



THE CONTESTED CORNERS OF ASIA

Subnational Conflict and
International Development Assistance

The Case of Aceh, Indonesia
Executive Summary

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Aceh is the best example in Asia of the transformation of a violent conflict into an enduring peace. The Memorandum of Understanding (MoU) of 2005, signed by the Indonesian government and the Free Aceh Movement (GAM), brought a three-decade war to an end. Eight years on, peace continues and few expect large-scale violence to reemerge.

This report looks at development assistance to the province since the peace agreement was signed and asks whether, and in what ways, it has supported the war-to-peace transition. It set out to answer four sets of questions:

- a. Levels and types of contestation and needs.* What have been the main conflict issues in different time periods and how have attendant key needs changed over time?
- b. The make-up of aid.* How have the volume, objectives, and processes of aid evolved?
- c. Aid and local power dynamics.* How has the political economy in Aceh and Jakarta shaped aid? And, conversely, how has aid transformed the political economy?
- d. The impacts of aid on Aceh's transition.* To what extent and how has aid addressed key transformational needs at different times?

The report draws on new data including a large perceptions survey, locality case studies, a stock-take of aid, and key informant interviews. The report also utilizes official statistics, violence data, and previous studies of aid and conflict in Aceh.

Understanding Aceh

The civil war in Aceh was but the latest manifestation of a long history of rebellion against Jakarta. Since 1873, 86 years have been spent in armed uprising. Periods of peace have lasted only as long as the leaders who negotiated peace remained in power.

In many ways, Aceh is now a 'normal' Indonesian province in terms of levels of violence and socio-economic development. There has been a vast improvement in security and violence levels are now similar to many other provinces. Aceh does at least as well as other provinces in life expectancy and education and its score on the Human Development Index. However, the province lags in poverty levels, per capita GDP, and private investment.

Transforming the Conflict

Contestation in Aceh has changed since the end of the civil war. The war was a center periphery struggle driven by perceived lack of autonomy and inequitable natural resource distribution. The peace accord addressed these issues, providing extra resources for the province, additional decision-making powers, and facilitating GAM's entry into politics. Issues such as a lack of economic opportunity and problems with the quality of political autonomy remain. But they now play out through competition among local elites and tensions between elites and segments of the community. For the most part Jakarta is no longer blamed for problems; conflict is now between different factions and individuals within Aceh.



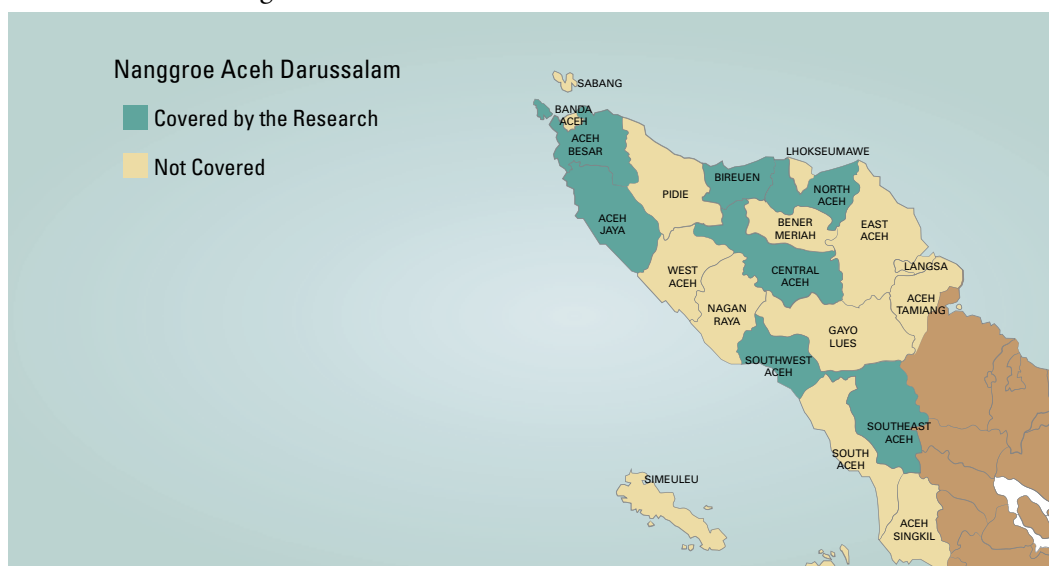
Elite tensions are primarily between different groups of former GAM. GAM has won political power in Aceh, but a split has emerged in the movement. This has led to inter-elite contestation, which sometimes takes violent form. There has been electoral violence and conflict occurs between different elites over lucrative government contracts and business opportunities. Tensions related to the attempt to split off two areas of Aceh into new provinces have also risen. Lower-level combatants are disappointed that the wealth accumulated by their former leaders has not trickled down to them and there is anger over corruption, collusion and nepotism. Intolerance of religious minorities has also risen.

Over time, issues related to consolidating the war-to-peace transition have changed. In the immediate postconflict period, of primary importance was building confidence in the peace settlement and developing institutions to implement peace agreement promises. However, other issues have become more important. With trust in Jakarta and confidence in the agreement high, key issues now concern improving the quality of institutions to mediate inter-elite competition and to deliver services and bolster economic growth.

Aid and Development Programs in Aceh

Over the past decade, levels of development assistance to Aceh have varied from extremely low, to extremely high, to relatively low again. During the war, few donors had programs in Aceh. This changed after the 2004 Indian Ocean tsunami. Donors pledged almost US\$ 8 billion in post-tsunami support. The peace agreement led to over US\$ 360 million of government and donor assistance between 2005 and 2008, and some tsunami programs worked in conflict-affected areas. In recent years aid has declined sharply. The annual aid allocation in 2011 and 2012 was only 40% of that offered from 2005 to 2008.

In the early postconflict period, conflict-related programs focused primarily on reintegrating former GAM combatants and political prisoners and helping conflict-affected communities. Beyond technical assistance provided to the ad-hoc reintegration agency (BRA), there was relatively little institution-building work. Tsunami programs tended not to focus on postconflict issues.



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Over time, the dominant types of aid programs have changed. Tsunami reconstruction programs have largely ended and, in recent years, government assistance is nine times greater than international aid. New programs have focused on providing continuing assistance to individual conflict victims and building the capacity of institutions to support postconflict development. In addition, large government community-driven and community-based programs annually disburse around US\$ 84 million. There are now only three international donor postconflict-focused programs with a collective annual budget of under US\$ 2 million. Regular local government budgets have grown substantially with the provision of special autonomy funds.

It is hard to measure the impact of aid on development outcomes in Aceh. Only one postconflict project has had a rigorous impact evaluation. However, development outcomes have not progressed as well as in other parts of Indonesia. Given the high levels of post-tsunami and postconflict aid, this suggests that programs have not contributed significantly to higher-level development outcomes.

Aid and Politics in Aceh

Aid projects are almost always a function of multiple stakeholders' interacting incentives. In post-conflict Aceh, the projects are a result of the interacting incentives of the national government, local government, GAM elites, and donors.

In the early postconflict period, the national government focused on meeting its MoU commitment to assist ex-combatants, political prisoners and conflict victims with their reintegration. Ensuring that programs were in place, and that they satisfied those who had signed the peace agreement, were deemed more important than welfare impacts. The national government wanted to shield post-tsunami funding from political pressures so it did not press for such funds to be used for peacebuilding. The Aceh government favored individually-targeted reintegration programs and gave out cash with little monitoring. As GAM came to political power, and controlled the reintegration agency, they found such programs useful for cementing their power through patronage. Donors, concerned about maintaining space to work in Aceh, initially favored separating tsunami assistance from support for peacebuilding. Later, donors tried to shape government approaches through technical assistance and research but with little effect.

As time went on, the national government became less involved in programming choices. As donors also became less active in Aceh, local government priorities determined the design of postconflict programs. With GAM in power,



reintegration programs for individuals continued for patronage purposes, while donors focused on improving local government institutions and service delivery. However, this research suggests that Aceh's leaders have little incentive to build the capacity of state institutions or to focus on good governance, and some of those interviewed also suggested that line ministry programs may have been used for patronage, rather than solely for development purposes.

At the village level, all aid projects reflect local power structures. However, different sets of power relations affect different types of programs. For individual reintegration assistance and regular line ministry programs, the GAM network is more important than the formal village structure in determining who receives benefits. In contrast, for community-driven or community-based programs the village head and formal local institutions are important in deciding what gets funded and who benefits. Ex-combatants do not play a large role in determining how money is spent because they are more interested in district and provincial resources and because the community programs have rigid rules that are hard to subvert. Even in an environment of oligarchic GAM-controlled politics, some government projects have been able to build countervailing power at the community level.

Is Aid in Aceh Contributing to Peace and Development?

In the early period after the signing of the peace accord, the primary peace-building needs were: (a) building the trust/confidence of ex-combatant elites in the Indonesian state, and ensuring that the military and pro-Indonesia militia adhered to the peace agreement; and (b) ensuring there were no local-level problems that could de-rail the peace process. The makeup of postconflict aid reflected this. Most funds from both government and donors, were focused on short-term confidence building. GAM members were incorporated by providing incentives, mostly in the form of an allowance, positions in formal institutions, and short-term projects. Little attention was paid to building effective lasting institutions. Because of the post-tsunami and postconflict contexts, delivery was through ad-hoc mechanisms (BRA and the tsunami reconstruction agency, BRR), or through NGOs, rather than through the regular government structure. The resulting aid program was suitable for immediate needs—contributing to building confidence in the peace agreement, especially amongst ex-GAM. However, a lack of transparency and development effectiveness caused resentment and led to future problems.

Key peacebuilding issues—and sources of contestation—have changed. It has become increasingly important to build effective local government institutions to regulate elite competition and address community dissatisfaction with the *local* state. Maintaining peace requires stronger and more effective local



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institutions that support development, service delivery and economic growth in Aceh.

Despite changing needs, government aid has focused on the same things as in the early years of peace. Interviews revealed that not well targeted and delivered individual assistance has led to resentment and reduced trust in local authorities. Although donors have realized the need for stronger institutions and now fund programs to improve governance, funds for this work are far smaller than local government budgets. The inability of donors to channel funds through local governments leaves donors with little opportunity to develop meaningful relationships to provide support for local governance.

If donors had focused on governance issues earlier, when funding was substantial and local elites were not entrenched, it might have been possible to have some impact on local governance, although affecting change in this area is challenging. However in the early postconflict years when trust was lacking among stakeholders, donors preferred to focus on immediate needs (building confidence in the peace process). Similarly, with lack of local government capacity on the one hand and the pressure to deliver on the other, they worked with ad hoc transitional government structures (BRA and BRR) rather than with local line ministries. Some argue that the cost has been that governance reform has lost momentum as ex-GAM have gained oligarchic control and have little incentive to improve institutional performance. This is leading to new forms of contestation (among elites and between elites and community members), which could worsen over time. Promoting

institutional strengthening—in areas such as rules for resource allocation and ensuring better government service delivery—will be key to preventing the re-emergence of conflict as has so often happened in Aceh's past.



Recommendations

Recommendations for future aid to Aceh:

- *Stay engaged.* Long-term peace cannot be taken for granted yet. Aid agencies should continue to work with government at all levels to support Aceh's transition.
- *Focus on improving governance and service delivery.* This will require experimenting with approaches that: build better understanding of local political dynamics; develop alliances with reformers; support active citizenry; work with local government on flagship programs; work with the national government to discourage local elites from governing malpractice.
- *Sponsor monitoring and analytic work* that generates real-time information and bolsters local research capacity.

Recommendations for aid agencies working in subnational conflicts in other countries:

- *Start institution-building work immediately and experiment with different approaches.* Confidence-boosting measures are important but building the capacity of institutions is necessary before elites consolidate their power. Donors must be politically aware and engaged.
- *Think through whether to use transitional institutions and how to use them.* Where transitional institutions are used, define a limited time span for them, work out how the transition to regular government structures will

take place, and give transitional institutions authority and capacity.

- *Support the transformation of rebel movements into political/governing movements.* Where providing access to power is part of a peace agreement, work on building former rebels' capacity to govern.
- *Where using community-driven development (CDD), do so over long time periods and finance public goods* to have larger impacts on social cohesion.
- *Use resources and expertise to improve government projects.* In middle-income countries, state resources will be larger than the funds of international donors. Over the longer term, shaping government programs may be a more strategic use of international assistance than implementing parallel projects.



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This study has been co-financed by the State and Peacebuilding Fund (SPF) of the World Bank. The findings, interpretations, and conclusions expressed in this paper are entirely those of the authors. They do not necessarily represent the views of the World Bank and its affiliated organizations, or those of the Executive Directors of the World Bank or the governments they represent.

Additional funding for this study was provided by UK Aid from the UK Government.

The views expressed in this report are those of the authors and do not necessarily represent those of The Asia Foundation or the funders.