too convenient to claim that improved services or livelihoods will inevitably reduce conflict. In some

cases, such assistance can intensify local violence.¹²⁵ Closer analysis of the dynamics of conflict is needed before these claims can be made.

Of the four projects that measure transformative outcomes—primarily through surveys of community-level social capital and institutions—the level of rigor is mixed. Only one of the projects, the World Bank’s KALAH-CIDSS, has developed a strong evidence base to indicate impact on key measures of social capital and transformation of community-level institutions. Similarly in Aceh, only one project focused on reintegration (also World Bank) had a rigorous impact evaluation. In Sri Lanka, there are two good examples of monitoring transformative factors. The ADB-supported Conflict Affected Area Rehabilitation Project monitored violence levels and key transformative changes (e.g., reduction of inter-group disputes), and the World Bank’s Northeast Housing Reconstruction Program used ongoing social impact assessment to monitor whether benefits reached conflict-affected minority populations. In the vast majority of cases, however, project monitoring is exclusively focused on developmental impact.

5.2 Aid policy and practice: explaining why these patterns emerge

Donors engaging in subnational conflict areas encounter a broad range of constraints that limit their impact. Bold statements over the capacity of aid in its current form to contribute to peace require careful qualification. This section describes the three primary reasons behind the patterns of aid provision to subnational conflict areas (See Figure 5.1).

Recipient government interests

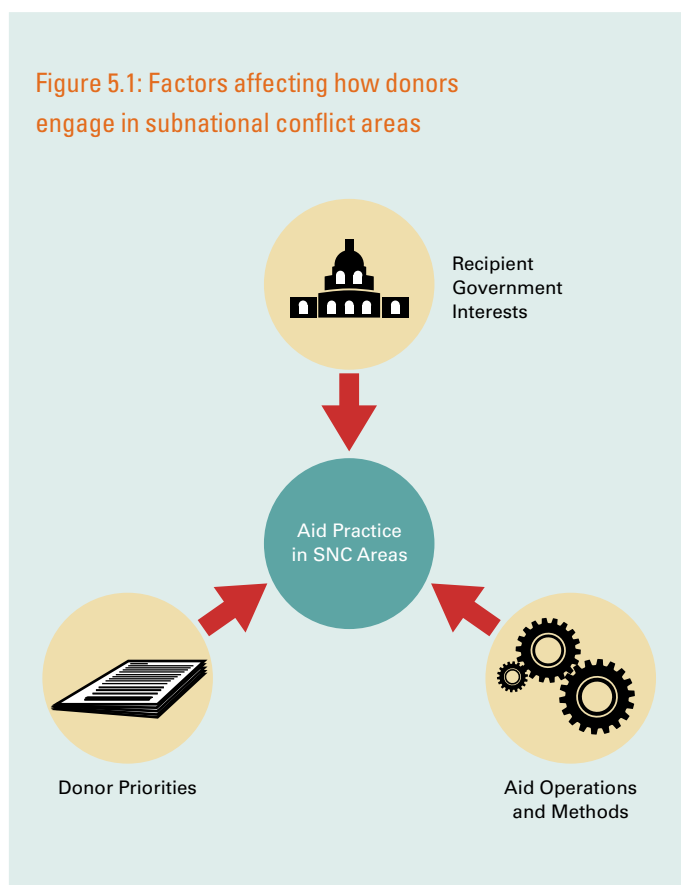
Aid agencies need to respect domestic sovereignty. Subnational conflicts often raise issues that are highly-sensitive for government, particularly concerning national identity, legitimacy, the role of security forces, and territorial integrity. Insurgents or others opposing the state may turn to foreign bodies for support, further raising government concerns over external interference.

It is accepted practice by international donors to follow the lead of the national government. The principles of aid effectiveness on ‘ownership’ and ‘alignment,’ as stated in the Paris Declaration and the Accra Agenda for Action, focus on the need for donors to support government priorities.¹²⁶ In the three country cases, recipient governments have requested foreign assistance to support their policies for subnational conflict areas, though to widely varying degrees. Donor governments helped fund the 2005 Aceh peace process and acted as an external check on domestic actors in alignment with Government of Indonesia

aims. In Mindanao, aid agencies have more freedom to operate, while in Thailand the government limits aid agency involvement to specific fields that are considered in keeping with government policy objectives.

variety of government institutions, including line ministries, special agencies and working groups, security-sector actors, and executive and legislative bodies and actors, and regularly negotiate with a complex and rapidly changing array of government counterparts. This requires strong institutional knowledge.

Figure 5.1: Factors affecting how donors engage in subnational conflict areas



The need to build a close relationship with the recipient government may limit donors' scope to consult with representative or proxy intermediaries that are close to anti-state conflict actors. As a result, donors may struggle to consider the views of all parties to the conflict and, in doing so, risk losing their neutral status.

Historically, aid programs have tended to back central states in their existing form rather than promoting the transformations needed to resolve subnational conflicts. The need to build working relationships with domestic governments heavily shapes how

Donors often have to work hard to establish recipient government support, demonstrating their good will and fostering relationships with sympathetic counterparts. They may have to engage on several levels—for example, with central planning and aid management agencies, with line ministries, and with local government bodies. Governments, or even specific departments and agencies within a government, rarely have a consistent voice. Thus donors need to be knowledgeable and stay up to date on a

aid agencies act. Working with—and often through—government agencies risks further bolstering dysfunctional, sometimes predatory systems of governance that have played a role in sustaining subnational conflicts, and can lead to tense relationships with key local actors who resist the state. Historically, aid in subnational conflict areas has generally supported government programs that, while often contributing to rapid economic development and poverty reduction, have done little to reduce the

inequalities and injustices that exacerbate subnational conflict. In some cases, donor-funded projects have unwittingly contributed to subnational tensions.¹²⁷ However, it is important to note that this trend varies widely across countries and across time. In some cases, such as Mindanao, a number of donors have shifted from primarily working through the national government, to promoting transformation through a variety of mechanisms and partners.

Aid agencies frequently find it hard to support initiatives that are critical of government positions. In practice, aid agencies often avoid addressing critical aspects of subnational conflicts that do not fit the perspective of the recipient government. Since aid to subnational conflict areas usually represents only a small fraction of donors' assistance, donors are usually not willing to tackle sensitive issues that could damage their relationships with the national government, and possibly affect their overall national level grant or loan portfolios.

In Mindanao, for example, aid programs were generally designed to bolster attainment of the government's priority areas, as laid out in official development plans. In the process, most of the new assistance programs in the 2000s neglected the demands and political aspirations of ethnic minorities in the country. Much foreign aid, working in support of government policies and channeled through existing mechanisms, effectively still supports the status quo that generated conflict. Although some aid agencies have taken on

ambitious challenges, others tend to avoid difficult, yet vital, issues such as disputes over land rights, which are a major driver of conflict.¹²⁸

By working closely with institutions in the capital city, aid officials have less opportunity and incentive to visit the field, including the conflict area. This affects their prospects for building relationships with local actors, including active or former insurgent leaders. Aid agencies are strongly encouraged not to open offices in southern Thailand and donor representatives were repeatedly denied access to Aceh before 2005.

Many donors are aware of these challenges and try to find ways to work around them. Despite the challenges described here, donors have supported a range of innovative initiatives addressing subnational conflicts.¹²⁹ One tactic is to use a relatively large and uncontroversial program, with no direct emphasis on political contestation in the subnational conflict area, to create the space in which innovative pilot initiatives can be pursued. In Indonesia, the networks and political capital accrued through the World Bank's nationwide involvement in the Kecamatan Development Program and its successors, enabled smaller initiatives such as research, conflict monitoring, public information programs, and other efforts to support the peace process in Aceh.

Aid agencies also try to carefully select relationships with more sympathetic government departments, building on existing common ground. Donors in Thailand have found that specific sub-departments within

the Ministries of Education and Justice offer considerable scope to promote long-term adaptations to government policy in response to conflict tensions. Elsewhere, aid agencies try to back local organizations from a distance, keeping a low profile themselves. This aims to accomplish the dual aim of avoiding accusations of meddling in internal affairs of the recipient nation, while also ensuring that initiatives are locally embedded.

In this study's three cases, aid agencies trying concertedly to promote transformational policy changes and a negotiated solution to conflict, have damaged their relationship with the recipient government and generated adverse publicity. Some donor agencies and international NGOs in Sri Lanka and Nepal have been criticized for pushing for minority rights and for funding domestic NGOs that promote the same cause. In Sri Lanka, aid agencies were forced to end many funding programs, and in Nepal, donors' operational space has been partially curtailed.

Sensitivities mean that aid agencies do more analysis than they make public. Conflict issues are very sensitive and deeply political. With many aid agencies needing to maintain close relationships with recipient government agencies and avoid appearing to meddle in domestic political affairs, they tend to keep some analysis out of the public domain. This has several implications. First, when information cannot be made public, it limits the scope for donors, government and NGOs to learn from each other's efforts. Second, the process of designing a project is, in itself, a negotiated process.

Sovereign governments manage how external bodies operate in their country and influence aid agencies' efforts to promote peace. Since governments receiving foreign aid are themselves usually an actor in subnational conflicts, this creates serious constraints for aid agencies. Third, aid agencies may, in fact, be doing more than they declare openly. By finding quiet ways to operate that are acceptable to recipient governments and do not attract too much attention, donors may be able to work in challenging fields.

Donor priorities

Subnational conflicts are often marginal issues for bilateral relations. Donor governments and aid agencies may be committed to reducing subnational conflict in some cases, but in other cases, these aims have to compete with other concerns. Unless a conflict is a direct security threat to the donor country or rises up their policy agenda for some other reason, reducing conflict is typically a low priority. For example, Western donor agency staff and diplomats in Thailand have said informally that other foreign policy objectives, such as boosting trade ties, take priority and donor staff are instructed not to take any steps that might damage bilateral relationships.

Donors have conflicting motivations for providing aid. On the one hand, commitments to promote peace, tackle human rights abuses and protect vulnerable minorities often compel donors to address subnational conflicts. Reducing poverty and addressing the needs of the most marginalized may require active engagement in subnational

conflict areas where these issues are particularly pressing. On the other hand, donor governments usually have other priorities in these countries (for example, regional security, trade and investment interests) that can push the problem of subnational conflict to the margins of donors' concerns. Recipient governments are often sensitive to foreign involvement in highly-sensitive domestic fields and they tend to place clear limits on what donors can do to address subnational conflict. For donors, trying to address subnational conflicts can expend their political capital with the government, with potential negative consequences for the rest of their country program.

Strategic security concerns over instability and extremism can further complicate donor positions. If there are higher priority security issues that require a close partnership with the government, then donor governments are more likely to ignore the subnational conflict, or to interpret it through the framework of these other diplomatic and security priorities (e.g., counterterrorism cooperation). If the conflict area seems to be a wider security threat, then donor governments may use their full diplomatic leverage and extensive aid programs to actively promote a resolution to the conflict. Furthermore, vocal diaspora populations or campaigning groups can also change policies in donor countries, with major implications for aid programs. As a result, donor governments must make difficult choices, balancing competing interests, if they intend to work on the core political challenges that prolong subnational conflicts.

Subnational conflicts may only gain donors' attention if they become pressing issues at the national level. The conflict in Sri Lanka reached such a scale that it was seen as a brake on national economic growth and political reforms. The failed peace effort of 2003-2005 received major donor backing, with promises of billions of dollars of assistance. In Nepal, what was originally a subnational conflict led to a national crisis that gained the attention of many aid agencies.

The conflict in Mindanao presents an unusual contrast, with large aid flows despite its relatively peripheral status within the Philippines. This is partly a result of the unusually open government policy regarding foreign aid. It also reflects donors' concern about international Islamic extremism associated with a few small places in Mindanao, rather than donors' concern over the subnational conflict itself. Even then, aid flows that claim to build peace in the area amount to US\$ 40 million per year, or just over US\$ 7 a year for each person living in the conflict-affected area.

Peacebuilding can offer a justification for conventional aid programs that enable aid agencies to spend large sums. Incentives to transfer resources efficiently and generate new lending or grant-making opportunities encourage involvement in subnational conflict areas only when large funding opportunities arise, as may occur during a peace process. The largest projects in support of a peace process—or in some cases where no peace process exists—provide infrastructure. Examples include bridges in

Bougainville (Papua New Guinea), urban water supply in Baluchistan (Pakistan), and roads in Shan State in Myanmar/Burma. Claims that these programs help transform the dynamics that cause subnational conflicts are rarely spelt out in detail.

Programs designed specifically around peacebuilding such as reintegration initiatives for former combatants also tend towards a consensual approach that backs government efforts to turn rebels into productive citizens, rather than tackling the underlying causes of conflict. Where opportunities to address the causes of conflict do not exist, many agencies need to follow the recipient government's lead and thus have limited scope to define or even influence the peacebuilding agenda. Exceptions are likely to be small-scale initiatives such as those undertaken in southern Thailand.

One common practice is to obscure program intentions through vague terminology. Terms including 'peace through development', 'social capital', 'social cohesion', 'resilience', 'confidence-building' or 'trust' are often used with little explanation of how they apply to the specific dynamics of the subnational conflict. Examples are found in the three case studies, especially in Mindanao, where many large projects are justified as part of peace promotion.

Terms are often intentionally kept vague and uncontroversial in order to appeal to many different groups, demonstrating the need to broker interventions with government counterparts or even internally within the aid agency. In some cases, vagueness is

a deliberate strategy that reflects the need to manage political sensitivities. But in other cases, vagueness simply reflects an inadequate or poorly articulated theory of change. Unpacking these terms often reveals problems within peacebuilding approaches.

There is a risk that loosely-applied terms enable peacebuilding to become cosmetic, fulfilling institutional interests, yet having little impact. However, the language and discourse that aid agencies adopt can enable them to address subnational conflict by gaining political acceptance. For example, progress on negotiations over post-conflict initiatives in Mindanao was, on one occasion, blocked until the globally-recognized phrase 'Disarmament, Demobilisation and Reintegration' was dropped in favor of the less controversial words 'shared security and economic mainstreaming.'

Development agencies have become increasingly sophisticated in their analysis of subnational conflicts, and in some cases have invested significant resources in monitoring program impact. Despite this, in most projects across subnational conflict areas, there is little evidence that the impact of aid on conflict dynamics is being monitored in any significant way. Most large, aid-funded projects working in subnational conflict areas follow a common line by stating that development contributes to peace.¹³⁰ Project documents and donor strategies for interventions in subnational conflict areas rarely explain in any detail how peacebuilding interventions are likely to support a sustainable end to violence.

Aid operations and methods

Conflict-sensitive approaches are unevenly applied. Many large aid programs operating in subnational conflict areas, particularly national programs that include the subnational conflict area, do not reflect the years of global ‘Do No Harm’ experience.¹³¹ Despite many examples of well-intentioned aid projects that unwittingly exacerbated local tensions, conventional aid initiatives such as the post-tsunami reconstruction programs in Aceh from 2005 to 2012 paid little attention to the risk that they might fuel local violence.¹³² Aid agencies involved in the tsunami reconstruction effort pledged to ‘build Aceh back better’ but they paid little or no attention to conflict tensions and the ongoing peace process, until a later stage when the Indonesian Government invited some of them to support the peace process.

Aid provided at the national level often puts even less emphasis on subnational conflict dynamics, promoting development or poverty reduction without disaggregating the population into different ethnic groups or geographic areas. The relationship between the center and the periphery is a critical element of subnational conflict, and this has implications for aid agencies. For example, long-term foreign aid provision to the education sector in Thailand has not addressed the specific problems of southern Thailand. Issues including language of instruction, and the way in which the government has managed traditional religious schools, are key drivers of grievance in the area. By contrast, those agencies engaging directly on critical challenges in

southern Thailand demonstrate strong understanding of the underlying inequalities and tensions.

Donors over-rely on toolkits and generic conflict guidance, rather than deep local knowledge. Agencies that have successfully established interventions to promote transformation have tended not to rely on generic guidance or toolkits designed to promote peacebuilding interventions. Initiatives were planned at the national or local level in response to the specific context, rather than through the application of conflict sensitivity methodologies or other approaches. Few dedicated conflict specialists were employed. Instead, a small number of staff in key planning positions within aid agencies’ national or local offices developed understanding of the local political economy and dynamics of contestation, and used decentralized planning processes that turned their knowledge into practice. This demonstrates how a strong contextual and institutional knowledge base can support valuable engagement.

Procurement and financial management rules and procedures can limit the flexibility and responsiveness of aid programs, reducing aid effectiveness in subnational conflict areas. Working methods adopted by aid agencies to improve efficiency and accountability often reduce their scope to support transformative strategies. For example, when one aid agency in Thailand subcontracted its program delivery through a competitive commercial tender, the successful bidder had to build basic knowledge and new partnerships with domestic institutions. By contrast, most of the other aid agencies

that have established initiatives in southern Thailand employ long-term local staff who are able to apply their knowledge and connections to incrementally establish interventions and to support domestic bodies over longer periods. Given the difficulties of supervising financial transactions in outlying and insecure subnational conflict areas, there are inevitably trade-offs between efficiency of implementation and accountability for finances.

A push for 'cost effectiveness' limits impact. Increasing pressure within some donor agencies to fund fewer and larger programs in order to reduce the administrative cost per project, is a significant constraint to more effective aid in subnational conflict areas. In the past few years, multilateral and bilateral donors are facing enormous pressures to improve value for money and reduce transaction costs by creating internal incentives for much larger programs. While there may be benefits in some fields of engagement, these pressures are reducing the ability of donor staff to improve their knowledge of the conflict area and to monitor results effectively. Large programs also limit the scope to fund specialized programs. For example, small-scale initiatives that support local peacebuilding initiatives, or flexible funding pools to allow donors to quickly respond to unfolding developments, are increasingly difficult to justify in some aid agencies as they do not allow for scale or have predictable, tangible results. Similarly, despite recognition of the need to work differently in a conflict-affected area, there is often resistance to including a program component that enables an appropriate, customized response.

Short project cycles do not match the slow pace of change. Helping to transform the institutions necessary to resolve a multi-decade conflict requires a long-term commitment which usually well exceeds the timeframe of a typical aid project cycle. The World Development Report 2011 finds that it can “take a generation” to build effective and legitimate institutions. The changes needed to tackle the underlying challenges and entrenched dysfunction behind subnational conflicts can also take decades. Donors may also have to address political structures that perpetuate the marginal status of a subnational area and its population as well as tackling ongoing inequalities. Many steps lie outside the realm of traditional development approaches, so donors’ ability to influence these changes will be limited and indirect.

Heavy reliance on intermediaries. Donors often depend on intermediaries for their analysis and understanding of the conflict area. Nearly all donor agencies interviewed acknowledged their constraints on direct access to the conflict area due to security restrictions. Development officials are often very keen to support programs in the most conflict-affected regions, but without access to these regions, it is extremely challenging to corroborate the accounts of their partners and sources of information.

Many programs are also implemented through intermediaries, including government departments and agencies, NGOs, and private contractors or companies. Funds often flow through a chain of organizations. This approach may be unavoidable but it can create major

inefficiencies, draining resources through multiple layers of administration. Managing complex partner relationships absorbs a high proportion of staff time. Supporting domestic institutions also requires the ability to adapt to their changing needs and specific circumstances.

However, close association with domestic institutions enables agencies to promote incremental and locally-grounded transformation. It encourages foreign donors to adopt locally-devised practices rather than importing often inappropriate generic models. As a result, the added demands of working with intermediaries should, in many cases, be seen as a necessary cost of undertaking challenging work, rather than as administrative waste.

Evidence gaps¹³³

Donors typically have a very limited evidence base for tracking conditions in subnational conflict areas. Pervasive gaps in data limit donors' ability to tailor aid programs to diverse and complex local contexts, and to evaluate change over time. These shortfalls are particularly challenging, given the significant variation in local socio-economic conditions and conflict dynamics that are found in subnational conflict areas.

The research team found encouraging signs of donor effort to build and share data on conditions in subnational conflict areas, but found that investment in tracking political outcomes is still limited. Moreover, the study findings suggest that efforts by donors to collect and share data

on political dynamics and outcomes such as violence, are sometimes restricted due to sensitivities. Collectively, these factors make it difficult for donors to understand subnational conflict areas, and pose challenges to their ability to take on (and assess progress on) institutional transformation and confidence building.

Socio-economic data are generally not disaggregated by ethnicity or religion, making it extremely difficult for donors to track differences in wellbeing across identity groups. There is significant variation in the availability and quality of sub-provincial data in subnational conflict areas. In general, the project team found that basic socio-economic statistics were available with good geographic coverage, and moderate but variable, spatial resolution¹³⁴ and temporal coverage. However, with the exception of data generated through periodic national censuses, socioeconomic indicators disaggregated by ethnic or religious group, were generally not available. In many cases, basic demographic information such as the proportion of ethnic or religious minorities in a given area was not available below the district or provincial level. As a result, it is difficult for aid organizations to systematically track inequalities between identity groups in subnational conflict areas, challenging to effectively target aid programs, and extremely hard to assess improvements in equity through interventions with broad geographic and temporal coverage.

There is little to no credible data on quality of governance at the local level. Data on corruption, institutional transparency, and other dimensions of governance are

generally unavailable, or have limited geographic or temporal coverage, making it difficult to assess changes over time, and across different regions. In the Philippines, the sole case where the team was able to locate sub-provincial, time-series governance data, the research team found that the indicators were constructed using methodologies that are vulnerable to bias and distortion, most notably self-rating and reporting by local government officials.

There is a lack of credible, publicly accessible data on security conditions in subnational conflict areas and, as a result, it is difficult for aid organizations to understand which areas are most heavily affected, and whether trends are improving or declining. While government agencies (typically police and security forces) collect highly granular and detailed information on conflict dynamics, these data sources are generally regarded as politically sensitive, and are not available to aid organizations. The problem is not restricted to government. The project team found that in the Philippines, and in Thailand, multiple international and local non-government organizations were also collecting data on conflict trends, using techniques ranging from in-person investigative reporting, to analysis of media reporting on conflict incidents. Most organizations were restricted from sharing information by institutional mandate, or by policy. One notable exception is the National Violence Monitoring System (NVMS) in Indonesia, implemented by the World Bank, which has systematically compiled data on violent incidents across the archipelago.

Donors face potential challenges when attempting to monitor socio-economic conditions, and violence in conflict areas.

The monitoring of security conditions can be sensitive. Donors investing in this area need to build trust and credibility with government agencies, and must be prepared to secure their political support. Government will need to be convinced both of the program's potential usefulness in guiding public policy, and may have legitimate concerns about the accuracy of data, and when, how, and to whom data may be released. In the Philippines, where the World Bank is supporting a violence data collection effort modeled on the Indonesian NVMS, the World Bank is conducting continual dialogues with security-related agencies to assure them that the results of its conflict monitoring work will be used to improve government and donor assistance to Mindanao conflict areas. In another case, a donor supported civil society efforts to track violence, without publicizing its financial support. This approach was taken, in part, to avoid potential friction with the government, and to minimize the risk that the work of its partner organizations could become politicized.

The challenge is not confined to data that overtly track conflict dynamics. In the politicized environment of an active conflict area, even routinely-available official statistics that are accessible for other areas of the country acquire political implications. For instance, in Thailand, the project team was unable to acquire data on age-specific mortality rates for southern Thailand. One key informant,

a former civil servant with experience in the public health sector, noted “You can’t treat government like a supermarket, where you get whatever (data) you want. You need buy-in from the government side. If you start asking government agencies for data on mortality rates, they will also start questioning you, to know why you want the data, and what you plan to do with it. Information can be a weapon.”

Local-level variation in violence, economic development, and governance within subnational conflict areas is not well understood by development agencies, but appears to be significant. Lack of accessible data on local conditions force aid organizations to use aggregated statistics when assessing conditions in subnational conflict areas. However, provincial or even district-level averages of socio-economic indicators mask significant variation at lower administrative levels. Conflict intensity varies widely, with hot spots adjacent to areas of relative calm and security; however, conflict also varies over time, as hot spots shift. The extent of geographic and temporal variation underscores the risks of drawing inferences about conditions in subnational conflict areas based upon single cross-sections of data, or highly-aggregated statistics. Given the degree of local variation and rate of change, such narrow slices of evidence may provide a misleading or a rapidly antiquated picture.

It is difficult, time-consuming, and expensive to assemble local-level data on subnational conflict areas. Socio-economic indicators are not readily available from a single source or administrative unit. In

Indonesia, the country case in which the project team found the most organized and accessible official statistics, data at various administrative levels still had to be collected from different levels and offices of the National Statistics Office (BPS).¹³⁵ Data are typically also not available in machine-readable form. Instead, data are frequently fragmented, and/or collected in incompatible forms and structures by a variety of agencies. The fragmentation of basic statistics makes it costly and time-consuming to assemble a detailed picture of conditions on the ground. In the Philippines, the project team had to draw on data from six major institutional sources in order to assemble a composite picture of conditions at the municipality level.¹³⁶ In many cases, the team had to physically retrieve data from far-flung areas. In Thailand, the project team was able to assemble indicators from fewer sources, but frequently had to rely on informal contacts and personal relationship to facilitate access to data.

Donors are beginning to invest more heavily to fill data gaps in subnational conflict areas. Interviews with donors and key informants showed that most aid organizations are well aware of the need to improve the evidence base for their work. The project team found encouraging signs of investment in common data infrastructure. Notable examples include the production of new, open-access data sources like the National Violence Monitoring System in Indonesia (NVMS), and efforts to improve the quality and accessibility of existing data, such as work by the World Bank’s Indonesia Poverty Reduction and Economic Management (PREM) network to unify and

clean¹³⁷ a variety of official government statistics so that they are available in a single, consistent, accessible format. Sustaining such efforts can be challenging. In the Philippines, during the early to mid-2000s, the World Bank financed a program to collect disaggregated data on poverty through the Annual Poverty Incidence Survey (APIS). Once program funds ran out, the Philippine Government had difficulty continuing the effort. There is also evidence of improvement in monitoring and analysis of trends in governance. In Indonesia, with the support of various donors (USAID, AusAID, and the World Bank), the series of Local Economic Governance Surveys conducted by The Asia Foundation and the Regional Autonomy Watch/KPPOD, measured business operators' perceptions of local economic governance. Surveys were conducted in 444 of 491 autonomous districts in Indonesia from 2007 to 2011, and collected the perceptions of about 50 business operators in each district.

However, donor funding for data collection generally remains tied to the monitoring and evaluation of specific projects. This fact may reflect an unfortunate side-effect of the increasing pressure on donors and implementing organizations to rigorously evaluate their programs, and the attendant difficulty of justifying investment in common-pool data resources.

A variety of local and international actors are making major investments to track violence in subnational conflict areas. In all three country cases, the project team found that local and multilateral organizations were investing in the creation of

new conflict monitoring systems. In Indonesia, the World Bank supported the Indonesian government and civil society partners in developing a National Violence Monitoring System that analyzed regional newspapers and coded a variety of data on discrete conflict incidents, and a similar World Bank-supported program is underway in the Philippines. In Thailand, a local organization called Deep South Watch uses a mixture of media reports and on-the-scene investigation to identify the parties involved and the causes of individual violent incidents. These data sources show great promise in reconstructing a record of violence dynamics in circumstances where official statistics are not available. Furthermore, this study's analysis suggests that local sources of information provide a more accurate picture of conflict intensity than cross-national conflict datasets, the most reliable of which tend to provide representative, but highly-conservative, estimates of the burden of conflict.

Violence data based on open media sources is powerful, but open to a range of potential biases that need to be carefully monitored. Most violence monitoring systems rely on media reporting to provide basic information on violent incidents. However, it is important to note that these data are only as reliable as the media reporting itself. Such data may suffer from spatial bias, resulting from the lower number of media sources operating in rural areas, and weaker reporting on dynamics in rural areas by urban-based reporters. This form of bias is likely to be particularly acute in areas like Thailand's Deep South and Mindanao, where the bulk of violence

occurs in rural localities. Second, those who compile conflict data based on media sources, must grapple with the challenge of interpreting motive and identifying participants in violence. In interviews conducted by the project team, analysts involved in several media-based conflict data projects noted that many news reports do not clearly establish whether a given act is insurgency-related, criminal, personal, or tied to another motive. Some unknown percentage of reports may incorrectly attribute the cause of violence. In areas such as Mindanao, where multiple forms of contestation overlap, this may lead to misdiagnosis of fundamental conflict dynamics and trends. Where multiple media outlets have overlapping coverage, these challenges can be partially addressed through the triangulation of multiple data sources. Even where data based on media sources may not provide conclusive evidence on the causes of conflict, as long as analysts are attentive to potential forms of spatial bias, such data are likely to be useful in identifying patterns and trends in conflict intensity and location, which can then be explored using a wider variety of tools, including more detailed qualitative analysis.



6. Conflict, Politics and Aid at the Community Level

The interactions between conflict, politics, and aid at the local level are a critical 'blind spot' for aid programs. One of the central findings of this report is that a sophisticated understanding of local-level political dynamics is necessary for aid providers to design and implement successful projects, and to make progress in supporting transition. With limited understanding and monitoring of local-level dynamics beyond anecdotal accounts, development agencies and governments often do not know how aid programs unfold at the community and beneficiary level. In their efforts to understand local political and conflict dynamics, development actors contend with many obstacles. These include limited access to conflict areas, wary local populations that are not inclined to discuss sensitive local issues with outsiders, and challenges in interpreting complex local dynamics. Furthermore, with most aid project monitoring focused on either apolitical issues, or more macro conflict dynamics, there are very little data or analyses of how local communities and key actors perceive aid, and how they interact with it.

This research sought to address these knowledge gaps by conducting intensive community-level research to determine how aid interacts with local conflict and political dynamics. The field research focused on 10 local areas in each subnational conflict case study. This modest sample allowed for

in-depth ethnographic work and perception surveys that were representative at the sub-district (or municipality) level. These independent lines of inquiry produced revealing and sometimes counter-intuitive findings that illustrate the complexities of life in a conflict-affected community. The results from this community-level analysis help to illustrate the unique challenges of aid program delivery in this environment, and why traditional aid programs are not well suited for this type of conflict.

The community-level field research study produced three key findings across the three subnational conflict cases. *First, local political dynamics shape the delivery and impact of aid in most cases, rather than aid shaping local power structures.* Many aid programs are designed to empower non-elites or marginalized groups, and mitigate against elite capture, all with the intended impact of re-shaping local power dynamics. While some programs have been able to minimize the influence of local power relations on the project itself, there is very little evidence that this carries beyond the project. It is likely that these dynamics are not unique to subnational conflict areas, but may hold in other conflict areas, including fragile states.

Second, the capture of aid benefits is not always a bad outcome, if it helps a transition to peace. Local elite capture of aid benefits can be a major problem, especially when it reinforces local dynamics that perpetuate conflict. However, evidence from several cases indicates that aid played an important transformative role by working through local power structures, even if the benefits fuelled local patronage. In other cases, communities with tight control by a single dominant elite network were ideal for positive aid contributions. It is not always a good idea to work against local structures in a conflict area. The critical task is to identify when it is appropriate to work within (or around) local power structures, and to then allow aid programs the space to be able to respond accordingly. Given the potential risks from confronting, circumventing, or inadvertently taking one side in a local elite struggle, sometimes the best option for an aid provider is to disengage.¹³⁸

Capture by non-state armed groups, particularly during late-stage negotiations or during a final transition, may be necessary to shore up confidence, though this may appear to be 'buying off' former fighters. In Aceh, at various stages, the reintegration programs were controlled by former GAM elites, and used to channel resources to ex-combatants. In Mindanao, programs were closely associated with particular insurgent groups, and intended to support peace negotiations (or peace agreements) with those insurgent groups. Community members generally understood this political agenda, though in many cases, this created tensions with non-beneficiary elites who were rivals of the insurgents.

Third, there is extreme diversity in local-level conditions and political dynamics in subnational conflict areas. Conflict and political dynamics in one community may be vastly different from the community next door, with major implications for development programs working at the community level. This diversity is poorly understood by outsiders, including governments and development actors. This study identifies lack of understanding as a major risk, particularly in Mindanao.

The field research also focused on the role of non-state armed groups at the local level, and their impact on aid programs and local political and conflict dynamics. Data from this and other studies indicate that insurgent groups can have a profound impact on aid programs, but that there are key differences between armed groups. Community members have complicated relations with local insurgent groups. They may be perceived as protectors or threats, heroes or criminals, depending on circumstances, and on the individual.

Understanding the relationships between armed groups and ethnic minority populations at the grassroots is crucial. Dismissing (or assuming) the legitimacy of non-state armed groups can lead aid providers to design interventions that cannot function at the local level, or that even increase the risk of conflict. Likewise, understanding the legitimacy of armed groups, and their relationship to ethnic minority populations, has critical implications for whether, and how, aid actors can support peace negotiations.

Overall, the findings of this study demonstrate yet again that subnational conflict areas are extremely challenging environments for aid programs seeking to make a transformative impact. Individuals living in conflict must make difficult choices every day, and balance competing pressures from various armed groups and state officials in order to ensure their survival. *Aid programs are transient and relatively minor events in the lives of most aid program beneficiaries. As a result, it is unlikely that individuals will participate in aid programs if they think it will jeopardize their status and security in the community.* Thus, there is a critical need to determine whether aid programs are helping to restore confidence and transform key institutions at the local level, or whether aid interventions are exacerbating local contestation, and undermining confidence in the future prospects for peace.

6.1 Community perceptions of aid

In most cases, conflict-affected communities welcome development assistance programs. In southern Thailand, the vast majority of respondents (95.7%) stated that they would be willing to participate in a development project by contributing time or labor. In Mindanao, nearly two thirds of respondents (64.7%) reported that they would be willing to get involved in a development project by contributing time or labor.¹³⁹ The research team sought to determine whether local community members would be more likely to reject participation in (or benefitting from) a project if, in a state-minority conflict,

it was associated with the government. Findings in conflict-affected communities indicate that the source of funding had very little effect on the participation rate and perception of the project. In fact, insurgent behavior and their stated position towards the project is much more important than the source of funds or the project implementer. In Mindanao, for example, even in the Moro insurgent strongholds, most community members express gratitude for aid programs associated with the central government. There are cases where local elites or implementing partners refused to participate in projects because of the source, but at the community (or beneficiary) level, this does not seem to be a major concern.

However, one plausible explanation for this apparent willingness to accept aid from any source is that *most community members view the project through local politics and relationships.* Most community members were unable to correctly identify the actual source of funding (specific donor or government ministry), and even fewer could identify the name of the project.

Community members generally attribute the project to local elites, even if they know the funding came from somewhere else. In Mindanao, for example, most people were grateful to the local mayor or *barangay* chair for aid projects in their communities, believing that it was the skill and influence of the local elite that brought the project to their community. In Aceh, decisions on whether a village would receive funding from the reintegration program (BRA) and other government-run programs,

often depended on the personal relationship between local elites and the district government officials who controlled the funding. In southern Thailand, community members associated projects with individual intermediaries or the 'last line of handover' who are often associated with an external NGO or a government agency. The research found that government programs were channeled primarily through local elected officials who used them to distribute benefits as a form of patronage. Community-based development programs run by non-governmental organizations worked through other actors in the community, and their projects did not appear to strengthen elites. In all three case studies, the researchers found that, projects channeled through the local administrative structure, and distributed by local elected leaders, tended to be strongly associated with the leader. As such, they effectively serve as a form of local patronage that strengthens the position of the local elite.

Community members recognize that aid comes with political agendas. After many decades of aid strategies shaped around counter-insurgency and 'winning hearts and minds', most community members realize that aid is sometimes intended to strengthen state authority in the area. In southern Thailand, a substantial majority of respondents (76.9%) believe that "winning support for the government" was at least part of the motivation for aid projects; perceptions across Buddhist and Muslim populations were very similar.¹⁴⁰

In Mindanao, roughly half of respondents agreed that the main purpose of aid programs was to "help the Philippine Government's control of conflict-affected areas", as opposed to helping local people. Interestingly, Moro-Muslim respondents were more likely than Filipino Christians to believe that aid was intended to help communities, rather than strengthen government control.¹⁴¹ Nearly 56% of Moro-Muslim respondents felt that international aid was given primarily to help those in need; only around 44% felt that aid was given primarily to strengthen the national government's control. Perceptions were reversed among Christian Mindanaoans: 58% felt that aid was primarily given to strengthen national government control, and just over 41% felt that aid was given primarily for altruistic reasons.

Community members recognize that aid programs are often subject to corruption, though high rates of non-response indicate that this topic is extremely sensitive. In the Philippines, nearly half of respondents agreed that corruption occurs in aid projects, compared to only 18.6% who disagreed. In southern Thailand, more than 71% of respondents indicated that aid funds are "misused or stolen" some, or most of the time. In Aceh, 39% of respondents agreed or strongly agreed that project funds were misused because of corruption, nepotism, or collusion. Nearly 25% of respondents in Aceh declined to answer the question, suggesting that corruption was likely even more prevalent.

6.2 Aid shaped by local power structures

In all three subnational conflict areas, aid programs were shaped by local power dynamics. In most cases, aid programs were used by elite community members to strengthen their networks. Local elites can influence aid programs by taking credit for securing the project, and dictating the terms of implementation, particularly through the selection of beneficiaries. They also may influence the type of project implemented, and control the outputs of the project or take ownership of them. In communities where there are competing political networks, aid projects can often be the source of tension or violence, as the two groups compete to control the resources. The potential for aid projects to contribute to local tensions is shaped by a range of factors, including the breadth (or narrowness) of the project's beneficiary population within a given locality, and the degree of discretion that local decision-makers (such as village chiefs or councils) exercise over the distribution of benefits. Aid projects are also affected by the political dynamics between local- and higher-level elites, as aid benefits are distributed through political and patronage networks.

In Mindanao, local political dynamics are dominated by families and clans through hierarchical and thoroughly entrenched patronage networks. These local networks are the primary source of protection for many people living in the conflict-affected areas. Local elites use this control over violence to secure political hegemony over a local area, and to build alliances with

higher-level government and political leaders to secure resources and get protection when needed. These elite networks have the ability to control most of the aid programs implemented in their region.

There is extensive evidence of elite control of aid in Mindanao, where some local officials have decades of experience in channeling outside resources to their constituents, in return for political support. There have been several reports of local elites commandeering or controlling access to project-provided equipment or infrastructure. Half-completed structures in communities often signal that at a higher level, power may have shifted from one elite faction to a rival faction, and project funding was cut before the project was completed.¹⁴² New infrastructure is usually attributed to the skill and generosity of the local elite—hence the strong interest among local elites in attracting aid funding to an area. Aid projects are just one of many sources of revenue captured by local elites in Mindanao. Government fiscal transfers tend to dwarf aid levels. Fiscal transfers constitute 15% to 20% of the national budget, and at the local level, are far larger than aggregate aid flows.

In southern Thailand, local politics shape aid in various ways, with important variation from Mindanao. In the conflict area in southern Thailand, many community-level elites are in a precarious position, caught between much larger actors, including the military, insurgents, and criminals involved in smuggling and other illegal activities. Locality research indicates that several communities have been affected by intense

rivalries at the local level. Some aid projects became entangled in these local politics, especially when power was transferred from one rival network to another.

Local power structures shape aid projects in southern Thailand in three typical ways. First, selective distribution of project resources for political or personal gain is common, particularly with government-funded aid programs, which largely go through local administrative and elected structures, with limited oversight. Second, village heads are often forced by larger security actors (state and non-state) to comply with their demands in the implementation of an aid project.¹⁴³ For example, the government requires village heads to select beneficiaries for receipt of material goods on the basis of poverty level, but goods are often distributed to ensure that armed actors (or their sympathizers) receive some of the benefits. The military has a project that requires local religious leaders to identify households that have a drug problem—an extremely difficult and sensitive task. Third, in some cases, local elites have the ability to influence community decisions on aid projects on the basis of personal relationships. This is especially true for people playing the role of the ‘point of entry’ for NGO-implemented projects.

The Aceh case clearly illustrates how local ‘capture’ of aid benefits is not always a bad outcome, if it helps a transition to peace. In the post-MOU period, aid programs were shaped by the politics of the peace process, and particularly by the interest to ensure that former GAM combatants remained committed to the peace process. Some

programs (particularly the official reintegration program) were designed to provide direct benefits to former combatants and conflict victims. During the first year after the agreement, the Aceh Reintegration Agency (BRA) invited the World Bank to support improving the program, which led to a community-based, rather than an individually-targeted, approach. However, after GAM members came into positions of authority in the government of Aceh, they reverted to the initial program design of targeting individuals. While this funding has been used to support patronage, there is strong evidence that this may have been a key factor in the success of the Aceh peace process, as it created incentives to keep former combatants from returning to violence.

Importantly, capture of the BRA project by former GAM did not spill over into other internationally-funded aid programs at the community level. Despite the growing influence of former GAM networks, this study found no evidence that they were trying to capture other community-level aid projects. Community-based/driven development (CBD/CDD) programs delivered at the village level have strengthened the position of formal village government structures, and in some cases, existing local elites, but not the GAM networks. Former GAM are more interested in capturing provincial/local government contracts that are worth more than CBD/CDD ones.

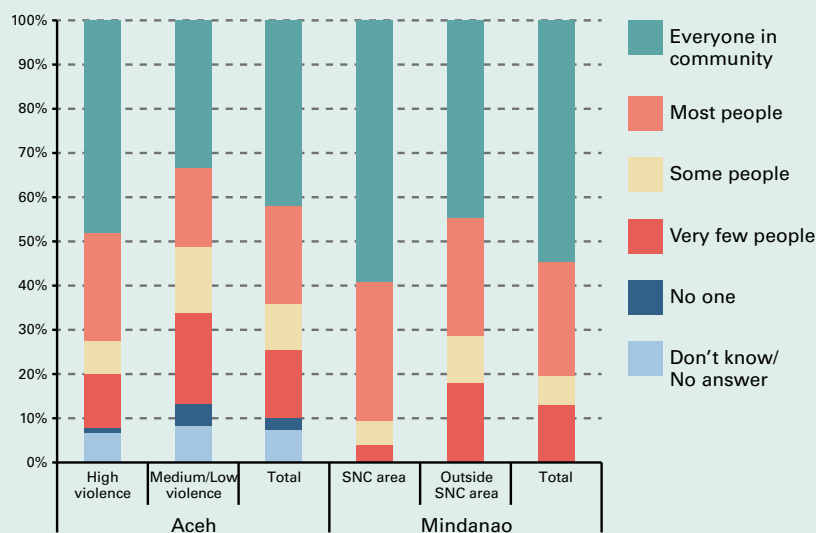
6.3 Can aid project design control the extent of elite capture?

Aid agencies have generally regarded elite capture as problematic, and thus have designed aid programs to mitigate against this risk. The findings of this report suggest that, in general, aid programs in subnational conflict areas are reaching most of the community members. The findings on whether aid can alter the balance of power at the local level are mixed, suggesting that aid has the potential to both entrench and reduce the power of local elite actors. As discussed below, these divergent potentials have significant implications for local contestation. Some community-based projects are specifically designed to reduce capture, and empower non-elites to control the project at the community level. These programs typically require community participation or direct control over project decisions, employ rigid procedures to prevent manipulation by local elites, and use complaints mechanisms to facilitate

mediation of disputes. World Bank CDD programs are the most widespread example of this form of project, as they are found in all three of the subnational conflict areas studied through this research.

Figure 6.1 depicts survey results on the perceived distribution of benefits from aid projects within surveyed communities. The survey results show that a large majority of respondents feel that aid is reaching most members of the community. In Aceh, over 60% of respondents felt that aid projects benefitted most or all people in the community. In Mindanao, 80% felt that aid benefits reached most or all of the community. In Mindanao, a larger proportion of respondents in the conflict area (90%) than outside the conflict area (70%) felt that aid reached most or all people in the community. This may reflect the large scale of community-based programs in conflict-affected areas of Western Mindanao and the Sulu Archipelago, including the ARMM Social Fund. However, these results should be interpreted with caution,

Figure 6.1: Distribution of aid benefits within community



as respondents may over-report satisfaction with the distribution of aid to encourage the flow of additional resources.

Other projects seem to be designed to strengthen local elites or government structures. For example, many projects that are channeled through the local administrative structure, or through networks of former insurgents, generally help to strengthen the position of incumbent local elites.

This study found mixed results on the effectiveness of aid programs in reducing or mitigating local capture of aid programs. Field research at the local level indicated that some projects may be effective in spreading project benefits among non-elites. In Mindanao, for example, the majority of respondents in all areas (over 80%, on average) agreed that the distribution of aid in the *barangay* helped most, or all people, in the community. Findings from Aceh indicate that the National Community Empowerment Program (PNPM) project is relatively successful in allowing non-elites to influence project decision-making, and makes it difficult for local elites to co-opt the project. In Aceh, nearly two thirds of respondents (64%) felt that the aid projects carried out in their village had benefited most, or all, of the village.

Survey data show that aid may have some positive effects on power dynamics at the village level, but these findings must be interpreted cautiously. In Mindanao, nearly a third (32.5%) of respondents said that aid had given ordinary people greater influence on the balance of power in their village. An average of 17% said that aid had no

impact, and around 10% reported that it strengthened those who already had power. In Aceh, over 45% of respondents said that aid gave more influence to ordinary people; 26% felt it did not change the balance of power, and nearly 20% felt that aid only strengthened the powerful. Two caveats are in order. First, respondents may over-report the impact of aid, in an effort to 'please' the enumerator or encourage more assistance. Second, responses to the survey questions show substantial, but highly variable, anxiety among ordinary people in discussing local power dynamics. In Aceh, an average of 40% of respondents declined to answer the question; in Mindanao, the non-response rate was lower, at only 8.4%, but was very high in some places (e.g., 26% in Tipo-Tipo, Basilan).

Ironically, single elite dominance at the local level may be highly conducive to effective aid delivery. In the Philippines, there is evidence that communities with a single dominant elite have higher levels of community participation, more inclusive distribution of benefits in the community, and lower violence levels on account of aid programs. Examples from Mindanao, and the NPA-affected areas of the Visayas, indicate that programs in the local political environment are effective because they do not threaten local power structures.¹⁴⁴ In southern Thailand, the research team also observed this pattern in certain villages where there was no political competition.

Research findings indicate high levels of variation between local communities with regard to political and conflict dynamics. In the Philippines, there are major differences

between regions, and even communities within the same area. Barangays, even those in close proximity, can have very different conditions, and these differences can lead to success or failure of a community-based project.¹⁴⁵ Similarly, there are key characteristics in particular regions that can affect how local dynamics shape the aid delivered at the community level.

The presence of multiple rival networks at the local level, is a major factor that can shape the impact of aid programs in a locality. In the Mindanao and southern Thailand cases, the research teams found evidence that local rivalries can derail an aid project, and possibly increase the likelihood of violence.

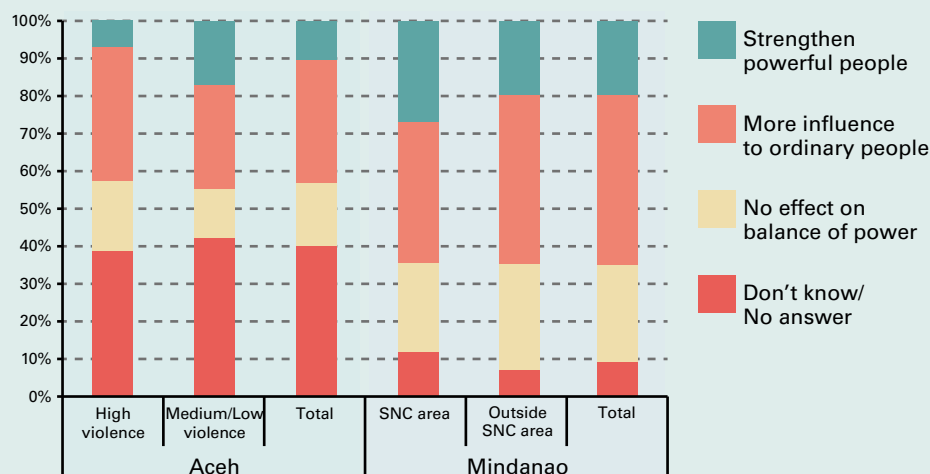
6.4 Non-state armed groups: longevity and fragmentation

The presence of non-state armed groups (NSAGs) is a defining feature of subnational conflict areas. A nuanced understanding of

the goals and internal political dynamics of non-state armed groups, as well as the relationship between armed groups and ethnic minority populations, is vital. Aid providers need to understand the politics and behavior of non-state armed groups, both in order to design aid programs capable of functioning in areas where such groups have a strong presence on the ground, and in order to effectively support a transition to peace.

Non-state armed groups in Asian sub-national conflict areas are known for their longevity. Many of the non-state armed groups active in subnational conflict areas have endured for multiple generations. Although these organizations absorb new cadres on an ongoing basis, their leadership tends to be relatively stable, with limited turnover, and they have had a long-term presence at the grassroots. As a result of their long experience, some non-state armed groups have become highly adept at shaping (or directly managing) local governance arrangements in areas under their influence. This includes the monitoring

Figure 6.2: Impact of aid programs on local power dynamics



and manipulation of international aid flows, which, in most cases, are relatively new in the local political economy.

Despite their longevity, many non-state armed groups in subnational conflict areas have fragmented, leading to increasingly-complex conflict environments. Fragmentation can result from a range of factors, including internal leadership struggles, as well as the success of negotiated settlements, which can lead to the departure of factions who are unsatisfied with the terms of the settlement. All three country cases analyzed by the research team have experienced armed group fragmentation. In both Thailand and the Philippines, insurgent groups fragmented during periods of active conflict, and in Aceh, GAM fragmented in the post-conflict phase, leading to a rise in intra-elite contestation.

Fragmentation generally has damaging impacts on conflict dynamics. Competition between factions that claim to represent a particular identity group in a self-determination struggle, can increase the level of conflict between insurgent groups and the state, and also amplify violence against civilians. Moreover, the presence of multiple groups all claiming to represent the minority population can complicate efforts to negotiate a peace agreement.

The project team found evidence that relationships between multiple armed actors are complex and marked by shifting patterns of competition, coordination, and collusion. In Basilan, an island in the Sulu

Archipelago where the MNLF, the MILF, and Abu Sayyaf groups all operate, several key informants highlighted the complex, interlocking membership structures of armed groups. One informant noted that fighters in each group “hold three identity cards,” switching roles in response to calls to engage in separatist violence against the state and its local allies, or opportunities to engage in criminal violence, including hostage taking and extortion.

Fragmentation can complicate and frustrate attempts to instill confidence and build momentum towards a transition process. The presence of multiple armed groups representing a minority population in a subnational conflict area, raises the complexity and uncertainty around peace talks, especially in the early periods of a transition process. International aid actors, as well as governments, may struggle to identify salient groups and credible channels to open negotiations. The differing goals of various groups may increase the difficulty of defining the terms of a deal, or lead one or more groups to back out of talks, and missteps may undermine confidence in the transition process itself. In Thailand, an international mediation agency has attempted to jump-start negotiations through exiled members of the Pattani United Liberation Organization (PULO), living in Sweden. However, in the interviews that the research team conducted with insurgents in southern Thailand, commanders viewed the exiled PULO leaders as disconnected from dynamics on the ground, with limited credibility and

control. According to one insurgent leader, “We heard there have been talks between the exiled leaders from various long standing groups, but they are abroad and from a different generation. We, on the ground, don’t have information about the talks... whatever they agreed on, the militants on the ground will have to wait and see.”

Fragmentation can also occur following a peace agreement, with potentially destabilizing consequences. In Aceh, the post-conflict period has been marked by increasing intra-elite contestation among former elements of GAM as emergent factions jockey for local electoral dominance and rent-seeking opportunities. The level of contestation and tension is quite high: in both key informant and survey interviews, respondents were visibly uncomfortable discussing local political dynamics and the emerging electoral competition between Partai Aceh (the political party created by former GAM elites), former Governor Irwandi Yusuf (the first post-conflict governor and former leading member of GAM), and other factions. In the Philippines, a key informant with deep knowledge of the Moro Islamic Liberation Front (MILF) noted the potential for similar dynamics, arguing that in the wake of a peace deal, latent competition between factions and generational cohorts of the MILF may begin to emerge in electoral competition. Given the already-violent texture of electoral politics in Mindanao, and the active role that members of non-state armed groups have played in providing ‘muscle’ for election campaigns, the informant warned that emerging factionalism could spark conflict.

The complex relationship between ethnic minority communities and non-state armed groups

There is great variation in the extent to which insurgent organizations are rooted in local ethnic minority communities, and some evidence that the anonymity of insurgent actors increases fear and uncertainty in the local population. In Mindanao, many Moro insurgent leaders are prominent, visible members of their communities. The MILF and the MNLF leaders are typically local elites, who are embedded in strong kinship and local political networks. In other cases, such as southern Thailand, and in areas of the Philippines with a New Peoples’ Army (NPA) presence, insurgent members and networks operate anonymously, often without the knowledge of local elites or even family members. Insurgents also operate with the tacit (or coerced) acquiescence of local elites. Suspected insurgents from outside the community are regarded with caution, particularly if communities fear that their presence will bring violence to the area.

Evidence from southern Thailand suggests that where possible, village leaders attempt to broker deals with insurgents in order to contain and channel violence away from the community. In this regard, one village headman reported that he had made a deal with insurgents, permitting them to stay as long as they did not commit attacks in the village.

There is strong evidence that populations in subnational conflict areas recognize the ‘messiness’ of insurgent organizations and

behavior, including the intermingling of insurgent and criminal activity. The survey and ethnographic data show that minority populations are clearly aware that while some insurgents are motivated principally by ideology, others are motivated by less altruistic objectives: profit, revenge, and the achievement of status and influence.

In southern Thailand, the Malay Muslim villagers distinguished between several levels of insurgents. At the “first” level were “real” insurgents, who villagers saw as experienced, well-trained, and religiously or nationalistically motivated. The “second” and “third” level fighters were viewed as increasingly independent from “real” insurgents, and more likely to be involved in criminal activities such as drug trafficking and illicit logging. Survey data corroborate these findings. While over 43% of Malay Muslims in conflict-affected areas of southern Thailand felt that a desire to protect Pattani Malay identity was an important, or very important, reason why people became insurgents, nearly 50% cited a desire to protect criminal interests as similarly important. Just under 35% felt revenge played an important or very important role in driving recruitment. In Mindanao, a range of key informants described the complex intermingling of insurgent violence and extortion utilized by Moro insurgent groups, as well as the NPA contingent operating in Agusan del Sur. While just over 60% of Moros surveyed in Lanao del Sur, Basilan, and North Cotabato felt that the MILF was defending the Moro people, over a quarter (26%) felt that the group was working to acquire money and influence.

The views of people living in the conflict area should not be interpreted as an accurate representation of insurgent group behavior, or of the motivations of the individuals who become members of non-state armed groups. The accuracy of information from the population is likely to vary widely, depending upon each person’s knowledge of insurgent groups, and their own experiences and biases. But these data, both individual and aggregate, are extremely useful in unpacking ethnic minority perceptions of the groups that ostensibly represent their interests. When these data are interpreted cautiously and triangulated with other data sources, they offer a window into ground-level dynamics in ‘messy’ conflicts.

There is conflicting evidence on the extent to which non-state armed groups provide core governance functions, but data indicate that some groups are widely believed to provide security and justice. Non-state armed groups often establish sophisticated governance systems, both in order to provide services, and to check challenges to their rule from local populations and rival factions.¹⁴⁶ In Mindanao, non-state armed groups, particularly the MILF, have maintained a high level of influence, or even effective control, over large swaths of territory, in some cases for decades. Some accounts suggest that the group has built up systems that provide security, justice, and social services. It is difficult to determine how widely the MILF provides these services—and to what extent the local population accepts and relies upon them.

Survey data show under half of Moro Muslims in Mindanao are satisfied with the national government's ability to provide security and justice. But *there is no evidence that in areas with the highest levels of dissatisfaction, that more people are turning to non-state armed groups to fill this role*. Less than a third of Moro Muslims say that many, or very many people living in their area, rely on the MILF for security (30%), or for justice (32%). In a separate battery of survey questions, respondents were asked, in general, to what extent they felt that the MILF provided justice, and defended the Moro people.

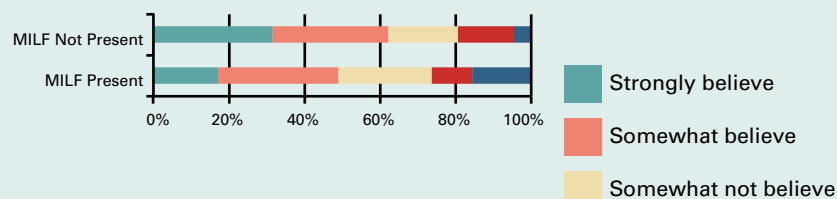
Interestingly, in areas *without* an MILF presence, more respondents perceive that the MILF provides security and justice than is the case in areas where the MILF is active. However, overall the MILF is perceived by a majority of Moros to provide security and justice: over 60% of Moros say that

the group defends the Moro people, and 55% say that the group provides justice.

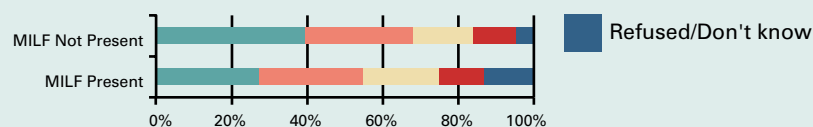
It is critical for aid actors to recognize that while non-state armed groups may represent the aspirations and views of an ethnic minority population, their legitimacy should not be assumed. Across all three case studies, the research team found evidence that the legitimacy of non-state armed groups among the ethnic minority populations varies widely, and in some cases is far more limited than the group's rhetoric suggests. A number of data points—key informant interviews, survey data, and high non-response rates on some survey questions—indicate that a significant proportion of the minority population fear the insurgents even more than they fear the state security forces. Tensions between ethnic minority populations and non-state armed groups can endure even after a peace agreement is signed. In Aceh, the research

Figures 6.3 and 6.4: Perspectives on the MILF: Comparing communities with NSAG presence and communities with no NSAG presence

7.3: Does MILF Provide Justice?



7.4: Does MILF Defend the Moro People?



team found that the hegemonic control of former GAM elites through Partai Aceh has generated resentment. In cases where a non-state armed group's legitimacy is widely questioned, or contested, by members of an ethnic minority, autonomy or significant decentralization of power may be an inappropriate—or even dangerous—solution.

The intersection between aid and insurgency

Non-state armed groups view international aid through the lens of local politics and insurgency, not as a politically-neutral vehicle for development. In an interview with the Central Committee of the Moro Islamic Liberation Front, an MILF negotiator argued that “aid delivered outside the context of a peace process is counterinsurgency,” and added that the

MILF would only accept aid as legitimate if under a credible transition process, or when channeled through MILF-controlled Moro institutions such as the Bangsamoro Development Agency (BDA). The New People's Army has argued in various public statements that international aid programs like KALAH-I-CIDSS are designed to win “hearts and minds” away from the insurgents, and to improve the reputation of the Philippine armed forces.¹⁴⁷

Recent research shows that insurgent groups react strategically to the introduction of aid programs. Two recent analyses of the national-scale, KALAH-I-CIDSS community-driven development program in the Philippines, found that the intervention altered the pace and intensity of conflict dynamics, but had distinct effects on different insurgent organizations. Both

Views of an Insurgent in Southern Thailand

“This is a Malayu homeland and everybody here shares the same sentiment and mistrust towards the Thai state. This soil here is where we came from and we have a moral obligation to see that it remains under our control.

Finding people to take up arms is not difficult because there are plenty of people who are angry at the Thai state. The hard part is getting combatants to commit to the chosen course of action. It takes real commitment for a person who is angry to become a person who is willing to take up arms. Every insurgent has his own personal reason. Some have been personally discriminated against or abused. I just feel that it's my moral obligation to fight.

The movement is fighting for a liberated Patani, the historical Malay homeland. This is pretty simple and straight forward. Islam permits armed struggle against unjust rulers and this is what we are doing. We do this to liberate our homeland.

Killing enemies or those who committed treason (against the Pattani-Malay cause) is justifiable. Of course, collateral damage, whether the people are Buddhists or Muslims, is of great concern to the movement. The issue is constantly debated among our members. But as you can see, the militants are mainly targeting government security forces.

We are not really sure what the Thai government could do other than to leave Patani. One thing the Thais could do is to permit the religious leaders of our region to have the final say in the governance of this region. I am not sure how that will work out because these leaders sometimes compete among themselves.

analyses found that the introduction of the CDD program increased violence by the Communist Party of the Philippines-New Peoples' Army (CPP-NPA). Whereas one study found a modest (and statistically insignificant) increase in violence by the MILF, the other found that the program led to a decline in violence by Moro insurgent groups. Both studies posit that insurgent groups that perceive an aid project as a threat to their popular support would be motivated to launch attacks to disrupt program implementation.¹⁴⁸

There is strong evidence that the potential for insurgent opposition (or profiteering) alters the local community's willingness to accept and engage in development projects. Insurgent groups that are opposed to the introduction of aid programs can attempt to directly block implementation through outright violence. But in most cases, evidence suggests that they use more subtle tools: intimidation, extortion, and the manipulation of project design and implementation. For instance, the NPA has a long history of using aid programs to benefit communities and attempt to win local support, while also capturing resources for themselves. A study by The Asia Foundation¹⁴⁹ which analyzed multiple community-based development programs operating at the village level in Mindanao, found strong evidence that NPA cadres demanded side payments from the CBD programs, and in some cases, were able to exercise significant control over project design and beneficiary selection.

It is extremely difficult through direct survey questions to probe perceptions of sensitive and potentially dangerous topics such as intimidation by insurgent groups. Respondents may be afraid to give their true opinion, leading to high non-response and refusal rates. Enumerators working in insecure areas may be afraid to ask, raising the risk of falsified data. To mitigate these risks and attempt to generate an unbiased estimate of intimidation by non-state armed groups, the survey included an experimental question, the design of which is described in the endnote.¹⁵⁰

Survey results from Thailand and the Philippines suggest widespread concern about participation in development projects owing to fears of retaliation by insurgent groups. Survey data from Aceh show that a large proportion of respondents believe that GAM engages in the corruption or misuse of funds for development and reconstruction projects. Table 6.1 depicts the results for Thailand and the Philippines, estimated by province.

Table 6.1: Reluctance to participate in foreign aid project due to fear of insurgent reaction

Country	Province (insurgent group)	Control mean	Treated mean	Difference in means	Estimated % reluctant to participate
Philippines	Basilan (MILF)	1.575	1.973	0.397***	39.7
		(0.049)	(0.053)	(0.073)	
		N=186	N=187		
	Lanao del Sur (MILF)	1.483	1.738	0.256***	25.6
		(0.046)	(0.050)	(0.068)	
		N=178	N=180		
	North Cotabato (MILF)	1.460	1.611	0.150*	15
		(0.049)	(0.063)	(0.079)	
		N=163	N=162		
	Agusan del Sur (CPP-NPA)	1.615	1.793	0.178* (0.102)	17.8
		(0.067)	(0.077)		
		N=143	N=150		
Thailand	Songkhla	1.783	2.0167	0.233*	23.3
		(0.079)	(0.081)	(0.113)	
		N=60	N=60		
	Yala	1.626	1.889	0.263***	26.3
		(0.053)	(0.054)	(0.757)	
		N=179	N=180		
	Narathiwat	1.608	1.628	0.020	-
		0.051	0.050	0.071	
		N=212	N=229		
	Pattani	1.441	1.603	0.162***	16.2
		(0.032)	(0.043)	(0.053)	
		N=313	N=320		

Table 6.2: Aceh: Corruption and misuse of development project funds by GAM

Province (insurgent group)	Control mean	Treated mean	Difference in means	Estimated % who think GAM is involved in corruption
Aceh (GAM)	1.814 (0.0438) N=328	2.095 (0.0537) N=316	0.281*** (0.069)	28.1

one-tailed t-test with unequal variances. Standard errors in parentheses.

*** = $p < 0.001$, ** = $p < 0.01$, * = $p < 0.05$

In Basilan, nearly 40% of respondents said that they would be reluctant to participate in an aid project because of fear of MILF reprisal. In Lanao del Sur and North Cotabato, areas with a heavy MILF presence and greater connection between the organization and local communities, the level of fear was lower: in Lanao, an estimated 25% would be reluctant to participate, and in North Cotabato, the estimate is 15%. In Agusan del Sur, 18% would be reluctant to participate due to fear of NPA reprisal. In southern Thailand, an estimated 26% of the population in Yala would be reluctant to take part in an aid project, owing to fear of insurgent reprisal; in conflict-affected areas of Songkhla, the estimate is 23%, and in Pattani, 16%. Table 6.2 depicts the results for Aceh. In Aceh, an estimate of nearly 30% of the population reported that funds for development projects were diverted or misused by GAM members.

Collectively, these estimates suggest that insurgent groups have an important impact on aid delivery, and that intimidation by non-state armed groups is widespread, though highly variable by locality, and by armed actor. However, using survey data alone, it is difficult to say to what extent *reluctance* to participate in a project actually translates into *unwillingness* to participate. Moreover, local *enthusiasm* to participate in aid projects may also imply a variety of local conditions, ranging from insurgent indifference to aid project interventions, to insurgent influence over (or capture) of project benefits. Aid agencies seeking to work in areas where non-state armed groups have significant influence should assess the likely posture of such groups towards their interventions, and should use in-depth qualitative research to assess local communities' comfort levels in taking part in aid projects. In particular, where agencies envision using participatory and community-based approaches that require significant, public engagement by community members, they should carefully assess the extent to which such models expose the local community to risks.

Evidence from the locality case studies suggests that non-state armed groups' response to aid projects is conditioned by a range of highly local factors, such as the local strength of insurgent units, the presence and control exercised by the state, the degree to which insurgents are rooted in communities, insurgents' degree of control over local power structures,¹⁵¹ and the willingness (or capability) of local elites to cut deals and distribute spoils from aid. However, it is clear that populations in subnational conflict areas are greatly concerned with security, and so are unlikely to get involved in relatively small development projects if doing so involves a risk to their safety. The potential threat from insurgents is thus a major factor in aid delivery, acceptance, and community engagement. This makes it critical for aid providers to understand the strategy of non-state armed groups operating in areas with development projects, and their intentions towards aid.



7. How Aid Can Contribute to Peace and Development

Subnational conflict areas are extremely challenging environments for aid programs, but there are opportunities to make positive contributions to a transition from war to peace. The opportunities for aid programs to make a positive difference vary considerably in different circumstances. There are no one-size-fits-all solutions for subnational conflict areas. Development agencies must be able to read the local context, and develop highly customized programs to respond to opportunities and manage risk.

As described in the analytical framework, there are two key elements of the context that should shape the strategy for aid programs:

- **Types of Contestation:** what is the dominant form of contestation that generates violence: State-minority conflict, inter-elite contestation, or inter-communal tensions?
- **Stage of Political Transition:** Is there a transition from war to peace unfolding? If so, what level of confidence do key actors have that the transition will lead to a durable, peaceful solution? The key stages of transition are a) no transition, b) fragile transition, c) accelerated transition, and d) consolidation.

One of the distinctive features of effective aid programs in subnational conflict areas is the ability to navigate constraints.

Programs that made an impact were usually able to maneuver and innovate, sometimes using unconventional approaches to create openings, establish a presence, or gently influence governments to change course.

This section includes an overview of programs that used strategies well suited for the type of contestation and stage of transition, and were able to navigate the challenging constraints inherent in subnational conflict areas.

7.1 Strategy: supporting a transition to peace

Aid programs can support a transition to peace by making strategic contributions that restore confidence in the transition and transform institutions that are critical for the transition to proceed. These contributions may look different in each stage of transition, and depend on the types of contestation present in the conflict area. However, these types of contributions (collectively referred to as ‘transformative strategies’) should be distinguished from developmental strategies. As described previously, aid programs often focus on developmental and transformative strategies at the same time. In fact, in almost all cases, projects will have some effect (positive or negative) on transformation even if they only intend to work on development.

The best examples of aid to subnational conflict areas are those programs that were ideally suited for the stage of transition and the types of contestation. In Aceh, programs that helped to build confidence in the peace process made a critical contribution during the fragile, early stages of the implementation of the Helsinki Memorandum of Understanding (MOU). International support helped to build the trust and confidence of political elites in the early weeks of the transition to peace by committing to an amnesty for GAM political prisoners, with an attendant social and economic reinsertion support program. During this period, international assistance helped Aceh move from a fragile transition to an accelerated transition through such additional support. In southern Thailand, where there is no clear transition in the long-running state-minority conflict, the most effective programs have helped to open political space for dialogue on key conflict issues, and supported critical institutional changes by government that help to increase confidence that a transition may be coming. In the Philippines, where the transition has wavered over time between fragile and accelerated transition, the most effective examples of impact from aid programs have been those that have transformed local-level institutions to address the pervasive problems of inter-elite contestation. International support to the peace negotiations has been mixed, but since 2008, several international actors have played important, though modest, roles in the peace process helping to restore confidence at critical moments.

Programs that were not well suited to the stage of transition and type of contestation generally had no positive impact on the conflict. In southern Thailand, programs that focused entirely on community-level interventions seem to have few prospects for influencing the transition, though conflict-sensitive approaches have effectively managed the risks of exacerbating local conflict. In Mindanao, the international community has been largely pre-occupied with the state-minority conflict, while aid programs may have been exacerbating local inter-elite contestation.

The complex and shifting nature of contestation and conflict under varied subnational political transitions can create many critical impediments to effective aid at different stages of transition. Indeed, development assistance itself may even raise the risk of exacerbating contestation and violence through ill-informed aid and misguided government policies and practices. To provide conflict-sensitive aid, which, at minimum does no harm, and optimally nurtures peace and stability, this study sought to answer fundamental questions about what aid is effective and not effective, and under what conditions.

Thailand: Aid in the absence of a clear political transition process

Thailand's subnational conflict exemplifies the situation where there is no clear political transition process in place. The government is relatively strong, and more interested in protecting its territorial sovereignty and national security than in reaching a negotiated settlement *per se*. As such, the government offers limited space for political engagement and its approach to the conflict has been essentially military in nature, coupled with social and economic development that is intended to 'win hearts and minds.'

Foreign aid provision to all of Thailand is generally low due to the country's middle-income status. As noted earlier, relatively

small amounts of grant funding are still provided from a range of donors, as well as some large concessional loans, which are typically for infrastructure. Aid agencies have had limited and tightly controlled access to the conflict area in the south and most foreign aid to Thailand (more than 99%) does not address the subnational conflict. Unfortunately, the conflict is peripheral to foreign trade and diplomatic interests in Thailand, just as it is marginal to the overall national political economy. Historically, aid flows have tended to support state policies that perpetuate the inequalities underlying the conflict in southern Thailand. The little aid that has been provided to the conflict-affected south has tended to be developmental rather than transformative in nature. Aid has enhanced basic services and infrastructure, but rarely

UNICEF: Working on Transformational Challenges through a Service Delivery Project

UNICEF works with NGOs and government departments to improve the cultural sensitivity of service provision. In the education sector, interventions addressing specific peacebuilding issues have included: improving the quality of teacher learning centers to address the lack of skilled local Malay Muslim teachers in the area; introducing bilingual language instruction into primary schools; and improving mathematics and science teaching in religious schools. Through these interventions, UNICEF is working towards the long-term goal of policy reforms that respond to Malay Muslim concerns and needs.

UNICEF has also been able to engage in more immediate issues associated with the conflict. Through relationships with local organizations, UNICEF has ongoing efforts to reduce the effects of violence on schools in the Deep South, a complex and multifaceted problem. School premises have been attacked both by insurgents and the military. Thai army units were using school buildings and grounds as their local bases. These bases brought attacks by insurgents and discouraged parents from sending their children to school. As a result of UNICEF's relationships with high-level government officials and UNICEF's global campaigning for zones of peace for children, senior officers now tell soldiers not to set up camp in schools, and insurgent attacks on schools have declined.

sought to address the deeper issues of cultural indignity, injustice, and inequality (i.e., relative deprivation) that are driving conflict. The findings of this report suggest that while such assistance may be helpful in developmental terms, it will make little difference in supporting a transition to peace in southern Thailand.

However, since 2006, most donors supporting programs in the south are, in fact, working on the key transformational issues. Some important examples from southern Thailand show how development organizations have addressed key transformational issues. UNICEF has made some inroads (albeit of a small, pilot nature) into addressing cultural indignities by introducing bilingual education in a number of pilot schools, and working with communities and military units to declare schools ‘zones of peace.’ Since the 1960s, The Asia Foundation has addressed this cultural divide by supporting curricula development for Islamic Schools. While these two efforts are working on key transformative issues, neither has had a significant impact on perceptions that Thailand has an overall nationalist and assimilationist policy toward minorities.

There are a few examples of developmental programs addressing transformation issues through subtle adjustments to program approaches, or small side activities. For example, UNICEF has been working with the Thai Government and local NGO partners to improve education in the conflict area. Through this platform, UNICEF has been able to improve the cultural sensitivity of public education, and increase

the quality of secular education in private Islamic schools. Similarly, the World Bank has influenced key government agencies to make their programs more conflict sensitive, using a community-driven development project as a model for aid to the conflict-affected areas.

Very few internationally-funded projects have been able to work on the problems of injustice in southern Thailand, a major cause of grievance among Malay-Muslims. However, one example of how aid can promote justice is the investigative work of the Muslim Attorney Center (MAC). Through their work providing legal support to defendants, the incidence of torture and abuse while in detention has reduced dramatically.

While there have been several attempts, international programs have struggled to support peace dialogues in southern Thailand. One important exception is the Berghof Foundation’s peace forums. These forums engage a broad range of Muslims and Buddhists, and government, private sector, and civil society actors, in a series of forums discussing concerns and issues of mutual interest. The objective is to help articulate a platform for change that could, at some point, form the basis for more formal negotiations or political processes. However, the prospects for these efforts remains unclear.

In the context of strong government control over access to the conflict-affected areas of the south, international actors have had to initially prioritize building knowledge and incrementally develop trusting relationships with government

gatekeepers. The World Bank's project (which includes a major CDD component) made inroads into the conflict area by piloting in relatively uncontroversial areas such as Satun (a majority Muslim province outside the conflict area), and then incrementally expanding into the more risky conflict-affected areas. USAID began its efforts in the south with several knowledge-driven initiatives, including a conflict assessment, separate studies on

governance and democracy and illicit trade, and providing support for local partners, including The Asia Foundation. Initiatives included conducting perception surveys and other analytical activities in the conflict area. Many of these knowledge-building activities were integrated into the broader, national research agenda—an approach that reduced sensitivities around USAID's work on the conflict, and may be a useful entry strategy in other contexts.

Muslim Attorney Centre: Using Flexible, Adaptive Approaches

The Muslim Attorney Centre, in southern Thailand, is an example of how aid can provide flexible, locally-customized approaches that can lead to positive transformation in a challenging environment. MAC is a southern Thailand-based network of lawyers established in 2005 to provide legal counsel for vulnerable and marginalized persons. People in the south regularly say that MAC, through legal representation by volunteer lawyers, has played an instrumental role in improving the security forces' treatment of prisoners across the conflict-affected provinces.

MAC's donors, which include bilateral donors and international non-governmental organizations, have worked with MAC to develop funding mechanisms that allow the network to maintain its style of working and structure. MAC is principally a network of practicing lawyers, rather than an organization that employs its own experts or support staff. When some of MAC's funders encouraged them to set up an organization with full time staff, MAC attorneys expressed concern that hiring full-time human rights lawyers in the conflict area would cannibalize their own staff, adversely affect day-to-day operations, and detrimentally-skew compensation rates in southern Thailand. The main funder responded by setting up an organization that provided administrative and financial management capacity, allowing MAC to maintain its lean and largely-informal structure. Project implementation mechanisms that were created out of concern over operational viability have resulted in an innovative approach that could be a model for other subnational conflict environments.

What works in the absence of a clear political transition process?

In the context of strong government control over access to the conflict-affected areas in southern Thailand, as explained above, donors have had to initially prioritize building knowledge, developing trusting relationships with government gatekeepers, and identifying acceptable implementing partners. International NGOs such as Oxfam, Save the Children, The Asia Foundation, and the Berghof Foundation, all with long standing presence and good relationships with Thai government officials, have been able to work with credible local NGO partners, such as MAC, on more transformative, politically-sensitive issues concerning justice, equality and human rights. Anecdotal evidence suggests that this has had some impact in supporting prospects for a transition to peace.

The World Bank and USAID continue to focus on improving narrower socio-economic development programs that are vulnerable to local elite capture. The community-driven design employed by the World Bank may moderate the risk of elite capture, though greater time is needed to assess whether this is the case. These donors have strategically broken the barriers to access by working in safer, more acceptable neighboring areas. They have also launched knowledge-building programs, partnering with local academics and civil society intermediaries such as Prince of Songkhla University and the Local Development Institute (LDI), and implemented pilot projects. UNICEF, as already explained, is an exception in that it has entered the

conflict area through the relatively ‘open door’ of a cross-cutting sector (basic education) to address the culturally-sensitive issue of bi-lingual education in several conflict area schools. When it comes to scale, targeting aid at critical entry points such as language of instruction, and creating space for political dialogue, are examples of ‘smarter’ rather than ‘larger’ aid initiatives. These may eventually pay greater dividends in changing extreme views and influencing government policies than conventional development assistance. Whether such efforts will succeed, only time will tell.

There are five *main lessons* emerging from these aid initiatives that are critical to improving aid relevance and effectiveness under varying conditions of political transition. The first lesson is to focus initially on *building knowledge*, especially knowledge about the local political economy. This entails assessing who has political and economic power at various levels of program engagement, and seeking to understand who the ‘winners’ and ‘losers’ of any aid initiative might be, and formulating a flexible, politically-sensitive interim strategy.

Second, it is important to identify and work through carefully-selected *middle rung partners*. These are intermediaries who are knowledgeable and trusted by all parties in the conflict, including government, insurgents and community members who are all important partners in delivering effective aid in such constrained conditions. Working through credible, middle rung partners can help donors to keep up-to-date on local conditions and establish *trusting, even-handed relationships* with all parties.



Third, create *political space for dialogue* among various stakeholders and/or their proxies by holding forums, workshops and other shared learning platforms that constitute a safe, acceptable space for engagement.

Fourth, it is wise to start with strategically targeted, relatively small, '*smart aid*', using carefully customized *pilot activities*, in relatively secure areas and *expand incrementally into higher conflict areas*. This type of carefully calibrated, incremental approach *acknowledges* the '*red lines*' imposed by government and the military, and also helps to manage risks for the donor.

Fifth, and finally, deploy *longer-term funding cycles* and commit to long-term support. Carefully targeting priority actions and *building local capacity* for advocacy, particularly within civil society, may contribute to relevant policy changes that impact the long-term objective of achieving sustainable peace.



Mindanao: Aid effectiveness in a fragile transition

The Mindanao conflict is in an active stage of political transition, with ongoing peace negotiations between the Moro Islamic Liberation Front (MILF) and the Philippines government. Contrary to Thailand's policy of controlling donors' access to the conflict area, the receptive attitude of the Philippines Government to aid in the conflict zone has encouraged a proliferation of donors who often act at cross purposes, and are manipulated and 'captured' by entrenched local elites. One of the key findings of the project team's research on Mindanao is that patronage and corruption are so deeply entrenched that the well-designed plans and aims of donors rarely result in transformative impacts, and more often than not, actually reinforce traditional political power and patronage structures. *In sum, aid in Mindanao has become yet another source of contestation among local actors, as well as a self-perpetuating industry for donors, government, and NGOs, alike.*

GIZ, the German Agency for Technical Cooperation, has initiated a project in the Caraga region of the Philippines that has taken a more inclusive and integrated approach to regional development. The intervention began with a participatory community peace and conflict assessment that included indigenous peoples (IPs), local government and non-government actors across the whole political spectrum, and regional, district and village leaders. The program is designed to spur regional development by connecting the hinterland

(uplands) to coastal areas and includes an extensive conflict analysis, and focuses on improving the governance of natural resources, which is the primary source of conflict in the area.

GIZ in Caraga

GIZ, the German Agency for Technical Cooperation, focuses its assistance on the Caraga region, an area experiencing various forms of conflict, including the communist insurgent group, CPP-NPA, inter-communal rivalry within the same indigenous peoples' group, and competition over access to forest and mining resources. A distinguishing element of the GIZ project has been explicitly and directly addressing conflict by promoting the formulation of local-level plans that are conflict sensitive. Experts on conflict assessment and analysis were hired by the project to help prepare local plans, starting at the regional level, and continuing down to the village level.

The GIZ experts can also advise government agencies and CSOs operating in the region to ensure the conflict sensitivity of their projects and interventions. Interviews with regional government officials managing implementation of Kalahi-CIDSS in Caraga indicate their deep appreciation for the assistance provided by the GIZ conflict experts because this has improved implementation of their sub-projects in some seriously conflict-affected municipalities and villages, and promoted greater awareness of how extractive industries are contributing to the conflict and serious environmental degradation.

Can Community-Driven Development Contribute to Transforming Subnational Conflict?

Community-driven development (CDD) has emerged as one of the most prominent forms of aid in many subnational conflict areas of Asia, in particular in Aceh and Mindanao. CDD programs aim to promote local participation in the selection, design, implementation, and evaluation of programs. The World Bank alone has funded around 400 CDD projects in 94 countries with a total budget of almost US\$ 30 billion (Wong 2012).

CDD is commonly used in subnational conflict areas for a number of reasons. First, the mechanism provides a way to rapidly channel funds to rural areas where state structures are dysfunctional and when violence is ongoing. Second, providing communities with choice over how funds are used is deemed to result in a better match of assistance with community needs. Third, such approaches are viewed as being more conflict sensitive because they typically prioritize transparency in decision-making and use of funds, and because they include complaints mechanisms. In sensitive environments, this can be particularly important to ensure that project-related problems do not escalate into larger violent conflagrations. These programs are also seen as having potentially transformational impacts, improving social relations and supporting local-level participation in decision-making.

Several recent studies have analyzed the impact of CDD and other community-based development programs on transformational factors at the community level. In most cases, CDD programs are effective in limiting the negative impact of the project on local tensions and contestation. Several studies in Indonesia have shown that these programs significantly reduce the incidence of tensions or violence that result from the project (Barron 2010; Barron, Diprose and Woolcock 2012). While there is limited evidence on other methods of community-based assistance, a recent study of such programs in the Philippines found that some projects have exacerbated local contestation in cases where rival elite networks compete in the community (Schuler *et al.* 2013.). In general, however, when undertaken in a conflict sensitive way, CDD can be an effective instrument for addressing developmental needs in an active conflict area.

Do community-driven programs have spillover effects beyond the project? The evidence is mixed and contested.

There is little evidence that CDD programs have direct impacts on levels of violence (Wong 2012, Schuler *et al.* 2013, and Barron 2010). In Indonesia, levels of violence in project areas were no higher or lower than in matched control locations (Barron *et al.* 2012). Another recent study in the Philippines found that CDD programs can lead to a short-term increase or decrease in violence, depending on the ideology and strategy of insurgents present in the area where the project is implemented (Labonne *et al.* 2011). However, it is unclear if this pattern was a result specifically of the CDD program or would have occurred with any community-based program in these areas.

In contrast, several studies have indicated that CDD projects can have positive impacts on social relations, collective action, and trust at the community level, which, in some cases, may be transformative outcomes (i.e., contributing towards a transition to peace). A World Bank review of CDD programs found some positive results on these factors, including in the Philippines and Indonesia, though not in Aceh (Wong 2012). The longer a project runs, the more likely it is to have these positive spillover effects. Fearon *et al.* (2009) conclude that post-conflict development assistance can improve social cohesion. However, other reviews have concluded that community-based development programs (including CDD) generally have weak social effects beyond the project (King *et al.* 2010 and Mansuri & Rao 2013). One possible explanation for these different findings could be the differing variations of CDD that were examined in these studies.

Evidence from this study indicates that CDD projects can sometimes have impacts on transformational issues but usually this will only be over the long term and is contingent on broader supportive dynamics. Well-designed and -implemented projects can improve the quality of institutions and inter-group interaction at the local level, and this can be important where local inter-communal conflict is rife. However, CDD alone is unlikely to have transformational effects on contestation between local elites or between the central state and minorities in an area. CDD projects tend to be popular and programs can potentially improve trust by showing a positive face for the state; but this will only happen where the state also takes other substantive actions such as ensuring security, delivering justice, and improving services. Thus, CDD programs can only be a small part of any strategy to transform subnational conflict and must be accompanied by other higher-level efforts to promote change.

One of the most widespread forms of assistance to the conflict-affected areas in Mindanao has been Kalahi-CIDSS, the community-driven development program of the World Bank. This is a promising example, in part, because it has produced the most systematic evidence of how it affects key local conditions that can be considered transformative in a conflict environment. KALAH-CIDSS and other CDD programs are potentially-valuable, scalable mechanisms for aid to subnational conflict areas, but they do not work uniformly well in all conflict conditions, and they do not directly address the sources of state-minority or inter-elite contestation.

Local-level clan conflict or *rido* is another source of violent contestation in Muslim Mindanao, sometimes serving as a proxy for larger state-local conflict. The Asia Foundation program addressing *rido* is an example of where aid can be transformative if carefully targeted in tackling local-level contestation between elites. The project combines rigorous monitoring, analysis of the problem, and active intervention to mitigate individual conflicts. The program has shown tangible results by influencing government and military thinking and policy, and ending several hundred individual local conflicts.

While larger-scale sector development projects such as AusAID's BEAM (Basic Education Assistance in Mindanao) and USAID GEM (Growth with Equity in Mindanao) which focus on social and economic development have thrived, mostly in non-conflict areas, there is little evidence

that such projects have had a transformative impact on the reduction of violence. While these projects, like the irrigation and road infrastructure projects of the Japan International Cooperation Agency (JICA) and the European Commission (EC), which predominantly focus on development outcomes, are necessary, they do not address transformative issues of cultural indignity, inequality, marginalization, and inter-elite contestation.

The Asia Foundation: Addressing Clan Violence in Mindanao

Rido (clan war) is the predominant form of violent conflict in Mindanao but neither the government nor donors have made much effort to address it. Most aid programs have focused on addressing state-minority contestation.

The Asia Foundation initiated a major research project to understand this form of localized, horizontal conflict and published the results in a book. This publication convinced donors to continue work through the formulation of a *rido* website tracking the incidence of this form of conflict and the places where it happens. It also led to the creation of rapid response networks to intervene in *rido* conflicts, formed by the Foundation in collaboration with local civil society organizations in areas of Mindanao with high levels of conflict. The project has monitored more than 1,500 cases and resolved around 400 *rido* cases. The resolution involved establishment of local-level processes and commitment mechanisms to ensure that parties will not return to violence.

Conventional development projects have tended to be discreet activities, disconnected from other efforts even in the same area. As a result, they have made little headway on deeply-entrenched local and national power structures. In fact, the government departments concerned with aid projects often compete with each other, taking full credit for the delivery of many of these donor resources. This allows for even greater collusion, manipulation and capture by both national and local elites. Although donor coordinating and financing mechanisms have been established such as the Mindanao Working Group and the Mindanao Trust Fund, there is little evidence that these have been able to go much beyond information sharing to establishing a joint strategy and program development for addressing the issue of donor competition and fragmentation.

What works during a fragile political transition process?

The analysis of what works and does not work in this context leads to several lessons and recommendations. First, in conventional development projects, donors should explicitly *articulate peace and stability goals* such as the targeting of groups that are marginalized and face discrimination. This would shift the priorities of aid to include *addressing transformative issues, including perceptions of marginalization and inequity, as well as improving justice and security*. These objectives would expand on, rather than replace, the normal aims of promoting economic development.

Second, donors need to find more effective ways to respond to political and conflict dynamics at the local level, particularly clan and inter-elite violence. Simply working at the community level does not necessarily address the drivers of community-level conflicts, and participatory processes introduced through community-level assistance have generally not focused on the key transformations needed to address inter-elite conflict.

Third, international development actors need to conduct *in-depth, local political analysis* to better understand the distribution of political, social and economic power at the local level, and its relationship to the causes of conflict. Such analysis would include an assessment of who benefits and who loses with regard to aid delivery in any given community or area, and how aid delivery impacts the causes of conflict.

Fourth, in order to have transformative impact, donors need to ensure critical mass and synergistic effect among donors by linking smaller community development assistance to larger sustainable livelihood and market access programs in a *more area-based, integrated approach*. Reaching such a critical mass of aid assistance would require the promotion of more *effective donor coordination* through joint (integrated) strategies, program design and implementation, and a shared evaluation framework; not merely joint assessments and periodic exchanges of information.

Fifth and finally, donors need to commit to long-term support with 5-10 year program horizons and commensurate long-term funding.

Aceh: Aid effectiveness in an accelerated transition

The nature of political contestation in Aceh has changed since the end of the civil war. The war was essentially a center-periphery struggle. A lack of autonomy and inequitable natural resource distribution were the main causes of the conflict. The peace accord addressed these issues allowing for Aceh to retain 70% of the hydrocarbon revenues and granting significant devolution of power through a new autonomy arrangement. In addition, a special block grant of some US\$ 10 billion was allocated to the province by the central government, above and beyond the normal provincial budgetary allocations. The previously-vertical, center-periphery contestation has now been transformed to horizontal conflict among competing local elites. The new political and economic elite contestation now takes the form of political parties competing for power through the ballot box, and enterprising former GAM elites seeking control over lucrative government contracts and business opportunities. In another twist, the new (former GAM) political elites are seen as competing with traditional village leaders for local influence and power, resulting in yet another layer of local contestation.

The 'new' forms of contestation are reflected in the changing nature of violence in Aceh. While most incidents of violence during the war were separatist, today violence is more likely to be related to popular justice or electoral and economic competition between local elites. Crime involving disillusioned former combatants, has also been on the rise.

Aid has appeared to have differing results, depending upon whether it was targeted at individuals or communities. Initially aid was an important means of demonstrating commitment to the peace process (confidence building) and managing potential political opponents to the process through an emphasis on individually-targeted reintegration assistance, especially for former GAM combatants and amnestied political prisoners.

A special transitional agency, the Aceh Reintegration Agency (BRA) was set up to provide both cash and in-kind assistance (mostly housing) to beneficiary groups (former GAM combatants and other prioritized vulnerable victims). Later on the program focus shifted to more community-driven and community-based programs (i.e., BRA-KDP). These provided block grants to communities to encourage local participation in deciding beneficiary priorities and use of resources (i.e., community targeting criteria).

It is important to note that the initial aid in the transition period was politically rather than developmentally driven. That is, it bought off potential opponents of the peace, and rewarded local elites. The poor performance of these programs—a result of money being shared among the GAM-support base, with no mechanisms to verify who was an authentic combatant or victim, and no monitoring and accountability for the funds—led to growing public protest. Some aid flowed directly to communities through the CDD mechanisms of the BRA-KDP. However, much aid was simply equated with patronage, as GAM, through

Aceh Amnestied Political Prisoner Reinsertion Program

This program is an example of how aid can enable government to signal early commitment during a fragile transition process. A major tenant of the Memorandum of Agreement signed on August 15, 2005 between the Free Aceh Movement (GAM) and the Government of Indonesia stipulated that within two weeks of the signing, about 2,000 GAM political prisoners would be amnestied and released from Indonesian jails. Since no specific assistance had been established to smooth ex-prisoners' transition to civilian life, the European Commission (EC) funded a project worth Euros 4 million (US\$ 5.24 million) to assist these amnestied GAM prisoners in reintegrating into productive civilian life. With technical assistance from the International Organization for Migration, a program was designed and implemented that began with a rapid needs assessment and registration of the amnestied prisoners; the formation of an information, counseling and referral service (ICRS) data base; and a program of assistance comprising a medical screening, transportation assistance to the community of choice, a support package of clothing and toiletries, and an initial settling-in allowance or transitional safety net package, worth the equivalent to US\$ 200. The registration and counseling process sought to identify and match needs with training, employment and other opportunities in civilian life. The amnestied GAM prisoners were also eligible for two additional modest cash support payments over a subsequent four and a-half months. Each registered beneficiary received a reintegration assistance booklet that served as a non-transferable identity document in order to access support programs and benefits provided through a network of 10 ICRS offices set up throughout Aceh. Here individual counseling and help was offered to beneficiaries, along with further education, vocational training and or retraining to improve beneficiaries marketable skills. They were also given referrals to other assistance programs. This program built confidence in the political transition process at a critical early stage.

its conversion to Partai Aceh, manipulated aid and government resources to consolidate its electoral victory. In effect, to a large extent, evolving local politics transformed the process of aid targeting and delivery, and thus *de facto* shaping the aid, and not vice-versa.

As conditions stabilized by 2006, with former-GAM fighters now transformed into political party members seeking support of the wider population, three government flagship projects emerged with a focus on 'development outcomes' (and not purely political patronage). These were intended to improve health, access to education, and build community public works (the BKPG program built on the national PNPM CDD program). It should be noted that these programs ran parallel with the earlier 'confidence building', individually-targeted reintegration assistance to former combatants and victims. These programs partially shifted the thrust from a more political, to a more development orientation. In addition, as the still ongoing CDD-CBD project was controlled more by the village head and the community decision-making process, the new BKPG program gave primary decision-making control to village heads, while linking them to management structures within the provincial government. This ensured that the program was linked to GAM aspirational, vertical power at the provincial center, and that contestation with traditional leadership at the village level was carefully managed.

In sum, aid played an important political, if not a developmental role, in the early stages of transition by managing potential opponents of the peace process (especially former armed combatants and political prisoners) through individually-targeted direct cash and in-kind reintegration payments. It then shifted to dual targeting, also working at the community level on community-defined development needs, e.g., health, education, and infrastructure.

However, major donors and government relied heavily on ‘transitional’ institutions such as BRA rather than strengthening the regular government line agency service delivery structure. The results have been the continuation of an aid program that is more suitable for the immediate needs of building confidence in the peace agreement and managing potential opponents of the peace agreement, but not for transforming underlying power relations. The Aceh case demonstrates that while there may be a need to ensure ‘buy in’ by contending elites in an advanced transition, it can be difficult to anticipate when to wind down such assistance, and encourage more fundamental institutional transformation.

Governance reform efforts have lost opportunity and momentum as ex-GAM have increasingly solidified their oligarchic control, with little incentive to improve institutional accountability and performance. This is leading to new forms of contestation among GAM political elites and between these political elites and the traditional community leadership. At the village level, aid tends to reflect—rather than change—local power dynamics.

PNPM/BKPG provides a useful approach for improving service delivery, but shows little evidence of changing local power structures. However, such programs appear to strengthen traditional elites at the village level, thus providing some local-level checks and balances to the increasingly monopolistic control of the former GAM elites. Promoting institutional transformation through such means as establishing clear and transparent rules and mechanisms for program targeting, resource allocation, and public accountability will be crucial for mitigating the emergence of violent inter-elite contestation in Aceh.

What works in an accelerated transition to consolidation stage?

Under transitional political conditions, with local elite contestation emerging, aid that initially aims to build confidence and manage opponents of the process is necessary, but it is not sufficient to ensure peace and stability in the medium to long run. Launching into a range of development-oriented programs without politically-sensitive risk analysis, and early confidence building, could inadvertently fuel contestation and violence, rather than stabilize the post-conflict environment in the short term. Aceh offers a key lesson in the importance of proper timing and sequencing of donor interventions.

There are several lessons and recommendations that emerge from the Aceh case. First, *timing and sequencing of aid interventions* are critical for consolidating the peace and stability of a peace agreement. Through politically-targeted aid, donors can build

early confidence among key stakeholders and reduce the risk of the peace process collapsing.

Second, it is essential for donors to *monitor changes in political and conflict dynamics*, particularly in the aftermath of a peace agreement. As center-periphery contestation fades, the main driver of conflict may shift to local contestation among emergent political parties, particularly as combatants transform into political parties and entrenched village traditional power structures remain in place.

Third, as early as possible in the transition, donors and governments alike, should increase support for *transitional institutions*, while simultaneously strengthening and rebuilding government line agencies to take on normal services.

Finally, donors need to *stay engaged over the long term*, with a combination of development and transformational efforts to consolidate the peace and help to prevent the conflict from evolving into a new form of contestation.

7.2 Key elements of an effective aid strategy

Effective aid programs to subnational conflict areas generally have a few fundamental characteristics that often diverge from traditional development programs to non-conflict areas and fragile states. These characteristics apply across aid sectors, and not only to peacebuilding and security-oriented programs.

1. *Transformative strategies* – Effective aid programs address the key transformative factors that prolong or exacerbate the conflict, by building confidence in the transition from war to peace and supporting the transformation of critical institutions. This will require moving beyond narrowly-developmental activities, to address security, injustice, and political factors. By necessity, transformative strategies are often very political strategies. This may require the development actor to quietly, discretely, pursue the strategy, in partnership with local actors, rather than making their strategy explicit (and thus drawing scrutiny). This study found dozens of examples of effective transformative strategies that do not follow any outside ‘best practices’ or imported models. In many cases, they are ‘extracurricular’ activities, where donor officials seek to influence government policies, or service delivery programs in order to introduce changes that address minority grievances or local contestation. The common feature in all of these examples is the focus on influencing the key political factors and actors throughout the transition from war to peace.
2. *Understanding and responding to the local political economy and conflict dynamics* – Findings from this research have shown the critical importance of understanding local context, and the risks of ignoring or not fully understanding local conditions. This study shows that there is significant variation in conflict and political dynamics at the local level, which can have major implications for community-based programs or other

local-level interventions. The key is to invest in analysis and monitoring of local political actors, their relationship to sources of political and economic power, and the dominant forms of contestation. While generalized conflict analysis tools have become more sophisticated, and can be helpful in shaping the initial analytical approach, there is no substitute for regular monitoring, in-depth local knowledge, and relationships with key actors in order to develop a nuanced understanding of the key power dynamics in a subnational conflict area. Furthermore, there must be scope for program strategy and design to be shaped by an understanding of local context, which is often the critical challenge for development actors.

3. *Adaptive response* – Effective aid programs generally have program managers and teams that are deeply knowledgeable about the local political economy and conflict dynamics, and can effectively navigate the constraints of working in subnational conflict areas. This may require a greater ‘on-the-ground’ presence in subnational conflict areas, and greater locally based (and recruited) staff. It will also require greater flexibility and autonomy for key staff. Development agencies that allow their key staff the flexibility to work in unconventional ways will be able to address sensitive political issues, and have the best chance of making a transformative impact. However, such discretion should be balanced with ongoing monitoring and risk assessment.

4. *Investing in transitional institutions* – Aid programs that identify and invest in transitional institutions which are not bureaucratic, and can act nimbly and creatively to address priority issues in a timely and flexible manner, are critical to early success in a transition. However, experience shows that it is important to simultaneously build local capacity in government line departments, and seek to mainstream the transitional agencies themselves or at least their more efficient and effective organizational technologies, staff, processes, and procedures.

5. *Monitoring transformative outcomes* – Without an evidence base to understand impact on transformative factors, it is difficult to judge program impact and make adjustments to improve effectiveness. Development programs that monitor confidence, institutional change, key conflict and political dynamics, and have the ability to adjust course, are in the best position to make a positive contribution to the transition to peace. The most effective monitoring will be a major departure from traditional monitoring and evaluation techniques, and will use a variety of approaches, including perception surveys, social science research methods, in-depth ethnographic work, and regular monitoring of political dynamics.

7.3 Improving evaluation and learning in subnational conflict areas

Conflict-affected areas are notoriously challenging environments for evaluation. Many of the factors that influence the level of conflict are inherently difficult to measure. While some sectors of international aid, including humanitarian assistance and service delivery, are well-suited to quantitative monitoring, the political and governance dimensions of subnational conflict are not easily quantified. In most cases, monitoring requires more nuanced qualitative methods. Nuance, however, must be accompanied by far greater rigor in qualitative research design, which often suffers from weak logic in case selection and comparison. Furthermore, there is a worrying gap between project-level results and real macro-level change in subnational conflict-affected areas.

Given the history of weak evaluation of aid in subnational conflict areas, it is likely that ineffective programs are being funded over and over again, because it is difficult to tell whether they have the impact that they claimed in previous rounds. Furthermore, without an evidence base, it is difficult to confirm that aid programs are not exacerbating the conflict.

In donor countries, there is increasing pressure to justify aid programs with evidence of impact. This pressure is translating into intense scrutiny of aid programs and increasing expectations that development agencies prove that they are having a meaningful impact. The growing focus on results,

and evidence to prove results, has helped to raise the priority of monitoring and evaluation in major bilateral donor agencies. However, this trend has also created strong incentives to support projects that can be easily monitored through quantitative methods, and a disincentive to work on issues that are hard to monitor, even though they may be the most crucial topics.

In most cases, development actors do not systematically evaluate¹⁵² the impact of aid programs on levels of conflict or key transformative factors (i.e. restoring confidence and transforming institutions). Monitoring and evaluation for large-scale aid programs focuses primarily on developmental outputs and outcomes, with a few rare exceptions. Those aid programs that claim to directly address conflict rarely have evidence to back up these claims, even for long-running, well-funded programs. As a result, there is relatively little systematic information about the impact of aid on trust, security, and justice. This pattern applies in all types of contexts, from the relatively-open environment of Mindanao, to the more restrictive environments of southern Thailand. In this study's review of 10 prominent aid programs in Mindanao, the majority of projects did not systematically monitor transformative outcomes, and only one measured their impact on levels of violence. Most of the donors rely on *post-hoc*, anecdotal reviews of project activities and accounts from project partners and beneficiaries. Often these reviews lack baseline data against which to compare outcomes, and result in invariably positive evaluations of projects.¹⁵³ In this study's review of 10 large-scale aid programs to

regions without a peace process, none of the projects measured their impact on conflict or on related transformative factors.

However, there are some important exceptions. A few large-scale programs are measuring outcomes around transforming institutions that could be relevant for reducing conflict over the long term. The best examples of systematic tracking of transformative results are the World Bank community-driven development (CDD) programs in the Philippines and Indonesia. For example, the KALAHI-CIDSS program in the Philippines is monitoring community-level social capital, trust, and local governance institutions through a series of panel data surveys. This study shows clear positive impact on intra-community trust, and trust between local officials and the community. The project also tracks collective action and participation in civic life, though the results are mixed.¹⁵⁴ However, the project did not disaggregate subnational conflict areas from non-conflict areas. Other World Bank CDD programs, such as the Kecamatan Development Program in Aceh, have measured similar indicators of transforming institutions.¹⁵⁵ In Sri Lanka, an Asian Development Bank-funded program, the Conflict-Affected Area Rehabilitation Project, measured support for the peace process, key education reforms, the frequency of violent incidents, the number of group disputes, and other indicators of an improving security climate.

Peacebuilding programs have a long history of weak monitoring and evaluation. The primary gap is lack of emphasis on evaluation designs that can credibly demonstrate (or

debunk) the causal link between program activities and the presumed outcomes. In many cases, insufficiently-rigorous evaluation is understandable, as most of these projects are small scale, often implemented by local civil society organizations with limited budget and capacity for monitoring. In many cases, small peacebuilding projects are working to address protracted conflicts, with large-scale violence, or advocating for political reforms or support for a peace process. Taken on an individual project basis, these projects are usually too small to influence macro political developments, making it extremely difficult and rare to be able to generate credible evidence of outcome-level impact. However, these organizations often believe that working directly on conflict issues is an important end in itself, and they have little concern about whether they have evidence to prove that their programs are actually resolving conflicts.

Monitoring conflict and transformative change is highly political. Effective monitoring requires a hard-nosed analysis of politics, not just policy or project implementation. Aid practitioners are relatively comfortable analyzing the impact of policy change, but far less equipped to analyze intra-elite political dynamics, or evolving debates over sensitive political options. Monitoring these political issues can also raise concerns from government. For example, monitoring the level of public support for a peace process or a key reform (such as an autonomy agreement) can be politically controversial. Violence data is often contested, as it is difficult to determine the true intention of a violent act (e.g., insurgency

or something else). Local-level monitoring of social cohesion and conflict dynamics can reveal the role that security forces play in local violence, local elite contestation that involves national political actors, or draw attention to inter-communal tensions.

Improving the evaluation of aid to subnational conflict areas will involve more than just investing in better data; rigorous research designs must be built into project evaluations. Granular, time-series data on socio-economic and security conditions are vital, but not sufficient. Assessing a specific project's impact, or evaluating a given theory of change, will require more rigorous research designs, drawing upon both quantitative and qualitative methods. There is no 'magic bullet', and research tools should be selected based on the needs and inference challenges associated with each project. For instance, in cases where development actors are interested in assessing impact, or evaluating the relative efficacy of a set of interventions, randomized control trials, or case study designs with rigorous attention to case selection, will be appropriate. Assessing how a given project impacts the local political economy requires very different tools, such as in-depth ethnographic research.

It is very difficult to know precisely what to monitor, due to challenges in predicting the change that is likely to unfold. In many cases, the most important impacts from aid projects were not expected, and the changes that were expected (and closely monitored) were disappointing. For example, the Muslim Attorney Center (MAC)

project in southern Thailand was designed to improve legal representation for Malay-Muslim defendants in the Thai judicial system. As such, the project monitored indicators concerning the pace and quality of the judicial system. However, MAC's success in challenging evidence in court that was produced under duress seemed to be linked to significant declines in reported cases of abuse and torture while in custody. This was an unexpected outcome. In other cases, such as the World Bank's program in southern Thailand, the key impact seems to have been the program's influence on one government aid program designing better participatory processes. It is very challenging to produce systematic evidence through a post-hoc evaluation, though this is often the only option for understanding unexpected impacts.

One of the critical gaps in current monitoring is the lack of disaggregated data concerning ethnicity, religion, and locality. Except for a few cases in Mindanao, this study found very little evidence that governments and development actors are systematically disaggregating data by ethnicity. Without disaggregated data, it is difficult to monitor horizontal inequalities in the subnational conflict area—an issue that appears frequently in qualitative analysis, and is a common source of grievance for local minority populations.

In order to understand the impact of aid at the systemic level, monitoring, data collection, and evaluation need to include analyses that rise above the level of single project assessments. The research found that individual projects consistently struggle to

track program outcomes related to conflict, confidence, and institutional change. To be realistic, monitoring these changes requires much broader coverage, and longer time horizons than aid project cycles and funding levels will allow. For example, there is clearly need for more panel studies across a wide geographic area, but these studies are expensive and challenging for all but a few development organizations.

Data gathering should focus both on building up 'contextual' data on the sub-national conflict area, as well as tracking factors associated with the causes of conflict. There is need for greater investment in subnational 'contextual' data, including quantitative data (e.g., socio-economic, governance, and violence data) and qualitative monitoring of political dynamics and conflict trends. For example, measuring confidence in a transition process across a subnational conflict area requires regular perception surveys and interviews with key elite actors. In cases in which horizontal inequalities are a key driver of conflict, it is necessary to measure key economic data, disaggregated by ethnicity and locality. Likewise, if government discrimination or lack of due process is linked to resentment and resistance, monitoring the justice system (accusations of arbitrary arrest or detainment, allegations of torture) may be necessary. Tracking key governance indicators such as budget allocations and distribution of services by ethnicity and locality, or the representation of identity groups in security forces, is also essential in order to track the transformation of key institutions. However, in cases where government discrimination or abuse of

minority populations is driving conflict, encouraging state bureaucracies and to collect identity-group disaggregated data may also carry risks. Given cost concerns, agencies investing in such data may need to balance granularity with coverage.

7.4 Adaptive response: how effective aid officials navigate agency risk tolerance levels and local contextual complexity and diversity

Despite the constraints of donor organizations and governments, as well as the suspicions of communities, there are many individuals and programs that have successfully navigated conservative bureaucracies. Government programs have progressive outliers, communities have courageous change agents, and aid bureaucracies have individuals and units who have found ways to operate in challenging, conflict-affected environments, and respond nimbly to make transformative changes.

Some of the most effective examples of transformative outcomes are those of aid programs that have influenced government policies and programs. In Mindanao, the government's flagship peace and development program, PAMANA, has built on the World Bank's CDD and integrated area development programs and analysis. In Aceh, the European Commission/International Organization for Migration assistance in providing transitional reintegration support to amnestied GAM political prisoners was an early win for donors and demonstration of the government's commitment

to the peace process. In Thailand, the Asia Foundation's support to the Muslim Attorney Center has resulted in the Thai government having much greater concern for human rights and public perceptions about their record on human rights.

Donor financing of special funding mechanisms in Aceh and Mindanao, which were above and beyond normal government budgetary allotments, not only jump-started the political and economic transformation process in the early stages of peace building, but also encouraged government itself to continue special enhanced budgetary arrangements. Likewise, the support to transitional institutions such as BRA and BDA in Aceh and Mindanao, respectively, have enabled quick response and avoided the impediments of slow moving or weak regional bureaucracies that have been critical to early confidence building. However, the commitment of donors to transforming such transitional bodies to revitalize existing, or create new mainstream government development

structures, is clearly a challenge and 'work in progress' for aid agencies in subnational conflict-affected areas. In Thailand, the work of encouraging the government to take a bolder, more transformative approach to the conflict in southern Thailand, rather than simply endeavoring to stamp out the conflict, has only just begun. More than anything else, this will mean building a learning platform by sharing regional and international experience with Thai policymakers through studies such as this one, and also building trusting relationships.

The most effective actors in donor agencies have the ability to navigate their own bureaucracies, as well as government and local sensitivities, so that at critical moments, they can support strategic interventions on key issues. Donor constraints often concern political sensitivities that arise through their desire to maintain good diplomatic, trade and security relations with the host country.

Tactics of Effective Aid Officials

The individual reformist or change agent within the aid bureaucracy has a few proven *tactics* at her/his disposal. These are:

- Exercising intellectual and moral suasion by arguing for working on conflict issues within the agency through brown bag seminars, bringing in credible external speakers, and introducing conflict themes in training and orientation programs;
- Structuring program funding arrangements to allow for flexible, quick-disbursing, special grant funding mechanisms to facilitate collaboration with influential partners, enable maximum flexibility and responses to unexpected opportunities;
- Building informal and formal coalitions and networks of like-minded people within the organization in order to have an internal, critical mass of peers/colleagues to promote advocacy, action, and accountability, and;
- Enhancing the evidence base for risky, but relevant and credible action.

8. Conclusion

Subnational conflicts present some of the most urgent needs for international assistance in Asia. While most of Asia is prospering, these are the places that are being left behind. The people who live in subnational conflict areas face insecurity, marginalization, and an uncertain future. Despite the enormous challenges, there is clear need to prioritize international assistance to these regions.

Over the past decade, the field of international development has made significant progress in understanding and adapting programs to conflict-affected settings. Most of the changes, however, have been shaped by experience in fragile states and low-income countries in Africa, large-scale civil wars like Bosnia and Kosovo, or internationalized conflicts such as Iraq and Afghanistan. While mainstream development approaches have helped support broad developmental transformation, with millions brought out of poverty, these approaches have often done little to help those in subnational conflict areas.

This concluding section revisits the lessons learned from the study and provides recommendations on how aid actors can improve their ability to support transformation in Asia's subnational conflict areas.

8.1 Strategies for transformation

In subnational conflict areas, the primary goal for international development assistance should be to encourage and support a transition from conflict to durable peace. Building on the WDR 2011 framework, this study recommends that aid programs contribute to this transition by:

1. **Addressing the most critical area of contestation** (state-minority, inter-elite, inter-communal)
2. **Focusing on transformative outcomes** (strengthening confidence, transforming institutions)
3. **Calibrating program strategy based on the stage of political transition** (no transition, fragile transition, accelerated transition, or consolidation)

These lessons can be applied to all development programs, regardless of sector. Programs focused on development outcomes can make important contributions to the transition to peace through careful consideration of conflict dynamics in the project design, particularly around beneficiary targeting, government and civil society partnerships, and key institutional reform objectives. Projects that do not consider conflict in the area where they are working run a considerable risk of exacerbating ongoing tensions and political contestation.

Aid to subnational conflict areas has the greatest impact when it supports a political transition from conflict to durable peace.

Where substantial progress has been made—as in the case of Aceh—broader political forces and interests have aligned though a process of political transition that allows aid to support the efforts of key actors from government, the conflict-affected population, and non-state armed groups. Transitions must be locally owned to be credible, but aid can play a supportive role in providing external validity, advice, and material support.

In the absence of a credible transition, traditional aid programs are unlikely to affect the dynamics of the subnational conflict. In most cases, government efforts to win support of the population through development or cash handouts will not have a significant impact on peoples' perception of government, make the insurgents less likely to continue their struggle, or cause warring elites to pursue their interests in peaceful ways. In general, people associate aid with local leaders, or the local implementing partner, not the donor or the central government. As a result, most aid to subnational conflict areas will reinforce local power structures.

8.2 The limits of aid in subnational conflicts

Under some circumstances, aid programs can make meaningful contributions to a transition to peace where they are closely attuned to local circumstances and working on the most critical transformative issues. These issues will vary from place to place, depending on local issues and the stage of transition. In many cases, however, and especially in the most difficult conditions, aid programs are merely a footnote in a story written by much larger political forces over the course of decades. This study's findings remind us that subnational conflict areas are extremely complex and challenging environments for aid programs to make a transformational impact.

International actors thus need to be more realistic about what can plausibly be accomplished through assistance to subnational conflict areas. For programs that intend to directly support transitions to peace, there is a need for more realism and reflection on the level of impact that aid programs can have on the trajectory of long-running conflicts. For developmental programs that claim to be contributing to peace, there is a need for more critical scrutiny of these claims. This study has found that transformative and developmental objectives can sometimes work at cross-purposes, and that merely bolstering development may have undesirable effects on subnational conflict. In short, there are major weaknesses in the theories of change commonly used to link development interventions

with impact on conflict dynamics. Huge leaps in logic from project outputs to transformative outcomes are generally implausible. However, if development programs are carefully calibrated to ensure that they do not exacerbate the drivers of conflict—for example, by reducing horizontal inequalities, concentrating support in state functions that do not threaten local identity, or ensuring that aid benefits do not fuel local elite competition—then developmental objectives need not contradict transformative objectives.

There is a real risk that exaggerated claims of aid impact on conflict are undermining the potential of international actors to help. The vast majority of organizations involved in addressing conflict do not have the incentive or capacity to critically assess aid programs to determine which approaches failed or succeed. As a result, it is extremely difficult to evaluate honestly the impact of international development assistance on subnational conflicts. Further, inflated claims often raise expectations that aid will transform conflict in the short term, when in fact, most transformations will take many years or even decades. As a result, there is a critical need to determine whether aid programs are helping to restore confidence and transform key institutions at the local level, or whether aid interventions are exacerbating local contestation, and undermining confidence in the future prospects for peace.

Programs have often had limited impacts because of structural factors that are well outside the control of development actors working in the country. For example,

aid impact is limited by the constraints on development agencies in subnational conflict areas. As mentioned in Chapter 4, aid agencies must contend with constraints from recipient government interests, donor priorities, and aid operations and methods. Furthermore, the scale of international development assistance funds to subnational conflict areas are often a tiny fraction of overall resource transfers to conflict areas, and usually dwarfed by other sources of funds. These conflict areas tend to see significant resources distributed locally for security forces, internal fiscal transfers, and government aid programs, especially in the case of middle income countries. These resources often provide more powerful counter-incentives that effectively cancel out the incentives created by international aid programs.

When working in subnational conflict areas, *international development actors need to revisit some of the core assumptions that underpin mainstream aid models.* Increasingly, aid programs to conflict-affected areas have an explicit set of normative goals, such as political and economic inclusion, expanded participation, reduction of elite capture, and strengthened state capacity. Unfortunately, these assumptions can sometimes lead us down the wrong path in subnational conflict areas. For example, expanding or strengthening state capacity in a state-minority conflict area can be counter-productive if no attention is paid to conflict dynamics. Development actors need to be smart about building capacity by using assistance to encourage institutional reforms that address core issues in the conflict, and avoiding areas that will exacerbate

the conflict. Ultimately, the focus must be on reducing contestation over governance, rather than strengthening dysfunctional state agencies.

Key assumptions around political dynamics and elite capture are particularly important. This study found that local elite dominance can be important to maintain security and bolster conflict actors' confidence in a peace process. Conversely, undermining local elite control can potentially be de-stabilizing in a conflict area. While it is important to find ways to encourage conflict-affected societies to move from traditional, personalized patronage systems (or limited access orders) to more open, impersonal, state-based systems, the transition often requires a level of stability, security, and confidence in state-provided security and justice, that is simply not present in an active conflict area. At the same time, strengthening local power structures in a conflict area can also risk exacerbating local rivalries, and undermine confidence among some key actors that change is coming. Therefore, particularly during the early stages of transition, it is critical to understand the stabilizing (and de-stabilizing) role of local elites and traditional power structures, in order to harness their capacity to help in the transition to peace in appropriate ways.

In highly-constrained environments, some development actors are better equipped to address the critical issues. It is important to recognize the relative strengths of different development agencies, including bilateral and multilateral donors,

international organizations, and local partners in government and civil society. For example, bilateral donors can leverage their diplomatic and political influence, defense assistance, and various other means to encourage and support a nascent transition. Furthermore, local and international organizations with a long track-record and established networks in the conflict area are better equipped to work on sensitive issues. Evidence from this study strongly indicates that local knowledge, deep connections, and long-term presence and approaches are more important than technical knowledge or experience in other countries.

8.3 Re-orienting development agencies to support transformative strategies

Despite the immense challenges, and common weaknesses in aid responses, aid can sometimes support transitions in subnational conflict areas. These research findings provide useful insights into how international development actors can be more ‘fit for purpose’ in subnational conflict areas.

1. Build institutional knowledge on subnational conflict areas

A critical gap for development actors is the accumulation of knowledge of the conflict area and dynamics on an institutional level. There are many good examples of individuals in donor and implementing agencies who have acquired a deep familiarity with the conflict area, but this rarely translates into collective understanding or knowledge retention once these individuals move on. This study’s research findings provide strong evidence that deep local knowledge and good connections are very important for effective aid programs in subnational conflict areas. Without granular, nuanced understanding of local political and conflict dynamics, and key actors, aid programs are not likely to contribute to transformative outcomes, and will tend to be clumsy and distant in their interaction with local actors. This does not necessarily preclude new development actors from making a meaningful contribution—in fact, new actors may be crucial

in some cases, especially during periods of rapid change. However, new actors should put a high priority on developing their understanding of local conflict and political dynamics, and avoid importing models and assumptions from elsewhere.

To address this gap, international development agencies need to consider new staffing models and new techniques for knowledge accumulation and monitoring. There is an important need to attract and cultivate local staff, ideally from the conflict area, who bring pre-existing knowledge and networks, and who are committed to focusing on the particular challenges of the conflict area. While many implementing agencies rely on local staff in the conflict area, donor agencies have struggled to develop similar staff structures with local staff in influential positions. Local staff are often subject to major limitations in career progression, management responsibilities, and influence on policy decisions. Seasoned, respected, and influential local staff will be essential for any international actor to effectively work in a subnational conflict area.

Similarly, there is a clear need to attract and retain international staff who are long-term country specialists with deep knowledge of subnational conflict areas. Most international development agencies do not have a way of promoting careers that focus on deep country knowledge, as this would require some form of career progression track that allows staff to stay in a single country for long periods of time. In most cases, specialists in a conflict area must make a choice between continuing to work on the conflict, or career progression in the

Recommendations for Development Agencies

1. *Build institutional knowledge of subnational conflict areas*

- Introduce new staffing models to retain and promote staff that specialize on a conflict area
- Address barriers to career progression for local staff (especially those from the conflict area)
- Create career progression tracks for international country specialists
- Build capacity for monitoring the political dynamics of the conflict, including monitoring the evolution of political conditions and attitudes at the national level
- Enhance knowledge transfer and retention

2. *Allow for greater flexibility and adaptability to local dynamics*

- Create more space for flexible, adaptable approaches that respond to local conditions
- Design more flexible programs that allow for learning and refinement during implementation
- Insulate programs from corporate pressures and regulations that preclude flexible, responsive approaches
- Ensure programs strike a balance between the interests of governments and conflict-affected populations

3. *Prioritize evidence*

- Collect data on local conditions and dynamics that focus on key transformative factors
- Improve official tracking of socio-economic conditions to disaggregate by identity group
- Report on disaggregated data by ethnicity, geographical area, and gender
- Monitor transformative outcomes at the macro and project levels
- Monitor transformative change using methods other than conventional M&E, including perception surveys, qualitative case analysis, and monitoring socio-economic conditions and violence levels
- Monitor at a high level of geographic specificity in order to track local conditions, identify problematic localities, and monitor interactions between different forms of conflict
- Track and report on funding flows at the subnational level
- Invest time, effort, and resources in building relationships with key actors

4. *Re-align incentives*

- Curtail incentives to spend large amounts with reduced staff engagement and oversight
- Strengthen incentives to work on higher-risk transformative issues, even if they are more political
- Reduce incentives to work through foreign contractors and instead increase incentives to work through locally-established partners with strong networks and credibility in the conflict area

5. *Allow for long-term programs*

6. *Design large-scale programs that are flexible and conflict sensitive*

- Customize program interventions in the conflict area to be more flexible and responsive to local conditions and sensitivities (e.g., utilize the conflict window)
- Align targeting and distribution strategies to address inequalities and sources of grievance
- Allow large programs to have small activities attached to them that allow program teams to work in more politically-nuanced and responsive ways

agency. This challenge applies across many sectors of development, but it is especially crucial for addressing subnational conflict where access is challenging, and interpersonal relations and local knowledge are crucial. While recognizing that all donor agencies will need to have a rotation of new people in country offices, there needs to be much greater effort and investment to create incentives for retaining knowledge specialists on the conflict, and rewards and opportunities for long-term postings.

Knowledge transfer and retention is another key area for improvement. Some donors have addressed this challenge by broadening the circle of staff involved in conflict analysis, which seems to have improved general knowledge of the conflict area. In many cases, donors have established strong partnerships with established local or international organizations with deep knowledge of the conflict, to allow for greater continuity and improved quality of conflict and political analysis. Many agencies have increased knowledge sharing and professional network building through inter-agency exchanges (secondments), joint training, and frequent learning opportunities on specific conflict areas and issues. Other strategies used by some development agencies include incentives for informal networking with influential actors from the conflict area, and improving staff diversity through recruitment of people from multiple ethnic groups affected by the conflict.

2. Allow for greater flexibility and adaptation to suit the local conflict and political dynamics

Aid programs need to have more space for flexible, adaptable approaches that respond to local political and conflict conditions. This study's research findings indicate that subnational conflict areas can be complex, volatile, and diverse environments. Successful programs must be able to identify and respond to unexpected opportunities and risks, and carefully calibrate program interventions to ensure just the right message and balance. Mainstream development programs designed for non-conflict areas tend to be overly designed and structured, and too rigid to respond to changing local dynamics. Furthermore, there is a critical need for flexible program designs that allow for learning and refinement during implementation. As a result, many of the best examples of aid programs in subnational conflict areas were especially designed for the local environment, through an iterative piloting process of trial and error.

In many cases, program strategies are not grounded in the realities of the conflict area. Project design is a product of many factors that are exogenous to the conflict, including the niche program *foci* (or competencies) of the development agency, development industry trends, global policy agendas of the donor, and

the preferences (and personalities) of the donor officials. For example, in areas with active peace processes, it is very common to find supply-driven peacebuilding programs, with template-based programming strategies that are based on program models or experiences imported from some other conflict. Similarly, mainstream development programs usually pay little attention to local conflict dynamics.

Donors need to find ways to insulate programs in subnational conflict areas from corporate pressures and regulations that preclude flexible, responsive approaches. For example, the pressure to disperse large amounts of funding and show quick results may create barriers to improving aid impact on transformational issues. Project managers have strong incentives to work on issues that are easy to measure and where it is easy to spend, rather than work on critical transformative issues. Procurement, financial, and audit regulations often preclude involvement of small actors, or informal networks, although these groups are often best placed to influence key actors and apply political pressure for key reforms or compromises that are critical for transformation. There is also a need for critical reflection on risk management in aid to subnational conflict areas.¹⁵⁶

Programs to a subnational conflict area must effectively balance the interests of governments and conflict-affected populations. While recognizing that development agencies may have limited influence on government policies and behavior, it is imperative that donors understand the impact in the conflict-affected populations before deciding to proceed with a project. International actors can play a very positive role by sending signals that the interests and concerns of the conflict-affected population are important, and when possible, seeking opportunities for direct partnership with local actors. Under the right circumstances, collaborative programs between central government partners and key actors from the conflict area could be a useful mechanism for building confidence.

3. Make evidence collection a priority

This study strongly indicates that the international community does not have a clear understanding of its impact on subnational conflicts due to major evidence gaps. While there has been progress in measuring results from statebuilding and peacebuilding programs, there is little evidence that international aid projects are, in aggregate, leading to the outcomes that matter most for long-term security and governance. As a result, it has been challenging to produce hard evidence that international development programs are helping countries to emerge from fragility and conflict. The research provides several recommendations to address these gaps.

First, there is a need to create a common monitoring system that allows for assessments of changing issues and the aggregate impact of aid. At present, almost all monitoring is organized around projects. To fully understand the aggregate impact of aid programs on a conflict area, there is a need to move above the project level to conduct monitoring across a broad geographic area. Individual aid programs are unlikely to have major impact on transformative issues, except at the community level. As a result, it is extremely unlikely that individual project monitoring will provide an aggregate picture of the overall level of impact from aid.

There is also a critical need to disconnect monitoring from specific projects, and instead allow for collective or independent monitoring of local conditions. Within

projects, monitoring should be much more rigorous, and focus on transformative outcomes that are within the scope of the project's influence. Project monitoring should allow for outside researchers to review and analyze the monitoring data, to offer alternative opinions and analysis from the project. One useful example is the KALAHI-CIDSS project in the Philippines that collected panel data from a series of surveys, and shared these with external researchers who produced several influential papers.

Second, data collection on local conditions and dynamics must focus on key transformative factors, such as the level of confidence in a transition or peace process, trust between rival actors or groups (state and non-state), strength and quality of local institutions (especially those dealing with security and justice), distribution of wealth and services between rival groups, and the pace of institutional change and support for change. This study found that aid programs and governments rarely track these local dynamics. What these factors (and indicators) are will depend on the issues present in the subnational conflict area and what stage of transition is present.

Third, there is a need to improve official tracking of socio-economic conditions to disaggregate by identity group (ethnicity, religion, and language) to allow for tracking of horizontal inequalities. Development agencies may be able to play a role in supporting local governments in developing systems that allow for such disaggregated data analysis.

Monitoring transformative change will look very different from traditional monitoring and evaluation practices. This type of monitoring will require methods that look very similar to social science research, going well beyond counting outputs and post-hoc evaluations. Monitoring transformative change may require:

- Perceptions surveys to track changing levels of confidence in a transition, and perceptions of security actors and state officials;
- In-depth qualitative analysis, such as political and conflict mapping, to understand how local dynamics are changing; and
- Monitoring key socio-economic conditions by identity group to track the rate of development and service delivery for each group relative to the other.

This type of specialized monitoring will require a high level of geographic specificity to track local conditions, identify problematic localities, and monitor the interaction between local conflicts and higher-level conflicts (e.g., state-minority). This study produced strong evidence that local variation is poorly understood, creating major risks for aid programs to be wasted, or exacerbate local conflicts.

Monitoring and reporting of funding flows should allow for tracking specific to the subnational level, and between different identity groups in the conflict area. At a minimum, international donors and implementing agencies should be able to report on the comprehensive level of funding to a subnational conflict area. Below this level, tracking aid flows to the local level may be excessively burdensome on local actors, expensive, and not particularly meaningful. For programs that work at the community level, however, it may be feasible and important to track aid flows to the local level, to ensure that aid benefits are not overly concentrated or being channeled for political means that undermine confidence.

4. Re-align incentives

The incentives that shape program design and funding decisions are frequently out of sync with the critical needs in subnational conflict areas. For example, many donors have major incentives to spend large amounts of money on a few projects, which can be problematic for subnational conflict areas. Many bilateral and multi-lateral donors have tried to increase efficiency by making individual projects larger, while significantly reducing staff involvement, including analysis, design, and oversight. These large programs can effectively crowd out the crucial efforts of smaller international actors, and local partners, who are often able to work in more flexible and politically-nuanced ways. Furthermore, effective programs in subnational conflict areas require increased levels of staff engagement in order to develop and manage more locally grounded, flexible programs that respond to dynamic local conditions.

The incentives of donor agencies strongly push for developmental programs, rather than address higher risk conflict-related challenges. There need to be more positive incentives and space for development actors to work on political issues related to subnational conflict. The most critical challenges in subnational conflict areas are inherently political. For example, improving the confidence of key actors and conflict-affected populations requires programs that understand and respond to political dynamics, and take political risks. Furthermore, transforming key institutions requires a major focus on the political constraints to reform, along with provision of technical assistance

and capacity building. *These reforms are very politically sensitive, and require a nimble and nuanced approach by aid providers.*

There are also strong incentives to work through contracting mechanisms in subnational conflict areas that can divert funding from well-established local networks and non-government partners. Faced with high levels of risk due to insecurity or misuse of funds, donors often make the decision to work through foreign contracting firms so that they can increase their control over activities and funding flows. Experience from the three country case studies indicates that these mechanisms tend to introduce actors that are unfamiliar with the conflict area, and reduce the direct engagement between donor staff and key local actors. While there are circumstances when contractors are necessary, donors should recognize the short-comings of this program mechanism in a context where local knowledge, networks, and longevity are essential.

5. Allow for long-term programs

It is important to allow programs in subnational conflict areas to develop and evolve over several years, before they will be able to make a significant impact. The typical project cycle of 3 to 5 years is extremely brief when compared with the slow process of change in key institutions and entrenched political structures that sustain the conflict. Only in the rare cases of an accelerated transition process, with a peace process that enjoys high levels of confidence, can short-term projects make a major contribution. The World Development Report 2011 similarly recognizes the slow pace of institutional change related to conflict, noting that these changes can “take a generation.” With subnational conflicts in Asia running on average in excess of 40 years, it can be expected that the key institutional changes will be slow and difficult.

6. Improve large-scale programs to be more flexible and conflict sensitive

Large-scale development projects are critically needed in subnational conflict areas. However, there are important changes needed in how some of these projects are designed and implemented.

While this research calls for greater focus on transformative factors, it is not arguing for increasing the number (or funding scale) of small, peacebuilding programs or projects that only address transformative issues. A major shift of aid resources to transformative strategies could be counter-productive unless there is a credible transition unfolding. Projects that focus on infrastructure, economic growth, government capacity building, and service delivery can deliver development outcomes without exacerbating or prolonging conflict if the project design uses conflict-sensitive approaches.

In fact, large-scale programs that are primarily focused on development outcomes can help to introduce or encourage transformative outcomes through subtle program approaches that may be effective in sensitive environments or in the absence of a transition. Large-scale programs tend to have much greater influence on governments, and the ability to influence government efforts to provide assistance in the conflict area. There are many examples of project officials using their programs to engage with government policy, or encourage institutional change that have led to important significant transformative changes on the government side. *The key is for donor agencies to allow and*

encourage this type of informal influencing, and use program funds to support these efforts.

There are several recommendations for improving large-scale programs in subnational conflict areas. First, *it is critical to customize program interventions in the conflict area to be more flexible and responsive to local conditions and sensitivities.* In many cases, large national programs include conflict areas, but do not make any changes in implementation arrangements, monitoring or partners for the conflict area.

There is a strong case for the development of a *conflict window*, or a program component specialized for the subnational conflict area. For example, community-driven development programs in active conflict areas could focus greater attention on local conflict dynamics, and adaptation to these local conditions through changes in the roles of community facilitators, open/closed menu options, and targeting.¹⁵⁷

Second, *large programs should align targeting and distribution strategies to address inequalities and sources of grievance, and avoid widening the gap between rival groups in a conflict area.* This would require programs to target benefits and track results by identity group, and local geographic level to understand relative changes between communities.

Finally, *it is important to allow large programs to have small pilot activities attached, to allow program teams to work in more politically-nuanced and responsive ways, creating a platform for learning before efforts to scale up or replicate programs.*

8.4 Implications for aid policy

By exploring subnational conflict in depth, this study provides a reality check on some of the dominant aid policy frameworks, particularly those focused on fragile states. The OECD DAC Principles for Good International Engagement in Fragile States¹⁵⁸ were developed with the intention of applying the core tenets of aid effectiveness (such as those identified in the Paris Principles), but adapting them to the unique context of fragile states. However, principles for good work in fragile states may have a different set of implications and outcomes in a contested subnational conflict area. The New Deal for Engagement in Fragile States was an important advancement for international aid policy commitments towards conflict-affected areas, and helped to address many of the short-comings of the Paris Declaration. The Peacebuilding and Statebuilding Goals (PSG's), in particular have captured some of the core tensions in aid delivery to conflict-affected areas. For example, the first goal, to establish "Legitimate Politics – Foster inclusive political settlements and conflict resolution" helps to recognize the centrality of politics and informal institutions and networks as a core element of international support to address violent conflict. Similarly, the third goal "Justice – Address injustices and increase people's access to justice" helps to create space for protection of individual and minority rights, on an equal footing with security. The development of indicators for the PSGs is still ongoing, however, and the results of this process will have important implications for aid policy in the future.

There are potentially unavoidable tensions between statebuilding models and the political needs and demands of subnational conflict areas affected by ethno-nationalist insurgencies. In some ways, state building is leading to the ‘formalization of the informal’ by bringing historically-autonomous local economies and politics under the purview of the state. This process inevitably creates winners and losers at the local level. It can also generate conflict between minority groups and the state as formal authorities attempt to dominate the periphery, and inadvertently create fault lines within minority groups by creating new opportunities for wealth and influence.

There is a critical need for more risk management and results monitoring that is customized for the unique challenges of aid to subnational conflict-affected regions. The WDR recommends that development agencies reform their internal procedures to address the increased levels of risk by varying oversight and delivery mechanisms, supplementing national control systems, increasing contingencies in budgets and planning assumptions, and increasing risk sharing between donors.¹⁵⁹ The International Network on Conflict and Fragility, within the OECD DAC, produced a report on aid risks in fragile and post-conflict transition conditions arguing that despite the increased donor interest in fragile states, “few have developed approaches to risk that are specifically geared to working in fragile and transitional contexts.” Findings from this research indicate the need for reducing the pressure to demonstrate results and meet accountability requirements, in order to address the problems of donor risk aversion.

The problems of risk management are similarly challenging in subnational conflict areas. This study found that international development actors are often not closely monitoring key dynamics that could have implications for the trajectory of a conflict or a transition to peace. The first step to managing risk in this type of environment is to improve understanding of local political and conflict dynamics, and more systematically monitor the key factors that determine transformational impact. Recognizing the political nature of transformational approaches, it will also be essential for donors to develop risk management approaches that account for the possibility of reactions by those who oppose a transition to peace.

In many cases, bilateral donors face a dilemma. They are under domestic political pressure to reduce corruption, and increase results. However, short-term approaches to respond to these pressures can undermine long-term impact, by creating perverse incentives and undermining national ownership by channeling support through foreign implementing agencies.¹⁶⁰ Thus, many donors have been slow to change their behavior as a result of the underlying incentives to respond to their policy-makers and taxpayers at home. According to the World Development Report 2011, this pressure can lead to a focus on “form rather than function”, and avoiding engagement in higher-risk institution-building.¹⁶¹ These factors reduce the incentives for donors to design their strategies and programs based on analysis of the local context, especially when this analysis calls for a programmatic response

that requires increased risk, innovative creative response and adaption, and longer time horizons for showing results.

Subnational conflicts in Asia are likely to be a major source of violence, under-development and suffering for many years to come. The findings from this research can be used to make international development assistance more strategic, and more carefully calibrated to work in these complex environments.

Individuals living in conflict must make difficult choices every day, and balance competing pressures from various armed groups, state officials, and their own community members in order to ensure their survival.

The international development community can make an important contribution, however, by supporting political transitions to peace. Aceh's transition from intense conflict to relative calm was an ideal opportunity for targeted international support towards transformation of a long-running conflict. Recent developments in the Philippines and Thailand may create new opportunities for international support to end these conflicts. In the Philippines, years of intermittent peace talks and a proliferation of armed non-state actors undermined confidence that the transition would lead to stability and peace. However, the signing of the 2012 Framework Agreement on the Bangsamoro, strong leadership from the

Aquino government, and signs of growing Moro solidarity, have reversed the course of a once-faltering peace process. Prospects for a fragile transition in southern Thailand may also be improving with the February 2013 announcement of talks between the Thai Government and a prominent insurgent group.¹⁶²



Endotes

1. Countries included in this region: Afghanistan, Pakistan, India, Nepal, Sri Lanka, Maldives, Bhutan, Bangladesh, Myanmar/Burma, Thailand, Lao PDR, Cambodia, Vietnam, Philippines, Malaysia, Singapore, Brunei, Indonesia, Timor-Leste, and Papua New Guinea. Northeast Asia (including China) and the Middle East (including Iran) are not included in this study.
2. This figure is based on data from the Heidelberg Conflict barometer 2011, and the Uppsala Armed Conflict Dataset.
3. Across Asia, there have been 9 subnational conflicts lasting more than 40 years since 1946, which is nearly one-third of all conflicts across the globe that have lasted this long. Data source: Uppsala Armed Conflict dataset (version 5, 2012).
4. Chapter 2 provides a more detailed definition of subnational conflict.
5. There are some cases of overlap between fragile states and subnational conflicts, such as the Madhesi conflict in the Terai region of Nepal. While the definition of a fragile state is contested, for purposes of this research, the form of conflict in fragile states is distinctive from subnational conflict in that armed actors are contesting for control of the central government, leading to major instability for the nation as a whole. Based on this definition, fragile states in the region include: Afghanistan (1979-present), Nepal (1996-2006), Timor-Leste (1999-present) and Cambodia (1970-1998).
6. Data source: Uppsala Battle Related Deaths dataset (version 5, 2012).
7. The major exception to this trend is Myanmar/Burma, where approximately 55% of national territory is affected by subnational conflict.
8. World Bank 2009.
9. This figure is based on major donor reporting to the Development Assistance Committee of the Organisation of Economic Cooperation and Development (OECD DAC), and obtained through the AidData project website. This figure for 2001 to 2010, includes only projects that were specifically targeted at subnational conflict areas. It covers all sectors and types of official development assistance, excluding humanitarian aid for major natural disasters, such as the 2004 Indian Ocean tsunami. AidData 2012.
10. Among others, studies in the growing body of literature on this shift in aid discourse include: Human Security 2003, Mack (ed.) 2010, Zoellick 2008, and Duffield 2010: 53-76.
11. OECD 2012a.
12. <http://www.pbsbdialogue.org/>
13. Beginning in February 2013, the Thai Government initiated peace negotiations with a faction of the Barisan Revolusi Nasional (BRN) separatist movement. Both sides signed a General Consensus on the Peace Dialogue Process which committed them to engaging in peace dialogues facilitated by Malaysia. The first follow-on dialogue took place on March 28, 2013, with future talks scheduled. However, as of May 2013, the talks were at a very early stage, and it was difficult to tell whether they would continue, or if they should be considered the start of a political transition.
14. Data sources include: Uppsala Armed Conflict Dataset, Heidelberg Conflict Barometer, and Minorities at Risk.
15. The Thailand sample consisted of 1,600 respondents in Narathiwat, Pattani, conflict-affected areas of Songkhla, and Yala, as well as a comparator sample of 400 respondents drawn from peaceful areas of Songkhla. The Philippine sample consisted of 1,500 respondents in Basilan, Agusan del Sur, Lanao del Sur, and North

- Cotabato Provinces. A subset of survey questions was also added to a national survey, conducted in late 2012, that sampled 1,200 respondents across the Philippines. The Aceh sample consisted of 1,586 respondents drawn from Aceh Besar, Bireuen, North Aceh, Aceh Jaya, Southwest Aceh Barat, Southeast Aceh, and Central Aceh. The survey field work was conducted throughout 2012.
16. In Thailand, the team selected localities at the sub-district (or *tambol*) level; in the Philippines, at the municipality level; and in Aceh, at the subdistrict (or *kecamatan*) level.
 17. However, care was taken to ensure that enumerators did not conduct research in villages or areas where they lived or worked.
 18. This limitation was particularly challenging in the Mindanao case study.
 19. James Scott's depiction of "Zomia" in his book *The Art of Not Being Governed* focuses on these highland regions of Southeast Asia. Scott 2009.
 20. It is important to note that explanations for violence in these regions vary widely. Other common explanations include criminal activities, terrorism, proxy battles in political rivalries, infiltration (or manipulation) by foreign actors, and competition or rivalries between local actors that turns violent.
 21. Kalyvas 2003.
 22. This definition was developed for this study, though it closely reflects the definitions and concepts used by other researchers. For example, the Uppsala Conflict Data Program uses two variables in their datasets that closely correspond to this study's definition of subnational conflict. In cases where the TYPE (or conflict type) variable is set to "internal" and the INCOMP (or incompatibility) is set to "territory" these records can be considered subnational conflicts, by this study's definition. The values for TYPE include a) interstate, b) extrasystemic, c) internal, and d) internationalized internal. The values for INCOMP include a) government and b) territory.
 23. In his book on the "conflict trap," Collier argues that "decade by decade, civil wars have been getting longer." Collier 2003.
 24. Fearon 2004.
 25. Hironaka 2005.
 26. World Bank 2011:58.
 27. Human Security 2012.
 28. Chenoweth and Lawrence 2010.
 29. *Ibid.*: 3-4.
 30. Separatist-related conflict occurred sporadically between 1963 and 1990, with periods of notable intensity.
 31. These conflicts were selected based on the following criteria: a) they appear in at least two of the three datasets (UACD, HCB, MAR) based on a pairing with this study's definition, b) the conflict was an active subnational conflict at some point during the period 1992-2012, and c) the conflict area is found in South or Southeast Asia (including Papua New Guinea). For a detailed explanation of this selection process, see the background document to this study, *Identification of Subnational Conflicts in Asia*. The duration is determined by subtracting 2012 from the original start date of the conflict as indicated by the Heidelberg Conflict Barometer (HCB) 2011. If the conflict is no longer active, the duration is the difference between the conflict cessation date (i.e., complete military victory or signing of a peace agreement that effectively ended violent state-minority conflict) and the HCB 2011 original start date. UACD 2012, HCB 2002-2011, MAR 2012.
 32. Fearon and Laitin 2011: 199-211.

33. Fearon and Laitin (2011) capture the emergence of the increasing role of identity or ethnicity in otherwise subnational conflicts, noting that, although “these ethnic civil wars are themselves heterogeneous. A surprising number, however exhibit a set of common features and dynamics that have been missed in the recent literature on civil war and ethnic conflict.” They go on to outline the core features of such local groups, noting that, “the spark for the war is violence between members of a regional ethnic group that considers itself to be the indigenous “sons-of-the soil” and recent migrants from other parts of the country.” However, it is important to note that this study’s definition of subnational conflict is slightly different from the Fearon and Laitin concept of “Sons of the Soil”. Their definition focuses primarily on inter-communal tensions, whereas this study’s definition focuses on state-minority relations, and elite competition as well.
34. 20 countries are included in South and Southeast Asia: Afghanistan, Pakistan, India, Nepal, Sri Lanka, Maldives, Bangladesh, Bhutan, Myanmar/Burma, Thailand, Lao People’s Democratic Republic, Vietnam, Cambodia, Philippines, Indonesia, Malaysia, Singapore, Brunei, Timor-Leste, and Papua New Guinea.
35. Uppsala Conflict Data Program 2012.
36. Heidelberg Conflict Barometer 2011:108.
37. Minorities at Risk Codebook V2 2009.
38. This figure includes the Autonomous Region of Muslim Mindanao and adjoining provinces that have been affected by the conflict between the Moro insurgents and the military.
39. Myanmar/Burma is an outlier in terms of territory affected. The seven ethnic states in conflict in Myanmar—Kachin, Kayah, Kayin, Mon, Chin, Rakhine, and Shan—comprise 371,759 km², or 55% of the national territory.
40. For this comparison, fragile states include Afghanistan, Nepal, Timor-Leste, and Cambodia. While there is some territorial overlap with subnational conflicts (Nepal and Timor-Leste), it does not change the outcome of this comparison.
41. Source: UACD 2012.
42. These figures were calculated based on the difference between the first outbreak of conflict (“StartDate”) and the end of the conflict (“EpEndDate”). If the conflict is active, the end date 2012 was used.
43. This perspective is similar to the Heidelberg Conflict Barometer (HCB) which tracks conflict intensity using several other factors beyond violent incidents or number of people killed.
44. A clear cessation of conflict includes a complete military victory, such as Sri Lanka in 2009, or the signing of a peace agreement that effectively ends the violent contestation in a state-minority conflict, such as Aceh in 2005. This does not mean that all violence ends in the conflict area—violence may take on new forms, such as inter-elite competition.
45. Moreover, given the typically-low intensity of violence, the difference between a subnational conflict falling above or below the 25-deaths per year threshold, is somewhat arbitrary. Likely the number of deaths from conflict is biased towards a lower-than-actual number due to the incomplete reporting of deaths from peripheral regions.
46. This chart includes only conflicts active in the given year. The line “Active (25+ deaths)” is drawn from the UACD, and the “Active (No Clear cessation)” includes the 26 conflicts in Table 2.2 and uses the HCB start date.
47. The exceptions to this asymmetry would be the Liberation Tigers of Tamil Eelam (LTTE) in Sri Lanka during most of the period between 1985-2005, and several of the insurgencies in Myanmar/Burma prior to 1990.
48. The Karen conflict was listed as level 5 in 2012, though is likely to be updated to a much lower level as a result of the ceasefire agreement between the Karen National Union and the Myanmar Government. The Kachin conflict was listed as level 4 in 2012, though due to a recent escalation in armed conflict, it is more accurately described as level 5. Heidelberg Conflict Barometer 2011.

49. *At the time of publication, data on battle-related deaths were available until 2008. So, this time period (1999-2008) represents the most recent 10-year period.*
50. *Uppsala Battle-related Deaths Dataset 2012.*
51. *Yala Province has nearly 4 times the national average for violent death, and more than 9 times the Bangkok average.*
52. *Subnational conflicts are presented as “Internal Territory” denoting the type of conflict (internal) and subject of contestation (territory).*
53. *The Uppsala data aim to provide a representative, though not necessarily complete, picture of conflict intensity and variation over time. The data are generally acknowledged to offer a conservative estimate of conflict intensity. Although the data are constructed using a variety of local sources, and are cross-checked by country experts, the global scope of the data collection effort necessarily spreads resources thinner than single-country data monitoring projects that aim to provide a complete (rather than a representative) picture of violence at the subnational level.*
54. *The National Violence Monitoring System (NVMS) was previously known as the Violence Conflict in Indonesia System (ViCIS).*
55. *Average real GDP (in 2005 US dollars) for countries affected by subnational conflict during the period, including Bangladesh, India, Indonesia, Pakistan, Papua New Guinea, Philippines, Sri Lanka, and Thailand. Some countries, including Myanmar/Burma and Nepal, were not included in this analysis due to poor data. Heston et al. 2012.*
56. *UACD active conflicts.*
57. *The active conflict data are based on the Uppsala Armed Conflict Dataset (2012), which only shows active conflict in southern Thailand since 2004. However, other sources indicate sporadic violence and active conflict since 1902.*
58. *Includes Thailand, Philippines, India, Bangladesh, Indonesia, Papua New Guinea, Pakistan, and Sri Lanka. For GDP per capita, the average (mean) of these 8 countries was used. Subnational conflicts from only these eight countries were included in the diagram.*
59. *World Bank country and lending group classifications, as of January 2013, <http://data.worldbank.org/about/country-classifications/country-and-lending-groups>.*
60. *The Philippines data include the Manila region.*
61. *The Polity score is a composite/index variable that measures several factors related to democratic regimes and authoritarian regimes, particularly on competitiveness of leadership recruitment, constraints on the executive branch, and political participation. A score of +10 is strongly democratic, while a score of -10 is strongly autocratic. For more explanation see Marshall and Jaggers 2011.*
62. *Average Polity score for countries affected by subnational conflict during the period, including Bangladesh, Cambodia, India, Indonesia, Laos, Malaysia, Myanmar/Burma, Nepal, Pakistan, Papua New Guinea, the Philippines, Sri Lanka, Thailand, and Vietnam. Marshall and Jaggers 2011.*
63. *In the end, however, the ‘all-out war’ did not lead to an increase Estrada’s popularity.*
64. *Average Polity score for countries affected by subnational conflict during the period, including Bangladesh, Cambodia, India, Indonesia, Laos/Lao PDR, Malaysia, Myanmar/Burma, Nepal, Pakistan, Papua New Guinea, Philippines, Sri Lanka, Thailand, and Vietnam. Marshall and Jaggers 2011.*
65. *Source: Failed States Index 2012, Fund for Peace. For this table, the research team used only 2 of the 12 indicators of state fragility (Public Services and Security Apparatus) as these are the most relevant indicators of state capacity. The two scores were added up to determine the approximate level of state capacity. Countries with a*

- score of 15-20 (roughly the lowest 20%) are referred to as *Weak State Capacity*; scores between 12.5 and 15 are *Moderately Weak Capacity*; scores between 12.5 and 10 are *Moderately Strong Capacity*; and scores of 10 or lower are referred to as *Strong State Capacity*.
66. Recent literature on state building recognizes the dual nature of fragility as a product of government (in) capacity, and dysfunctional state-society relations. OECD DAC INCAF 2010.
 67. For an important illustration of the range of military strategies used by non-state actors, see Kalyvas and Balcells 2010.
 68. This comparison was made between respondents in the Autonomous Regions of Muslim Mindanao and a national sample that excludes Mindanao.
 69. This comparison is between the conflict-affected area, and unaffected areas of Songkhla Province (the province bordering the conflict area).
 70. For southern Thailand, the analysis of non-response rates includes questions on social trust, fear of violence, trust in the government and military, human rights protection, and causes of conflict. In Mindanao (and the Philippines' comparator), the analysis includes questions on satisfaction with security and justice provided by the government, local political dynamics, beneficiaries of aid, corruption in aid projects, trust in the national government and military, and fear of violence.
 71. In the case of Nepal and Bangladesh, the data were collected at the district level.
 72. In India, only rural poverty rates have been used. Insurgent activity is largely confined to rural areas in India (particularly for the Naxalite conflict), and thus including the large population of urban poor would skew the results.
 73. WDR 2011: 54.
 74. Kalyvas 2003.
 75. Torres 2007.
 76. Sietze 2013: 298-320.
 77. Secondary political settlements are the arrangements among powerful local elites to control political competition and governance beneath the national level. Parks and Cole 2010: 18.
 78. In their description of crisis or fragile situations, Putzel and Di John (2012) argue that "the factors most likely to provoke violence and lead to state collapse are: the lack of legitimate monopoly over large-scale violence; the absence of control over taxation; the failure of the state organizations to operate in significant territories of the country; and the existence of rival systems that take precedence over the state's rules."
 79. Rabasa et al. 2007: 8.
 80. Scott 2009.
 81. For example, agreements are not implemented in practice or they are dominated by the center, as occurred in Aceh in the 1950s, and with the 1996 agreement between the MNLF and the Philippines Government. Evidence on the relationship between decentralization and conflict is mixed. Barron (2013), finds some evidence that federalism can lower the incidence of rebellion, and considerably reduce the risk of war resuming. Other studies have found that decentralization can promote violence if it encourages the formation of regional parties, or increased devolution of control over local resources without proper institutions to manage them. See Saideman et al. 2002, Collier et al. 2008, and Brancati 2009.
 82. Scott 2008.
 83. These patterns are mostly found in Mindanao, and to a lesser extent in Aceh and southern Thailand. Recent studies of civil wars and counter-insurgency provide broader evidence that states tend to co-opt some ethnic factions as allies in order to confront an insurgent movement. See Staniland 2012.

84. Parks and Cole 2010.
85. For more information on national and local elite interaction leading to violent conflict, see *International Crisis Group* 2009.
86. For example, one explanation for the conflict in southern Thailand is competition between national political factions that are engaged in a proxy competition for political influence in the southern provinces. See McCargo 2007.
87. Putzel and Di John 2012; Putzel and Di John 2009.
88. Parks and Cole 2010.
89. North et al. 2009.
90. Scott 1972.
91. North et al. 2009.
92. *International Alert* 2013.
93. See also Marc et al. 2013.
94. Fearon and Laitin 2009: 209.
95. Fearon and Laitin 2011.
96. Collier and Hoeffler 2002; Collier 2003.
97. Schuler et al. 2013.
98. Zartman 1995.
99. South 2012.
100. For instance, the World Bank's Operational Policy 2.03 on Conflict and Development Assistance (2001) argues for utilizing development not merely as a post-conflict reconstruction instrument but to move upstream to deploy development in a conflict-sensitive manner which avoids or preempts conflict.
101. 'Political Space' can be broadly defined to include any action that broadens the space for discussion, advocacy, or debate on political issues. This includes (but is not limited to) debate or policy changes by elected officials, government or political parties. It also includes actions by civil society, community groups, and influential individuals if their actions are seen as setting an example for others, or lead to wider political action as a result.
102. Jones et al. 2012.
103. Colletta and Cullen 2000; Fearon et al. 2009: 287-291.
104. The WDR 2011 also includes two other components that are less relevant for this framework. Reduce external stresses: one common challenge is debilitating external stress (e.g., movement of armed groups, arms, illegal drugs, internally-displaced people/refugees, pressure from foreign powers, etc.). If pressure from external stresses are not relieved, the country/region will not be able to emerge from conflict and fragility. Feasible results indicators: there is a critical need to develop more appropriate indicators to track incremental progress in governance, institutional change, security, and related factors.
105. WDR 2011: 12.
106. The research team compiled data on international aid to the 26 subnational conflict areas in South and Southeast Asia, based on a systematic and intensive process of filtering data from OECD DAC. Using the aid commitments data from the AidData project, the project team selected projects that specified a subnational conflict area as the sole target region. The figures presented in this chapter include: a) funding commitments (not disbursements); b) projects that are specifically targeted at subnational conflict areas; and/or c) projects that are directly addressing conflict-related issues. Despite the fact that these data include commitments (which usually exceed actual disbursements), these figures are most likely under-reporting actual funding levels. However, these

- data exclude: a) humanitarian aid for major natural disasters, such as the 2004 Indian Ocean tsunami, and b) national programs that have a portion of funding in the subnational conflict area. These data generally include all sectors and types of official development assistance, unless otherwise stated. AidData.org 2013 and Tierney et al. 2011.
107. In Aceh, the research team was able to draw upon an extensive database of aid flows, constructed by the World Bank as part of the Multi-Stakeholder Review of Aid to Aceh following the tsunami. This database represents an unusually ambitious and well-supported effort to systematically track aid, and a potential gold-standard for such efforts in the future.
 108. The project team selected the three largest projects to the conflict area based on their total funding. In the Philippines, a much larger sample was reviewed (see Mindanao case study report for the selection method). If project documents were not publically available, the project team selected the next largest project. However, if the next largest project was significantly smaller, it was not included. The analysis included a desk review of project documents. For projects in one of the three case study areas (Mindanao), the project team also included input from donor interviews.
 109. In Aceh, this process was already completed as part of an extensive review of foreign aid undertaken under the World Bank-supported Multi-Stakeholder Review of Post-Conflict Programming in Aceh (2009).
 110. Many projects are described simply as “peacebuilding” or use other non-descript program terms. In some countries with more than one conflict area, many projects were described generally as addressing conflict or promoting peace, without specifying which conflict area.
 111. Further explanation can be found in the rest of this section. Also see Shuler et al. 2013
 112. In both Sri Lanka and Aceh, donor attention and funds were directed to subnational conflict areas, partly as a result of the devastating December 2004 tsunami. However, the figures for aid to the conflict-affected areas exclude all tsunami-related aid.
 113. There are important differences between aid per capita to subnational areas and the national average. National aid per capita figures are generally inflated (relative to subnational regions) by large-scale national programs and support to the central government. The data for aid to subnational conflict areas is most likely underestimating the level of funds to the conflict areas (see Chapter 5). As a result, other subnational areas are also likely to be far below the national average in aid per capita. In southern Thailand, for example, the vast majority of aid funds are concentrated in the Bangkok area or major growth centers, not other rural areas similar to the conflict area. The significant difference between the conflict area (0.9) and the national average (13) is partly due to this inflation of national figures, and does not indicate that southern Thailand receives less aid than other subnational regions. Source for aid funding levels: AidData 2012. Source for population data: World Bank.
 114. Kharas 2008.
 115. Peace processes in the region between 2001 and 2010 include Aceh (2005-08), Sri Lanka (2001-08), Mindanao (all years), Chittagong Hill Tracts (all years), and Bougainville (2001-04).
 116. For Sri Lanka, Aceh, and Bougainville, the research team only included projects during the implementation of the peace process, as shown in Figure 4.1. Projects that were committed in years before or after the peace process were included in the category of aid to areas with no peace process.
 117. At around US\$5 million per year during the period of active conflict from 2004, aid funding to the Deep South of Thailand was under 1% of aid agency flows to Thailand as a whole.
 118. A large proportion of these funds were not spent as the peace process failed, the Sri Lankan Government changed following elections, and donor pledges were not carried through. Burke and Mulakala 2011: 159.

119. Goodhand 2006.
120. For example, The Asia Foundation works extensively in southern Thailand, but does not track program expenditures by province, district, or community. For projects that support activities in the conflict area, the Foundation can provide details on program expenditures, but breaking down the data by lower levels of geographic specificity would not be possible with current systems.
121. National decentralization primarily increased the authority and budgets of sub-provincial layers of government.
122. The European Union and ASEAN were formally invited to support and monitor the peace process, as part of the agreement reached between GAM and the Government of Indonesia. The EU was the primary supporter of the Aceh Monitoring Mission, which had an extensive mandate to monitor implementation of the peace agreement—a mandate that allowed the EU to work on highly sensitive, political issues.
123. There is a need to successfully implement the Framework Agreement on the Bangsamoro (FAB) to consolidate confidence in the process.
124. This agreement was reached between the government and the MILF
125. For instance, a recent analysis of KALAHY-CIDSS found that the program increased insurgency-related violence, in both NPA and MILF areas (Croft et al. 2012). However, a separate study found that CDD programs in NPA areas were accompanied by a short-term increase in violence, and decrease in MILF areas, due to differences in insurgent ideologies and political strategies. Labonne et al. 2011.
126. According to agreed OECD principles on aid effectiveness Ownership means that ‘Developing countries set their own strategies for poverty reduction, improve their institutions and tackle corruption.’ Alignment means that ‘Donor countries align behind these objectives and use local systems.’ <http://www.oecd.org/dac/effectiveness/parisdeclarationandaccraagendaforaction.htm>
127. Examples include the vast Mahaweli irrigation and settlement scheme in Sri Lanka and transmigration programs in Indonesia. Herring 2003; Barron, et al. 2011: 36-39.
128. For example some aid agencies have shown increased interest in addressing land disputes and associated issues of land rights in Mindanao.
129. Examples of such initiatives are given in the three country case studies and referred to elsewhere.
130. Governments in Sri Lanka and Thailand have funded development initiatives alongside security measures in attempts to defeat rebel groups.
131. Anderson 1999. See also Putzel 2010.
132. Burke and Afnan 2005.
133. This section is informed by an extensive data collection process that the project team undertook in each subnational conflict area under study. The data collection process focused on three broad types of data: socio-economic statistics, security and governance indicators, and information on the scale and attributes of aid flows, over at least a 5-year period (2005 to 2010). In all three country cases, data collection efforts focused primarily on the sub-district level (or municipal), which was generally the lowest administrative stratum for which time-series data were available. In order to locate relevant statistics, and assess the reliability and validity of data sources, the team conducted interviews with local, regional and national government agency officials, local and international researchers, a wide variety of key informants, and program managers from bilateral and multilateral organizations.
134. Disaggregation to lower-level administrative units.
135. Provincial-level statistics were collected from the national BPS, district-level data from the provincial BPS office, and sub-district-level data from the various district BPS offices in which the project team was active.

136. *Including the National Statistical Coordination Board, provincial and municipal-level Planning and Development Offices, the provincial offices of national line agencies, and implementing offices in municipal governments*
137. *For instance, by re-coding existing data, the Poverty Reduction and Economic Monitoring (PREM) dataset accounts for changes in administrative demarcations, including the creation of new districts and sub-districts. Without this modification, data would be missing for some new administrative units, and inaccurate for others.*
138. *In some cases, local elite actors and structures perpetuate inequalities and discriminatory practices that fuel conflict. There have also been cases of locally-dominant elites (and their opponents) responding violently to aid practices that favor one side or the other. There is potential as well for beneficiary targeting that feeds public disenchantment over aid, or distrust toward aid providers. Depending upon the intensity and probability of these risks, sometimes it is better for aid agencies to simply withdraw.*
139. *Because the questions focused on active engagement in a project that would cost the respondent time or resources, it is reasonable to conclude that acceptance of projects without such requirements would be even higher.*
140. *In Thailand, survey respondents were asked: "What is the goal of aid projects—to provide assistance or win support for government?" and respondents were given the option of selecting either choice, or both.*
141. *In Mindanao, survey respondents were asked: "Which of these do you think is the primary purpose of foreign governments and international NGOs in providing assistance to help the people in conflict-affected areas in different parts of the Philippines?" One response option was "It is their purpose to help the people in conflict-affected areas who need help"; the other was "It is their purpose to strengthen the Philippine Government's control of the conflict-affected areas."*
142. *Half-completed structures are also a product of confusion over counterpart funding requirements, or overly-ambitious projects that were not attainable through the level of funding provided.*
143. *Village heads technically are elected officials, but once elected, their term lasts until retirement. They serve under the Ministry of Interior. It is important to distinguish village heads from elected sub-district leaders (Or-Bor-Tor), who are chosen in regular competitive elections.*
144. *Case Study of Mindanao.*
145. *Ibid.*
146. *Mapilly 2011.*
147. *Oppenheim 2012.*
148. *Labonne et al. 2011; Crost et al. 2012.*
149. *Schuler et al. 2013.*
150. *The question design is an unmatched count, or 'list' experiment (for more on design of the list experiment, see Glynn 2013.) In each survey, respondents were randomly assigned to either a treatment or a control group of roughly equal size. Respondents in Thailand and the Philippines were asked the following question: "Can you please tell me HOW MANY of these best describes why you, yourself might not be interested in participating in a development project implemented by foreign governments and international NGOs? Please do not tell me which best describes your opinion, only how many from this list. This is so that neither I nor anyone else can know which reasons you selected." The control list included a set of innocuous reasons (lack of public input into the project, assistance that is not useful, etc.) The treatment group received the same list, with one addition: a statement that they might not be interested because of fear of insurgent reprisal. By taking the difference between the average (mean) number of reasons cited by the treatment and control groups, it is possible to estimate the proportion of the population that is afraid to participate in an aid project because of fear of an insurgent group.*

(The population proportion is estimated by subtracting the control from the treatment and multiplying by 100.) The Aceh survey included a similar question, regarding groups involved in corruption of funds from aid projects. The control group list included NGO officials, local politicians, etc.; the treatment group also included GAM combatants.

151. *For instance, in southern Thailand, some village headmen are likely involved in the insurgency.*
152. *In cases where attribution can be established, systematic monitoring should include a clear baseline, control and treatment areas, systematic data collection, time series analysis (e.g., panel data built over time), and independent verification. In cases where quantitative data are inadequate and/or attribution is impossible to establish, systematic monitoring should include empirically-based monitoring of local conditions, based on a theory of change, to determine the level of contribution that aid programs make to the change that unfolds (i.e., contribution analysis).*
153. *Ideally, evaluations should be conducted by independent evaluators or researchers, to ensure that results are credible. However, it important for third-party evaluators to be involved during project design and implementation, rather than post-hoc, as a project reaches its conclusion. Early involvement by evaluators can help ensure that an appropriate and rigorous research design is developed, and the necessary monitoring data and additional indicators are collected.*
154. *Wong 2012*
155. *Barron et al. 2011.*
156. *The findings of this research support many of the recommendations of the World Development Report 2011 on donor procedures and risk management. For example, risk policies and fiduciary processes must be based on the real conditions in conflict-affected areas, rather than standard controls applied agency-wide.*
157. *See Schuler et al. 2013*
158. *OECD DAC Principles for Good International Engagement in Fragile States .*
159. *Ibid, p.31-33.*
160. *OECD DAC - INCAF 2011.*
161. *World Bank 2011: 26.*

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