



The Asia Foundation

THE CONTESTED CORNERS OF ASIA

Subnational Conflict and
International Development Assistance

The Case of Mindanao, Philippines

Fermin Adriano
Thomas Parks



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List of Terms and Acronyms

ADB	: Asian Development Bank
AFP	: Armed Forces of the Philippines
ARMM	: Autonomous Region in Muslim Mindanao
ASFP	: ARMM Social Fund Project
ASG	: Abu Sayyaf Group
AusAID	: Australian Agency for International Development
BDA	: Bangsamoro Development Agency
BEAM-ARMM	: Basic Education Assistance in Mindanao - Autonomous Region in Muslim Mindanao
BIFF	: Bangsamoro Islamic Freedom Fighters
BLMI	: Bangsamoro Leadership and Management Institute
CAA	: Conflict-affected area
CAFGU	: Civilian Armed Forces Geographical Units
CCT	: Conditional Cash Transfer
CDD	: Community-driven development
CEAC	: Community Empowerment Activity Cycle
CG	: Consultative Group
CHD	: Centre for Humanitarian Dialogue
COA	: Commission on Audit
COMELEC	: Commission on Elections
CPP-NPA	: Communist Party of the Philippines-New People's Army
CSO	: Civil Society Organization
CVO	: Civilian Volunteer Organization
DOF	: Department of Finance
DSWD	: Department of Social Welfare and Development
ELAP	: Emergency Livelihood Assistance Project
ESF	: Economic Stabilization Fund
FAB	: Framework Agreement on Bangsamoro
FASTRAC	: Facility for Advisory Support for Transition Capacities
FELCRA	: Federal Land Consolidation and Rehabilitation Authority
FELDA	: Federal Land Development Authority
FPA	: Final Peace Agreement

GEM	: Growth with Equity in Mindanao
GIZ	: Deutsche Gesellschaft für Internationale Zusammenarbeit (German Society for International Cooperation)
GRDP	: Gross Regional Domestic Product
HDI	: Human Development Index
IBS	: Institute of Bangsamoro Studies
ICG	: International Contact Group
IDMC	: International Displacement Monitoring Center
IMT	: International Monitoring Group
IP	: Indigenous People
IRA	: Internal Revenue Allotment
JBIC	: Japan Bank for International Cooperation
JCCCH	: Joint Coordinating Committee for the Cessation of Hostilities
JICA	: Japan International Cooperation Agency
Kalahi-CIDSS	: Kapig Bisig Laban sa Kahirapan - Comprehensive Integrated Delivery of Social Services
LEAP	: Livelihood Emergency Assistance Program (later renamed to Livelihood Enhancement and Peace Program)
LGC	: Local Government Code
LGU	: Local Government Unit
LMT	: Local Monitoring Team
M&E	: Monitoring and Evaluation
MCC	: Millennium Challenge Corporation
MDGs	: Millennium Development Goals
MEDCo	: Mindanao Economic Development Council
MGP	: Mindanao Growth Plan
MILF	: Moro Islamic Liberation Front
MIM	: Mindanao Independence Movement
MinDA	: Mindanao Development Authority
MNLF	: Moro National Liberation Front
MOA-AD	: Memorandum of Agreement on Ancestral Domain
MRDP I	: Mindanao Rural Development Project I
MWG	: Mindanao Working Group

List of Terms and Acronyms

NEDA	: National Economic and Development Authority
NGO	: Non-Governmental Organization
NSAG	: Non-State Armed Group
NSCB	: National Statistical Coordination Board
NUC	: National Unification Commission
ODA	: Official Development Assistance
OECD DAC	: Organisation for Economic Co-operation and Development, Development Assistance Committee
OPAPP	: Office of the Presidential Adviser on the Peace Process
OPARD	: Office of the Presidential Adviser on Regional Development
PAMANA	: Payapa at Masaganang Pamayanan (Peaceful and Resilient Communities)
PDF	: Philippine Development Forum
POC	: Peace and Order Council
RFP	: Request for Proposal
SNC	: Subnational Conflict
SSF	: Special Zone for Peace and Development (SZOPAD) Social Fund
TA	: Transition Authority
TAF	: The Asia Foundation
TC	: Transition Commission
TISP	: Transition Investment Support Program
TRO	: Temporary Restraining Order
TWG	: Technical Working Group
UN	: United Nations
UNDP	: United Nations Development Programme
USAID	: United States Agency for International Development
WB	: World Bank
WB-OM	: World Bank - Office in Manila
WDR	: World Development Report
WFP	: World Food Programme

Executive Summary

The conflict in Mindanao is complex, multi-layered and defies simple explanation. The region includes at least six major non-state armed groups, with dozens of militia units. The protracted nature of conflict and instability has led to the emergence of other types of conflict, particularly between local elites competing for power.

At first glance, all the right conditions appear to be in place for aid to make a significant contribution to peace and development—the Government of the Philippines has been remarkably open to international assistance; there has been a formal political transition underway since 1996; the region has a special autonomy arrangement in place; and senior government officials, including some military officials, have provided relatively strong and consistent support for the peace settlement. Yet, despite large amounts of aid for more than a decade, Mindanao's conflict environment has not improved.

The conditions in Mindanao make it extremely challenging for aid to positively influence the conflict. As a result, there is a need to dramatically reassess expectations for aid impact on the conflict. However, the lack of progress on peace and stability in Mindanao is not necessarily a product of poorly designed aid programs. Instead, the findings of this study indicate that conflict is so entrenched that the successful restoration of peace and stability will require a significant period—possibly decades—which is much longer than aid project cycles. Moreover, the absence of robust monitoring and evaluation systems makes it difficult to determine how programs should be improved to effectively address drivers of conflict.

This report looks at development assistance to the conflict-affected areas of Mindanao, and asks whether, and in what ways, it has supported a transition from instability to peace. The study set out to answer four sets of questions:

- a. *Levels and types of contestation and needs.* What types of conflict are the primary drivers of violence and instability in the region? What are the political and security issues that have sustained the conflict?
- b. *The make-up of aid.* How have aid programs attempted to support peace and development?
- c. *Aid and local power dynamics.* How has the political economy in conflict-affected areas of Mindanao—and between Manila and Mindanao—shaped conflict and aid? And, conversely, how has aid transformed the political economy?
- d. *The impacts of aid on Mindanao's ongoing, fragile transition to peace.* To what extent and how has aid addressed key transformational needs at different times?

This report draws on new primary field research on sensitive issues from areas and sources that are often inaccessible to researchers and aid practitioners. The research included extensive efforts to understand the ground-level realities of people living in protracted conflict areas through a household perceptions survey, in-depth case studies at the municipal level, and extensive key informant interviews. The report also utilizes official statistics, violence data, and recent studies of aid and conflict in Mindanao. The research team focused on

specific communities rather than specific aid projects, allowing the researchers to look at the experiences, perceptions and behavior of individual communities in the conflict area, and gain people's perspectives on a range of aid projects.

Understanding the Mindanao Conflict

The origins of the Mindanao conflict can be traced back to the 16th century when the native Moro population of the island resisted invading Spanish forces. This conflict between the capital in Manila and Moro Mindanao has continued for over 400 years, albeit in intermittent fashion. At present, the Mindanao subnational conflict area covers about 10% of Philippine territory, and is home to about 6% of the national population. The conflict is concentrated in the Muslim-dominated regions of Mindanao, which is the southernmost island of the Philippine archipelago, and has a population of 5.5 million, a third of whom have been affected by violence.

After more than 10 years of negotiations, the Philippine Government and the Moro Islamic Liberation Front (MILF) signed a breakthrough agreement—the Framework Agreement on the Bangsamoro (FAB)—on 15 October 2012. Negotiations continued into 2013 as joint technical working groups developed detailed agreements on difficult issues such as power and wealth sharing, 'normalization' (i.e., security, development, and cultural changes to allow citizens of all communities to move on and live a normal life), and the drafting of legislation that will

govern the new autonomous Bangsamoro region. However, observers of the negotiations remain optimistic that the two parties can overcome their differences.

The conflict in the Moro areas has evolved over the past 44 years—from an ethno-nationalist struggle between an aggrieved minority and the central government, to a highly fragmented conflict with multiple overlapping causes of violence. While 'state-minority' contestation has traditionally been viewed as the dominant form of contestation in Moro areas, inter-elite competition is the major source of contestation and violence across Mindanao. Local-level conflict can escalate into state-minority conflict. In a number of cases, clan conflicts (or *rido*) have instigated state-insurgent violence. Conflict dynamics vary considerably from one community to another, and even within the same province, depending on the configuration of local elite political networks, and the presence or absence of insurgent groups.

Mindanao has also shown highly uneven development, with the conflict areas having the lowest levels of growth. Conflict-affected areas of Mindanao have the highest poverty levels and the lowest levels of human development in the Philippines. The human and financial costs of the conflict have been enormous. Conservative official estimates indicate that more than 120,000 lives have been lost in the Moro conflict, with an economic cost estimated at US\$10 billion.

Transforming the Conflict

While the transition in Mindanao from conflict to peace has accelerated since the signing of the FAB in October 2012, the roadmap to a lasting peace is anything but clear, and reaching a durable peace may take a generation.

One of the fundamental challenges in Mindanao is the widespread lack of confidence in the transition from conflict to stability. Most people believe that violence will continue for years, though the FAB is widely seen as a key component in ‘jump-starting’ the process of attaining durable solutions to the conflict. Furthermore, there must be changes in political dynamics between national and local elites. These have long been viewed as an effort to divide the Moro population, and have frequently undermined the credibility of government peace efforts.

Although it is recognized that *rido* is the primary cause of instability in many conflict localities, most conflict prevention measures are geared toward addressing state-minority contestation. In order to make the best use of international aid, a deep understanding of the drivers of inter-elite and inter-communal competition is needed as it varies greatly across Mindanao’s regions, provinces and municipalities.

The FAB provides a critically-needed mandate to reform several key institutions and government structures. The Transition Commission (TC) has been designed to support reforms that will be driven primarily by Moro leaders, and should help to strengthen the legitimacy of institutions that come out of this process. It is particularly important to show quick progress in reforming security and justice institutions in conflict areas.

Aid and Development Programs

International development actors have been extremely active in the Moro regions of Mindanao. With an open invitation from the government to fund programs in the subnational conflict area and work directly on peace and conflict issues, the environment for aid programs is remarkably different from Aceh and southern Thailand. Mindanao has seen consistently high levels of funding, with a proliferation of projects and aid organizations working in the conflict area.

The significant build-up of aid programs has led to fragmentation and duplication. In conflict-affected barangays, multiple projects are often concentrated in very small areas, often with similar objectives but entirely different donor requirements and procedures. Despite the presence of government agencies and established processes for coordinating aid programs, overall aid delivery continues to be characterized by competition and poor coordination among international actors, especially in relation to support for peacemaking. While the current Aquino government has been more assertive than past governments in setting the direction for international cooperation, the legacy of aid fragmentation will take some time to improve. With large amounts of aid going to highly conflict-affected regions, often with limited direct oversight, there are signals that aid programs suffer from widespread capture by local elites.

A growing number of major donors have projects specifically dedicated to the subnational conflict area. Based on OECD DAC data, the vast majority of aid projects working in the conflict area claimed to address the conflict. However, project statements that

link project outputs with reduced armed conflict (i.e., theory of change) are mostly vague and aspirational. Most of the theories of change regarding impact on peace and conflict include an assertion that improved economic outcomes or improved service delivery will contribute to peace building, but lack any explanation of causality for this claim. Furthermore, very few projects actually monitor transformative outcomes or conflict, making it extremely difficult to verify these claims of transformative impact.

Aid and Politics in Mindanao's Conflict-affected Areas

In many conflict-affected barangays, people are closely linked to their family or clan network, and most people depend on local elites for their safety and security. However, the relationship between local people and elites in conflict areas may be more complicated than expected. Local elites may be a critical source of protection, but they are also a source of violence. There are some indications that community members may fear local political and armed actors more than outside actors.

Community members are also much more aware of the threat and behavior of local powerful actors, which may further complicate their relations with these actors. Results from this study's perception survey show that local residents often trust national officials more than regional, provincial and municipal officials. Local residents see the former as potential mediators of local elite conflict and/or as protection from local elites.

While there is weak evidence that aid can change local power dynamics, evidence is mixed on whether aid projects can mitigate

the negative impact of local politics. Locality case study findings show that aid rarely changes key dynamics at the local level. Villagers surveyed in the sample sites usually agreed that development assistance did not directly influence local power dynamics.

There is relatively strong evidence that aid projects are effectively reaching most people in the barangays, even in localities that reported high levels of corruption and elite manipulation. When asked about the overall distribution of benefits from all aid projects in their barangay, respondents across a majority of municipalities said that aid benefits some or most people in the community. Beneficiaries generally recognized the political agendas behind aid, but this rarely affected their willingness to participate.

The configuration and intensity of local elite rivalries is a critical determinant of the impact of aid projects on local conflict dynamics. Community-level research for this study shows that the political capture of aid varies significantly from one community to another, and is based on the political dynamics in the community. Communities with dueling local elites see higher patterns of political manipulation of aid as incumbent leaders use aid to strengthen their position.

Villagers in the sample sites widely agreed that development assistance did not directly address the primary causes of conflict in their community. Development assistance is primarily focused on expanding infrastructure and improving delivery of basic services. In some instances, development projects caused friction within the municipality because of flaws in the selection of sites and beneficiaries

or because the local leader appropriated a sub-project after losing an election. With activities geared towards improving social welfare for the poor, there is little direct effort to address justice and security, which communities in the conflict area consider a major deficiency.

Partly because beneficiaries perceive assistance as coming from outside the community, they did not appear to have strong ownership of the sub-projects. This allowed some local leaders who lost their elected posts to appropriate project-developed facilities. This may also partly explain why beneficiaries were not too concerned about the quality of sub-projects or the rent-seeking that went with providing infrastructure facilities.

Recommendations

As aid projects will be working in a high conflict environment for the foreseeable future, new approaches must be identified to cope with the challenges posed by different types of conflict in the same area. Donors have to accept the reality of working with the current local political structures. This means they cannot operate with the assumption that limiting the influence of local elites and empowering the community is always the best approach.

Aid needs to be more explicitly focused on conflict by restoring confidence and transforming institutions. Very few projects have explicit political and/or peacebuilding objectives, as the vast majority of aid programs are entirely focused on developmental impact. Expectedly, key results indicators target the delivery of physical outputs (i.e., infrastructure) rather than reducing tension and the incidence of conflict in the community. There is little appreciation of the importance of conflict dynamics and the role played by local elites in the perpetuation of conflict.

Monitoring of local conditions and transformative outcomes is a critical gap. More than 15 years of donor assistance to the conflict areas has not led to donors' use of rigorous M&E mechanisms that systematically track progress in supporting the peace process. The absence of a rigorous M&E system makes it difficult for aid projects to determine what is transformational at the local level and what is not. For this understanding to be achieved, monitoring mechanisms will have to be implemented at the following two levels:

- *Project level monitoring* - There is relatively little systematic data on which approaches work and do not work, and in what circumstances. Monitoring of conflict dynamics and conditions at the local level is extremely weak, greatly raising the risk of aid causing harm.
- *Monitoring and evaluation for higher-level peace concerns* - There is a major gap in monitoring of results for higher-level transformational outcomes, including changes in political dynamics between elites. In the case of the ARMM (Autonomous Region of Muslim Mindanao), the absence of such a monitoring mechanism has partly contributed to lack of comprehensive knowledge and understanding of how donor assistance to the peace process has resulted in positive as well as negative outcomes—crucial findings that could inform and improve future rounds of assistance programs.
- *Need for better targeting* - Donors should avoid communities where aid tends to fuel violence and contestation. Studies have shown clear evidence that the most high-risk situations are in communities where there is active, violent contestation between two local factions, or a heavy New People's Army/ Communist Party of the Philippines (CPP-NPA) presence. Current aid targeting does not take these factors into account. However, if communities with such conflicts must be provided with aid for humanitarian reasons, then appropriate steps must be taken to adjust project designs to respond to specific local conditions. This means gaining better understanding of local conflict dynamics. A one-size-fits-all type of project design will not respond to the needs of individual communities.
- *Indications of good governance* - Evidence shows that aid projects work best in communities where there is a functional local government. For example, successful implementation of CDD (community-driven development) sub-projects partly depends on the participation and support of the local government unit. In conflict areas where a functional local government is absent, due largely to absentee local officials, participatory processes are often ignored and/or violated. This may partly explain why evaluation studies of CDD projects show that they have not reduced violence, despite CDD's potential for strengthening community cohesion. Other project designs might be appropriate for such communities but rigorous monitoring and evaluation at the community level is necessary in order to consider alternatives to CDD.
- *Need for adaptability* - The complex and multi-layered types of contestation in Mindanao conflict areas require adaptability in responding to ever-changing challenges. The allocation of funds should be flexible in order to target specific areas and groups, and adapting program activities to differing local conflict and political dynamics, and changes over time, will enable the project to contribute to restoring confidence and transforming institutions.

1.Introduction

This study is an examination of aid effectiveness in Mindanao (Philippines) subnational conflict areas. In particular, it aims to assess the role that aid can play in helping support an end to violence and the establishment of durable peace in subnational conflict areas.

The origins of the Mindanao conflict can be traced back to the 16th century when the native Moro¹ population of the island resisted invading Spanish forces. This conflict between the capital in Manila and Moro Mindanao has continued for over 400 years, albeit in intermittent fashion. At present, the Mindanao subnational conflict area covers about 10% of Philippine territory, and is home to about 6% of the national population. The conflict is concentrated in the Muslim-dominated regions of Mindanao, which is the southernmost island of the Philippine archipelago, and has a population of 5.5 million, a third of whom have been affected by violence.

The history and impact of aid in Mindanao is complex, multi-layered and defies simple explanation. At first glance, all the right conditions appear to be in place for aid to make a significant contribution to peace and development. For example, the Government of the Philippines has been remarkably open to international assistance and, as a result, there have been sizeable international aid programs in conflict-affected areas for more than a decade. According to this study's analysis of aid flows to subnational conflict areas, Mindanao has had the highest levels of international aid in Southeast Asia, excluding the 2004

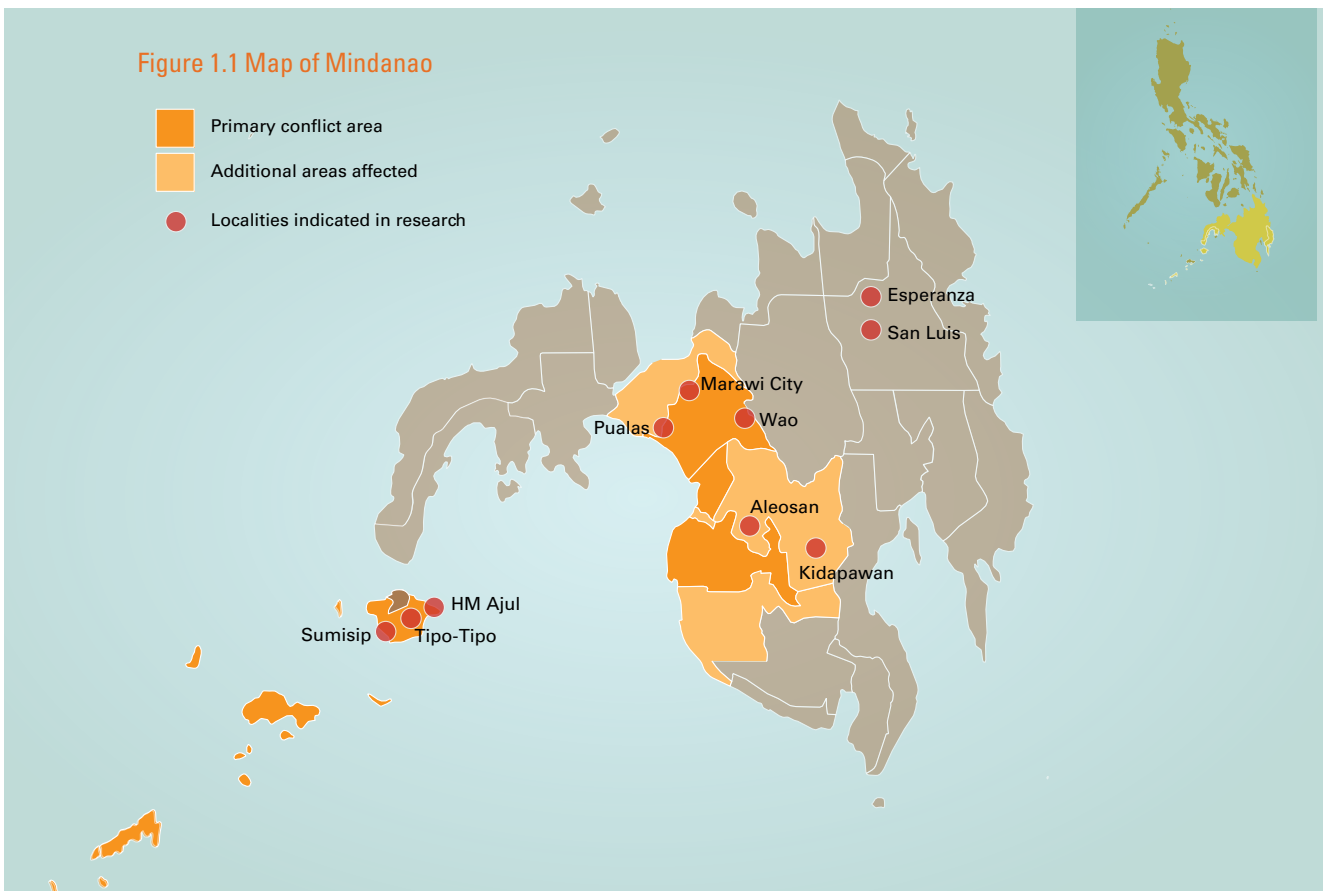
post-tsunami assistance—a total of more than US\$400 million over 10 years.² Furthermore, there has been a formal political transition underway since 1996, following the peace agreement between the Moro National Liberation Front (MNLF) and the government. International aid has generously supported the implementation of this peace agreement, and the subsequent transition of the Moro Islamic Liberation Front (MILF) from war to peace. The region has a special autonomy arrangement in place, ostensibly to allow for greater self-governance in the Moro areas (i.e., the Autonomous Region in Muslim Mindanao or ARMM). Finally, with a few notable exceptions, senior government officials, including some military officials, have provided relatively widespread and consistent support for the peace settlement.

Despite this seemingly conducive environment for aid to support peace and stability, Mindanao's conflict environment has not improved. Over the past 10 years, violence has become more complex as new groups splinter off from the original few, with many ex-insurgent groups turning into criminal gangs. With a number of armed groups operating in the area, levels of violence and displacement remain high.

While subnational conflicts in other countries in the region show similar patterns of increased complexity, Mindanao is an extreme case. The region includes at least six major non-state armed groups, with dozens of militia units.³ The protracted nature of conflict and instability have resulted in the emergence of other types

Figure 1.1 Map of Mindanao

- Primary conflict area
- Additional areas affected
- Localities indicated in research



of conflict, including that between local elites competing for power. The factors constraining the prospects for peace and stability in the region are formidable. Even if a peace agreement between the MILF and the government were a major success, this transition's "normalization" strategy will need to deal with the many other forms of conflict.

This paper argues that the conflict environment in Mindanao makes it extremely challenging for aid to positively influence the overall level of violence, and there is a need to dramatically reassess expectations of the aid delivered in a conflict area. Although aid to the region could certainly be improved, the lack of progress on peace and stability in Mindanao is not necessarily

a product of poorly designed aid programs. Instead, the findings of this study indicate that conflicts are so entrenched that the successful restoration of peace and stability will require a significant period—possibly decades—which is much longer than aid project cycles. Moreover, the absence of a systematic and robust monitoring and evaluation system that tracks progress made by aid programs, and informs aid managers and government decision-makers on what works and does not work, makes it difficult to design programs/projects that effectively address drivers of conflict.

While there is a formal, transition-to-peace process underway, the confidence levels of key conflict actors are low, making it unlikely that the peace process alone can reduce violence levels. A combination of factors in Mindanao—an entrenched subnational conflict, a long-running formal peace process (albeit with mixed levels of confidence among key actors), and an open invitation from government for significant international aid—has created conditions for large-scale assistance to the region. However, there is little evidence that this assistance has succeeded in reducing violence.

1.1 Understanding subnational conflict areas and the role of aid: Concepts

This report is part of a regional study of aid to subnational conflict areas. In addition to this case study of Mindanao, the research also includes case studies of Aceh (Indonesia) and southern Thailand, and a synthesis report. All three case study areas have experienced extended periods of violent subnational conflict, but vary in terms of current conditions of conflict or peace.

Subnational conflict is defined as armed conflict over control of a subnational territory, where an armed 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. Subnational conflict areas typically have three over-lapping forms of contestation:

State-minority conflict. Active struggle between local political factions over the primary source of legitimate authority, and the presence and legitimacy of state actors and institutions in local governance;

Elite competition and conflicts. Rivalries between different actors or factions at the local level (often from same identity group)

Communal conflict. Tensions and violence between different identity (ethnic or religious) groups at the local level.

State-minority contestation (vertical) can impact on inter-elite and communal conflicts when national leaders support key local elites to wrest control of political and economic powers from their rivals. Vice-versa, inter-elite and communal conflicts (horizontal) can feed into the state-minority contestation when the forces under the control of local warlords or traditional local leaders are mobilized by the state against the insurgents. Figure 1.2 illustrates how these forms of contestation interact with each other.

The need for transition

The study aims to assess the role that aid could play in helping support an end to violence and the establishment of durable peace in subnational conflict areas. The study conceptualizes each subnational conflict area as lying at different points along a continuum of transition from war to peace. For most of southern Thailand's history, there has been *no transition* in place, with government and armed opposition groups focused on confrontation, and no clear signals that either side is willing to compromise. In Mindanao, a *fragile transition*, is potentially giving way to an *accelerated transition* that enjoys higher levels of confidence among armed actors,

key leaders, and the wider population. Over the past decade, Aceh's transition has gained strength and the province may now be at an *advanced transition* stage, with most of the major institutional reforms implemented, and the locus of contestation and any remaining conflict shifting away from state-minority violence to local elite contestation. To break the cycles of subnational conflict, there is a need for areas to move through the different stages of transition, taking into account potential shifting levels of contestation.

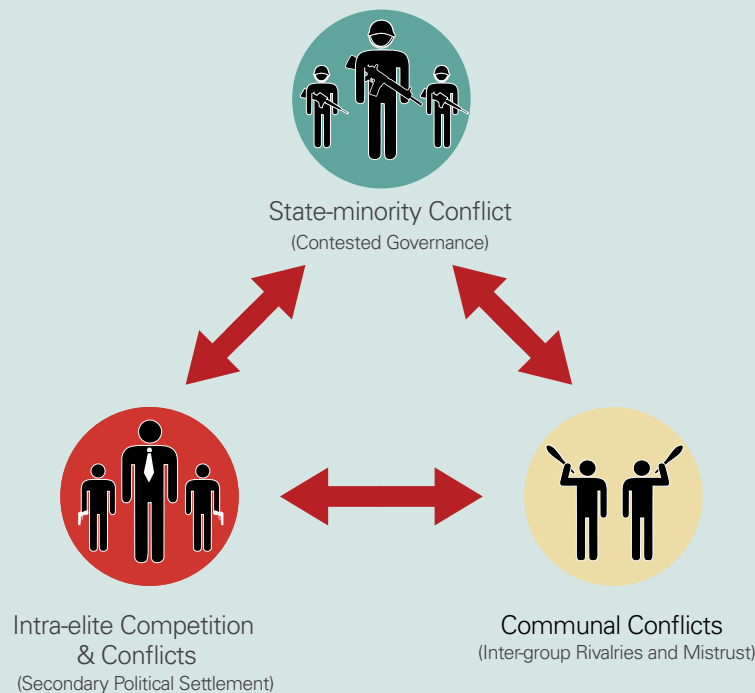
Strategies for supporting transition

What are the key strategies for international actors to support a transition from war to peace? This study builds on the 2011 World Development Report, which describes a pathway by which

conflict-affected countries and regions can emerge from protracted cycles of conflict and weak governance. For transitions to commence and advance, transformation will be needed in two key areas:

Restoring confidence. For transitions to advance there will be a need to restore confidence among key actors and conflict-affected communities. In subnational conflict areas, restoring confidence relates to the expectation that the conflict situation (and political dynamics that influence the conflict) can be overcome, and that a credible transition to peace will occur. Governments and international actors can restore confidence by undertaking concrete steps or changes that are likely to result in increased confidence among key groups. As transitions advance, confidence will need to be shored up. A particular focus

Figure 1.2: Three forms of contestation



of confidence-building work should be on those who participated in the conflict (including insurgents, the state, and local elites) who must decide whether or not to continue using violence. If conflict actors 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.

Transforming institutions. Subnational conflicts are symptoms of dysfunctional institutional arrangements. Moving along the war-to-peace continuum thus necessitates the adaptation (or establishment) of institutions that can change the dynamics that fuel violent contestation. Transforming institutions in a subnational conflict environment involves the creation or reform of processes, rules, or practices that manage violence and contestation, particularly around security, justice, and economic activity. Transforming institutions often translates into organizations, both government and non-government, that better meet the needs and aspirations of the conflict-affected communities. In cases of state-minority conflict, transforming institutions usually involves fundamental changes to state policies, organizations, and structures, which are contested by local non-state actors. 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.

Developmental and transformational goals

Most aid projects typically have an explicit focus on development outcomes, such as improved livelihoods, better health and education rates, and local-level economic growth. In most subnational conflict areas, there are important needs in these areas and addressing them may play a long-term role in helping to cement peace. However, attending to development needs alone will not be enough to move subnational conflict areas along the war-to-peace continuum.

If aid is to support this transition, it should help support improvements that address key factors sustaining the conflict through restoring confidence and/or transforming key institutions relevant to the conflict.

Transformational change is fundamentally political. While international development programs are limited in their ability to influence this transition, they can play a key role in supporting or encouraging the changes needed to progress towards durable peace.

1.2 Project overview

This study contributes to an understanding of subnational conflict areas by drawing on new primary field research on sensitive issues from areas and sources that are often inaccessible to researchers and aid practitioners. The project includes three case studies of subnational conflict areas in

Asia. Besides the Mindanao (Philippine) case, the research also includes case studies from Aceh (Indonesia), and southern Thailand. These cases were selected based on their shared conflict characteristics, and different stages of political transition from active conflict to durable peace. All three regions closely fit the definition of sub-national conflict, and have a long history of conflict that is generally confined to a conflict area located in a peripheral region of the country.

The case study research used mixed methods. Field research was conducted between October 2011 and December 2012. Key areas of data collection included:

Perception surveys of conflict-affected populations to assess perceptions of the state, aid, insurgent movements, and key governance issues among populations within the conflict area.

Community-level ethnographic case studies of selected localities in subnational conflict areas to examine local political and conflict dynamics, and the 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.

The research included extensive efforts to understand the ground-level realities of people living in protracted conflict areas. 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 people's perspectives on 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, in order to understand the diversity of local conditions and the implications for aid impact and conflict. It also allowed the team to assess the aggregate effect of aid on diverse local dynamics. Furthermore, in order to better understand the net impact of international aid on these

regions, the analysis focused on all types of development assistance programs to subnational conflict areas—not just those that explicitly focus on reducing conflict. The project team selected 10 localities from across the conflict area as the focal points for the perception surveys and ethnographic studies. The population size was roughly comparable across the three countries, with an average of 25,000 to 50,000 residents per country. In the Mindanao case, the team selected localities at the municipal level,⁴ and used multi-stage, stratified random sampling to select the localities. Extensive data on aid flows, violence, and a variety of socio-economic indicators was required prior to the locality sampling in order to allow for accurate stratification.

The 10 conflict-affected municipalities/cities and their provinces were: Marawi City, and the municipalities of Wao and Pualas for Lanao del Sur Province; the municipalities of Tipo-Tipo, Sumisip and Hadji Mohammad Ajul for the province of Basilan; Kidapawan City and Aleosan Municipality for North Cotabato Province; and the municipalities of Esperanza and San Luis for Agusan del Sur Province. Table 1.1 provides an overview of the ethnic mix and major conflict actors in the four provinces from which the surveyed localities were selected.

The *public perception surveys*, conducted in the field throughout 2012, were designed to allow for comparison within the conflict area. In the case of Mindanao, the surveys also included a modest comparator sample drawn from outside the conflict area. The survey collected information on a range of topics including: respondents' welfare and economic opportunities; levels of trust towards other people, government, political parties, civil society groups, and security forces; people's experience with conflict and peace efforts; access to information; governance and political participation; access to services; experiences with (and views towards) development assistance; and level of fear and security. The Mindanao sample consisted of 1,500 randomly-selected respondents in Basilan, Agusan del Sur, Lanao del Sur, and North Cotabato. 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 *ethnographic analysis* of local political and conflict dynamics (through locality case studies) addresses a major blind spot for aid programs. With most aid project monitoring focused on either apolitical issues, or more macro factors, there is little systematic analysis or data on how conflict actors and communities in subnational conflict areas perceive aid, and how they interact with it. Furthermore, by analyzing the local level, a better understanding of how community-based programs interact with local conflict and political dynamics can be achieved. The local research teams, who were generally familiar with the area and local politics prior to the study, conducted multiple visits to each sampled locality. In many cases, the researchers documented local political networks and rivalries in order to track their implications for aid program targeting and beneficiary selection. The researchers utilized a political economy lens to investigate the complex interdependencies between local political power, 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. The perception survey and locality case studies were designed especially to minimize the anxiety of interviewees regarding sensitive political and conflict-related questions. The ethnographic research and survey data collection were mostly conducted by local researchers, who speak the same language and are from the same ethnic group as the respondents.⁵ The perception survey instruments were designed according to international best practice for conducting surveys in conflict and post-conflict zones. In all three country

Table 1.1: Overview of conditions in selected localities

	Ethnic composition	Major conflict actors and forms of conflict
Basilan (Autonomous Region in Muslim Mindanao)	Yakan and Tausug ethnic groups (Moro Muslim)	<ul style="list-style-type: none"> • MILF • Abu Sayyaf Group (ASG) • MNLF • <i>Rido</i> (clan feuds or wars)⁶
North Cotabato (Region XII)	Christian Ilongo majority, with Maguindanao (Moro Muslim) minority along border with ARMM	<ul style="list-style-type: none"> • MILF • Bangsamoro Islamic Freedom Fighters (MILF breakaway faction) • Inter-communal tensions between Christians and Moros • MNLF • <i>Rido</i> (clan feuds or wars)⁶
Lanao Del Sur (Autonomous Region in Muslim Mindanao)	Maranao (Moro Muslim) majority, with a small Christian minority	<ul style="list-style-type: none"> • MILF • MNLF • <i>Rido</i> (clan feuds or wars) • Criminal networks
Agusan Del Sur (Region XIII)	Christian Visayan majority, with a significant minority of indigenous groups (Lumads)	<ul style="list-style-type: none"> • New People's Army • Mining-related conflicts

cases in this study, the research team took extensive steps to ensure the safety and anonymity of respondents, using techniques that included randomized start points for enumeration teams; rapid, parallel enumeration to reduce the potential for survey teams to be tracked; and the use of trusted intermediaries to negotiate access to challenging areas.

The perception survey instruments were subjected to thorough *in-situ* pre-tests in each conflict area to filter out questions that were too sensitive, and to identify question designs that could safely probe sensitive issues. Furthermore, in order to triangulate the findings, researchers bolstered the validity of evidence by using independent channels to collect data from multiple sources.

Despite these measures, there were several difficulties in data collection that may have impacted the findings. Conflict environments are notoriously challenging for perception survey accuracy, as many locals in the region are unsure of their safety when they provide responses to sensitive questions. Thus, survey results must be interpreted with this potential source of bias in mind. In some cases, respondents were unwilling to answer questions on sensitive topics, leading to higher non-response rates for some questions. Many of the localities selected are heavily conflict affected, and, as a result, insecurity was a major challenge for the field research. While the implementation of the perception surveys was generally not affected by insecurity, in some of the municipalities sampled the collection of primary qualitative data was occasionally limited

due to sporadic clashes between armed groups. While the study did obtain access to highly inaccessible areas by relying on local research teams to conduct interviews, high levels of insecurity for outsiders made it impossible for study leaders to conduct field spot checks. Thus, the perceived threat from local armed groups may have had an impact on the accuracy of research on more sensitive issues. Furthermore, the collection of qualitative data at the community level often occurred in the presence of local leaders, though attempts were made to conduct interviews in private.





2. Understanding the Mindanao Subnational Conflict Area

The subnational conflict area in Mindanao has been profoundly affected by protracted armed conflict and underdevelopment. Today, this region of Mindanao has among the highest levels of violence in Southeast Asia, and the lowest levels of development in the Philippines. While the separatist conflict has been the main focus of foreign support and analysis, recent evidence indicates that local-level conflict, particularly between local elites, is a critical and poorly understood element of the conflict environment.

This chapter provides a brief historical account of the Moro conflict. This will be followed by a short discussion of the current performance of the Mindanao economy, highlighting the economic situation of conflict-affected areas and providing an approximate estimate of the costs of conflict. The next subsection is devoted to analysis of the nature and drivers of conflict in Mindanao. The final subsection will discuss the evolution of donor assistance on the island.

2.1 History of the Moro conflict

The Moro conflict in Mindanao, the southernmost island in the Philippine archipelago, began with the incursion of Spanish *conquistadores* in the 16th century. By the time the Spanish colonizers arrived, Islam—which was introduced initially by Arab traders in 14th century, and fostered by Islamic missionaries from Malaysia and Indonesia in the 15th and early 16th centuries - was well established.⁷ At the time the

Spanish arrived, the Moros were governed by their own sultanates.⁸

The Moros and Lumads⁹ who are indigenous to Mindanao, have remained distinct from the rest of the population of the Philippines. The ability of these populations to successfully thwart successive Spanish invaders set them apart from the majority of Filipinos who were conquered and converted to Christianity. Thus, over more than 300 years of Spanish colonial rule, deep-seated suspicions divided the Christianized inhabitants of the northern islands from the Muslims in the south. The advent of the American colonists at the turn of the 20th century did little to change this division.

After World War II and independence, large numbers of Christian settlers from the northern islands of Luzon and the Visayas migrated to the island of Mindanao.¹⁰ They were encouraged by the Christian-dominated government in Manila through a series of government-sponsored resettlement programs launched in the 1950s and 1960s.¹¹ This inevitably resulted in the dispossession of large areas of land that were communally held by Muslims and indigenous peoples (IPs). By the 1970s, due to rapid population growth, land for further settlement in the island was becoming increasingly scarce. Tensions escalated between communities of Muslims and Christian settlers over scarce land. Undeniably, these tensions were fuelled by centuries of distrust.

The modern separatist movement began in the late 1960s, triggered by the Jabidah massacre in March 1968¹² when at least 28 young Moro military trainees were murdered by their superiors. The trainees were killed to prevent them from leaking the news that they were being trained to infiltrate Sabah, Malaysia to foment unrest among the people there. The Philippines has a long-standing claim over Sabah, arguing that it was part of the Sulu Sultanate until the British annexed it in the 19th century. The Jabidah massacre sparked a diplomatic furor between the Malaysian government and the Philippines. Shortly thereafter, a group of Moro leaders established the Mindanao Independence Movement (MIM),¹³ purportedly to form a separate nation of the Moro people. Widespread support for Moro separatism coalesced in 1969 when Chairman Nur Misuari founded the Moro National Liberation Front (MNLF),¹⁴ a revolutionary group meant to achieve an independent Moro state carved out from Mindanao.

During the Marcos dictatorship, the conflict initially intensified and then settled into a longer-term, low-intensity confrontation. When President Ferdinand Marcos declared martial law in 1972, he ordered the military to disarm all armed groups in the country, and particularly the Moros in Mindanao. This led to a large-scale war between MNLF and government forces that spread out to several provinces in Mindanao. In 1976, unable to gain total victory against the Moro rebels, the Marcos government sought the intercession of Libya¹⁵ to forge a ceasefire agreement with the MNLF. Called the Tripoli Agreement, the MNLF dropped its separatist goal in favor of the creation of an autonomous Muslim region in Mindanao. In the years

following the 1976 Tripoli Agreement, the conflict between government forces and MNLF became a low-intensity conflict, while the central government in Manila unilaterally elaborated the autonomy provision in the Tripoli accord.

The MILF was formed in 1984, two years before the downfall of the Marcos dictatorship. It was a breakaway group from MNLF and headed by Hashim Salamat, a Muslim religious leader and a former MNLF Vice Chairman. Salamat distinguished the MILF from the MNLF by declaring that their goal was not merely to carve out a separate state for Muslims in Mindanao, but to form an Islamic state. In doing so, he emphasized the religious character of the struggle. Most members of the MILF came from the same ethnic group as Salamat: the Maguindanaoans of Central Mindanao.¹⁶

The signing of the 1996 Final Peace Agreement (FPA) between the government and the MNLF further widened the fissure between the two fronts. The MNLF became part of the government, while the MILF continued armed struggle. Shortly thereafter, Misuari was elected governor of ARMM. The 1996 FPA provided for a 3-year transition, after which another plebiscite would be held to determine whether other Mindanao provinces would join ARMM. But due to the poor performance of Misuari and his government, in 2001 only one city, Marawi City in Lanao del Sur, and one province, Basilan (though its provincial capital, Isabela, voted against inclusion) joined the original four provinces to constitute the expanded 'ARMM'.

Also, the 1996 FPA provided for the integration of MNLF combatants into the Philippine military and police.¹⁷

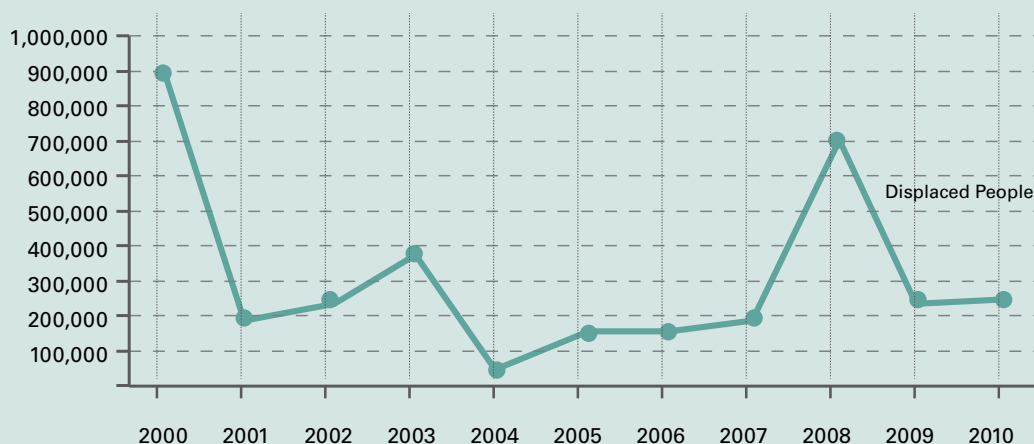
The Ramos government did not push a disarmament policy and thus, ex-MNLF combatants became militias in their communities. Moreover, the MNLF maintained their identity and structure instead of transitioning from combatants to citizens. This allowed ex-MNLF to retain their military capability and move within their communities and neighboring communities, sometimes changing their group affiliation to engage in illegal activities.

The MNLF's reputation and Misuari's leadership further eroded when newly-elected President Joseph Estrada showed little appreciation of the details of the peace agreement that the MNLF had signed with his predecessor. In contrast, the MILF was gaining more strength, as attested by its ability to launch relatively large-scale offensives against the military and expand its bases in various Mindanao provinces. As a result of these offensives and gains, plus reports that foreign terrorists were being trained in MILF camps,¹⁸ Estrada declared an 'all-out-war' against the MILF in April 2000.¹⁹ Government troops conducted

simultaneous assaults on well-known MILF camps and eventually over ran them after weeks of fierce fighting. Around 900,000²⁰ civilians were displaced and thousands lost their lives in the battles (see Figure 2.1).

With the ouster of the Estrada administration in 2001, the newly-installed government of President Gloria Macapagal-Arroyo reversed the policy of her predecessor by declaring an 'all-out-peace'. However, in February 2003, the government accused the MILF of harboring criminal elements in their camps, and the military attacked the Buliok Complex where MILF Chairman Salamat was reported to be hiding. The MILF fought hard to defend the complex and also opened new battlefronts to ease the pressure on Buliok. An estimated 400,000 civilians were displaced by this conflict (see Figure 2.1).

Figure 2.1 Conflict-induced displacement in Central Mindanao, 2000-2010.²¹



The military suspended operations against the MILF after purportedly achieving their goal of clearing the area of criminal elements. This led to the signing of a ceasefire agreement in July 2003. A month later, Chairman Salamat died of natural causes and was replaced by Ebrahim Murad, a highly-respected leader and a moderate voice within the ranks of the MILF. Under his leadership, the peace initiative was sustained with the creation of the Joint Coordinating Committee on the Cessation of Hostilities (JCCCH),²² a joint MILF/government body that monitored violations of the ceasefire agreement. Exploratory talks soon took place between the government and the MILF.²³ Through these talks, which were brokered by the Malaysian government, a government/MILF International Monitoring Team (IMT) was set up led by the Malaysians. This IMT was meant to boost the capability of the JCCCH and the local monitoring teams (LMTs).²⁴

In mid-2008, the government and MILF negotiating panels announced that they had reached a peace accord, which was spelt out in the Memorandum of Agreement on Ancestral Domain (MOA-AD). Unfortunately, euphoria over the signing soon turned to dismay and frustration when its detractors secured a temporary restraining order from the Philippine Supreme Court barring the Philippine negotiating panel, already in Malaysia, from signing the agreement. Shortly thereafter, the Supreme Court declared the MOA-AD “Unconstitutional”, and hence, null and void.

Massive public outcry followed, accusing the Philippine panel and the Arroyo administration of lack of transparency in negotiating with the MILF and disgruntled

MILF combatants launched simultaneous attacks on a number of Christian-dominated communities. The military responded with offensives against MILF and their communities. Altogether around 700,000 civilians were displaced (refer to Figure 2.1), hundreds of civilians and combatants lost their lives, and several million dollars worth of property was destroyed.

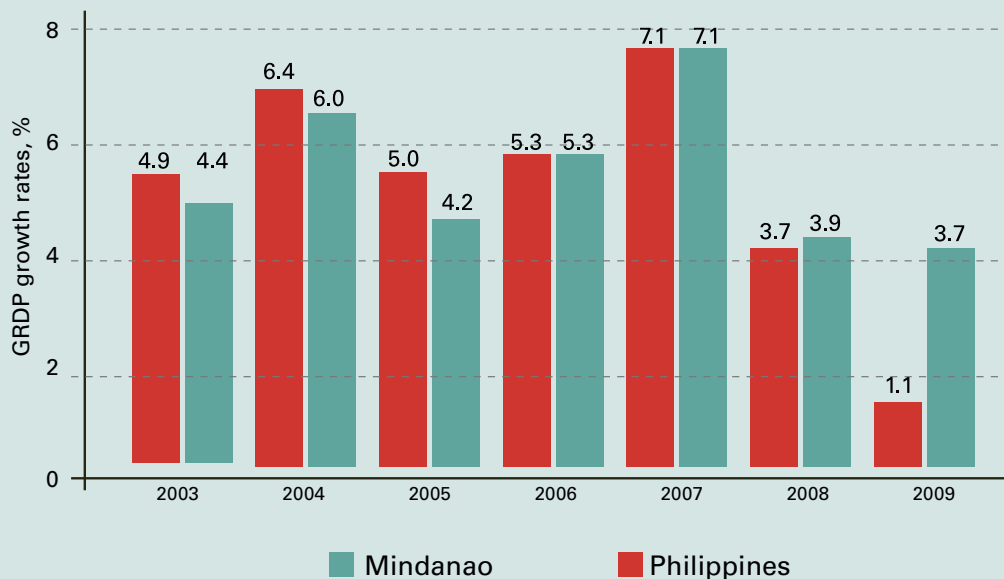
With the electoral victory of Benigno Aquino III in 2010, new peace initiatives began. President Aquino personally met MILF Chairman Murad and MILF leaders in Tokyo, Japan in 2011 to demonstrate the sincerity of this government. In 2012, the Philippine and MILF panels that had continued negotiating in Malaysia for more than 10 years, announced a breakthrough.²⁵ Their consensus was spelt out in the Framework Agreement on the Bangsamoro (FAB) which was made public prior to its signing. With no strong objections against the document, both parties signed the FAB on 15 October 2012 in the Malacanang Palace in Manila, with witnesses that included President Aquino, MILF Chair Murad, Malaysian Prime Minister Najib, and members of the diplomatic core and senior government officials.

The FAB provides for the establishment of a 15-member Transition Commission (8 members from MILF, including the Chair, and 7 from government), all of whom would be Bangsamoro, and appointed by the President of the Philippines.²⁶ The Commission has three main tasks: a) craft a new basic law to replace ARMM; b) consider proposals for constitutional amendments; and c) coordinate development efforts in Bangsamoro areas through the Bangsamoro Development Agency (BDA) and the Bangsamoro Leadership and Management Institute (BLMI).

The FAB also stipulated that by the end of 2012 several technical Annexes on extremely difficult issues such as power and wealth sharing, transitional institutional arrangements, and security (referred to as “normalization”) would be completed by Technical Working Groups (TWGs) created by the two negotiating panels. The Basic Law crafted to replace ARMM by the Transition Commission (TC) will have to be approved by the Philippine Congress and then ratified through a plebiscite in the areas identified in the Agreement, plus any new areas that wish to join the Bangsamoro territory. Once this is done, ARMM will be abolished and a Transition Authority will be established to govern Bangsamoro until the 2016 general elections. MILF candidates will then stand for election in the Bangsamoro territory in 2016—an election that will be held simultaneously with that year’s national elections.

The TWGs drafting the annexes were unable to complete their tasks by the end of 2012. From January to May 2013, negotiations were still underway but the two sides have had difficulty reaching an agreement on some of the annexes (i.e., power and wealth sharing, and normalization). These difficulties arose because of the constraints that some Philippine laws could impose, as well as uncertainty about how the Christian majority would react to the government’s concessions to the MILF. However, observers²⁷ of the negotiations remain optimistic that the two parties can overcome their differences.

Figure 2.2: Mindanao’s gross regional domestic product growth rates, 2003-09



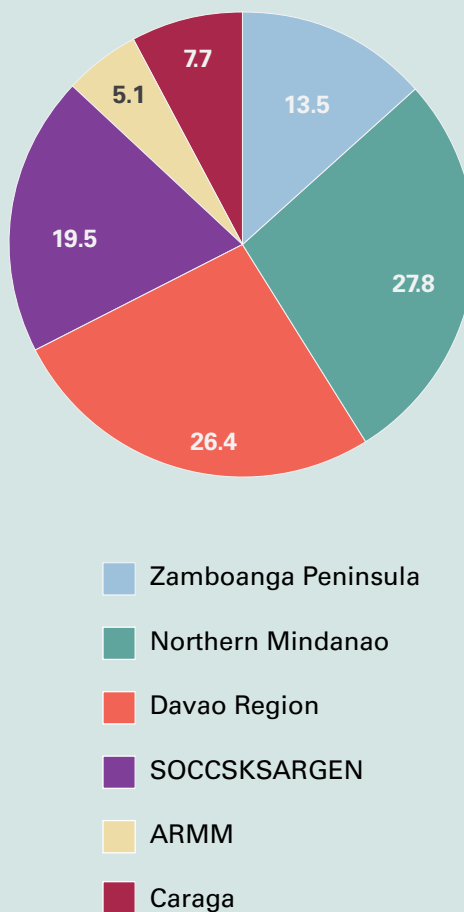
2.2 Socio-economic situation in Mindanao and its conflict areas

The Mindanao economy overall has exhibited strong economic growth. Despite persistent conflict, the Mindanao economy (including non-Moro and Moro areas) has kept pace with national economic growth. Figure 2.2 shows that Mindanao's gross regional domestic product (GRDP) growth rate from 2003 to 2009 has averaged 5%, actually surpassing national performance.

However, Mindanao has also shown highly uneven development, with the conflict areas having the lowest levels of growth. Thus, the problem is not achieving growth per se but the highly uneven distribution of growth. In total, 54% of Mindanao's GRDP in 2009 was contributed by Northern Mindanao (Region X) and the Davao Region (Region XI), where the prosperous cities of Davao and Cagayan de Oro are located. As illustrated in Figure 2.3, by contrast, the conflict-affected regions of ARMM and Caraga, respectively, produced only 5% and 8% of Mindanao's GRDP.

There is also significant variation within regions. Figure 2.4 shows consistently higher growth for Regions X and XI, over ARMM and Caraga from 2003 to 2009, despite the agricultural potential of the former, and the natural resource wealth of the latter. To further illustrate this point, growth in General Santos City was more than 5% from 2000-2006, but during the same period, three-quarters of Mindanao's municipalities and towns experienced zero or negative growth during what was then a period of tight spending by the national government.²⁸

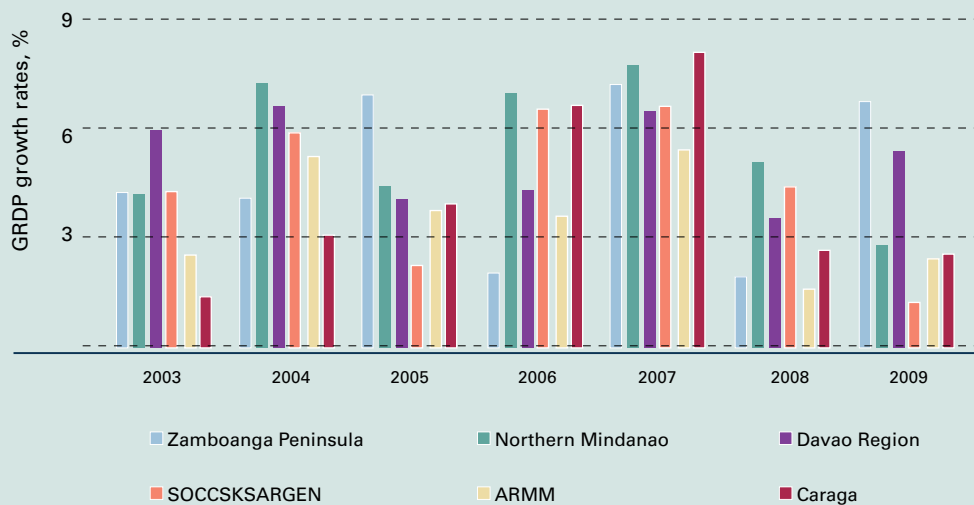
Figure 2.3: Regional distribution of Mindanao's share of regional GRDP, 2003-09 (average), percent



Source: NSCB

Conflict-affected areas of Mindanao have the highest poverty levels in the Philippines. The highly uneven growth is reflected in areas of severe poverty. Eleven of the 20 poorest provinces in the Philippines are in Mindanao, with most found in the conflict-affected regions of the ARMM and Caraga. At 39.8% and 38.1%, respectively, poverty incidence in Caraga and the ARMM is almost double the national average (see Figure 2.5). The ARMM is the only region in the country that has shown significant and consistent increases in poverty levels from 2003 to 2009.

Figure 2.4: Mindanao: GRDP growth rates, 2003-09



The conflict-affected region also has the lowest levels of human development indicators in the Philippines. Low growth and high poverty are closely linked to low Human Development Index scores (HDI).²⁹ A UNDP report³⁰ on human development in the country revealed that the conflict areas of Basilan, Tawi Tawi, Maguindanao, and Sulu had an HDI of 0.409, 0.364, 0.360 and 0.301, respectively, compared to the national average of 0.747 (almost twice the level of the four conflict-affected provinces).³¹ Moreover, the same report noted that average life expectancy in the ARMM provinces of Maguindanao, Tawi Tawi and Sulu is almost 20 years shorter than in provinces that are progressing better economically such as Cebu and those surrounding Metro-Manila.³²

Box 2.1 The Case of Marawi City

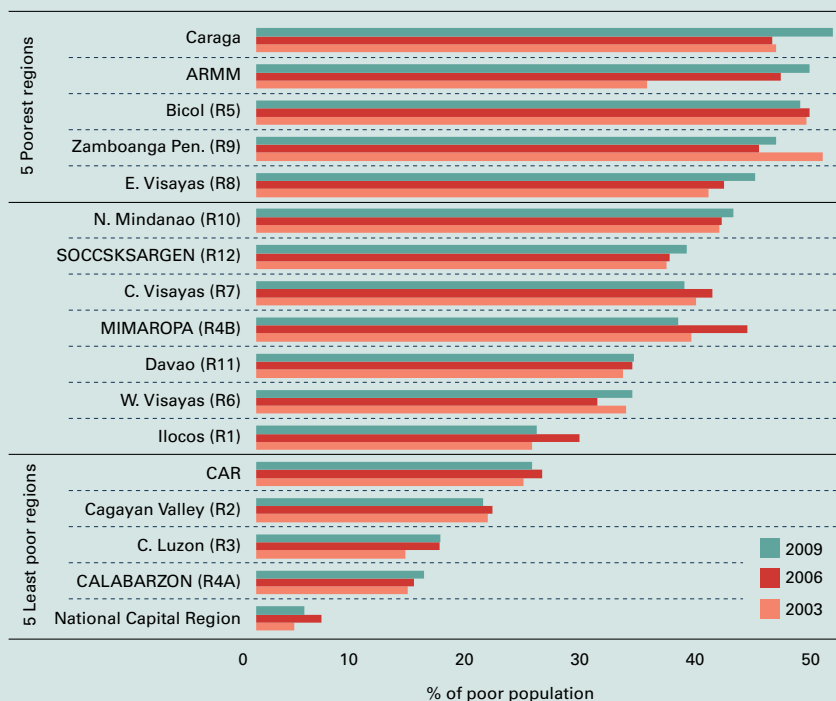
UNDP conducted an in-depth case study³³ of Marawi City (Lanao del Sur) to illustrate the adverse impact of armed conflict on development in the area. It noted that up until the 1960s, Dansalan (the former name of Marawi City) was a center of commerce where Muslims, Christians and Chinese entrepreneurs engaged in robust trading and commerce. There were also harmonious relationships between Christians and Muslims. But when the conflict between the government and Moro rebels broke out in the 1970s, the Christian population of the city evacuated, fearing for their lives and property. As a result, the UNDP study noted that among the cities in Mindanao, Marawi has the lowest number of factories, banks and pawnshops, the lowest percentage of workers employed in industry (despite relatively high educational attainment), the lowest per capita income, and the highest poverty incidence.

The human and financial costs of the conflict have been enormous. Conservative official government estimates show that more than 120,000 lives have been lost in the Moro conflict.³⁴ Barandiaran, using a partial equilibrium model, calculated that the economic cost of the Mindanao conflict from 1970-2000 was around US\$2-3 billion.³⁵ This estimate is believed to be on the low side because Barandiaran argued that the conflict was confined to a specific geographic area whose contribution to economic growth was small, that linkage of the conflict area with the 'growth centers' of Mindanao was limited, and that the conflict had been of the "low intensity type". Schiavo-Campo and Judd³⁶ challenged Barandiaran's findings, noting that the author only factored in military expenditures on the war, lost output, and damage to property and infrastructure, without taking into

consideration foregone investments (due to perceptions of insecurity/instability), and the conflict's social and human costs. According to Schiavo-Campo and Judd, if estimates are calculated for foregone investments, or "investment deflection", the economic losses for the 20 years from 1972 to 2002 are US\$ 10 billion.³⁷

There is relatively strong evidence that conflict reduced economic growth, according to two previous studies.³⁸ UNDP's study showed that the Abu Sayyaf kidnapping of tourists from a Palawan resort in 2001, which made worldwide headlines, caused durable investment in the Philippines as a whole and Mindanao, especially, to decline drastically.³⁹ Although investments in the rest of the country recovered a year after the kidnappings, Mindanao continued to experience negative growth in durable investments for the next three years after the kidnapping incident (2001-04).

Figure 2.5: Poverty headcount (2003-2009)



Source: World Bank 2012

2.3 Analysis of conflict and levels of contestation

There are multiple types of conflict in Mindanao today, making it one of the most complex conflict environments in Asia. The conflict in the Moro areas has evolved over the past 44 years—from an ethno-nationalist struggle between an aggrieved minority and the central government, to a highly fragmented conflict with multiple overlapping causes of violence. Evidence collected through this study shows that the state/insurgent conflict is not the major manifestation of violence in the region. At the local level, most people rely on local leaders for security, justice and livelihoods, rather than government or major non-state armed groups.

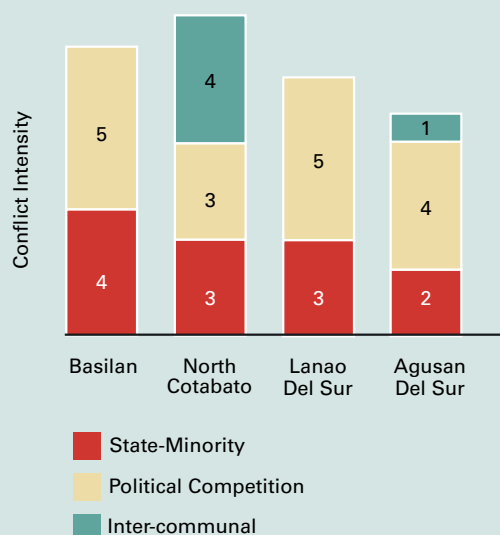
The Philippine Government generally recognizes at least six major types of violence, many of them overlapping:

- Separatist insurgency-related—the Moro National Liberation Front (MNLF) and the Moro Islamic Liberation Front (MILF);
- Ideological, insurgency-related—the Communist Party of the Philippines/New People's Army (CPP-NPA), and other breakaway groups⁴⁰ from CPP-NPA;
- *Rido*-related—between influential clans or families;
- Competition-related—between local elites competing for political posts in elections in order to consolidate political power and control over natural resources (e.g., land);
- Inter-communal (ethnic or tribal)—between two groups affiliated to different religions, or between two groups within the same ethnic group or two different ethnic groups or tribes; and

- Criminal related—violence caused by criminal elements (e.g., kidnap-for-ransom gangs, 'Lost Command' (i.e., rogue members of military and paramilitary groups), drug traffickers, and extortionists, etc.).

Figure 2.6 illustrates the significant variation in local conflict dynamics, based on findings from this study's locality case research. The research team identified the intensity levels for each of the three major forms of contestation (state-minority, elite competition, and inter-communal), with 5 being the highest level of intensity. These data show that in 3 of the 4 geographic areas surveyed, elite competition (Political Competition) is quite intense across the conflict area, and higher than state-minority contestation.

Figure 2.6: Conflict intensity



The Moro areas are highly patriarchal, with a deeply entrenched, clan-based structure. Most people have high levels of loyalty and connection with their clan, ethnicity and Moro identification, and this is much greater than their identification with the state or Filipino nationality. The family or clan provides members with security, a social safety net and even livelihood assistance or a job, all of which ensure members' survival.

Loyalty to patron or clan has three implications for conflict dynamics: first, building 'social capital bridges' between clans/groups is a formidable challenge; second, violent conflict seems chaotic and unpredictable when viewed at the macro level, but is entirely rational and predictable at the local level; and third, local conflict dynamics must be understood as a product of local contestation and politics, rather than as a product of a broader struggle against the state.

'State-minority' contestation has traditionally been viewed as the dominant form of contestation in Moro areas, but it is not. Separatist violence has been relatively infrequent over the past decade⁴¹ though major confrontations have resulted in considerable loss of life and property, and massive displacement of people (these are the confrontations that get media attention).

Evidence from the perception survey shows that most people rely on local leaders for protection and justice. Figure 2.7 from the perception surveys indicates that 70% of people in the conflict area rely on their local barangay captain for justice. In most cases, the barangay captain is the most prominent member of the local political elite, so this result can be interpreted as indicating the strong ties to local, informal family or clan networks. This result is consistent in nearly all of the municipalities.

In most conflict-affected areas (see Figure 2.8), very few people rely on armed insurgent groups for security and justice. The exceptions were Pualas and Marawi City (two areas with strong a MILF presence).

Figure 2.7: Who do people go to for delivery of justice?

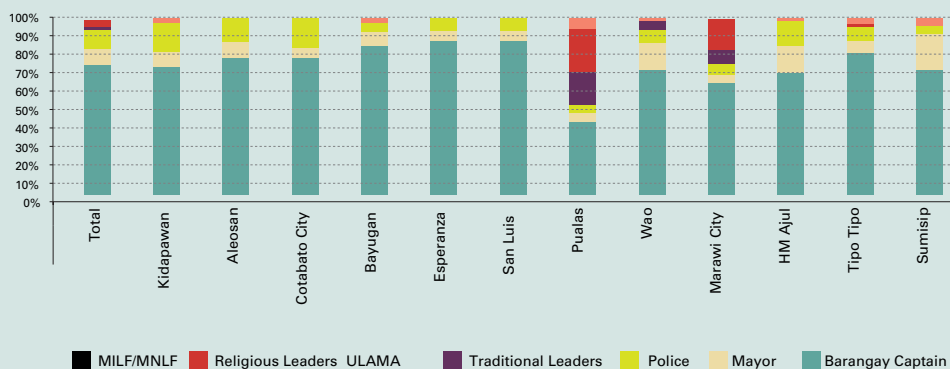
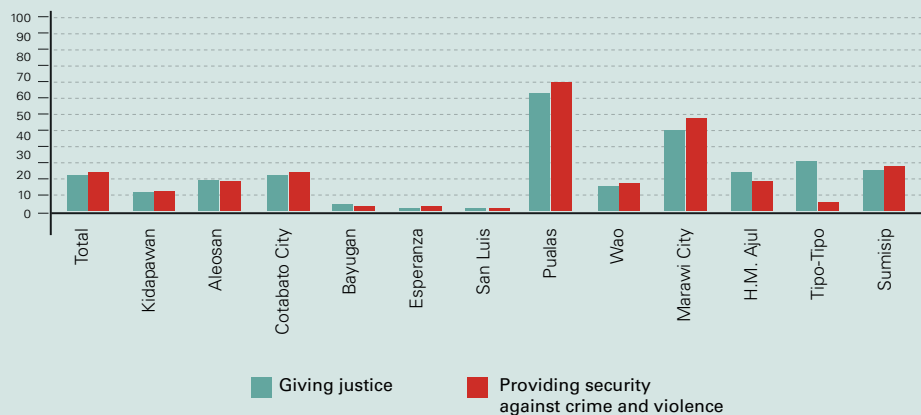


Figure 2.8: Reliance on non-state armed groups for security and justice



There is significant variation in how respondents relate to the Philippine nation, religion, ethnic group, and Moro identity. In the survey, respondents were asked to rate their priority for different forms of identity. Figure 2.9 shows the scores for eight of the municipalities. Filipino identity is relatively weak, ranking the lowest or second lowest in 6 of the 8 municipalities. Religious identity scored very high in Christian and Muslim areas, ranking highest or second highest in every municipality. A 2009 survey, however, showed that Moro residents in ARMM overwhelmingly cited

ethnicity over religion as the most important factor in their identity.⁴² Another survey conducted in 2009 in the aftermath of the failed MOA-AD in 2008,⁴³ showed that when Moros were asked whether they identified themselves as Moro or Filipino, by far the majority listed Moro (refer to Table 2.1 below). However, when asked if they identified themselves as Moro or their ethnic group (i.e., Maranao, Maguindanao, Tausug, etc.) most respondents listed their ethnic group.

Figure 2.9: Self-identification⁴⁴

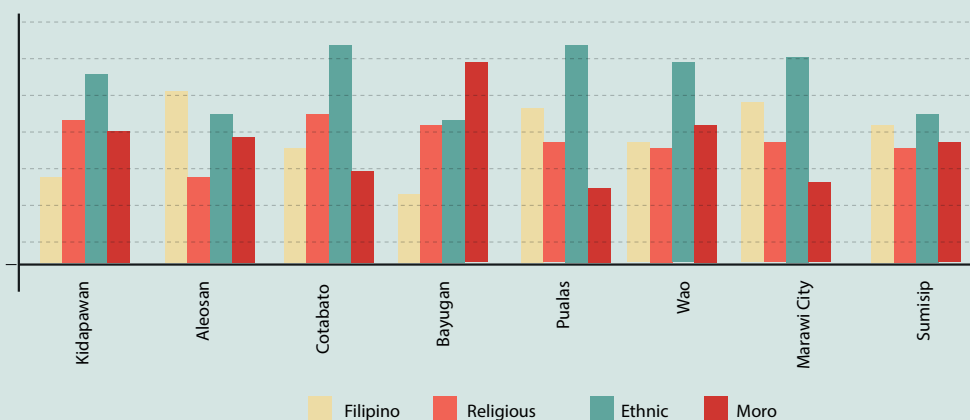


Table 2.1: Comparison of two surveys on identity

	Philippines (SWS Oct 08)	ARMM (TAF-SWS 08)
Identity: Religion vs. Nationality		
Religion first	28	89
Filipino first	72	11
Religion vs. Ethnic Identity (Muslims only sample)		
Ethnic group first	--	91
Muslim first	--	8

Inter-elite competition is a major source of contestation and violence across Mindanao. It is particularly intense in Moro areas but occurs in Christian areas as well. Violent conflict between rival powerful political families erupts often during election time and when competing for access to land or control over the revenues from natural resources.

Local-level conflict can escalate into state-minority conflict. In a number of cases, *rido* has instigated state-insurgent violence. A political clan allied with the administration will request military assistance to defeat a rival political clan that is supported by a Moro rebel group.⁴⁵ Long-running local elite rivalries occasionally take on much greater significance as one side gains the support of powerful, national-level actors. Thus, what was originally a ‘small war’ can easily transform into a ‘big war’ once government and Moro rebel forces are drawn in. For example, the Ampatuans, the powerful Moro clan from Maguindanao, have had a long-running rivalry with senior MILF leaders. During the time of the Arroyo Government, the Ampatuans began

an informal alliance with the administration, which gave them protection from security forces and allowed the Ampatuans to build up a large private army. Thus, inter-elite conflict (horizontal conflict) can easily transform into a vertical conflict (i.e., government versus MILF).

Inter-communal conflict also occurs in some areas of Mindanao, particularly in

North Cotabato where the majority Christian population lives alongside the minority Moros. The tension in North Cotabato is primarily based on Christian settlers' fear that any peace agreement signed between the government and the Moro rebels will lead to their possible inclusion in a new autonomous region and greater insecurity for Christians. The Moro communities that live along the border of Maguindanao, an ARMM province, have long argued that these are their traditional lands which were confiscated by past governments and occupied by Christian settlers. The survey's ratings on trust show that the Christians clearly have low trust of the Moros, though the Moros rate their trust of the Christians more highly.

Conflict dynamics vary considerably from one community to another, and even within the same province, depending on the configuration of local elite political networks, and the presence or absence of insurgent groups. A recent study on community-based development in conflict areas found that local political dynamics are shaped by relations among local elite actors.⁴⁶

2.4 Overview of donor assistance to Mindanao

The growth of donor interest in, and assistance to, Mindanao is a relatively recent phenomenon.⁴⁷ In the 1970s and 1980s, foreign aid to Mindanao was limited, and largely confined to the assistance provided by USAID as part of its Economic Stabilization Fund (ESF). The ESF was seen as the US government's payment to the Government of the Philippines for an 'informal lease' of land for several US military bases, the most important of which were the Clark Air Base in Pampanga, and the Subic Naval Base in Zambales. ESF assistance was mostly spent to build small-scale infrastructure such as school buildings, market facilities, potable water supplies, farm-to-market roads, and to pave roads with concrete.⁴⁸

In the 1990s, the area targeted for US government assistance shifted from the northern island of Luzon to Mindanao. In 1991, the Philippines Senate voted to cease leasing the US military bases when the lease expired in 1992. At the same time as the US military forces withdrew from their Luzon bases, USAID launched a new development initiative in Mindanao. This Mindanao Growth Plan (MGP) targeted the cities of General Santos and part of Davao,⁴⁹ in support of the government's initiative to modernize Mindanao⁵⁰ in order to achieve the islands 'full development potential'. MGP built infrastructure in General Santos City, including upgrading the airport to international standards, developing the city's seaport, including a bulk cargo handling facility, concreting and widening major highways leading to nearby Koronadal City in South Cotabato, and Davao City, the most important urban center in Mindanao.⁵¹

The Ramos administration (1992-1998)⁵² also encouraged other donors to assist Mindanao and its conflict areas. This administration significantly changed the government's response to Moro and communist rebels, from counter-insurgency to peacebuilding. Between 1992 and 1998, the Government of Japan also introduced significant new assistance to Mindanao with Japan Bank for International Cooperation (JBIC) and Japan International Cooperation Agency (JICA) funding for major infrastructure projects (primarily irrigation and roads). Other new aid programs in Mindanao included separate World Bank and Asian Development Bank (ADB) funding for programs on agrarian reform, European Commission funding for upland agriculture, and Canadian International Development Agency (CIDA) funding for a long-running, local government improvement program that later focused on the ARMM region.

After the September 11, 2001 terrorist attacks in the US, conflict-affected areas of Mindanao became a high priority for donors' development and security assistance.⁵³ US interest in Mindanao was heightened after reports that Al-Qaida-affiliated groups, including Jemayaah Islamiyah, were providing training for terrorists in MILF camps.⁵⁴ To counter the growth of terrorist cells in Mindanao and the region, joint Philippine/US intelligence gathering activities were intensified under US leadership,⁵⁵ and the US also extended substantial development assistance to areas in Mindanao that were affected by Moro rebellion.⁵⁶

The Government of the Philippines welcomed international aid for conflict-affected areas. The Arroyo government established a new agency, the Office of the Presidential Adviser on Regional Development (OPARD) to fast-track donor assistance for rehabilitating and reconstructing conflict-affected areas in Mindanao, and the development of Mindanao's economy, in general. In a joint World Bank-International Monetary Fund meeting in Dubai, President Arroyo sent a letter to World Bank President James Wolfenhson through the Philippine Secretary of Finance, to request World Bank assistance for Mindanao's development.⁵⁷ A World Bank technical assistance grant was provided for 2001-2002 to conduct an assessment of the needs of people in selected Mindanao conflict areas⁵⁸ and form the basis for World Bank programming in Mindanao.

In the early 2000s, the government and donor community established new mechanisms for coordinating assistance to Mindanao. A session in the annual donor pledging forum, the Consultative Group (CG),⁵⁹ which was jointly led by the Philippine Department of Finance and the World Bank, discussed the development challenges in Mindanao. This focused greater attention and rallied donor support for Mindanao's development. A mini-CG, the Mindanao Working Group (MWG), was then chaired and co-chaired, respectively, by the Mindanao Economic Development Council (MEDCo) and the World Bank. MWG was an information-sharing body for donors working in Mindanao, especially

those working in conflict areas. Although in the 1980s and the 1990s, aid to Mindanao was almost entirely from USAID, starting in 2000, more donors began providing aid to the island and MWG was a valuable coordination body for them.⁶⁰

The evolution of donor assistance to Mindanao reveals that aid was closely aligned with the state-building agenda of the central government. Aid programs generally supported the government's priorities in its official development plan. Unfortunately, most of the new assistance programs neglected the needs of ethnic minorities and instead supported the 'assimilationist' agenda⁶¹ of the central government. This lack of awareness of local conflict dynamics by international aid agencies was partly due to their limited understanding of the Mindanao conflict and their over-reliance on the government's official development plan as the basis for their programming.

While aid has been growing in the Moro areas, very little has been provided for the other major conflict in Mindanao—the CPP-NPA⁶²— despite being described by the US government as a "terrorist group". Consequently, donor assistance to the Caraga region is limited, despite it being as poor as ARMM.⁶³ The Communist insurgency thrives in the Caraga region because the indigenous peoples are marginalized, and over the years, increasing competition for land and natural resources has turned violent.⁶⁴ It is expected that levels of violence will continue to rise as local and foreign mining interests explore potentially-rich mineral resources.

3. Transforming Conflict in Mindanao

While the transition in Mindanao from conflict to peace has accelerated since the signing of the FAB in October 2012, the roadmap to a lasting peace is anything but clear, and finally achieving peace may take a generation. With multiple types of conflict actors, violent and entrenched local elite competition, and other levels of violent contestation, the conflict environment in Mindanao is the one of the most complex in Asia, and presents a formidable challenge for international actors trying to support peace and development. Even the October 2012 signing of the FAB between the government and the MILF is not expected to result in the immediate cessation of violence as other armed groups continue to be active. However, the FAB should be seen as a key component in ‘jumpstarting’ the process of attaining durable solutions to the conflict.

This chapter describes a possible roadmap from the current situation to a comprehensive peace in Mindanao, and suggests how international aid could support this transition.

3.1 Restoring confidence in the peace process

One of the fundamental challenges in Mindanao is the widespread lack of confidence in the transition from conflict to stability. For a number of reasons, many analysts believe that violence will continue for years to come despite the signing of the FAB.⁶⁵ First, most of the Moro leaders have low confidence that the Government of the Philippines will fully implement the peace

agreement and allow the Moro population to exercise autonomy over their territory. Even if Moro leaders have more confidence in the current national administration, compared to previous ones, concerns are widespread that future governments might reverse the agreements made by this government. Second, the multiple armed groups operating inside and outside communities (i.e., the private armies of traditional political leaders and MNLF, ASG, and BIFF combatants) are unlikely to stop using violence and pose direct threats both to the subnational conflict area and nearby provinces. And third, the deep divisions within the Moro rebel groups lead to fears that if one rebel group gains concessions from the government, they will marginalize the other groups in the planned autonomous government.

For all these reasons, it will be impossible to satisfy all the actors at once in the highly complex, multi-layered conflict in Mindanao. Based on such complexities, the World Development Report 2011 recommends the formation of "inclusive enough" alliances or coalitions for peace. These coalitions can be formal or informal, but must include most of the critical actors if the peace process is to succeed. Those to include are the MILF, the MNLF, key local traditional politicians from both the Moros and the Christians, Muslim and Christian religious leaders, and representatives of the major civil society organizations (CSOs), private business organizations, academia, and even, the media. This approach will also have to have the support of the Philippine military and the police who must

implement reforms in the security sector so that they can respond to the continuing challenges from numerous criminal elements. Moreover, there must be a clear signal from President Aquino that building the coalition is an utmost priority under his administration.⁶⁶

The peace process already includes several institutions that are intended to prevent the further escalation of violence. The government and the MILF negotiating panels have already agreed to extend operations of the Malaysian-led International Monitoring Group (IMT), a body that works with local CSO-led teams to monitor violation of the ceasefire agreement. They have also welcomed the International Contact Group (ICG) continuing to serve as observers of the peace process.

The government and the MILF are moving quickly to show their commitment to the peace process, but it is unclear whether they will have any effect in raising confidence in conflict-affected communities and with key elites. The government is attempting to mobilize significant resources for improving the delivery of basic services to Moro communities so that they will immediately see 'peace dividends'. Prior to the signing of the FAB, a sum of around US\$ 200 million⁶⁷ was released by the government for improving basic services and additional funding is expected in future years. Assistance targeting Moro combatants⁶⁸ is being negotiated with the MILF to ensure that the peace process immediately benefits them, and starting in early 2013, the MILF was conducting a needs assessment of its combatants and the broader Moro community. The government is also proposing that a reconstruction, rehabilitation and development plan for Bangsamoro be formulated, with inputs

from the needs assessment. Assistance from the government in Manila and donors is being sought, though MILF demands that it should manage both exercises as it attempts to build its legitimacy and credibility as an alternative government.

It will be critical to broaden support for the peace process in conflict-affected communities and with those leaders not associated with the MILF. Complaints have already arisen, particularly among the Moros, about lack of information on the FAB.⁶⁹ To achieve wide understanding, some have suggested that the agreement be translated into local dialects. Ongoing negotiations over the Annexes to the FAB⁷⁰ should not delay efforts to inform people about the FAB, even in the most remote communities, or to discuss it in forums, conferences, and other gatherings.

Another challenge is the relatively low confidence in the MILF to maintain security and ensure a smooth transition.⁷¹ There are broad concerns too about whether the MILF has the capacity to implement development assistance and facilitate the delivery of services to Moro communities. To address this gap, international donors are conducting capacity building training programs for key Moro leaders that will provide them with leadership and managerial skills to implement development projects.

Although it is recognized that *rido* is the primary cause of instability in many conflict localities, most conflict prevention measures are geared toward addressing state-minority contestation. For instance, there has been little attempt to settle land disputes, despite wide recognition that most *rido* involve competing land claims.⁷² Even the conflict between Christians and Moros in Aleosan,

North Cotabato Province, and between MILF and MNLF forces in Maguindanao Province, can be attributed to land disputes.

In order to make the best use of international aid, a deep understanding of the drivers of inter-elite and inter-communal competition is needed as it varies greatly across Mindanao's regions, provinces and municipalities. Local-level research and analysis of conflicts is needed to identify which incentives will encourage elites to cooperate with the peace process, and which disincentives will lead them to instigate violence. This will also necessitate identifying the power base of local elites and their connection with national political leaders who are often the ones that encourage local elites to misbehave.

To achieve confidence in the peace transition at the local level, change must take place in the nature of relationships between national and local political elites. In the past, national political elites and Moro elites colluded, which served to strengthen some Moro clans at the expense of others.⁷³ These alliances were seen as an effort to divide the Moro population, and have long undermined the credibility of government peace efforts. It seems unlikely that negative political behavior (i.e., rent seeking and predatory behavior) can be totally prevented as they are long-established products of patronage. However, it is critical that the negative behaviors and practices that trigger conflict are curtailed. For instance, electoral reform measures should aim to stop electoral fraud such as padding the voters' list,⁷⁴ manipulating election returns, and intimidating voters. Similarly, measures to ensure more transparent accounting for public funds and holding public officials accountable

for how public funds are used should be strengthened. Local officials who engage in wanton graft and corruption should be suspended or removed from office and, if possible, put in jail to show that those who break the law will be prosecuted.

3.2 Transforming institutions

The FAB provides a critically needed mandate to reform several key institutions and government structures. The Transition Commission (TC) has been designed to support reforms that will be driven primarily by Moro leaders, and should help to strengthen the legitimacy of institutions that come out of this process. While there will be challenges to the reform process, particularly from local actors who benefit from the current system, the FAB presents an important opportunity to move quickly on key reforms. Supporting this reform process should be a major priority of international donors.

The reform of key institutions and government structures is starting from a very low base. The perception survey conducted for this study showed that respondents' trust rating for the ARMM was low after two decades of disappointing performance. Similarly, the trust rating for the MILF is also low overall. It is critical for the TC, and eventually, the Transition Authority (TA),⁷⁵ to show that it is a well-functioning, autonomous unit by improving the delivery of basic services to residents of the region, and to demonstrate openness and accountability to the public. In addition, the transition must be well managed, as traditional local political leaders will see TC/TA as a threat to their interests since

some were involved in military operations against MILF.

The history of dysfunctional governance in the ARMM is partly the result of national government practices that prevented real autonomy.⁷⁶ A consistent complaint leveled against the ARMM is that it is highly dependent on the funds that the central government provides for its survival.⁷⁷ In turn, the central government benefits from the ARMM's dependence on national government funds because these help ensure votes for the candidates running for national government positions.⁷⁸

The TC/TA should secure an appropriate budget from the national government to address the development needs of the Bangsamoro area and augment it with revenues generated at the regional/local levels.⁷⁹ This will also mean changing the relationship between the TC/TA and the provinces/cities under its jurisdiction. At present, the Local Government Code (LGC) of 1991 entitles local governments (provincial, city and municipal) to receive their internal revenue allotment (IRA) directly from the national government. This arrangement will have to change if the TC/TA is to have a greater say in planning development for the autonomous region. Strengthening the autonomy of the TC/TA from the national government (but with correspondingly improved accountability for its use of public funds) will be a critical step in enhancing its legitimacy among Moro constituents.

Reforming the electoral process and public accountability mechanisms will help to address local elite violent contestation. Local warlords and their clans have been able to remain in power by sowing fear

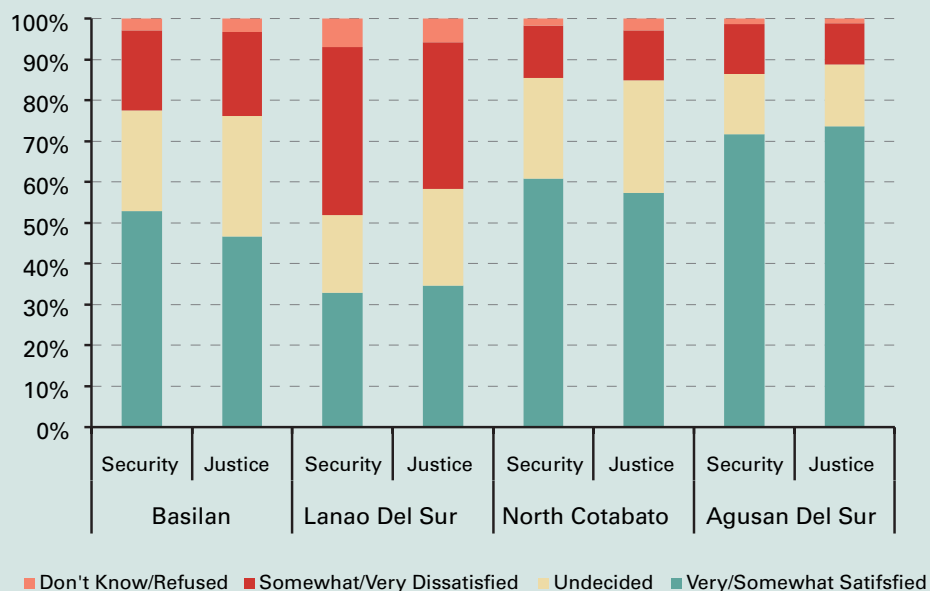
among voters, manipulating the results of elections and committing other electoral frauds. Once in power, in many cases, they treat public revenues as their own funds and also corner lucrative economic activities within their political jurisdiction. They use the revenues generated from these sources to buy the loyalty of local supporters and to intimidate their enemies. A two-pronged approach will have to be adopted to address these problems: first, is the reform of institutions involved in the electoral process so that fair elections are held; and second, institutions (e.g., the local unit of the Commission on Audit and the Ombudsman for the government side, and CSOs, media, and private sector groups for the non-government side) need to be strengthened to ensure that public officials are made accountable for how they use public funds.

At present, the national government is providing additional incentives to well-performing local government units (LGUs). This approach should be strengthened and expanded in conflict areas where promoting good governance is a formidable challenge. Besides providing additional revenues to well performing LGUs, the national government could fund capacity-building technical assistance to selected LGU officials in conflict areas, and encourage extensive media coverage through an award ceremony that recognizes capable conflict-area LGUs. Giving national recognition to high performing conflict-area LGU officials could play a key role in promoting good governance in a culture that places high value on *maratabat* (pride).

Studies that highlight the negative impact of powerful warlords/clans on Moro society should be supported. Moro scholars commonly blame the national government for many of the ills that plague their society,⁸⁰ without examining how alliances (and shared interests) between selected Moro elites and national political leaders have contributed to the oppression of the Moro people. The fact that a small group of Moro elites monopolize both political power and economic resources, with the tacit support of national leaders, is a key factor that accounts for widespread poverty in the Moro region. Further analyses of the consequences of warlords and clan-based politics on Moro society should be encouraged to expose their negative impacts on society.⁸¹

It is particularly important to show quick progress in reforming security and justice institutions in conflict areas. The perception survey conducted for this study showed significant differences between ARMM and non-ARMM populations regarding satisfaction with the government's provision of security and justice. Figure 3.1 shows that Lanao Del Sur, in particular, rated government-provided security and justice much lower when compared to neighboring North Cotabato and Agusan Del Sur, both of which are outside the ARMM. The trust level in the Armed Forces of the Philippines (AFP) is also much lower in ARMM provinces, with 34% of respondents indicating that they trust the military, compared to 59.6% in provinces outside the ARMM.⁸²

Figure 3.1: Satisfaction with national government provision of security and justice



An integral component of restoring local confidence is the reform of the security sector. The occurrence of the Maguindanao Massacre in 2009 emphasized the urgent need for security sector reform as police and the private army of the Ampatuan clan allegedly murdered 58 people who were on their way to register a political opponent of the Ampatuan clan and journalists who were accompanying the opposing group. Recruitment standards of the police in conflict areas should be raised and de-politicized by disallowing applicants recommended by local politicians to serve in the same area. Moreover, there should be a gradual phase-out of the military in conflict areas and they should be replaced with well-trained police. However, if policing of an area is to be assigned to the proposed Bangsamoro regional police force, a prior agreement should ensure that the Bangsamoro police force will apprehend terrorists and criminals engaged in kidnap-for-ransom, drug trafficking, extortion, etc.

3.3 Promoting inclusive growth

Promoting inclusive growth in Mindanao will help restore confidence and address some of the underlying causes of violence over the long-term. During the Ramos administration, national government agencies prioritized the reconstruction and development of Mindanao as President Ramos gave a clear signal that the island's transformation was a priority.⁸³ Today, however, there is a tendency among national

government agencies to give less attention to the reconstruction and development of the ARMM region. Perversely, the excuse is that ARMM is 'autonomous'. This reflects the current thinking of influential Christians on and off the island who want to have clear separation between Christian and Moro communities.

The dismal socio-economic indicators in conflict areas in Mindanao and the significant imbalance in regional growth on the island can only be properly addressed through a) more effective delivery of basic services in conflict areas, and b) providing sustainable livelihoods or income-generation opportunities for residents of conflict areas.⁸⁴ Successive needs assessments of conflict areas reveal that economic and livelihood assistance are their greatest needs.⁸⁵ While micro and small enterprises can partly provide employment opportunities, their lack of capital and unstable nature mean that they provide only meager incomes, of short duration. Moreover, while community-driven development (CDD) projects can contribute to promoting social cohesion, they do not generate sustainable incomes for poor residents. A World Bank-AusAID study recommended that to promote growth in economically lagging conflict areas, physical and market connections should be established with the nearest urban growth center as such centers have high demand for agricultural produce and products.⁸⁶

Box 3.1: The Banana Plantation in the Municipality of Datu Paglas, Maguindanao⁸⁷

A successful banana plantation in Maguindanao Province was set up jointly by La Frutera, Inc., and the Municipality of Datu Paglas. The instigator of this investment was the late Datu Ibrahim III “Toto” Paglas, who served as mayor of the municipality in 1988. From an influential local clan, Toto Paglas had ties with MNLF, and he was also a relative of the late MILF Chairman, Hashim Salamat. With the main Muslim rebel group supporting his leadership, Toto Paglas, was able to convince local political leaders in the area to form the Paglas Corporation, which assembled around 1,300 hectares of land.

In 1994, Paglas approached several foreign investors but none wanted to invest in the land that his municipality had assembled because although it was a good choice for a banana plantation, investors were very concerned about security. However, in 1997, Paglas convinced the Oribanex group (later known as La Frutera) to launch a plantation on the land. The investors agreed to lease the 1,300 acres because the price was half of that normally charged for a Davao-area lease. The initial investment made by La Frutera was around US\$27 million, making it the single, biggest foreign investment in Muslim Mindanao. La Frutera is now partly owned by the Unifrutti Group (of Chiquita International) which handles sales of bananas on the international market.

Besides guaranteeing security for the banana plantation, Toto Paglas assisted in the hiring of workers under a labor contracting arrangement established by his firm. These banana plantation and banana processing plant workers were ex-MILF fighters and supporters. Some 90% of the estimated 2,000 employees working for the plantation were hired locally, and half of them were regular employees. The majority of workers were Muslims, though a number were Christians. Thus, promoting cultural sensitivity and harmony became a priority during the first few years, and was even more important because many of the workers were still carrying guns, largely out of habit. Values training and capacity-building were prioritized, and eventually the new values began to change hostile attitudes in the rest of the community. Also, Muslim workers were promoted to supervisory and managerial positions, based on their performance, and this helped to demonstrate the company’s genuine commitment to multi-culturalism.

Toto Paglas provided trucking services to the company too for hauling the bananas from the farm to the processing plant and then to ships waiting to transport the bananas to overseas markets. This also generated employment opportunities for people in the area. A labor relations office was established as well in order to negotiate any labor problems that developed. To help the community, La Frutera created the La Frutera Community Development Foundation which provided basic socio-economic and educational support services to the communities near the company’s operations. Training programs for livelihood projects, environmental protection and management, and health and sanitation are regularly conducted by the Foundation.

After his term as mayor of the municipality, Toto Paglas decided to become the full-time manager of Paglas Corporation. His leadership in the municipality and the corporation brought benefits to the community, including the establishment of a bank and many small stores that lined the streets of the municipalities of Datu Paglas and Buluan. In major outbreaks of war between MILF and government forces in 2000, 2003 and 2008, the banana plantation was spared from attacks, even at the height of the conflict. This case demonstrates the resilience that a community can have from armed conflict if unity among residents/workers is achieved through a successful economic venture. Even after the untimely death of Toto Paglas, the company he founded continues to operate, with no major security problems or labor unrest.

Besides micro-enterprises, impoverished conflict areas also need medium and large enterprises that can provide stable employment and incomes. However, this depends on whether the government is willing to risk investing substantial resources in establishing medium- and large-scale ventures (such as FELDA and FELCRA in Malaysia);⁸⁸ or private businesses can be persuaded to set up enterprises in conflict-affected areas. A medium or large-scale enterprise can change the way villagers live because: a) it instills discipline in workers as they have to adhere to the company's work schedule; b) workers' dependence on their patron is somewhat lessened because of their access to steady income; and c) the community will be less likely to support violent conflict because they know it will destroy the source of income that they rely on for themselves and their families.⁸⁹

Promoting investments and economic growth and development in the conflict area should not contribute to creating new tension and conflict. In the Caraga region, for example, although mining ventures have created jobs and other opportunities for local residents, they have led to the intensification of inter-communal and inter-elite conflict because competing local leaders want to gain control of a substantial portion of the community's share of revenues from mining operations. Measures must be put in place to ensure that new economic activities will promote inclusive growth so that the gains are broadly shared by community members, instead of being mostly captured by the local elite.⁹⁰



4. Current Aid Strategy and Practices

International development actors have been extremely active in the Moro regions of Mindanao. With an open invitation from the government to fund programs in the subnational conflict area and work directly on peace and conflict issues, the environment for aid programs is remarkably different from Aceh and southern Thailand. In those countries, the national government has exerted much more control over the flow of aid funding. However, Mindanao has seen consistently high levels of funding, with a proliferation of projects and aid organizations working in the conflict area.

The significant build-up of aid programs has led to fragmentation and duplication. In conflict-affected barangays, multiple projects are often concentrated in very small areas, often with similar objectives but entirely different processes and donor requirements. Despite the existence of government agencies and established processes for coordinating aid programs, the overall aid landscape continues to be characterized by competition and poor coordination among international actors, particularly in relation to support for the peace process in Mindanao. While the Aquino government has been more assertive than past governments in setting the direction for international cooperation, the legacy of aid fragmentation⁹¹ will take some time to improve. In the meantime, with large amounts of aid going to highly conflict-affected regions, often with limited direct oversight, there are signals that aid programs have become the target of widespread capture by local elites.

4.1 Aid profile

According to data from the Organization for Economic Co-operation and Development/Development Assistance Committee (OECD DAC), international aid flows specifically focused on the Mindanao subnational conflict area have averaged US\$ 40 million per year.⁹² Between 1990 and 2010, the vast majority of aid funding to Mindanao as a whole was for major infrastructure. However, from 2001 to 2010, there was a dramatic increase in aid programs explicitly focused on addressing conflict. By 2012, nearly 50% of aid programs, claimed to address conflict. Many of these projects have supported rural infrastructure or service delivery in the conflict area, but have been justified on the basis of supporting the peace process. The second most common type of project has been community development, which has largely been justified on the basis of supporting peace in the region. As a result, more than 78% of aid to the subnational conflict area (US\$ 318 million over the period 2001-2010) has been justified on the basis of supporting peace in Mindanao. The three diagrams below show the funding levels and number of projects that donors have reported to OECD DAC, which are conservative estimates of funding levels.

Figure 4.1: Annual ODA commitments/projects in the subnational conflict area in Mindanao

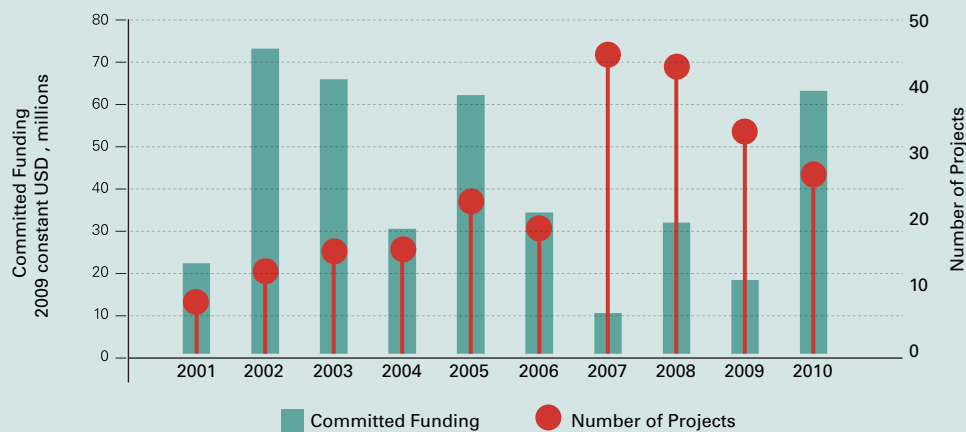


Figure 4.2: ODA commitments/projects by activity type (2001-10)



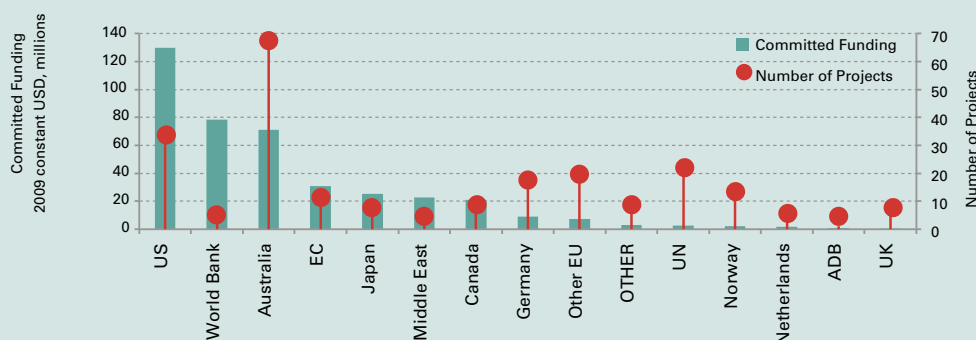
Aid flows to Mindanao are increasingly balanced between conflict and non-conflict areas, which is a significant departure from the past. In the past, donors concentrated their assistance on Mindanao's non-conflict areas. Three reasons for this imbalance were: a) the relatively *low capacity* of local government⁹³ and institutions in the ARMM provinces to absorb aid; b) the difficulty donor staff/consultants have

in conducting field visits to monitor and evaluate the progress of projects due to the *high security risks* in these areas (i.e., Basilan, Sulu, and some parts of Lanao del Sur); and c) the risks inherent in investing in *poorly governed*, insecure areas, and pressure to achieve quick results. However, donors are increasingly giving their support to conflict areas, in particular to the ARMM, and to a lesser degree to the Caraga region.

A growing number of major donors have projects specifically dedicated to the subnational conflict area. Figure 4.3 shows the donors with programs in the conflict areas, and the scale of these programs. Not captured in this chart are

the national projects that also work in the conflict area, including the World Bank's KALAHI-CIDSS project and the Conditional Cash Transfer (CCT) program. However, the bulk of donor projects are located outside the conflict area.⁹⁵

Figure 4.3: Donor commitments/projects in the subnational conflict area in Mindanao (2001-10)



Aid to Mindanao is highly fragmented, despite the establishment of two government agencies and a donor-coordinating forum with the mandate to coordinate aid to the region. Government efforts to coordinate foreign aid are hampered by competition between government agencies with overlapping mandates. The National Economic Development Agency (NEDA), the Mindanao Development Authority (MinDA) and, more recently, the Office of the Presidential Advisor on the Peace Process (OPAPP) have overlapping mandates for donor coordination in Mindanao conflict areas. MinDA (previously MEDCO) was established in March 1994 to coordinate development efforts on the entire island of Mindanao. MinDA is based in Davao (a Christian city) and primarily staffed by non-Moros. Although not a deliberate government policy, the vast imbalance between aid to the conflict areas and non-conflict areas during the first 10 years of MinDA's existence, further reinforced this perspective.⁹⁴

With the establishment of the Mindanao Trust Fund to support the GRP-MILF negotiations in 2005, this multi-donor fund was explicitly linked to the Bangsamoro Development Agency (BDA), the development arm of the MILF. By the second half of 2000, several large community-based aid programs in the conflict area were being implemented by different donors and partners: the ACT for Peace project (UNDP and MinDA for MNLF communities, as a result of the 1996 government-MNLF Final Peace Agreement (FPA); the Mindanao Trust Fund (World Bank and BDA) and; the ARMM Social Fund (World Bank and the ARMM Regional Government). OPAPP strengthened its donor coordination mandate under the Aquino Government in 2010, and is currently coordinating an umbrella program of development assistance for conflict areas in the entire country known as PAMANA. Many provincial and municipal governments have also established direct relations with international donors.

Box 4.1. The Mindanao Trust Fund and Bangsamoro Development Authority Partnership

The Mindanao Trust Fund (MTF) was established in 2005 as a capacity-building project for the staff of the Bangsamoro Development Agency (BDA), the development arm of the MILF. It was set up after the Government of the Philippines, through the Office of the Presidential Adviser on the Peace Process (OPAPP), requested a multi-donor funding facility. The MTF supports training for BDA staff to manage implementation of development projects in Moro communities, in preparation for the MILF's greater role in governing Bangsamoro.

Funding the BDA was initially a major challenge for donors because the BDA was not a legal entity under Philippine law, and hence, could not receive grants. Also, some politicians objected to donors funding the BDA as it is the development arm of a rebel group that had not yet signed a peace agreement with the government.

The donor community overcame these problems by directing MTF funds to local and international (but locally-based) civil society organizations (CSOs). These CSOs manage the funds, while BDA staff supervise the training of villagers in recipient communities to engage in community-driven development (CDD). BDA staff also supervise implementation of the sub-projects villagers have chosen.

The MTF's CDD approach involves six steps to ensure genuine community participation in deciding which sub-project to undertake in a community, and then engage villagers in sub-project implementation, monitoring of progress, and evaluation of the results.

The MTF-BDA partnership has broadened the engagement of MILF with various stakeholders and donors involved in the peace process. Currently, as requested by the MILF Central Committee, the BDA is involved in a needs assessment in Moro communities, and assisting in the development of a Bangsamoro Development Plan to support the institutions and arrangements that are specified under the Framework Agreement on the Bangsamoro.

The primary forum for donor coordination—the Mindanao Working Group (MWG)—was widely perceived as unwieldy and ineffective. As an increasing number of donors became involved in Mindanao (in conflict and non-conflict areas), the number of actors involved in the MWG grew to the point that meetings became large and overly formal. As competition increased among donors, small groups of donors began to informally collaborate and share information, undermining the MWG's utility as a forum for information sharing and coordination.⁹⁶

As a result of the relative absence of effective donor coordination, combined with the inability of successive political administrations to provide clear guidance and direction, aid programs have proliferated in conflict-affected communities. Figure 4.4 shows the concentration of aid programs in the conflict-affected ARMM provinces and the adjoining provinces of central Mindanao. From 2007 to 2012, in the sample municipalities where qualitative research was undertaken for this study, an average of 12 donor sub-projects⁹⁷ per barangay were implemented in Lanao del Sur Province,

and 6.4 sub-projects per barangay in Basilan Province (see Table 4.1). Within the World Bank portfolio alone, there was a significant concentration of sub-projects in individual barangays through its various community-driven development (CDD)

projects implemented in the ARMM, including six projects in one barangay. Table 4.1 also shows that the aid concentration is significantly higher in Lanao Del Sur, compared to Basilan.

Table 4.1 Donor subprojects at the barangay level (2007-2012)

Province	Municipality	Barangay	No. of sub-projects implemented	No. of sub-projects implemented by WB/CDD
Lanao del Sur	Marawi City	Norhaya Village	10	5
		Sugod	13	4
		Wawalayan Caloocan	13	6
	Pualas	Ingud	10	3
		Tamlang	7	1
		Talambo	12	5
	Wao	Balatin	13	3
		Muslim Village	11	5
		Western Village	19	3
	Average sub-projects		12.0	3.88
Basilan	Sumisip	Tumahubong	9	2
		Upper Cabengbeng	5	None
		Basak	6	1
		Buli-Buli	13	4
		Tong Sengal	1	1
	Tipo-Tipo	Bohe-lebbung	12	2
		Badja	6	2
		Tipo-Tipo	13	2
		Lagayas	9	1
		Bohe-tambak	2	None
	Hadji Mohammad Ajul	Buton	6	1
		Serongon	4	3
		Tuburan Proper	5	1
		Sulutan Matangal	3	3
		Pintasan	2	1
	Average sub-projects		6.4	1.85

Beyond security precautions, there are relatively few constraints on aid programs in accessing the conflict-affected areas of Mindanao. The Philippine Government has welcomed aid to the region and most government agencies (including the military) are eager to engage with international aid providers. However, high security risk prevents donor personnel from visiting the conflict area, and therefore, they have difficulty in imposing standard procurement and fiduciary controls for sub-projects at the community level.

4.2 Review of aid strategies and practices of selected donors

The project team conducted a review of donor programs in conflict-affected areas of Mindanao to analyze how large-scale aid programs are addressing conflict. The project team conducted extensive interviews with senior donor officials, project managers, and field-based implementing partners, using structured interviews. The research team also conducted a review of 10 of the largest aid projects working in the subnational conflict area (see Table 4.2).⁹⁸ This review also drew on donor project information reported by OECD DAC, through the AidData project.

Based on OECD DAC data, the vast majority (78%) of aid projects working in the conflict area claimed to address the conflict.⁹⁹ All 10 projects included in Table 4.2 claimed to be contributing to peace, and two of these 10 use peace and conflict as their primary justification. Almost half of the projects (4 of 10) refer to peace in Mindanao as a secondary justification.

For most donors, poverty reduction is their overarching objective and promoting peace and stability in Mindanao is seen as critical to achieving this goal. For example, in this study's review of 10 projects, most activities and outputs focused on small-scale infrastructure, livelihood development, community-driven development, and service delivery, as opposed to directly addressing drivers of conflict.

Almost all of the projects claim to transform local institutions. All 10 of the projects reviewed in Table 4.2 listed a combination of developmental and transformative outcomes as their intended outcomes. For example, the GEM/USAID project claimed to have restored the confidence of former MNLF combatants, and strengthened local institutions. The World Bank-supported CDD projects claimed to be strengthening social capital through supporting the development of community institutions. In a recent study of community-based projects in the conflict areas, the majority of projects (11 of 15) claimed to address the conflict through institutional transformation at the community level.¹⁰⁰ Most of these projects were attempting to establish community-level processes around a development project, which would theoretically strengthen social capital and lead to greater joint problem solving and civic action. However, the primary output and the focus of monitoring and evaluation, is development-related output, such as construction of small-scale infrastructure.



Project statements (i.e., theory of change) that link project outputs with reduced armed conflict are mostly vague and aspirational. Most of the theories of change regarding impact on peace and conflict include an assertion that improved economic outcomes or improved service delivery will contribute to peace building, but lack any explanation of causality for this claim. A second major category of projects (primarily community-based development projects) assert that strengthening local institutions will allow for greater capacity to promote inclusion and dialogue, better manage contestation, and avoid violent conflicts at the local level. In most cases, these projects claim that more stable communities will contribute to long-term peace and stability.

Very few projects actually monitor transformative outcomes or conflict, making it extremely difficult to verify these claims of transformative impact. Of the projects included in Table 4.2, the majority (6 of 10) did not measure transformative outcomes. Of the four projects that measure transformative outcomes—primarily through surveys of community-level social capital and institutions—the level of rigor was mixed. Only one of the projects, the World Bank's Kalahi-CIDSS,¹⁰¹ had developed a strong evidence base to demonstrate impact on key measures of social capital and transformation of community-level institutions. Furthermore, only one project (Mindanao Trust Fund) measures violence and conflicts in beneficiary communities.

Table 4.2: Review of major donor programs¹⁰²

Project	Funding/ Area	Claim to address conflict?	Primary Activities/ Outputs	Intended Outcomes	Theory of Change (conflict)	Monitoring & Evidence Gathering
Growth with Equity in Mindanao (USAID)	US\$500 million over 17 years Mindanao- wide	Yes - key justification	Infrastructure, small business growth, local government capacity building, former MNLF combatant reintegration	Developmental: Economic growth, improved local government services Transformative: Restoring confidence among former combatants, strengthen local institutions	Through infrastructure development, governance, education, business growth, and former combatant reintegration programs, GEM helped accelerate economic growth and strengthen peace in Mindanao	Developmental outcomes only. No monitoring of transformative outcomes or conflict
ACT for Peace Program (UNDP)	US\$60 million over 15 years Mindanao (mostly Moro areas)	Yes - principal justification	Capacity building for community- based institutions, local infrastructure, livelihoods	Developmental: Improved livelihoods in conflict-affected areas, improved local government services Transformative: Restored confidence among key local stakeholders, strengthened local institutions to improve social capital and manage conflict	Affect change at the personal, relational, structural, and cultural levels among key actors, institutions and communities—to transform conflicts, build structures and mechanisms and strengthen critical partnerships that will nurture peace and development initiatives in the region	Developmental and transformative outcomes. Monitoring of transformative outcomes based on post- project interviews, small survey of beneficiaries, with no comparison of treatment/ control variation. No monitoring of conflict/violence
ARMM Social Fund (World Bank)	US\$66 million Conflict area only	Yes - key justification	Community-driven development (CDD)	Developmental: Economic growth in conflict-affected communities, improved local government services Transformative: Restoring confidence of key local stakeholders, strengthening local institutions to improve social capital and manage conflict	By reducing poverty and providing support mechanisms for peace building, and building capacities of the ARMM Regional Government, ARMM LGUs, and communities, the project will bring about sustainable development in the ARMM, and improved living conditions that will contribute to addressing underlying causes of conflict	Developmental and transformative outcomes. Basic monitoring of community institutions and social capital. Original grant had no baseline data and did not monitor occurrence of conflict or violence. However, its Additional Financing phase has introduced baseline assessment with treatment and control areas, using a quasi-experimental design

Project	Funding/ Area	Claim to address conflict?	Primary Activities/ Outputs	Intended Outcomes	Theory of Change (conflict)	Monitoring & Evidence Gathering
Mindanao Trust Fund (World Bank)	US\$16 million Conflict area only	Yes - principal justification	Community-driven development (CDD); strengthen key institutions for peace process	Developmental: Economic growth in conflict-affected communities, improved local government services Transformative: Restoring confidence of key local stakeholders, strengthen local institutions to improve social capital and manage conflict, strengthen key institution (BDA) for the peace process	Participatory and value-guided efforts to involve people in the local community will assist in sustaining conflict mitigation and peacebuilding at the local level. Improving technical capacity of BDA to prepare MILF leaders to govern Bangsamoro area and implement development projects in collaboration with the local community	Developmental and transformative outcomes. Basic monitoring of community institutions and social capital. No baseline. Monitoring of the number of conflicts addressed by beneficiary communities. Independent process of evaluation is ongoing and is due for completion in June 2013
Japan - Bangsamoro Integrated Reconstruction & Development Program (Japan)	US\$130 million Conflict area only	Yes - key justification	Small-scale infrastructure, IDP/humanitarian assistance, technical assistance for government, grants to civil society	Developmental: Increased economic growth, food security for IDPs, improved local government services Transformative: Support peace process through monitoring teams	Development projects in conflict- affected areas will bring peace and stability	Developmental outcomes only. No monitoring of transformative outcomes or conflict
Kapit-Bisig Laban Sakahirapan- Comprehensive Integrated Delivery of Social Services (World Bank)	US\$280 million National (with some conflict areas included)	Yes - secondary justification	Community-driven development (CDD)	Developmental: Economic growth in conflict-affected communities, improved local government services Transformative: Restoring confidence of key local stakeholders, strengthen local institutions that improve social capital and manage conflict	Contribute to economic growth and empowerment of the poor to participate in development by strengthening the community's capacity in planning and implementation of community procurement, projects, and financial management. Economic growth in conflict-affected communities will contribute to long-term peace.	Developmental and transformative outcomes. Multi-year (panel) perception survey of community institutions and social capital. No monitoring of conflict or violence.

Project	Funding/ Area	Claim to address conflict?	Primary Activities/ Outputs	Intended Outcomes	Theory of Change (conflict)	Monitoring & Evidence Gathering
Mindanao Rural Development Program (World Bank)	US\$83.75 million over 5 years Mindanao-wide	Yes - secondary justification	Rural infrastructure, agricultural development	Developmental: Increased economic growth, improved agricultural production, improved local government services Transformative: Increased social cohesion at community level	Rural development will contribute to poverty alleviation. Provision of 'social projects', if they address real community needs, should contribute to poverty alleviation. Economic growth in conflict-affected communities will contribute to long-term peace	Developmental outcomes only. No monitoring of transformative outcomes or conflict
Basic Education Assistance to Mindanao (AusAID)	More than US\$400 million over 10 years Mindanao-wide	Yes - secondary justification	Education system strengthening, building schools, teacher training, access to education	Developmental: Improved education performance Transformative: Improved trust and confidence in government	By improving service delivery in conflict-affected areas, the project will contribute to long-term peace efforts	Developmental outcomes only. No monitoring of transformative outcomes or conflict
Local Government Support Program (Canada)	US\$76 million Mindanao-wide	Yes - secondary justification	Technical assistance to local government, increased participation in local governance, improved service	Developmental: Improved local government performance, improved service delivery Transformative: Improved trust and confidence in local government	By improving local government leadership and management, service delivery, resources generation, participatory governance and peace building, the project will create regional environments conducive to peace and development	Developmental outcomes only. No monitoring of transformative outcomes or conflict
Early Recovery and Rehabilitation for Central Mindanao (European Commission)	US\$580,000 Conflict areas only	Yes - key justification	Humanitarian aid, small infrastructure, local government capacity building	Developmental: Improved local government performance, improved service delivery, humanitarian relief Transformative: Improved trust and confidence in government and peace process; reduced vulnerability of internally-displace people	Establishing foundations for sustainable peace and development by supporting communities transitioning from relief to recovery and development, helping restore socio-economic life, and enhancing the capacity of target communities in resettlement and return areas to fully participate in long-term recovery and development.	Developmental outcomes only. No monitoring of transformative outcomes or conflict.

4.3 Key constraints for development agencies

Program strategy and funding decisions of bilateral development donors are heavily influenced, and often constrained, by the foreign policy and security interests of their governments. Subnational conflict raises particular challenges for bilateral development agencies, as they often face the conflicting or overlapping interests of other parts of their own government. Unlike other areas of development assistance, peace and conflict issues generally involve much greater levels of internal scrutiny and struggles over policy direction. These constraints have major implications for donor program strategy and responsiveness to local conditions. Based on several interviews with senior bilateral donor managers, their agencies may have in-depth understanding of conflict conditions, and a clear sense of how to address the key issues, but they are prevented from translating this analysis into action because of internal constraints within their own government. As a result, even if development agency analysis tells them to strengthen political constituencies for the peace negotiations, or to support efforts to work with the security forces, development agencies rarely are in a position to act on these critical issues. As the World Development Report 2011 acknowledges, many of the critical roles of international actors to reduce violent conflict are through security assistance and diplomacy, and do not involve development assistance.

Donors are heavily reliant on intermediaries for their analysis and understanding of the conflict area. Nearly all donor agencies interviewed for this study acknowledged their constraints in directly accessing the

conflict area. Donors generally admit that their understanding and analysis is shaped by their partners—though interestingly, different donors are reliant on different sources. Most agencies expressed concern about being too reliant on their implementing partners. One bilateral donor argued that they were overly reliant on multi-lateral agencies (the World Bank in particular) for analysis of the conflict.

Development officials are often very keen to support programs in the most conflict-affected regions of Mindanao, but without access to these regions, it is extremely challenging to verify the accounts of their partners and their sources of information. Many regions of the ARMM, particularly the islands, require armed escorts, and are generally off-limits for donor visits.¹⁰³ Local implementing agencies and some international organizations have much greater access to these areas. Recently, however, donors have become much more involved in the analysis process, with several major donors employing specialists on the Mindanao conflict environment in Mindanao.

While a few donors have conducted increasingly elaborate and sophisticated analyses of the conflict areas, the majority of donors have not systematically analyzed the conflict. Donors are operating in an active conflict environment, so it seems logical that they would conduct a conflict analysis or formulate a conflict framework/paradigm to guide project design and implementation. Based on interviews with 14 donors, only 6 (i.e., AusAID, JICA, GIZ, UNDP, USAID¹⁰⁴ and the World Bank) have developed a framework to better understand the conflict dynamics in order to take these into consideration in designing programs and projects. Most

of these frameworks are well grounded in available sources—often drawing on the considerable literature on conflict in Mindanao. They also draw on extensive consultations with government, conflict-affected communities, Moro thought leaders, and Moro non-state armed group leaders. As a result, there is strong evidence that donors have significantly increased their investment in conflict analysis.

Despite the growing sophistication of donor analysis, there are some major gaps. Most donor conflict analysis that underpins development programs in Mindanao is based on state-minority contestation and national-level political analysis, without serious consideration of local-level dynamics, and differences between sub-regions and localities in the conflict area. Many of the assumptions that form the basis of large-scale programs to support peace in Mindanao tend to oversimplify the drivers of conflict, and often overlook the particularities of how communities may be uniquely affected by conflict. In most cases, projects do not attempt to conduct their own robust analysis of local conflict or map power dynamics at the municipality or barangay level.¹⁰⁵

The increasing pressure to fund fewer and larger programs in order to reduce donor oversight and 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 have faced enormous pressures to improve value-for-money and reduce transaction costs by creating much larger programs. While there may be benefits to other areas of ODA, these pressures are reducing the ability of donor staff to improve their knowledge of the

conflict area, and limit their ability to fund specialized programs and monitoring for the conflict area. For example, small-scale programs that support local peacebuilding initiatives, or flexible funding pools to allow donors to quickly respond to unfolding developments are increasingly difficult to justify in most development agencies, as they do not allow for scale or predictable, tangible results.

4.4 Monitoring does not focus on transformative factors

Monitoring and evaluation of aid programs in Mindanao does not systematically track key transformative outcomes, resulting in an extremely weak evidence base with which to gauge impact on the conflict. Despite enormous resources invested in the ARMM and surrounding conflict areas, there have been very few examples of systematic monitoring of key transformative issues. Most donors rely on post-hoc, anecdotal reviews of project activities and accounts from project partners and beneficiaries, resulting in invariably positive evaluation of projects. As a result, it is extremely difficult to draw any conclusions on progress or causality in supporting institutional change or greater confidence in the peace process. The absence of rigorous M&E systems over more than a decade (i.e. with baseline data, using a quasi-experimental approach of control and treatment areas, and panel data built over time, etc.) is remarkable considering the relatively large resources dedicated to Mindanao, and the continuing violence in regions benefiting from high levels of aid.

5. Aid, Politics and Conflict at the Community Level

To understand the impact of aid, it is essential to understand the experiences of ordinary people in the communities experiencing protracted conflict. Aid projects are transient events in the lives of people living in conflict areas, and work is managed by outsiders who come and go, and rarely even spend a night in the barangay. Also, people living in conflict areas must weigh the risks and rewards of participating in an aid project, and carefully consider their implications for personal security.

One important assumption underlying this study is that local political-economy dynamics—the interplay between those who hold power in a locality and control access to resources—strongly influence the delivery of aid programs and conflict at the local level. By understanding how aid affects local political dynamics and vice-versa, this report will draw some conclusions on how aid impacts the incentives and behavior of local actors.

The local context in Mindanao shows remarkably high levels of variation between provinces, and even between communities within the same area. The survey results reveal significant differences in perceptions of conflict dynamics between the regions. The project sampling method for the selection of provinces in Mindanao was designed to show this diversity (refer to Figure 5.1).

5.1 Local Elites: The primary source of protection and violence

Living in a protracted conflict environment has a profound impact on local civic life, and the decisions of community members vis-à-vis outsiders. In many conflict affected barangays, people are closely linked to their family or clan network, and are generally wary of outsiders. Security considerations are a major factor in everyday life, and most people depend on local elites for their safety and security. Security and control of violence are the

Table 5.1: Overview of provinces studied

	Basilan	Lanao Del Sur	Agusan Del Sur	North Cotabato
NSAGS	MILF, MNLF, Abu Sayyaf	MILF, MNLF	CPP-NPA	MILF
Ethnic mix	Tausug, Yakan	Maranao (Moro)	Visayan majority, Lumad minority	Ilongo majority, Cebuano Maguindanao (Moro) minority
ARMM	Yes	Yes	No	No

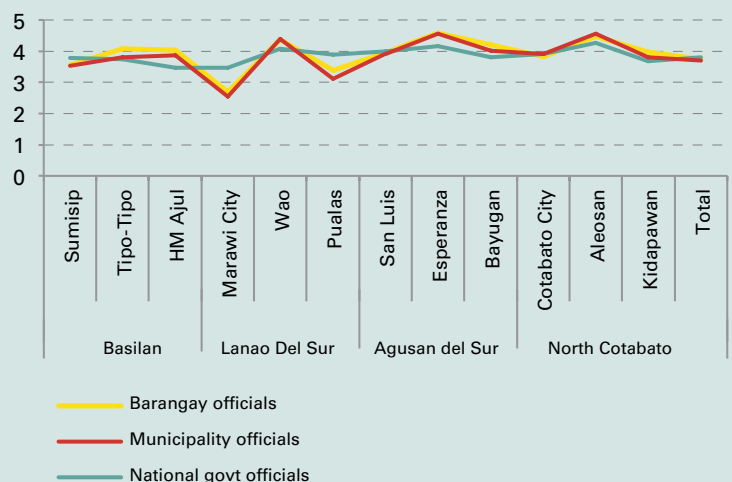
dominant factor in local politics. The relationship between community members and local elites is very similar to the concept of *limited access orders*, as described by North, Wallis and Weingast in 2009. According to the authors, local elites offer protection to their constituents in return for unchecked authority over local affairs and access to resources. At the municipality or barangay level in conflict-affected areas, the main sources of funds and authority come from government and aid programs.¹⁰⁶

In many places, powerful local families claim near hegemony over security and governance across vast stretches of territory. In their area of influence, these families tend to have political networks of local elites down to the barangay level. For instance, Lanao del Sur Province is dominated by the Adiong-Alonto clan; Basilan by the Hataman, Akbar and Salapudin clans; North Cotabato by the Talino, Pinol and Ipong families; and Agusan del Sur by the Plaza family.¹⁰⁷ Municipalities and barangays in the area are ruled by a family/clan either related through kinship to power holders at the provincial or municipal level or to the loyal supporters of these provincial or municipal overlords. However, it is when the hegemony of the ruling clan is threatened by a rival clan in an electoral contest that violent incidents erupt. For instance, the unchallenged years of the Ampatuan clan on Maguindanao saw relatively peaceful elections in the province. This peace was broken when the Mangudadatu clan challenged the political hegemony of the Ampatuan clan in the 2010

election. The Ampatuans also demonstrate that with the right political connection to national government officials, a clan can rise from relative obscurity to assume a dominant position in Moro politics.

However, the relationship between local people and elites in conflict areas may be more complicated than expected. Local elites may be a critical source of protection, but they are also a source of violence (e.g., *rido*). There are some indications that community members may fear local political and armed actors more than outside actors. Community members are also much more aware of the threat and behavior of local powerful actors, which may further complicate their relations with these actors. In a feudal society, one would expect to see high levels of trust and confidence in local elites, and much lower levels of trust in external actors. Figure 5.1, which gives a rank of ‘5’ high levels of trust, and ‘1’ for low levels of trust, shows

Figure 5.1: Trust level comparison—local, municipal, & national-level officials



that local residents often trust national officials more than municipal and barangay officials, though this varies considerably by area. Overall, national government officials scored highest among the three, at 3.80, and municipal officials scored lowest at 3.69.¹⁰⁸

The perception survey shows considerable differences across local communities regarding relations between communities and their local officials (i.e., local elites). For example, in Marawi City and Pualas (both in Lanao Del Sur Province), local officials were trusted considerably less by their constituents (see Figure 5.2). Wao, the other locality in Lanao Del Sur, showed the opposite trend, with one of the highest trust ratings for local officials. Wao is a Christian-dominated municipality, while Marawi and Pualas are dominated by the Moros whose elites are engaged in deadly *rido*. Thus, if one's clan is engaged in *rido* and the rival family/clan is in power (as in Marawi and Pualas), it is only natural to give a lower trust rating to local officials and

a higher trust rating to national government officials who can 'buffer' or 'mediate' the clan conflict (see Figure 5.1).

For security provision, there is a clear preference for state actors, despite the weak state presence. Unlike in other subnational conflict areas, where the state-minority conflict is the dominant form of contestation, in many parts of Mindanao there are few signs of animosity towards the central government. Figure 5.3 indicates that in most cases, the police and military are more trusted to provide security against crime and violence than local non-state armed groups. This chart also shows a high degree of local diversity, indicating that the security dynamics at the local level vary considerably across the conflict area. In MILF stronghold areas, such as Pualas and Marawi City, MILF has significantly higher trust levels than the military or police. The high ratings for police may also be a reflection of the fact that most Philippine National Police (PNP) units are staffed with officers from the area (and

Figure 5.2: Trust in barangay and municipal officials

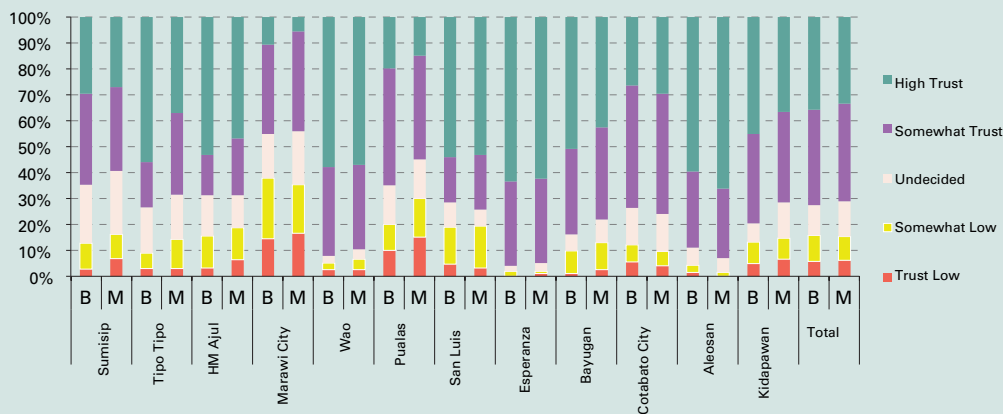


Figure 5.3: Groups most trusted in providing security against crime and violence in the barangay¹⁰⁹

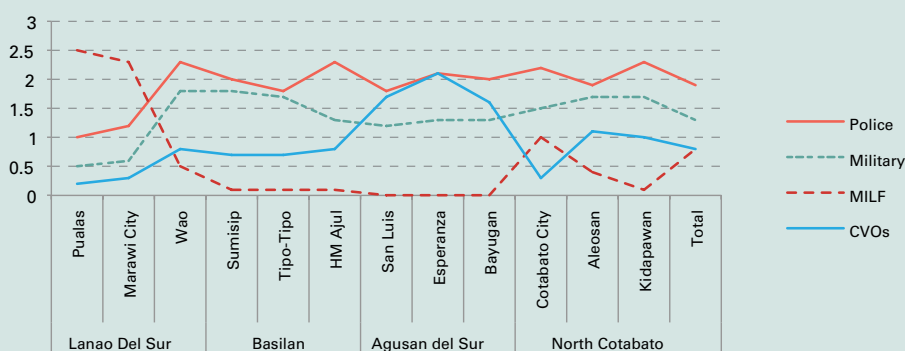
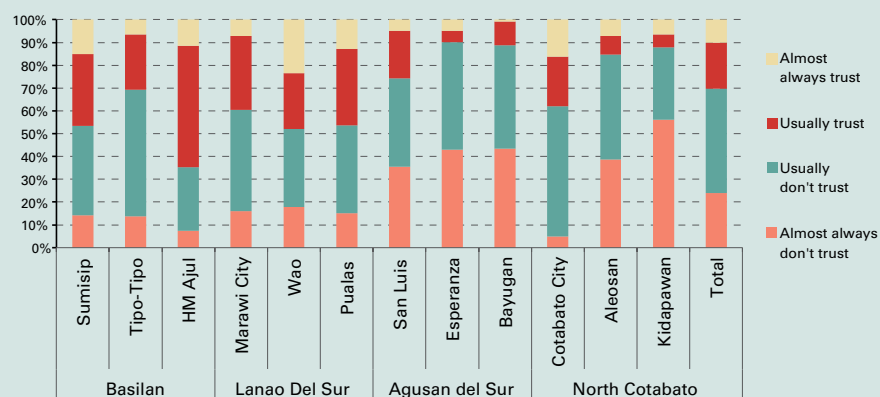


Figure 5.4: Levels of trust in outsiders¹¹⁰



most likely related to villagers), so while they may be state actors, they are generally known to the local population.

While trust in outsiders (see Figure 5.4) is relatively low everywhere, surprisingly, the heaviest conflict-affected areas have higher trust in outsiders. On average, 69% of the respondents said that generally one “cannot be too careful with people from outside”, indicating relatively high levels of mistrust in outsiders. This result is not surprising in a conflict-affected area. However, the ARMM areas showed consistently higher levels of trust in outsiders compared to non-ARMM areas. This is because despite the ARMM areas tend-

ing to have the highest levels of violence and insecurity, violence is mostly related to *rido* and, hence, people tend to trust outsiders to mediate the conflict. In the ARMM areas, the percentage of people saying that outsiders can usually or always be trusted is 43%, compared with 18.5% in the adjoining non-Moro areas of Agusan del Sur and North Cotabato.

The findings from the qualitative case studies provide evidence about why the local community is less threatened by outsiders than actors in their own area. For example, in Marawi City, the most threatening form of violence is between local politicians competing over votes and

Box 5.1 A land dispute among cooperative members transforming into a vertical conflict

In a barangay in Basilan Province, a land dispute erupted between the management of a cooperative and the farmer-members who were disgruntled about the way the plantation was being run. The latter claimed back their lands that had formed part of the cooperative plantation. The cooperative manager declared that the farmers were illegal claimants of the land and therefore subject to arrest if they persisted in farming the lands without the consent of the cooperative's management. Expectedly, the small farmers resisted this move, and in response, the manager, who was a member of a powerful local family, deployed his armed supporters against them.

In retaliation, the farmer-claimants ambushed the armed supporters of the manager. Using his political influence to secure support from the military, the manager claimed that his supporters had been attacked by elements of the Abu Sayyaf Group (ASG) and that the ASG was harassing the cooperative plantation to extort money. This brought in the military which, because of a desire to protect the few business ventures in the area, sent a contingent to neutralize the ASG. Given the superior weapons of the military, the small farmers, in turn, sought help from MILF, MNLF and ASG, which immediately joined the fray and successfully ambushed and killed eight soldiers. More troops were sent to the area. Once the fighting died down, military intelligence operatives discovered that they had been used by the plantation manager to protect his personal interests. The military eventually withdrew from the area, leaving the contending parties to settle their feud themselves. As of early 2013, no settlement had been reached, resulting in a highly volatile situation in the community.

control of the drug trade. In particular, a long-running conflict between relatives of a senior city official and the local Armed Forces of the Philippines unit has generated significant levels of violence in recent years. In Marawi City and Pualas, *rido* between powerful local clans are a major source of instability and violence. In Basilan, local barangay captains generally have their own private armies, which are used to protect the interests of the family, and engage in predatory behavior. In this context, it would not be surprising for community members to feel more threatened by these local armed actors.

Elite rivalries at the local level can be extremely violent. Current leaders of powerful political clans either come from the traditional ruling family of the area or were previously leaders of a Moro rebel group. They are adept in using violence

to command loyalty from their followers and instil fear in their enemies. Their path to political ascendance is covered with the blood of their rivals and, hence, once in power, they have no qualms about using violence against anyone who challenges their rule, whether this is a local clan or the national army.

Because of their control over economic resources and the instruments of violence, powerful clans easily capture elected state positions, despite the trappings of modern democracy. The Philippine system of politics and governance is highly decentralized and, on paper, has established elaborate structures and systems to achieve accountability. In conflict areas, these structures are often captured by local clan elites and used as instruments to further maintain, consolidate and expand the powers of the clan.

5.2 How local politics shape aid delivery

International aid programs are ubiquitous in Mindanao, even in the most remote and conflict-affected regions. Over the past decade, donor-funded programs have expanded to regions that are highly conflict-affected. There are multiple types of assistance, ranging from the construction of community facilities to direct subsidies such as the conditional cash transfer (CCT) program, jointly funded by the government, World Bank and Asian Development Bank. Even the most remote barangays in the highly conflict-affected municipalities of Sumisip and Tipo-Tipo in Basilan Province¹¹¹ have development assistance projects.

The locality case studies provide in-depth accounts of how local political dynamics shape the delivery of aid. While this is a common scenario in the Philippines, the subnational conflict area shows higher levels of local elite capture.

For instance, the CDD approach used by the World Bank, does not guarantee that local officials/leaders will be prevented from influencing which development sub-projects are provided in the conflict-affected villages under their jurisdiction. This was the case in most of the sites surveyed for this study in both Lanao del Sur and Basilan Provinces, and partly the case in Agusan del Sur Province. Local leaders either directly influence decisions on which sub-projects to implement or, through their loyal supporters in the community, indirectly influence the barangay assembly that is held to select sub-projects.¹¹² Due to security restrictions, the World Bank, other donors and even the

Box 5.2 Projects used for political patronage

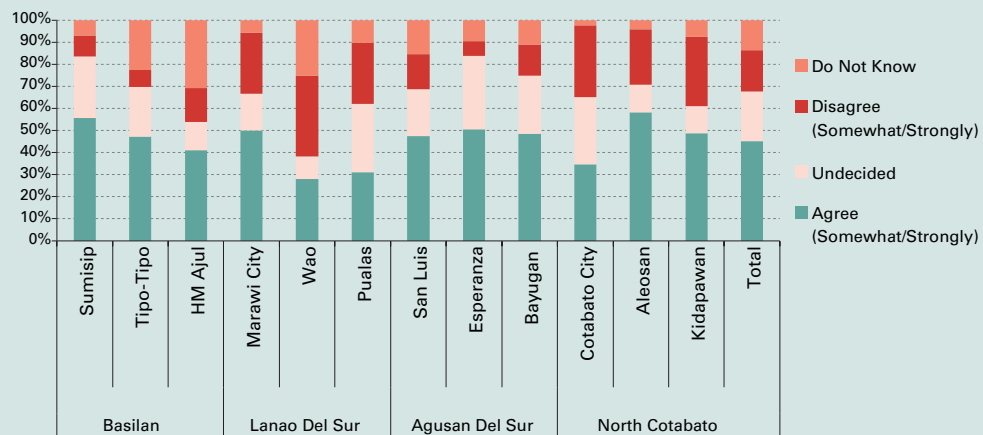
In a barangay in Lanao del Sur Province, the sub-project implemented was the construction of a multi-purpose hall or center. Locality case study respondents indicated that they felt the hall was provided to their barangay in order to earn local voters' support for the member of a powerful clan who was running for re-election in 2013. Although respondents observed that construction of the center did not lead to violent conflict and that it brought people together for public assemblies, they insisted that the center was not the priority of the community—the priority was a potable water source. Another donor agency constructed a potable water source, but work was abandoned without properly training the community to maintain and operate the water system, and it ceased to function.

Another sub-project left unfinished in the same barangay was the construction of a school building. The contractor abandoned that sub-project when the main project sponsor, a high-ranking official in the ARMM, was replaced by one appointed by President Aquino.

government are often unable to monitor their sub-projects, and this further contributes to elite capture of the sub-project decision-making process.

A more serious manifestation of elite capture occurs when sub-projects are located in areas where incumbent leaders have loyal supporters or will directly benefit local leaders themselves, as is the case in the three provinces of Lanao del Sur, Basilan and Agusan del Sur. Favoring sub-project sites where loyal political supporters reside is a way for local leaders to ensure their victory at the polls, and this is a clear manifestation of corruption.

Figure 5.5: Corruption incidence in aid projects¹¹³



Reports of corruption in aid projects are widespread in Mindanao. Survey respondents who said that an aid project was active in their barangay were asked to respond to a statement that corruption in foreign-funded aid projects was not a problem. Responses to this question varied widely. Reported corruption was highest in Wao, where over a third of respondents disagreed strongly or somewhat strongly that there was no corruption. In Cotabato and Kidapawan Cities, nearly a third of respondents also disagreed that there was no corruption. An average of nearly 14% of respondents declined to answer the question, with non-responses highest in Hadji Mohammad Ajul (30.8%) and Tipo-Tipo (22.6%).

People in the community tend to believe that the presence of donor-provided infrastructure and improved services is an accomplishment of their local leaders, and an expression of their leaders' concern about the community's welfare.¹¹⁴ Due to inadequate local revenues in the sample municipalities, which are among the poorest in the country, as well as limited funding from the central government, local leaders and the community appreciate

the assistance provided by donors, despite perceiving it as allocated by the traditional leaders who also serve as elected local government officials.

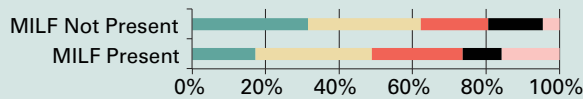
5.3 The impact of non-state armed groups

It is common to find multiple armed groups operating in the vicinity of a conflict-affected community. However, the relationship between insurgent groups and the local community is extremely complicated. While some local residents have direct connections to non-state armed groups (NSAGs) in their area, or may strongly support them, many people see NSAGs as a threat, and perhaps an even greater threat than the military.

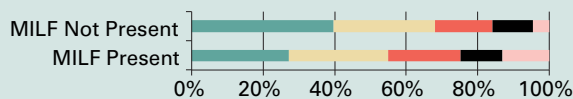
There are also indications that people who have NSAG members or units in their barangay, have different impressions of these groups from those who do not interact with NSAGs as frequently. To test this theory, the research team for this study compared responses from those survey participants who have MILF members/units in their barangay to those who do not. The

Figures 5.6-5.9: Community perspectives on MILF—
Comparing areas with and without MILF presence

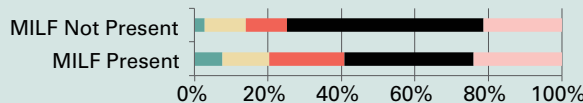
Does MILF provide justice?



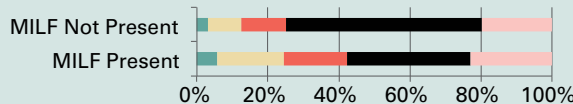
Does MILF Defend the Moro People?



Does MILF Acquire Money and Influence?



Does MILF Abuse Human Rights?



■ Strongly believe ■ Somewhat believe
■ Somewhat not believe ■ Do not believe at all
■ Refused/Don't Know

data suggest that respondents with direct exposure to MILF are somewhat less likely to believe that the group provides public goods such as justice and assistance to the poor, and, with one exception, they were more likely to believe that MILF members engage in violent or criminal activities. However, high non-response rates for negative items (~20%) were recorded,

both among respondents who reported MILF in their barangay, and respondents who reported no MILF presence. This indicates that respondents had significant anxiety about publicly criticizing these groups.

These findings could reflect several possible dynamics. Respondents who have greater exposure to MILF may simply have better information about the group's activities (both positive and negative), while respondents who do not have direct contact may have their impressions shaped only by the group's public narrative (as well as information from media, social networks, and other contacts).

Respondents who have exposure to MILF may also have other grievances against group members—tied to clan or ethnic dynamics—that could cause them to have a negative perception of the group.

Perceptions of MNLF are quite similar, with two nuances. First, while respondents who report an MILF presence in their barangay are less likely to believe that the group works to acquire money and influence, the opposite is the case

for MNLF: respondents who report a local MNLF presence are much more likely to view the group as acquiring money and influence. At the same time, a slightly higher proportion of respondents who report a local MNLF presence, view the group as helping the poor more than is the case with those who say that MNLF is not active in their area.

The presence of NSAGs is a major factor in the delivery of aid projects, though there are important differences between armed groups. A recent study of World Bank CDD projects in different conflict-affected regions¹¹⁵ showed that in NPA-controlled areas, levels of violence rise as a result of the implementation of a CDD project because it is seen as a counter-insurgency measure by the national government. On the other hand, in the Moro rebel-controlled areas, levels of violence tend to decrease because of the rebel group's participation in the CDD process.¹¹⁶ Another research project by The Asia Foundation¹¹⁷ found similar local-level evidence through qualitative case studies. Interestingly, while New Peoples' Army units actively tried to shape community-based aid projects in their areas of influence, Moro insurgent groups paid little attention to these projects.

Based on interviews with community members, anecdotal evidence suggests that insurgent groups in Mindanao use intimidation or violence to dissuade people from participating in aid projects. However, it is difficult to know how widespread this problem is, and to what extent insurgent threats actually impact participation. To address this issue, the research team utilized an experimental survey question to produce an unbiased estimate of reluctance to participate because of fears of insurgent reaction. A brief discussion of the question design is provided in this endnote.¹¹⁸

The data show clear patterns of intimidation across provinces, as well as variation across areas and insurgent groups. In Basilan, an estimated 40% of the population would be reluctant to participate in a project by a foreign donor or an NGO

TABLE 5.2: Reluctance to participate in a foreign aid project due to fear of insurgent reaction

Province (insurgent group)	Baseline mean	Treated mean	Difference in means	Estimated % reluctant to participate
Basilan	1.575	1.973	0.397***	39.7
(MILF)	(0.049)	(0.053)	(0.073)	
	N=186	N=187		
Lanao del Sur	1.483	1.738	0.256***	25.6
(MILF)	(0.046)	(0.050)	(0.068)	
	N=178	N=180		
North Cotabato	1.460	1.611	0.150*	15
(MILF)	(0.049)	(0.063)	(0.079)	
	N=163	N=162		
Agusan del Sur (CPP-NPA)	1.615 (0.067) N=143	1.793 (0.077) N=150	0.178* (0.102)	17.8

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

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

because of fear of negative reaction by MILF. In Lanao Del Sur, an estimated 26% said they would be reluctant because of fear of MILF reprisal, and in North Cotabato, the number was 15%.

In Agusan del Sur, the question measured fear of participation in aid projects owing to fear of CPP-NPA reprisals. Survey and locality case study data both showed that few NPA were operating in the sampled areas; however, an estimated 18% said they would be reluctant to participate in a foreign aid project. This should be considered a lower-bound estimate for Agusan del Sur Province. In areas with a more significant NPA presence, the percentage of the population who would be reluctant to participate would likely be higher.

5.4 Navigating an extremely challenging local environment

Villagers in the sample sites widely agreed that development assistance did not directly address the causes of conflict in their community. For example, a most pervasive cause of conflict, particularly in Lanao del Sur and Basilan Provinces, is *rido*. However, development assistance is primarily focused on providing access roads and facilities meant to improve delivery of basic services. In some instances in Basilan and Lanao del Sur, development projects caused friction within the municipality because of flaws in the selection of sites and beneficiaries, and the appropriation of the sub-projects by the

Box 5.3. Donor assistance in Basilan

In the field group discussions and individual interviews conducted in a Basilan Municipality, respondents noted that a number of donor projects were not successfully completed, or if completed, were not properly used. Examples, with support from two donors, include two wet markets constructed in one barangay, two boat landings in another barangay, and an unimplemented 12-unit housing project in a third barangay. The main reason respondents gave for not using one wet market was that the former (losing) Barangay Chairman refused to allow constituents to use the facilities. In the case of the second market, the new barangay leaders were collecting fees from the stall holders. With regard to the two boat landings, the municipal councilor and the Barangay Chairman each appropriated a boat landing for himself. Regarding the 12-unit housing project, the Barangay Chairman pocketed part of the funds that were intended for construction work.

local leader after losing an election. In Agusan del Sur, it was observed that it was conflict that determined where and how the sub-projects would be implemented rather than aid positively impacting on the conflict situation.

While there is weak evidence that aid can change local power dynamics, the evidence is mixed on whether aid projects can mitigate the negative impact of local politics. Locality case study findings show that aid rarely changes key dynamics at the local level. Villagers in the sample sites widely agreed that development assistance did not directly influence the power dynamics in their community. However, the survey respondents provided a different response. Survey respondents were also asked to consider the impact of aid on local power dynamics in their barangay, and to indicate whether, in general, aid gave ordinary people more power, had no impact, or entrenched local power holders. Overall, over 45% said that aid gave ordinary people more power; 26% said that it had no impact on the balance of power, and just under 20% felt that aid strengthened powerful local actors. Perceptions of aid's

impact on local power dynamics varied significantly by locality, from Pualas, where over 48% felt that aid further strengthened the already powerful, to Esperanza, where over two-thirds felt that it gave ordinary people more influence.

There is relatively strong evidence that aid projects are effectively reaching most people in the barangays, even in localities that reported high levels of corruption and elite manipulation. When asked about the overall distribution of benefits from all aid projects in their barangay, respondents across a majority of municipalities said that aid benefits some or most people in the community. Respondents in several municipalities were more pessimistic about aid's impact: 28% in Bayugan said that aid benefits very few people, and in Kidapawan and San Luis, nearly 20% had the same response.

The configuration and intensity of local elite rivalries is a critical determinant of the impact of aid projects on local conflict dynamics. Community-level research for

this study shows that the political capture of aid varies significantly from one community to another, and is based on the political dynamics in the community. Communities with dueling local elites see higher patterns of political manipulation of aid as incumbent leaders insist on locating development projects in the villages that support them in order to maintain supporters' loyalty. This also deprives those who are allied with the leader's political rival.¹¹⁹ The evaluation of the World Bank's Kalahi project shows that there is a greater chance of successful implementation of sub-projects in a municipality ruled by a dominant local elite, with a strong patronage system in place. Such local conditions enable compliance with the participatory processes required in the Kalahi project in order to access sub-project funds, and also increase the leader's ability to provide the required counterpart funds.¹²⁰

Because donor assistance is primarily meant to address causes of poverty, activities are geared toward improving the social welfare of poor beneficiaries. There is lit-

Figure 5.10: Influence of aid on local power dynamics

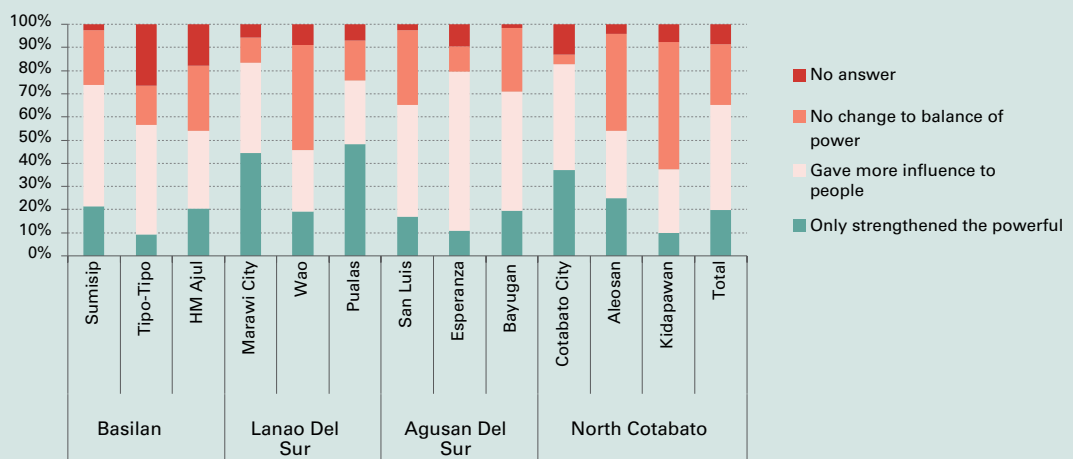
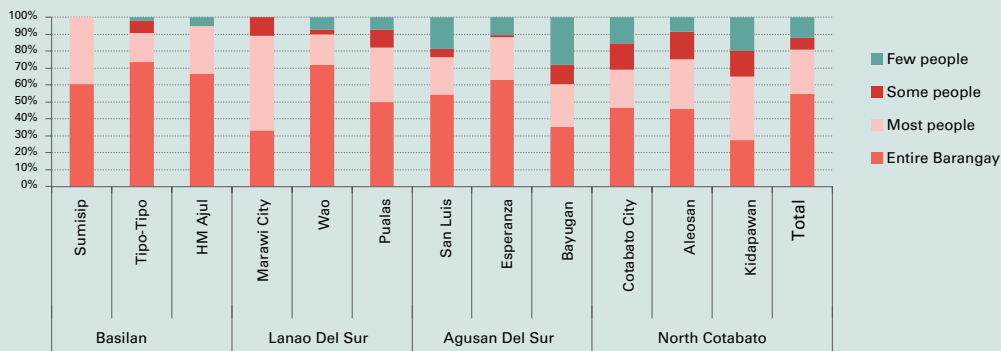


Figure 5.11: Distribution of aid in the barangay



tle direct effort to address issues of justice and security, which communities in the conflict area consider a major deficiency. Strengthening the capacity of local government units does not necessarily mean that local governance issues of corruption and feudal manipulation are improved, nor will it automatically translate into improved capacity of the local government to address justice and security challenges.

Beneficiaries, in general, appear to appreciate donor assistance. Respondents in the various sample sites usually welcomed, and felt indebted, to donors for the assistance extended to them. They recognized the very limited resources at the disposal of their local government unit, and hence donor and national government assistance were both seen as much-needed resources.

Partly because beneficiaries perceive assistance as coming from outside the community, they did not appear to have strong ownership of the sub-projects, and this allowed some local leaders who lost their elected posts to appropriate project-developed facilities as their personal property. This may also partly explain why beneficiaries were not too concerned about the

quality of sub-projects or the rent-seeking that went with providing infrastructure facilities.

Beneficiaries, in general, cooperate with project implementers. Despite complaints that some sub-projects were implemented without appropriate consultation with the community, and criticism of how beneficiaries at the community, and individual levels, were selected, in general, villagers cooperated with project implementers. Rare were the instances when a sub-project was blocked through concerted or violent action by villagers.

Beneficiaries generally recognized the political agendas behind aid, but this rarely affected their willingness to participate. All respondents, regardless of whether they had an aid project active in their area or not, were asked what they thought was the main motivation of foreign organizations in providing aid: was it to help people in need, or to help the government gain control? Respondents were evenly split in Basilan, and in both Lanao del Sur and North Cotabato, a slight majority felt that the main purpose of aid was to help people in need. In Agusan del Sur,

Box 5.4: Tipo-Tipo: An assortment of non-state armed groups

During the Marcos martial law regime in the 1970s, Tipo-Tipo Municipality in Basilan Province was a haven for MNLF rebels fighting government forces. In the 1990s, Tipo-Tipo gained notoriety because Abu Sayyaf Group (ASG) was operating in the area and the neighboring municipality of Al-Barka. In 2007, it was reported that ASG came from neighboring municipalities, including Tipo-Tipo to Al-Barka to extend assistance to their fellow combatants who were in a fight with the Philippine Marines. Twenty Marines were killed and some beheaded. In September 2011, Tipo-Tipo again made headlines when a company of elite Scout Rangers approaching the municipality from the sea to arrest suspects accused of the 2007 Al-Barka killings, were waylaid by MILF, ASG and other armed groups, and 19 Scout Rangers were killed.

These incidents illustrate the difficulty in identifying the affiliation of rebel groups operating in the area. It has been reported that various rebel groups are present in the cluster of municipalities near Tipo-Tipo, including ASG, MILF, remnants of MNLF, and criminal elements. With many of the residents closely related, it is common to find that a single family has members in multiple armed groups. Military leaders suspect that rebels change their group affiliation (described as “changing their rebel patches”) whenever it suits their purpose.

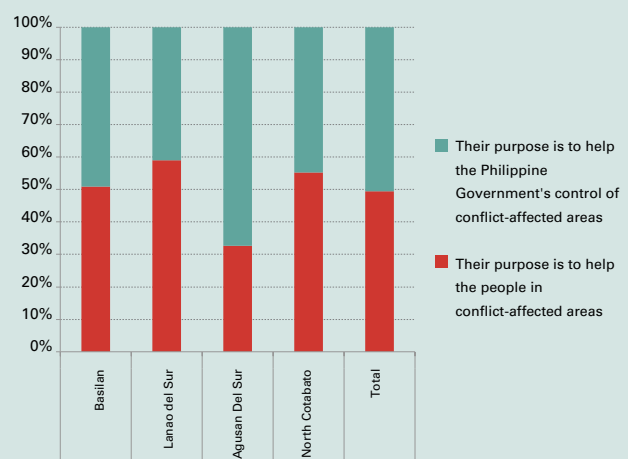
respondents were more skeptical: over two thirds felt that the primary goal of aid was to help the government maintain control over conflict-affected areas.

Across the sample communities, beneficiaries recognized that aid does not address the causes of conflict. Respondents in the sample municipalities in Agusan del Sur Province noted that aid provides social amenities but does not directly contribute to conflict resolution. In Basilan and Lanao del Sur Provinces, respondents noted that aid makes their life more “bearable” but does not reduce the level of violence.

Beneficiaries also articulated what adjustments should be made to future assistance. The locality case study results showed that the majority wanted more livelihood

assistance or similar income-generating ventures. For those residing in remote, conflict-affected barangays, people wanted more farm-to-market access roads to facilitate transport of their produce. It was also suggested that there should be greater, and real, participation of the com-

Figure 5.12: Purpose of aid projects



munity in the selection and implementation of sub-projects. Many felt that to prevent rent-seeking, project funds should not be routed through their local leaders. Instead, respondents preferred that funds were handled by CSOs because they perceive them as promoting community participation and greater transparency in the use of donor funds.

In summary, analysis at the community level produced many surprising and counter-intuitive findings. This evidence points to two general conclusions. First, it is critical to unpack the local dynamics of politics and conflict at the community level. There are some conditions at the local level that can be highly problematic for the delivery of aid, yet few of the major aid programs have systematically assessed local political economy dynamics, and monitored and adapted program activities based on local conditions. Second, there seems to be strong evidence that people living in conflict-affected areas have complicated relationships with local armed actors and political elites. In an environment where violence between local actors is the primary source of conflict, then local people must tread extremely carefully in their interactions with these elites, especially if the state does not provide a credible alternative source of security. These factors ultimately shape the prospects for aid to influence the most fundamental drivers of conflict in Mindanao.



6. Aid in Challenging Conditions: How Aid Can Contribute to Peace and Development

The purpose of this chapter is to identify what is needed for aid to support the transition from conflict to stability and durable peace in Mindanao, as well to better track development outcomes and impacts. It will also discuss aid projects and institutions that exhibit high potential for achieving transformational outcomes and measures that can strengthen the current peace process between the government and the MILF. Finally, it will pinpoint a number of gaps in donor efforts in Mindanao.

6.1 Transition stages

With the signing of the Framework Agreement on Bangsamoro by the government and the MILF in late 2012, the

Mindanao subnational conflict case now has the potential to move from the *fragile transition* stage to the *accelerated transition* stage (see Figure 6.1).

Although plans are under way to implement the political transition provided for in the FAB, some analysts' doubt¹²¹ whether the transition process will lead to durable peace because of: a) difficulties in addressing the drivers of conflict that are not directly related to state-minority contestation; b) obstacles to unity among MILF and MNLF leaders; and c) the presence of other non-state armed groups (NSAGs) that are not affiliated with MILF.

Figure 6.1: Strategies for supporting a transition to peace¹²²

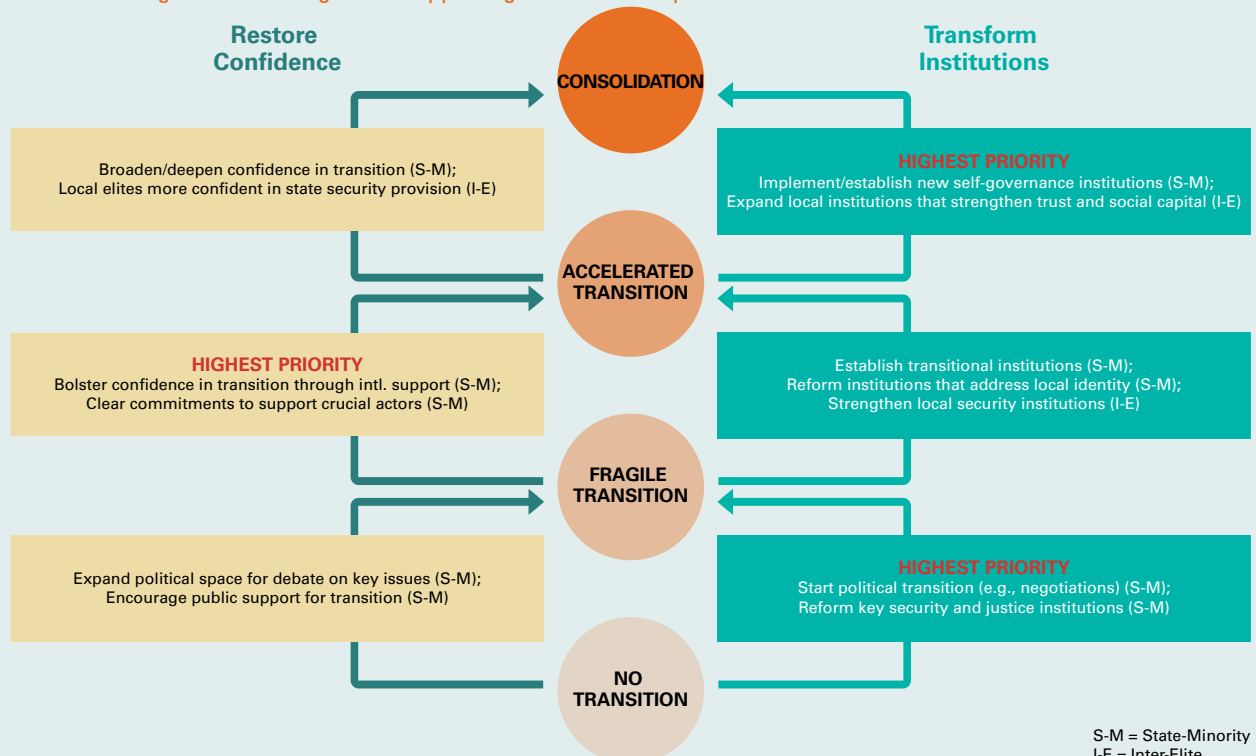


Table 6.1: Stages of transition

	No transition	Fragile transition	Accelerated transition	Post-transition period
Transition from war to peace stages of transition	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, confidence of armed actors and influential leaders in the transition to peace	None/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	Confidence in newly-established institutions and structures is 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 common scenarios and motivations for institutional change	Institutions that exacerbate conflict reinforced Some unilateral reforms by government to win 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 that change patterns of behavior between state and local actors

6.2 How aid can be transformative in Mindanao

Aid agencies operating in a subnational conflict cannot limit their activities to attaining developmental outcomes if the goal is to address the drivers of conflict and attain stability and durable peace. Instead they should prioritize projects that will contribute to the transition to peace through 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. Figures 6.2 and 6.3 illustrate how aid programs can be

found along a continuum of influence on conflict dynamics (i.e., transformational impact). Projects that 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 6.2: Stages of transition

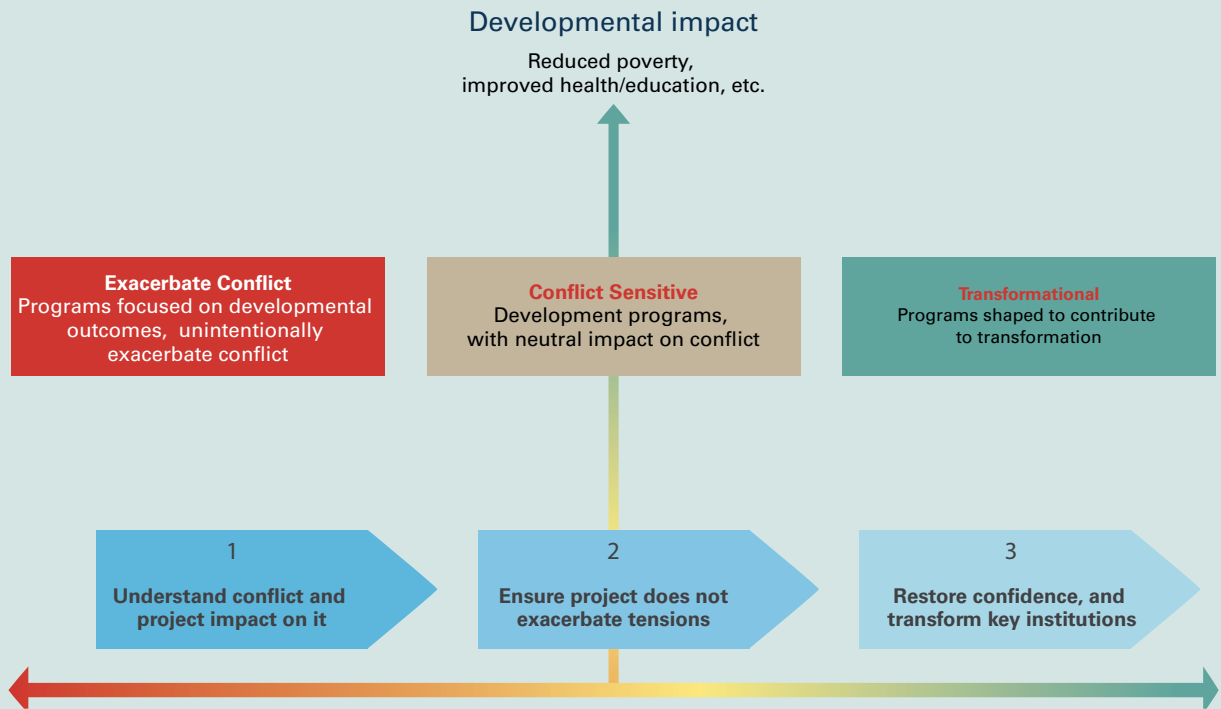


Figure 6.3: Examples of programs along the transformation continuum

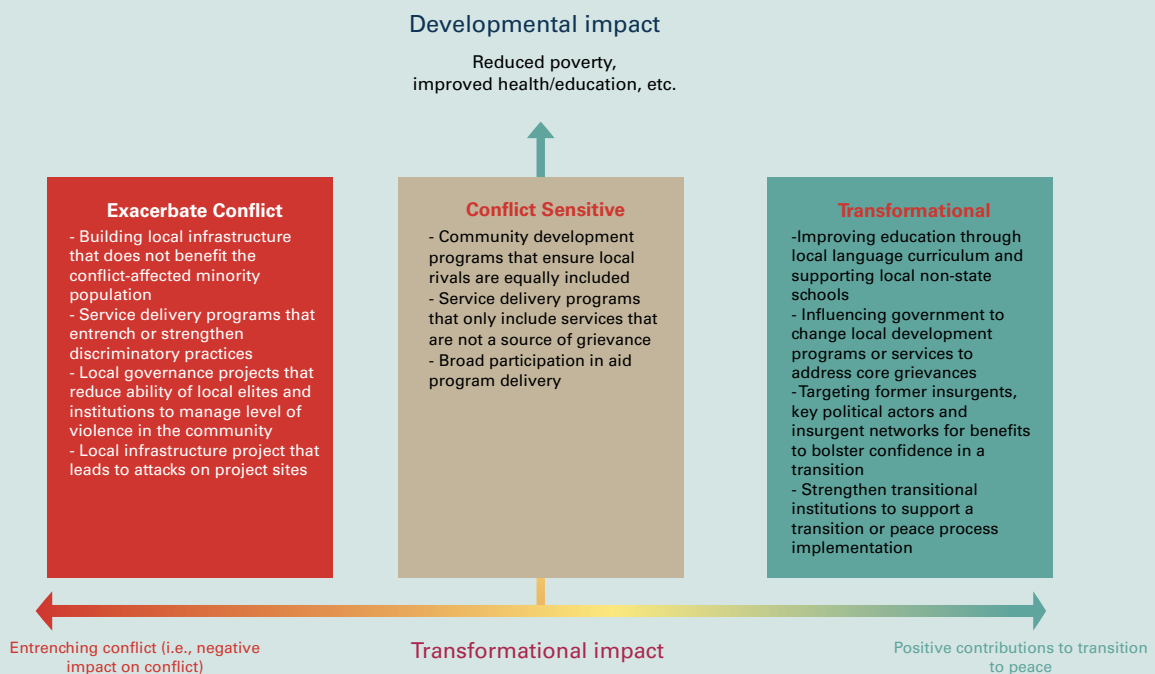


Figure 6.3 provides illustrative examples of typical programs implemented in subnational conflict areas, and where they would fall on the continuum. Those projects that fall on the left side of the vertical axis in Figure 6.3 are those which lead to marginalization, or entrenching the power dynamics that sustain or worsen the level of violent contestation. Projects that fall on the right side of the vertical axis are intended to empower the community, strengthen vertical and horizontal social capital, restore confidence in the peace process, and transform institutions.

While government and local actors should be leading the peace effort, there are many ways that international agencies could contribute to the transition to peace through restoring confidence, transforming institutions, and promoting socio-economic development in Mindanao's conflict areas. Applying the above framework, Table 6.5 provides some illustrative examples.

6.3 Supporting transformational outcomes

While most aid projects and institutions in Mindanao are intended to achieve developmental outcomes, there are some which show potential for attaining transformational outcomes. These projects and institutions differ from the others in that they: a) directly address the causes/drivers of conflict; b) promote community empowerment through more inclusive community participation; c) contribute to the strengthening of vertical and horizontal social capital; and d) explicitly articulate conflict prevention and peacebuilding goals. The succeeding paragraphs provide a brief discussion of these selected projects and institutions.

*Kalahi-CIDSS*¹²³ - The Kalahi-CIDSS community-driven development (CDD) program is a promising example of transforming local-level institutions, partly because it has the most systematic evidence regarding how it affects key local conditions that are recognized as transformative in a conflict environment. Kalahi has been implemented in thousands of conflict-affected barangays, though mostly in areas affected by the CPP-NPA.¹²⁴ The project attempts to mitigate tensions that may arise during the delivery of aid by having an open and participatory local process for project decision-making, and a mechanism for handling disputes that may arise from the project. Sub-projects to be implemented in recipient villages in the same municipality are identified and selected by villagers, and the management of sub-project funds is handled by a committee chosen by the community. Kalahi increases community participation through its community empowerment activity cycle. This is a step-by-step process that villagers use in identifying, selecting, developing proposals, implementing, and undertaking operations and maintenance after the sub-project is turned over to the community.

Table 6.2: Illustrative program examples using transformative strategies

	State-Minority Contestation	Inter-elite/Inter-communal
Restoring confidence	<ul style="list-style-type: none"> • Support for the creation of a broad coalition of peace constituents • Support for CSOs and other private sector groups engaged in demanding greater transparency and accountability for the use of public funds • Support/encourage consistent government policy on the peace process • Prioritize reconstruction and development in conflict areas • Demonstrate significant change in national government practice through important and symbolic changes in the conflict area, and/or on issues related to conflict 	<ul style="list-style-type: none"> • Conduct local monitoring and analysis of political and conflict dynamics, and allow community level programs to adapt to local conditions • Implement projects that strengthen social cohesion across rival communities • Strengthen independent efforts to monitor local abuses by elites, and mediate between conflicting rivals • Apply rigorous M&E that will track the transformative impact of projects in conflict areas, distill lessons, and use lessons in developing new project designs
Transforming institutions	<ul style="list-style-type: none"> • Extend technical assistance to the Transition Commission and Transition Authority to build their capacity to govern • Support major reforms of the ARMM government, based on outcomes of the negotiations • Improve the capacity of the Transition Authority to exercise greater autonomy from the central government by generating internal resources and more judicious use of national government funds • Forge closer working relationships with national government agencies involved in development and with their local counterparts in the Transition Authority • Implement key reforms of security and justice sectors, and other key sectors relevant to the conflict, with special attention to those operating in conflict areas • Provide support for a decommissioning of arms program to address the proliferation of guns/ weapons in Mindanao 	<ul style="list-style-type: none"> • Contribute to the reform of electoral institutions in the ARMM • Help develop inclusive decisionmaking processes in all development institutions • Encourage more effective accountability mechanisms for public officials in the autonomous region and seriously implement them • Support improved dispute resolution and access to justice, particularly for those involving land disputes • Strengthen independent efforts to mediate between rival groups in cases of <i>rido</i> and other localized forms of conflict • Support providing additional incentives to high performing LGUs and wide media exposure for LGU officials who win awards for good governance • Provide scholarships and capacity building assistance to Moro youth who exhibit leadership potential
Promoting conflict sensitive socio-economic development	<ul style="list-style-type: none"> • Help the national government to send a clear signal that reconstruction and development of conflict areas is top priority • Provide financial incentives to private investors willing to locate in conflict areas • Support the government in forging joint ventures with private investors to develop largescale enterprises that create jobs (without exacerbating tension) in conflict areas 	<ul style="list-style-type: none"> • Support the government in providing more effective delivery of basic services • Conduct feasibility studies to identify potential large-scale agricultural processing enterprises that could employ thousands of conflict area residents • Support immediate rehabilitation or construction of critical infrastructure such as roads and bridges that will facilitate linkage of production areas to the market, and bring down transportation costs

The evidence for CDD impact on conflict is mixed. Despite its participatory and empowerment features, evaluation studies have conclusively shown that CDD does not lead to a reduction in conflict incidence.¹²⁵ What it does show, however, is that CDD increases interaction, participation and greater trust among villagers, and between villagers and their local leaders.¹²⁶ On the physical output side, CDD delivers services in a more efficient manner.¹²⁷ In general, CDD is a highly conflict-sensitive mechanism for working in subnational conflict areas, and could become a platform to support a transition to peace.

Kalahi-CIDSS and other CDD programs are promising, scalable mechanisms for aid to subnational conflict areas, but they do not work uniformly well in conflict conditions, and they do not directly address the sources of state-minority or inter-elite contestation. Recent studies have shown that CDD programs are considerably more risky and less effective in barangays influenced by the CPP-NPA, and in areas with local elites engage in violent competition for political supremacy.¹²⁸ Further research should be conducted to generate more information about: how CDD can best contribute to restoring confidence and transforming institutions; which contexts or environments are best for CDD; and possible negative consequences that CDD could have because it encourages greater participation and empowerment in the community and/or if CDD implementation is not properly managed.

*Community peace and conflict assessment of GIZ*¹²⁹ - GIZ focused its assistance on the Caraga region, an area experiencing

several forms of conflict, including the communist-insurgent CPP-NPA, inter-communal rivalry among indigenous peoples, and competition among elites over forest and mining resources. A distinguishing element of the GIZ project is that it explicitly addresses drivers of conflict by promoting the development of local-level plans that are conflict sensitive.¹³⁰ An expert on conflict assessment and analysis is hired by the project to help with development of the local plan. The GIZ expert can also help government agencies and CSOs in the region to ensure that their projects and interventions are conflict sensitive. Interviews with the regional Department of Social Welfare and Development (DSWD) officers managing Kalahi-CIDSS implementation in the Caraga region, said they greatly appreciate the GIZ conflict experts because they improved implementation of CDD sub-projects in some extreme, conflict-affected municipalities and provinces in their region.

Direct interventions in rido conflicts - Over the past five years, The Asia Foundation and a few local civil society organizations in Mindanao have been using international aid funds to resolve long-running *rido* conflicts.¹³¹ These activities are closely linked to tracking where *rido* occurs and public dissemination of this information via a website. From 2004 to 2005 and 2007 to 2008, the website recorded around 1,500 *rido* cases. This program resolved more than 200 *rido* in four years. Guided by these data, the project set up a *rido* resolution component and The Asia Foundation and other stakeholders established local-level mechanisms to ensure that opposing sides do not resort to violence.

The Joint Coordinating Committee on the Cessation of Hostilities (JCCCH) under the GPH-MILF peace process has also worked on resolving *rido*, despite the Committee's formal mandate to mediate between the GPH and the MILF. Because the JCCCH monitors are working in conflict areas where *rido* occurs, and the JCCCH has shown success in settling *rido*, NGOs such as Pakigdait in Lanao del Norte have embarked on their own successful *rido* resolution process.

While funding for these efforts is modest, by focusing on a major source of conflict, they have contributed significantly to preventing the occurrence of *rido* between rival families or clans, which sometimes lead to a major conflict as opposing sides seek help from the military and NSAGs. In addition, the project has demonstrated the value of working with traditional mechanisms for dispute resolution which can be less costly and very effective in settling inter-communal differences.

*LMTs, JCCCH, AHJAG, and the IMT.*¹³² These bodies were created to monitor ceasefire compliance of both government troops and MILF rebels. Local CSO monitoring teams track the occurrence of conflict at the local level and immediately report incidents to the JCCCH. The JCCCH, which is comprised of representatives from both the government and MILF, then quickly takes steps to prevent further escalation of conflict. Like the JCCCH, the AHJAG is comprised of representatives from the government and the MILF, but the AHJAG coordinates operations to stop criminal and terrorist elements from operating in MILF-controlled territories. The IMT, which is led by Malaysia, comprises representatives from selected countries who

assist in monitoring incidences of conflict and preventing further escalation.

These organizations have kept communication open between the government and MILF, even at the height of conflict in 2003 and 2008. In some instances, they have prevented escalation of conflict such as the Al-Barka incident in 2007, when a number of marines were killed and beheaded, allegedly by MILF (for details, see Box 5.4). In this, and other clashes, the monitors were able to convince the government not to take retaliatory action and instead to let the monitors investigate what happened. This prevented full-scale war from breaking out.

Local Peace and Order Councils (LPOCs). Under Philippine law (Republic Act (RA) No. 7160), Peace and Order Councils should be established at the internal, regional, provincial, municipal, and barangay levels. Local Peace and Order Councils have been relatively ineffective, however, because they focus on armed groups that threaten national security or have not been organized in many localities. From the provincial, down to the barangay level, POC mediation of conflict is barred because in many *rido*, POC members are involved in the conflict themselves.¹³³ This problem is exacerbated by the lack of a conflict-monitoring system that will track incidences of conflict, their drivers, the parties involved, where conflicts occurred, etc. Such information would help the authorities at higher levels to understand the dynamics of the conflict and take necessary steps to stop further escalation.

Peace and Order Councils from the provincial down to the barangay level should have a broader mandate than only

state-separatist contestation; they should also be authorized to settle inter-elite and inter-communal contestation. In Christian-dominated localities, POCs should include Muslim representatives who are well regarded in Moro communities and can articulate their concerns on peace and security. Conflict mediation training should be offered to local POC members to improve their capacity to resolve conflicts before they escalate. But in conflicts where family of POC members are involved, a mechanism should be installed to maintain the neutrality of the settlement process. To increase the effectiveness of the POCs, all levels need a conflict monitoring system to give them precise, comprehensive, and current information on local-level conflicts.

Hybrid system of conflict mitigation. Combining local-level informal processes and formal systems in conflict mitigation/resolution should be explored to address localized violence in conflict areas. Communities in fragile areas usually rely on informal processes for conflict mitigation/resolution and formal systems should be adaptable to local contexts. The Philippine Government should develop an encompassing framework to govern how to engage with traditional systems that are seen as legitimate by the local population.¹³⁴ Linking informal processes to formal governance systems in an incremental manner will slowly restore trust in the state and gradually foster sustained state-society engagement.

Local-level security sector reform initiatives. The security sector should be brought under greater government control so that it can transform from its counter-insurgency role—a legacy of the long years of Marcos’ martial law. Reforms of police and military

forces are underway so that promotions are based on observance of human rights and efforts toward peacebuilding rather than solely on combat experience.¹³⁵

Aid that supports security sector reform (SSR) should focus on policy interventions and localized initiatives that can lead to the improvement of relations between security forces and communities. These efforts could include enhancing professionalism in the security sector and enabling personnel to develop conflict resolution and peacebuilding skills. Similarly, programs for police could include strengthening the presence of police forces rather than military in conflict-affected communities and helping the police to improve their skills in community-police relations, law enforcement as well as their capacities to mitigate localized violence.

However, reforms in the military and police will not bring desired results at the local level as long as paramilitary groups proliferate in conflict areas—i.e., the Civilian Armed Forces Geographical Units (CAFGUs) and Civilian Volunteer Officers (CVOs), whose actions are under the operational control of the military and police, respectively. These paramilitary groups serve as the private armies of local warlord politicians, and due to loyalty to their patron, it can be difficult to instill discipline among them. The military should closely monitor the activities of CAFGUs, and the police should do the same with CVOs, and move gradually towards disbanding and replacing them both with regular soldiers and police. Under the FAB agreement signed between the government and MILF, a police force is to be created for Bangsamoro that will take over security in the area. The presence of paramilitary

groups under the control of local warlord politicians poses a real challenge to the viability of this police force and may, in fact, generate tensions and greater conflict if appropriate measure are not taken.

6.4 How to make aid agencies be more fit for purpose

As aid projects will be working in a high conflict environment for the foreseeable future, despite the signing of the FAB, key approaches need to be identified to cope with the challenges posed by different types of conflict in the same area. Donors have to accept the reality of working with the current local political structures. This means they cannot operate with the assumption that limiting the influence of local elites and empowering the community is always the best approach. If the goal is to improve peace and security in high-conflict environments, aid will inevitably be used by local elites for both good and bad purposes. What is more important is putting measures in place that will turn local elites' involvement in aid delivery into a positive influence or at least mitigate their negative influence. A few examples of such measures are listed below:

Aid needs to be more explicitly focused on conflict by restoring confidence and transforming institutions. Very few projects have explicit political and/or peacebuilding objectives as the vast majority of aid programs are entirely focused on developmental impact. Expectedly, key results indicators target the delivery of physical outputs (i.e., infrastructure) rather than reducing tension and the incidence of conflict in the community. There is

little appreciation of the importance of conflict dynamics and the role played by local elites in the perpetuation of conflict. Having an explicit peacebuilding goal forces the project to understand better the nature and drivers of the local conflict.

Monitoring of local conditions and transformative outcomes is a critical gap. More than 15 years of donor assistance to the ARMM and the conflict areas has not led to donors' use of rigorous M&E mechanisms that systematically and scientifically track progress in supporting the peace process.¹³⁶ The absence of a rigorous M&E system makes it difficult for aid projects to determine what is transformational at the local level and what is not. For this understanding to be achieved, monitoring mechanisms will have to be installed at two levels:

Project level monitoring. There is relatively little systematic data on: which approaches work and which do not work, in what circumstances donor projects work best, what specific types of projects will strengthen community social cohesion, how elite capture of projects and their benefits can be prevented, whether aid has positive or negative net effects, and whether evidence shows that aid is reducing or fueling contestation (i.e., state-minority, inter-elite and inter-communal contestation). Monitoring of conflict dynamics and conditions at the local level is nonexistent, greatly raising the risk of aid causing harm. Although there have been attempts to answer some of the above concerns such as the M&E of the World Bank's Kalahi project and the micro projects implemented by CSOs working in conflict areas, there is a need to put more resources and attention into establishing a rigorous M&E mechanism at the project

level to address all the issues just listed.

M&E for higher-level peace concerns. While the relative absence of rigorous M&E at the project level is already a concern, a bigger worry is the virtual absence of monitoring of results for higher-level peacebuilding objectives such as: political outcomes, changes in the power dynamics of the local elite and their relationships with ordinary people, and whether real transformation (including a reduction in the level of violence) has happened. In the case of the ARMM, the absence of such a monitoring mechanism has partly contributed to lack of comprehensive knowledge and understanding of how donor assistance to the peace process has resulted in positive as well as negative outcomes—crucial findings that could inform and improve future rounds of assistance programs.

To sum up, the absence of rigorous monitoring and evaluation of donors' assistance to the ARMM and the conflict areas over the last 15 years means that they cannot conclusively determine the actual impact of aid and the adjustments they need to make to ensure that subsequent programs and projects will really contribute to the peacebuilding goal in conflict areas.

Need for better targeting. The basic tenet in aid delivery is 'do no harm'.¹³⁷ Thus, donors should avoid communities where aid tends to fuel violence and contestation. Studies have shown clear evidence that the most high-risk situations are in communities where there is active, violent contestation between two local factions, or a heavy NPA/CPA presence.¹³⁸ Current aid targeting does not take these factors into account. However, if communities with such conflicts must be provided with aid

for humanitarian reasons (i.e., extreme poverty), then appropriate steps must be taken to adjust project designs to respond to specific local conditions. This means gaining better understanding of local conflict dynamics. A one-size-fits-all type of project design will obviously not respond to the needs of individual communities.

Indications of good governance. Evidence shows that aid projects work best in communities where there is a functional local government.¹³⁹ For example, successful implementation of CDD sub-projects partly depends on the participation and support of the local government unit (LGU)—i.e., the provision of counterpart funding, calling and chairing meetings, providing technical oversight of construction work, etc.). In conflict areas where there is a limited capacity or absence of functional local government, which can be indicated by the number of absentee local officials,¹⁴⁰ CDD participatory processes are often ignored and/or violated. This may partly explain why evaluation studies of CDD projects show that they have not reduced violence, despite CDD's potential for strengthening community cohesion.¹⁴¹ Other project designs might be appropriate for such communities but rigorous M&E at the community level is necessary in order to consider alternatives to CDD.

Need for adaptability. The complex and multi-layered types of contestation in Mindanao conflict areas require adaptability in responding to ever-changing challenges. Project designs developed in the capitals of donor agency countries or their Manila headquarters, will likely not be responsive to community needs because designs have not been developed based on in-depth understanding of the dynamics

of the local situation.¹⁴² A large pool of funding is not usually necessary; rather the allocation of funds should be flexible in order to target specific areas and groups that will yield maximum results in restoring confidence, and transforming institutions. Decision-making on funds should be left to the host country. After all, middle-income countries such as the Philippines, Indonesia and Thailand have adequate resources for rehabilitation, reconstruction and development of their conflict areas if their national leaders decide to allocate such budgetary resources.¹⁴³

6.5 Renewing confidence in a stalled peace process

The international community has already made major efforts to improve confidence in the peace process by: a) assisting in the delivery of basic services to the conflict areas; b) providing capacity-building training programs for local government units in the ARMM and the staff of the Bangsamoro Development Agency (BDA); and c) serving as observers in the peace negotiations between the government and MILF negotiating panels. The 2012 FAB has created an important opportunity to renew confidence in a peace process that has been damaged by fragmentation and slipping back into violence. Along this line, the government and MILF recently launched the Sajahatra Bangsamoro Program¹⁴⁴ which extends various types of assistance to MILF combatants and MILF communities (e.g., a cash-for-work program, Philhealth membership, scholarships to vocational and college-level education for the children of MILF combatants, conditional cash transfers for the poor in Moro communities, etc.). In 2013, the

international community was gearing up to provide further support to these joint government-MILF initiatives through the creation of the FASTRAC¹⁴⁵ technical assistance facility. Finally, there will be a Third Party Monitoring Team overseeing the implementation of all agreements, and this will have significant international involvement.

Third-party monitoring of assistance. Rehabilitation and reconstruction assistance similar to Sajahatra was extended to the MNLF after the signing of the 1996 peace agreement. However, there were many complaints that MNLF communities and combatants did not receive the promised assistance—instead it was captured primarily by MNLF commanders.¹⁴⁶ A key lesson from this experience is the need to establish a third-party monitoring mechanism that will track whether the government delivers the promised assistance, whether the assistance reaches the intended beneficiaries, and whether the assistance contributes to restoring confidence or creates more tension in the target communities.

Arms-to-farm project. The FAB's Annex on Normalization is still under discussion by the government and the MILF Technical Working Group (TWG). In this regard, it is worth considering Arms-to-Farm, one of the successful MNLF projects. Evaluation of this project showed that none of MNLF combatants who were granted land to farm were implicated in renewed violence in 2000-2001.¹⁴⁷ On a much larger scale, in Paglas Municipality in Maguindanao, as previously discussed in detail in Box 3.1, La Frutera banana company established a banana plantation and processing plant that employed thousands of ex-MILF combatants. This case demonstrated that

successful enterprises can be a catalyst for peacebuilding and creating a stable security environment. During the major conflicts between the government and MILF in 2000, 2003 and 2008, the banana plantation and factory were spared, despite war raging around them.

Expanding engagement with BDA and BLMI. The Bangsamoro Development Authority (BDA) and the Bangsamoro Leadership and Management Institute (BLMI) are, respectively, the development and the leadership training institutions of MILF. Through the Mindanao Trust Fund (MTF), the World Bank has been working with the BDA for a number of years on developing its capacity to implement CDD projects. JICA also provided assistance under the Japan-Bangsamoro Initiative for Reconstruction and Development (J-BIRD) program. The BDA's role is expected to expand as rehabilitation, reconstruction and development work in conflict areas will be priorities now that the FAB agreement has been signed. In early 2013, the BDA was preparing to conduct an assessment of the broader needs of the Bangsamoro community, an important input for formulating a Bangsamoro development plan.

In early 2013, the BLMI was still a fledgling institution with only a small number of primarily-administrative personnel running the organization. Training those who will run the Transition Authority, and eventually the Bangsamoro autonomous region after 2016, is indispensable to ensure successful governance and transition. In addition to training to achieve managerial and operational excellence, there is a need to train Bangsamoro leaders on policy analysis. Training to achieve excellence in

policy analysis could be extended to the Institute of Bangsamoro Studies (IBS) where evaluation research, public expenditure reviews, analysis of critical issues in the peace process, etc. can be undertaken.

Direct support to ceasefire mechanisms of the formal peace process. At the time of resumption of the peace talks between the government and the MILF in 2001, there were limited opportunities and resources for international involvement. However, in early 2013, there were a number of possible participants in the peace process but few resources committed yet. The Philippine Government supports the International Monitoring Team (IMT), but this limits the number of monitors that can be deployed in the field. Leading up to the negotiations, the International Contact Group played a key role, allowing the resumption of talks in 2009 after the MOA-AD debacle,¹⁴⁸ and making sure that both sides stayed engaged long enough to reach the 2012 agreement. Not only did their direct role in talks facilitate matters (particularly in August and October 2011, when there were threats of a breakdown), but knowledge from those participating in the talks helped guide individual member's efforts to provide technical assistance (on governance, economic issues, confidence building, etc.). Similarly, a Civilian Protection Component was added to the International Monitoring Team. Consisting of domestic and international NGOs, this component expands the reach of the IMT and monitors to check on whether the government and rebel groups are providing adequate security for communities and people displaced during the conflict.

Funding levels for these activities have, as yet, been modest. Several sources of funds allow technical assistance visits by international experts, 'bridging' activities between the peacemakers in Kuala Lumpur and stakeholders in Mindanao, and participation of the international NGOs (by funding their travel and living costs). As implementation of the peace agreement on the ground gathers speed, more resources will be needed. A commission on policing is supposed to be added to the current complex peace process architecture, as well as a joint normalization committee, and a trust fund for development. All of these will need donor support to supplement Philippine government resources.

Supporting a broad coalition for peace. Because the armed conflict occurs on the remote island of Mindanao (far away from the capital in Manila) and is confined to its sub-region, public awareness about the peace process is low and only rises during major armed confrontations between the military and MILF. The Basic Law for the creation of the Bangsamoro autonomous region to replace the ARMM will require approval by the Philippine Congress. The newly-created Bangsamoro will be given specific budgetary allocations, which only Congress can approve. However, without strong public support for the peace process, Congress may not act swiftly on the proposals, given that certain members of the National Legislature are against the government's peace agreement with the MILF. Congress could also pass a watered-down version of the Basic Law, similar to what happened when the ARMM was created.

The importance of this broad coalition for peace cannot be overemphasized, given that the political administration will change, as scheduled, in 2016. The disappointing experience of the MNLF with the Estrada administration should not be repeated. This could happen again with the FAB and the proposed autonomous Bangsamoro region if the TC/TA cannot improve security in the area and deliver services to Moro communities, or the subsequent national administration does not give due importance to the peace process with the MILF. In such a case, there is a strong possibility that the MILF struggle will continue or another major Moro breakaway group will emerge to continue the Moro peoples' struggle for genuine autonomy.

6.6 Conclusion

The primary objective of this study was to better understand conflict in Mindanao and why aid has not had a significant impact in reducing violent conflict. This paper has argued that the conflict environment in Mindanao makes it extremely challenging for aid to influence peace and conflict in a positive way, and there is need to dramatically reassess the expectations for what aid can achieve in the conflict area.

It is best to be honest about what is, and what is not known, in order to be able to formulate realistic recommendations. There is widespread exaggeration about the impact of aid in Mindanao's subnational conflict areas, despite the fact that there is no systematic and rigorous monitoring of critical transformative factors on the conflict-to-peace continuum. Moreover, most aid projects have implausible theories of change that link development outcomes to automatically achieving stability and peace, both in the macro conflict and in local communities. In addition, most conflict analysis glosses over critical local political economy aspects of the state-minority conflict that, if properly understood, would have enhanced aid effectiveness.

As a result, it is not possible to say with any confidence whether aid is helping or exacerbating the conflict situation in communities in Mindanao. Also, due to lack of a systematic and rigorous M&E mechanism, it is not possible to use solid evidence to improve the implementation of programs and projects.

Multiple levels of contestation and the presence of various conflict actors make the Mindanao subnational conflict highly

complicated and difficult to resolve in the short to medium term. This makes the task of formulating durable solutions to conflict very challenging. The right solution for one type of conflict (i.e., state-minority) will not necessarily address other types of conflict (i.e., inter-elite or inter-communal conflict). Breaking the vicious cycle of violence and fragility requires much greater understanding of the drivers of different types of conflict and of the motivations of different conflict actors.

The key to aid effectiveness in the subnational conflict area, beyond maintaining confidence in the GPH-MILF peace process, is improving understanding and adaptation to conflict and political dynamics at the local level. By nature, Moro communities are highly patriarchal and clan-based. Villagers' loyalty is foremost to their clan and to their ethnic group, rather than to the larger Filipino community and society. Even sentiments and actions with regard to the state-minority conflict are often mediated by kinship ties. Villagers view their clan as their social safety net that meets basic needs and even provides livelihood opportunities. As a result, aid programs that attempt to transform local governance must be developed based on realistic understanding of local allegiances and the distribution of power, which in turn shapes what can plausibly be achieved during a project cycle.

Loyalty to clan and ethnic group (local-level loyalty) has important implications for conflict. Armed groups' loyalty is limited when the interests of the clan/ethnic group clash with the interests of the rebel movement. This means that elements of armed groups can switch loyalties, depending on the decision of their clan patriarch. This

also leads to fragmentation of the conflict as breakaway groups form whenever a peace deal is forged with the government that is seen to benefit one clan/ethnic group but not others.

Local-level loyalties explain why most incidences of violence are not state-minority conflicts but are, in fact, *rido*. Rival clans engage in *rido* when political posts and economic resources are at stake. The revenues generated from securing political positions and in cornering economic resources can be used to hire members and friends of the clan to serve in the private army of the clan leader, both to protect the leader and the clan and to expand the clan and the leader's influence. Instability is introduced as clan factions re-group and reform in different constellations, all the way down to the village level.

If aid is to work effectively in this context, aid providers must recognize that local elites (i.e., traditional leaders, clan heads, barangay captains, mayors, and governors) will ultimately determine whether a project has a positive or negative impact on conflict and development. The unique environment in subnational conflict areas requires a different perspective on elite capture, and on elite-community relations. Elite capture may be unavoidable, and may not necessarily be a problem in all cases, especially when a dominant leader is able to mobilize communities to provide the inputs/counterparts needed for donor projects.

Initiatives such as the Asia Foundation's project on *rido* monitoring and intervention, and that directly address issues of inter-elite competition and capture, are extremely limited. This is to be expected because most donors' activities are geared

toward addressing development issues, and some have mandates that limit their assistance to non-political concerns. However, practical experience shows that improving aid effectiveness will require a better understanding of the local political economy and how aid can be prevented from fueling local elite competition that can turn violent.

There are two contending views on elite capture of aid benefits. First, there is some evidence that elite capture of the benefits of aid is a necessary short-term means for improving stability in the area. In other words, aid becomes an incentive for elites not to engage in violent conflict and to allow development projects to be implemented. A contrasting view is that elite capture only strengthens the dominance of local elites, and hence, must be countered by appropriate governance measures (i.e., strengthening partner institutions that will demand greater transparency and accountability, introducing measures that increase transparency and accountability, and providing incentives for good governance). The problem is that there has been no robust evidence, in the case of Mindanao, that either approach will work. But given the complexity of the Mindanao conflict situation, each local situation (i.e., the degree of local elite control, the nature of the elites, the presence of CSOs and other countervailing groups) may differ, so it is essential to avoid universal assumptions.

There may be some risk in implementing large-scale projects because a 'one-size-fits-all' approach will not likely work in addressing problems in conflict areas. But unfortunately, the planning, administrative, and fiduciary requirements of donors require that they develop large, 'one-size-fits-all' projects in order to make them easier

to administer and supervise. The tradeoff between efficiency and relevance should not be underestimated. The challenge is how to include a special component in such large-scale projects that will provide ample leeway needed for project components to be timely and flexible in responding to the unique challenges posed in the Mindanao subnational conflict area.

For aid to be transformative in conflict areas, restoring confidence and transforming institutions must be a core strategy of the project's overall approach. However, this does not mean that all projects should be solely focused on these issues—in fact, this would be counter-productive. It may be more effective for large-scale projects to work on developmental outcomes as a core program, but with more explicit windows or innovative components to focus on transformative strategies. As seen in the Philippines and other cases, some of the best examples of working on transformative issues have come from relatively small programs, or small components of larger programs.

The critical need is for the discourse on aid and conflict to shift in order to differentiate transformative from developmental strategies, and to put a much higher priority on transformative strategies than has been the case until now. This study has shown that there is encouraging, but mixed evidence that development projects can be transformative. However, this will depend on whether the implementation process is inclusive enough and whether the benefits are fairly distributed among those involved. In a conflict setting, the process of development is often as important as the outcome itself.

The amount of aid devoted to the conflict area is not the most important consideration in ensuring effective aid delivery. What is more important is how the project is designed, the concerns to be addressed, the strategic timing of assistance, and the ability to exercise flexibility to respond to changing conflict challenges. This is particularly important in middle-income countries such as the Philippines where the government has adequate resources to provide social services, infrastructure, and encourage economic investments that prioritize the needs of conflict-affected areas.

The installation of systematic and rigorous M&E mechanisms to track the progress of aid should be a top priority of donors. Equally important is the establishment of a conflict monitoring system to track incidences of violence as a decline in violence is clearly a key barometer of success in peacebuilding efforts. Signing of the 2012 FAB between the government and the MILF presents an excellent opportunity to establish these monitoring mechanisms as a way of accurately gauging whether progress is being made. The lack of such a monitoring mechanism after the signing of the 1996 FPA between the government and the MNLF made it impossible to determine whether donor and government support to communities in conflict areas made a difference. If it did not make a difference, it was impossible to gather insights and lessons which could be used to improve future donor and government assistance.

While the FAB does not guarantee cessation of conflict or even its reduction, it is a key step in addressing the foremost state-minority contestation in Mindanao and it could jumpstart the process of finding solutions to other forms of conflict in Mindanao. On the other hand, failure of the FAB will most likely doom future peace efforts as people will become tired of, and cynical about, peace talks and peace agreements that do not achieve lasting stability and security. Also donors will be much less willing to support future rounds of peacemaking.

The Mindanao conflict situation is one of the most complicated cases of subnational conflict in the world because of the many types of conflict and the many conflict actors with differing motives. Finding a durable solution in such a context is indeed a formidable challenge. However, there are strategic interventions that can achieve positive results in breaking the cycles of violence and fragility. The most important of these is for donors to adopt approaches that match concern with the overall state-minority peace process while also being attuned to the realities of local conflict and properly measuring results.





Endnotes

1. *Term used to refer to Muslims in the Philippines. The terms Moro and Muslim will be used interchangeably in this paper.*
2. *These data were obtained from the AidData project, funded by OECD DAC. See Parks, Colletta and Oppenheim 2013.*
3. *For the Philippines' context, this study defines 'militia' as civilians who are organized and armed by state entities, elected representatives, clans, or armed insurgent groups. The term 'paramilitary' applies to forces that are distinct from the regular armed forces but resemble them in organization, equipment, training or mission. For more details on the various militias and paramilitaries in Mindanao, see IBS and CHD 2011:11.*
4. *For details on how the sampled areas were selected, see the background document for this study, refer to Yip, H.K. 2012*
5. *However, care was taken to ensure that enumerators did not survey in villages or areas where they lived or worked.*
6. *Clan feuds or wars between two Moro families who may compete for political positions or land ownership. The culture of maratabat (strong sense of honor/pride) among Moros often transforms a dispute into rido or clan wars, making rido a deadly encounter.*
7. *Rodil 2009, Houben 2003 and Abubakar 2005.*
8. *Historical accounts identified three Sultanates, namely: the Sultanate of Sulu which was based in Sulu but ruled the neighboring islands and coastal areas of what is now known as the Zamboanga Peninsula; the Sultanate of Maguindanao covering the south-central portion of Mindanao Island; and the Sultanate of Pat a Pongampongko Ranao's which ruled the eastern and central portion of Mindanao. For historical accounts of the rise and fall of the Sultanates in Mindanao, refer to Majul 1973 and 1985; Tan 1977, 1989 and 1993; Muslim 1994; Tanggol 1993; and Rodil 2009. Note that the three sultanates were dominated by a particular ethnic group: Sulu and its neighboring islands by the Tausugs; Maguindanao by the Maguindanaoans; and the Pat-ranao (i.e., the Four Principalities of Lanao) by the Maranaos. The presence of many ethnic groups impacted the Moro struggle for self-determination because the leaders could not unite the Muslim factions belonging to different ethnic groups.*
9. *The term used in Mindanao to describe indigenous peoples (IPs) who are not Muslim.*
10. *Christian resettlement of Mindanao was encouraged by the Manila government to: a) ease agrarian unrest particularly in Central and Southern Luzon which was the hotbed of communist insurgency in the 1940s and the 1950s; b) open up Mindanao for economic development; and c) promote Moro assimilation into mainstream Christian society.*
11. *These were meant to a) ease the pressures for agricultural land and related conflicts in the northern islands of the Philippines, particularly in Central Luzon, that were the result of a fast-growing population, and b) exploit the vast natural resources of Mindanao for national development. Refer to Majul 1973 and 1985; Tan 1977, 1989 and 1993; and Mastura 2004.*
12. *Muslim 1994.*
13. *MIM was formed by Datu Udtog Matalam in May 1968.*
14. *The MNLF was led by its Chairman, Nurullajah ("Nur" for short) Misuari. Misuari was a student activist and mentor at the University of the Philippines in the late 1960s, interacting with a number of leading leftist student leaders who eventually became leaders of the Maoist-inspired Communist Party of the*

Philippines (founded in 1968) and the New People's Army formed in 1969, almost at the same time as MNLF

15. *It was an open secret that the regime of Muammar Gaddafi was providing logistical support to the MNLF via Sabah in Malaysia. Libya served as a mediator between the two parties with the blessing of the Organization of Islamic Countries (OIC). Dureza 2011.*
16. *The leadership of the MNLF is dominated by the Tausug and Yakan ethnic groups who inhabit the islands of Sulu and Basilan. Misuari comes from the Tausug ethnic group.*
17. *Integration of members of the MNLF into different state forces was undertaken under Government of the Philippines Administrative Order 295. In total, 5,750 MNLF ex-combatants were integrated into the Armed Forces, including 246 individuals from the Cordillera People's Liberation Army (CPLA). Another 1,750 individuals were integrated into the police. Boada 2009.*
18. *See Ressa 2003 and ICG Asia Report, July 13, 2004.*
19. *See Adriano 2002 for an analysis of Estrada's 'all-out-war' against the MILF in 2000.*
20. *Estimates of the number of civilians displaced can be found in a number studies namely: World Bank 2005, Minland 2008, ICG 2008, and IDMC 2009.*
21. *Colletta 2011.*
22. *Joint Coordinating Committee for the Cessation of Hostilities.*
23. *The GRP-MNLF 1996 Peace Agreement was primarily brokered by the Indonesian government.*
24. *Colletta 2006.*
25. *The original Agreement on Peace between the government and the MILF was signed on 21 June 2001 in Tripoli, Libya.*
26. *President Aquino appointed the members of the panel in March 2013 and designated MILF Vice-chair Mohagher Iqbal as its head.*
27. *Members of the International Contact Group (ICG) are representatives from four states (the United Kingdom, Japan, Turkey, and Saudi Arabia) and from four international non-governmental organizations (The Asia Foundation, Muhammadiyah, Centre for Humanitarian Dialogue, and Conciliation Resources).*
28. *World Bank and AusAID 2010.*
29. *HDI measures the average achievement in a country on three basic dimensions of human development. These are Longevity, as measured by life expectancy at birth; Knowledge, as measured by the basic education enrolment ratio (the enrolment ratio of children aged 7 to 16), the high-school graduate ratio, and the functional literacy rate; and the Standard of living, as measured by real income per capita. UNDP 2005.*
30. *UNDP 2005.*
31. *This finding is supported by the Millennium Development Goals' (MDG) Midterm Progress Report (2007), which noted that the lagging regions in the country, with serious deprivation, are found in Mindanao (ARMM, Caraga, and Central, and Southwestern Mindanao).*
32. *The situation is much worse for displaced populations in the conflict-affected provinces in Mindanao. A study conducted by the World Food Programme and World Bank in 2011 (Vinck 2011) showed that travel times to Maguindanao elementary schools (36 minutes) and to health stations (73 minutes) were almost twice as long as those in any other province of Central Mindanao. In Tawi-Tawi and Lanao del Sur, 68% and 60% of people, respectively, rely on unprotected sources for their water supply.*
33. *UNDP 2005.*
34. *Oquist 2006, gives a higher estimate of the fatalities (from 140,000 to 240,000) for the period 1969-2004. However, his estimate includes casualties from communist-related insurgency.*
35. *Barandiaran 2002.*

36. Schiavo-Campo and Judd 2005.
37. Schiavo-Campo and Judd 2005.
38. Schiavo-Campo and Judd 2005 and UNDP 2005.
39. UNDP 2005.
40. Cordillera Peoples Liberation Army (CPLA); Rebolusyonaryong Proletaryong Manggagawang Pilipinas (RPMP); Revolutionary Proletarian Army-Alex Boncayao Brigade (RPA-ABB); and Rebolusyonaryong Partido Manggagawa-Mindanao (RPMM).
41. Rido or clan war is the most common form of violent incident in the conflict areas. Torres, ed. 2007.
42. The Asia Foundation and Social Weather Stations, 2009.
43. Several surveys were conducted by Social Weather Stations (SWS) in the aftermath of the failed MOA-AD in August 2008. The first survey conducted in October 2008 was a regular nationwide SWS survey, with a sample size of 1,200 respondents, though additional questions on the MOA-AD were added. The second SWS survey was conducted in December 2008, and commissioned by The Asia Foundation. This had a sample size of 1,200 respondents, though covering only the ARMM provinces (900, including the six municipalities in Lanao del Norte identified in the MOA-AD) and 300 respondents in Isabela (Basilan) and Cotabato Cities.
44. The average score is based on a Likert scale with 4 indicating the most important and 1 the least important.
45. Torres, ed., 2007 and Arguillas 2011.
46. Schuler et al. 2013.
47. Cook and Collier 2006.
48. Immerwarh 2009 provides an excellent discussion of how USAID's community development (CD) approach evolved in the Philippines from the 1950s to the 1970s. He also notes that during the 'Cold War' period in the Philippines, USAID mainly used CD as a counter-insurgency tool.
49. Both places are coastal cities with easy access to the Pacific Ocean and the West Philippine sea (previously referred to as the China Sea). General Santos City faces the Celebes sea, which serves as a gateway to both the Pacific Ocean and the South China Sea (or West Philippine sea) as well as the northern islands of the Indonesian archipelago.
50. In the 1950s and 1960s, Mindanao was dubbed the 'Land of Promise' because of its vast tracts of land suitable for agriculture and its forest and mineral resources. While these conditions may no longer be valid because of land scarcity that began in the 1960s and 1970s, and the wanton exploitation of many resources, the label 'Land of Promise', is still used today, particularly by politicians.
51. USAID launched a multi-million dollar assistance program in 1996 called Growth with Equity in Mindanao (GEM). GEM I continued the MGP's focus on infrastructure development in General Santos City, and extended similar assistance to other strategic areas in Mindanao. This assistance was complemented with funds to develop business enterprises and improve the business environment by developing government policy that encouraged greater private sector participation in the island's economy. In addition, GEM I added components such as ELAP (the Emergency Livelihood Assistance Project), and LEAP (previously called the Livelihood Emergency Assistance Program, and later renamed the Livelihood Enhancement and Peace program). Successive GEM projects (II and III) responded to the government's request to assist with the demobilization and reintegration of MNLF combatants after the MNLF and the government signed the 1996 Final Peace Agreement (FPA).
52. President Ramos established a high-level body, the National Unification Commission, in 1992, comprised of well-known members of the executive and legislative bodies of the government who recommended ways to pursue the peace process with various rebel groups. Through such efforts, the peace initiative of

- the Ramos administration won the support of the donor community.*
53. Cook and Collier 2006.
 54. In 2004, both Maria Ressa and the International Crisis Group published reports documenting the links between Al-Qaida, Jemayaah Islamiyah and some MILF leaders. Ressa noted that Philippine military intelligence contributed to the arrest of Ramzi Ahmed Yousef who masterminded the bombing of the World Trade Center in 1994. Ressa 2004 and International Crisis Group 2004.
 55. In lieu of the physical presence of US military bases in the country, a Visiting Forces Agreement (VFA) was signed between the Philippines and the US which allows US forces to conduct regular joint combat exercises with their Philippine counterparts in various parts of the country. Also, to bolster the capability of the Philippines' armed forces, as part of the VFA, military hardware and equipment are donated by the US government.
 56. Conversely, the Caraga region, which is the poorest in Mindanao, but experiencing a communist rather than a Muslim insurgency, attracts little donor interest and aid.
 57. Refer to the World Bank's internal memorandum: "Mindanao Watching Brief" (No. 6, January 5, 2002). It should be noted that the World Bank had an assistance project then called the SZOPAD Social Fund (SSF), which was meant to support the signing of the 1996 Final Peace Agreement between the government and the MNLF. Despite this, previous analysis by the Mindanao Economic Development Council (MEDCo) revealed that neither the government nor donors provided Mindanao with an appropriate level of funding based on its development needs. See Mindanao Studies Consortium, Inc., 2007.
 58. FRIEND, Inc. 2002.
 59. Now referred to as the Philippine Development Forum (PDF).
 60. Among which are USAID's GEM I and II, with overlapping support from the Mission's nationally-implemented support for education and health, but with substantial exposure in Mindanao; the World Bank's ARMM Social Fund, with funding from JICA; the Mindanao Rural Development Project I (MRDP I); JICA's J-BIRD project; EU support for Mindanao upland agriculture, among others; AusAID support for basic education in Mindanao, and particularly ARMM and Mindanao-based CSOs; CIDA's LGSP-A; ADB's investment in improving infrastructure facilities in both conflict and non-conflict areas; and JBIC's loan for the development of major highways and irrigation facilities, etc.
 61. The 'assimilationist' agenda of the central government was manifested through its sponsorship of the series of Christian resettlement programs in Mindanao. Other examples were history textbooks for elementary and high school students that hardly mentioned the contribution of the Moros in the struggle against colonial forces; the promotion of Filipino as the lingua franca (based on the Tagalog dialect); and the establishment of Christian missions and schools (particularly Catholic) in the heart of the Moro lands (i.e., Cotabato, Lanao, Basilan, and Sulu Provinces). Donor assistance was particularly felt in textbook production and the provision of infrastructure facilities to promote the economic development of Mindanao.
 62. Communist Party of the Philippines-New People's Army.
 63. Refer to Adriano 2007:119. However, it should be noted that in 2007, the Caraga region became the focus of GIZ assistance. Through NEDA, and the former MEDCo (now MinDA), the Government of the Philippines asked the German agency to focus its aid on the Caraga region because most other donors were focusing on Moro areas and adjoining provinces.
 64. GIZ 2008.
 65. Bangsamoro communities and Mindanao stakeholders and observers—from the Christian, Muslim and Lumad communities, local and national elected officials, national civil society groups, the business sector, and the international community—welcomed the breakthrough framework agreement and expressed

support for the ongoing peace negotiations and subsequent implementation of the comprehensive peace agreement. However, there are several influential local politicians and national figures like Zamboanga City Mayor Lobregat and Former President Estrada, who remain sceptical that entering into another peace agreement with a Moro armed group is the solution to the Mindanao problem. (Abinales 2012, Clapano 2012, and Dureza 2012). Several MNLF faction leaders, most notably the MNLF founder and former ARMM Governor, Nur Misuari, have also expressed discontent over the framework agreement, accusing the government of reneging on the 1996 Final Peace Agreement and leading some to question the inclusiveness of the MILF and the peace process as a whole. Dureza 2012.

66. In 1995, during the Ramos administration, a series of peace summits were conducted in key cities of Mindanao to drum up support among various stakeholders for the government-MNLF peace process.
67. This was called the Transition Investment Support Program (TISP). However, despite the establishment of the Transition Commission, there is still no mechanism agreed between the government and the MILF for the latter to receive and manage funds. Thus fund management remains under the control of national government agencies.
68. This will be implemented under the Sajahatra program for the Bangsamoro, which was launched on 11 February 2013 by President Aquino and MILF Chairman Murad. A couple of days after this launch, the President issued Administrative Order No. 37, creating a Task Force for Bangsamoro Development to coordinate Sajahatra program assistance from different government agencies.
69. Abinales 2013.
70. Because the terms of the FAB Annexes are expected to generate controversy, a public information campaign is imperative to explain the peace process and proposed terms and facilitate public discussion and feedback to the peacemakers.
71. In a survey of 2,749 displaced people in 6 sites in Mindanao (i.e., Lanao del Norte, Lanao del Sur, Maguindanao, North Cotabato, Sultan Kudarat, and Cotabato City), when respondents were asked to identify who in their opinion provides security in their community, the most common response was the community itself (70%), followed by the police (53%), the government (38%), and the armed forces (22%). The MILF and MNLF were mentioned by only 9% and 4% of respondents, respectively. Vinck 2011: Table 2 and World Food Programme and World Bank 2011:15.
72. Torres, ed. 2007 and Gulane 2013.
73. Arguillas 2011.
74. The re-registration effort in 2012 by the Commission on Elections (Comelec), in coordination with the ARMM Regional Government, resulted in thousands of 'ghost voters' being removed from the voters list. Jaymalin 2012.
75. Once it has accomplished its mandate of crafting the Basic Law, and after approval by Congress, the Transition Commission will give way to the Transition Authority.
76. There have been two core demands over the long history of Moro struggle: one is the creation of a separate state or autonomous region for their people; and, two is the socio-economic improvement of Moro communities. The first demand is a reflection of the Moros' desire for a territory where they can preserve their identity and culture, as well as exercise religious freedom. The second demand is a result of the dismal socio-economic conditions in Moro communities. Oquist 2006 and Soliman 2005.
77. Boncodin 2007.
78. Oquist 2006 and Arguillas 2011.
79. At the time this report was written in early 2013, this was the subject of talks between the government and the MILF on the FAB Annexes concerned with Wealth Sharing and Power Sharing.

80. Mastura 2004, Tanggol 1993, Majul 1985, and Tan 1977.
81. *Along this line, is the argument that in a 'weak state', the warlord or the clan provides protection for members of the clan or community. Unfortunately, this ignores the negative acts that the warlord or clan commits in the process of 'protecting' members of the clan or community, and that the warlord/clan leader benefits the most from this 'protection'.*
82. *A survey of displaced people in Central Mindanao in 2011 shows that respondents gave an average trust rating of 72% to the police and 68% to the military, but only 39% to the MILF and 33% to the MNLF. However, on a per province basis, the trust rating in Lanao del Sur and Maguindanao was high for the MILF (66% and 67%, respectively) and high for the MNLF (57% and 62%, respectively). Figure 13:19, Vinck 2011 and World Food Programme & World Bank 2011.*
83. *Under his 6-year term, President Ramos visited Mindanao 66 times. In his 14-year rule, President Marcos visited the island less than 5 times and President Arroyo, in her 9 years in office, visited the island less than 20 times. It was also during Ramos' administration that the BIMP-EAGA (Brunei-Indonesia-Malaysia-Philippines East ASEAN Growth Area) was launched to link Mindanao's economy with the economies of neighboring Malaysia, Indonesia and Brunei.*
84. *It should be noted that their creation will be highly dependent on ensuring security and improved governance in the areas—two factors cited by the private sector for not investing in the ARMM. See Dy 2005 and FRIEND, Inc. 1997.*
85. FRIEND, Inc. 2002, JNA 2005 and JICA 2009.
86. World Bank-AusAID 2010.
87. Nuguid-Andam 2003, Jampac 2003 and Tuminez 2009.
88. Dy 2004.
89. *In addition to the Paglas case, Adriano 2011 and Dy 2012 examined a number of relatively-large enterprises operating in Mindanao conflict areas and the factors that contributed to their success.*
90. *For a discussion on the role of the private sector in conflict areas, refer to International Alert 2010, 2006, 2000, and 2005; Channell 2010 and 2006; and Nelson 2005 and 2000.*
91. *Aid fragmentation has a particularly adverse impact on Mindanao as it further stretches already-weak local government capacity, and fails to provide an appropriate strategy for addressing the conflict.*
92. *These figures are based on OECD DAC data, available through the AidData project website. This includes projects reported by donors that explicitly indicated a focus on the ARMM region and surrounding areas, or that focused specifically on addressing the Moro conflict. National projects that included some programs in the conflict area are not included. For more background on the process used to derive these figures, see Parks, T, Colletta, N. and Oppenheim, B. 2013.*
93. *This is an important factor in the effective delivery of basic services because as early as 1991, the Philippine Congress passed a decentralization law called the Local Government Code of 1991. Among others, this stipulated that local government units (LGUs) are mandated/ responsible for delivering basic services (health, agriculture extension, social services, but not education).*
94. *For instance, most of the USAID GEM infrastructure projects were built outside the conflict-affected ARMM provinces. Similarly the World Bank's MRDP assistance is largely for provinces outside the ARMM. With the exception of the World Bank's ASFP and AusAID's BEAM-ARMM, which are exclusively implemented in the ARMM, all other donor projects operate in non-ARMM provinces.*
95. MinDA and AusAID 2012:52-55.
96. *In the recent reorganization of working groups under the Philippines Development Forum, the Mindanao*

Working Group was abolished because it did not have an equivalent cabinet cluster. As a substitute, just before the convening of the Philippines Development Forum in February 2013, MinDA convened a Mindanao Development Forum to focus on Mindanao development issues.

97. *For clarity, 'sub-project' refers to the actual assistance implemented in the village, while 'project' refers to the donor project that is extending the assistance. For example, Kalahi is the World Bank's project, and its sub-projects are the construction of potable water supplies, farm-to-market roads, and a multi-purpose center, etc.*
98. *This analysis included a desk review of key project documents, and interviews with donor agency managers and implementing agencies. This review also utilized the field research of a separate research project by The Asia Foundation entitled "Community-based Development in Conflict-affected Areas of Mindanao", which included in-depth interviews and field visits to project sites, though not for all of the projects in this review. Projects were selected for this review based on the following criteria: a) program activities were in the subnational conflict area, b) projects were large scale and high profile, and c) a small additional sample (four projects) explicitly focused on peace and conflict (based on OECD DAC reporting).*
99. *This figure combines the first two categories in Table 4.2: ODA Commitments/Projects by Activity Type (2001-2010) as "Community Development", which includes projects concerned with: a) peace and conflict, and b) community-driven development (mostly World Bank).*
100. *Schuler et al. 2012.*
101. *It should be noted that the Additional Financing phase of the ARMM Social Fund Project (ASFP), another World Bank CDD initiative, has introduced a quasi-experimental baseline assessment with treatment and control areas.*
102. *The information in these tables is based on interpretations of donor documents and interviews. These statements do not represent official positions of the donor, nor are they statements taken directly from donor documents.*
103. *When members of this research team visited Basilan and Sulu, they were escorted by a platoon of Philippine Marines.*
104. *USAID's conflict analysis is an assessment of the conflict situation in the country rather than a comprehensive conflict analysis that can be used as an input in project design. Timberman 2003.*
105. *Schuler et al. 2013.*
106. *North et al. 2009.*
107. *Brand Lab 2011.*
108. *In other words, while villagers rely on their local leaders for protection, they do not necessarily trust them due to the violence their leaders are capable of committing. Thus, villagers rely on their local leaders for protection because they have no other choice.*
109. *This chart uses a Likert scale to compare the relative trust levels for several providers of security. The most trusted providers are ranked 3, the second most trusted providers are ranked 2, the least trusted providers are ranked 1, and 0 indicates no ranking.*
110. *The question asked was: "Generally speaking, would you say that people can be trusted or that you can't be too careful in dealing with people?"*
111. *Because of high security risks, staff members of donor organizations, including the World Bank and the United Nations, are not allowed to visit this province to monitor their projects.*
112. *A study by Lebonne, Chase and Jorgensen (no date), entitled "Is a Government Official More Valuable than your Friends?" examined whether the participatory process of Kalahi-CIDSS encouraged recipients*

- to actively participate in sub-project decision-making even if their choices contradicted their local leaders. The authors found that respondents' answers were negative. The reasons given for negative answers concerned a) the limited duration of the sub-project, compared to villagers' need to maintain good relations with their leaders for the long term, and b) villagers' requirement for support from their leaders if they face dire need, and their family does not have enough resources to help.
113. The survey question asked respondents to agree or disagree with the following statement: "No corruption happens in development projects funded by foreign governments or international NGOs in your barangay."
 114. In a competitive political environment—i.e., when the regime is non-dynastic (meaning that the incumbent or his relatives have not occupied the position for six successive electoral contests), voters who receive conditional cash transfers will likely express their gratitude by voting for the incumbent. Labonne 2011.
 115. Arcand, Bah and Labonne 2010.
 116. According to Arcand et al. 2010: 24, "the decrease in MILF-related events might stem from the project having increased the sense of inclusion of the Muslim population in local decision-making. Furthermore, casual empiricism in the field suggests that the Muslim inhabitants of treated municipalities perceive a greater sense of empowerment, concrete improvements in access to government services and thereby a reduced sense of grievance towards the central government. Conversely, it is likely that the NPA perceives the project as a threat as it might undermine their popular support... Increase of violence in their part could be interpreted as an attempt to prevent the government from implementing an aid project that might reduce grievances."
 117. Schuler et al. 2013.
 118. The question design was an unmatched count, or 'list' experiment. Respondents were randomly assigned to either a treatment or a control group of roughly equal size. The control group was 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." Options included: "I do not trust foreign organizations"; "The assistance that they provide is not appropriate to my needs"; "The people in the barangay are not given enough opportunity to give their opinions on the development projects." The treatment group was asked the same question, with one additional option: "I worry about potential reaction or threat of violence from MILF" (or, in Agusan del Sur, from CPP-NPA). The proportion of the population that would not participate in an aid project because they feared insurgent reprisal was derived by subtracting the average (mean) number of reasons the treatment group gave for not participating from the mean number of reasons the control group gave for not participating.
 119. Schuler et al. 2013.
 120. Asia Pacific Policy Center 2011.
 121. Despite the broad support for the peace process and the framework agreement, observers and analysts have recognized the substantial challenges which the government and the MILF must resolve to attain sustainable peace in the region. See Bahru 2012, Jannaral 2012 and Pamintuan 2013.
 122. In the chart, "S-M" refers to state-minority contestation, and "I-E" refers to inter-elite contestation.
 123. Kalahi-CIDSS is implemented by the government's Department of Social Welfare and Development (DSWD), with funding support from the World Bank and the Millennium Challenge Corporation (MCC). Other World Bank-funded projects implemented in Mindanao conflict areas include the

ARMM Social Fund (ASFP) project; the Mindanao Trust Fund (MTF) project; and the Mindanao Rural Development Project (MRDP) I and II. Unlike Kalahi-CIDSS, which has been subjected to rigorous M&E work, complete with baseline and panel data, the other projects have not been evaluated in an exacting fashion.

124. *Kalahi is implemented in over 4,200 barangays in 184 municipalities in the poorest 42 provinces in the Philippines. These provinces were selected based on poverty data from the National Statistics and Coordination Board (NSCB), while the target municipalities were selected by a municipal poverty-mapping technique developed by the Asia-Pacific Policy Center. Once a municipality is selected, all barangays within it compete for support. This competition is run by the Municipal Inter-Barangay Forum, whose members comprise four representatives from each of the barangays in the municipality, plus the town mayor, concerned local officials, and Kalahi's community facilitators. There are three sub-project competitions per year, which means that barangays that lost one round are eligible to compete in subsequent rounds.*
125. *Arcand, Bah and Labonne 2010 and Barron 2011.*
126. *Lebonne 2008a, 2008b.*
127. *Araral and Holmemo 2007.*
128. *Crost and Johnson 2010 and Arcand, Bah and Labonne 2010.*
129. *GIZ 2008 and 2011.*
130. *Hagen Berndt et al. 2008.*
131. *Since 2008, The Asia Foundation has been supporting several organizations that intervene and mediate between rivals in rido conflicts.*
132. *Local Monitoring Teams, the Joint Coordinating Committee on the Cessation of Hostilities, the Ad Hoc Joint Action Group, and the International Monitoring Team.*
133. *A POC is a good mechanism for managing conflicts in areas where communities have a homogenous population and a functioning local government. Two of the most successful POCs are in Bohol and Misamis Oriental. However, POCs seem relatively weak when they operate in a diverse environment, and are not very successful in addressing local-level violence such as rido or conflicts between Christian settlers and a nearby Moro community.*
134. *Aslam et al. 2013.*
135. *A few years ago, these studies would not have been possible because senior military and police officials would not have been receptive to proposals recommending reforms to their sector. A number of the contributors to the collections of essays analyzing various aspects of civilian-military relations are active and retired senior military and police officials. INCITEgov 2012 and ISDS, UNDP and OPAPP 2009.*
136. *In 2007, the government's Mindanao Economic Development Council (MEDCo) did attempt to launch a joint M&E initiative with funding from AusAID. However, the proposed M&E approach was not successful as donors attending the presentation heavily criticized the joint approach to M&E. Their objections were that: a) each donor project has different objectives and indicators to measure key results and these differ from the indicators proposed for joint M&E; b) donors do not have the tools and resources required to implement the proposed rigorous approach to M&E; c) with no baseline data for conflict areas in Mindanao, it would be difficult to track whether progress has been made; and d) it would be difficult to convince donors' project management units/offices to regularly submit the data required for*

rigorous M&E.

137. Anderson, Chigas and Woodrow 2007.
138. Arcand, Bah and Labonne 2010 and Schuler et al. 2013.
139. Asia Pacific Policy Center 2011.
140. *Local officials who do not live in the municipality/province which they head, but instead live in nearby urban centers and delegate their work to trusted lieutenants (i.e., provincial or municipal administrators).*
141. Barron 2012.
142. Oquist 2006.
143. *In the case of the Philippines, for instance, the Aquino government allotted an additional US\$ 200 million in 2012 for the improvement of social services in the ARMM. Another US\$ 300 million was being contemplated for 2013, in addition to the yearly budget allocation for the ARMM.*
144. *The Sajahatra Bangsamoro Program was launched in February 2013 by President Aquino and MILF Chairman Murad, with key Aquino cabinet officials and members of the MILF Central Committee also attending the launch in the MILF's Camp Darapanan.*
145. *FASTRAC is the abbreviation for the Facility for Advisory Support to Transition Capacities. This is a technical assistance fund jointly administered by UNDP and the World Bank that the Transition Commission (TC) can use to hire experts to advise them on the terms of the four Annexes to the FAB (the Basic Law on Autonomy, Wealth Sharing, Power Sharing, and Normalization).*
146. *The 2012 locality case study interviews in MNLF-controlled villages in Marawi City and Pualas Municipality in Lanao del Sur Province revealed that former MNLF members were still complaining that the Government of the Philippines had not provided the assistance promised to them.*
147. Guiam 2001.
148. *As previously explained, in mid-2008, the government and the MILF negotiating panel announced that they had reached a peace accord—the Memorandum of Agreement on Ancestral Domain (MOA-AD). Unfortunately, critics of the agreement secured a temporary restraining order from the Philippine Supreme Court that barred the Philippine negotiating panel from signing the agreement. Shortly thereafter the Supreme Court declared the agreement “Unconstitutional” and hence, null and void.*

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