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Subnational Conflict and International Development Assistance

Thomas Parks,
Nat Colletta,
Ben Oppenheim

Why Subnational Conflict Matters

Subnational conflict is the most widespread, deadly and enduring, form of conflict in Asia. Over the past 20 years, there have been 26 subnational conflicts in South and Southeast Asia, affecting half of the countries in this region. These conflicts are among the world's longest running armed struggles, often lasting for multiple generations, and more than 40 years on average. Within Asia, subnational conflicts have been the most common form of armed conflict since 1955.

On their own, individual subnational conflicts are usually peripheral to national and international concerns. In most cases, they affect only a small minority (6.5% of a national population on average), and typically involve less than 20% of national territory. However, the overall impact of subnational conflict is enormous: over 131 million people live in areas affected by subnational conflicts and at least 1.35 million people have been killed in such conflicts since 1946. Between 1999 and 2008, more people died in subnational conflicts in Asia than in all other forms of conflict combined.

Subnational conflict can be defined as armed conflict over control of a subnational territory, within a sovereign state, where an opposition movement uses violence to contest for greater self-rule for the local population.

Subnational conflicts in Asia affect strong states and middle income countries. The majority of subnational conflicts take place in stable, middle-income countries, with relatively strong governments, regular elections, and capable security forces. As such, subnational conflict defies conventional wisdom on the relationship between conflict, economic development and institutional capacity. Despite decades of economic growth, widespread poverty alleviation, and increasing capacity of central governments, subnational conflicts continue to be a major challenge in the region.

The legitimacy of the state, and not its capacity *per se*, may be the pivotal factor in local contestation. Subnational conflicts in Asia are fueled by perceived injustice over governance, political and economic marginalization, and threatened identity of the local minority population. Many of these areas were self-governing and culturally distinct prior to 20th century state building that sought to consolidate power over peripheral regions through stronger central control, cultural assimilation, and concentration of local power in the hands of a small governing elite with strong ties to the state. Minority populations living in subnational conflict areas were often subjected to prolonged assaults on their identity that contributed to their perceptions of injustice. Such

policy-driven assaults included: education in the national language only, citizenship criteria excluding some minorities, discriminatory access to government services and productive assets, and loss of traditional homelands. These factors continue to feed an inter-generational narrative of fear and distrust of the state and security forces and of challenging the state's legitimacy and authority in the conflict-affected area.

Strained relations with the state does not necessarily equal support for insurgents. There is great variation in how much ethnic minority communities support armed groups that claim to be fighting in their name. People in subnational conflict areas recognize that while many insurgents are motivated by ethnic-minority grievances and ideals, others are motivated by much less altruistic objectives, including crime and local political dominance. In many cases, the local population feels more threatened by insurgents and the private armies of local elites, than they do by government security forces.

Purpose of this Study

The interactions between conflict, politics, and aid in subnational conflict areas are a critical blind spot for aid programs. This study was conducted to help improve how development agencies address subnational conflicts. With limited understanding and monitoring of local-level dynamics beyond anecdotal accounts, development agencies and governments often do not know how aid programs unfold at the local level. In their efforts to understand local political and conflict dynamics, development actors contend with many obstacles, including limited access to conflict areas, wary local populations that are not inclined to discuss sensitive local issues with outsiders, and challenges in interpreting complex local dynamics.

Study methodology. The study draws on new primary field research from locations and sources that are often inaccessible to researchers and aid practitioners. Through multiple, independent data collection efforts, the research team gathered extensive data on localized conflict, public and elite perceptions, socio-economic conditions, violence, aid flows, and political dynamics.

The research included two levels of data collection and analysis. First, the study undertook a regional analysis of conflict, development, and aid in 26 subnational conflict areas in Asia, largely drawing on secondary data. Second, the research team conducted in-depth case studies in three major subnational conflict areas: Aceh (Indonesia), Mindanao (Philippines), and the southernmost provinces of Thailand, drawing upon original field research and survey data. Great care was taken as well not to endanger the lives of local survey and interview respondents, intermediaries or the local researchers who conducted the conflict-area studies.

Drawing on the *World Development Report 2011: Conflict, Security and Development*, this study uses a framework for identifying strategies to address violent conflict, organized under two broad themes. First, it is important to *build the confidence* of key actors in the transition to peace. Building confidence does *not* mean building confidence in the state; confidence relates to the expectation that the conflict itself (and the political dynamics that influence the conflict) can be overcome, and that a credible transition to peace will occur. Second, it is important to *transform institutions* that are directly related to the sources of conflict. Transforming institutions in a subnational conflict environment involves the creation or reform of rules and/or practices to address inequities in security, justice, and economic activity. These strategies are distinct from the vast majority of development assistance models, and are intended to encourage transformation of the underlying dynamics that fuel a violent conflict. For this reason, this study refers to these approaches as *transformational* strategies and outcomes**.**

Findings: Understanding Sub-National Conflict and Development Aid

Subnational conflicts are invariably affected by multiple and overlapping levels of contestation. The three major forms include:

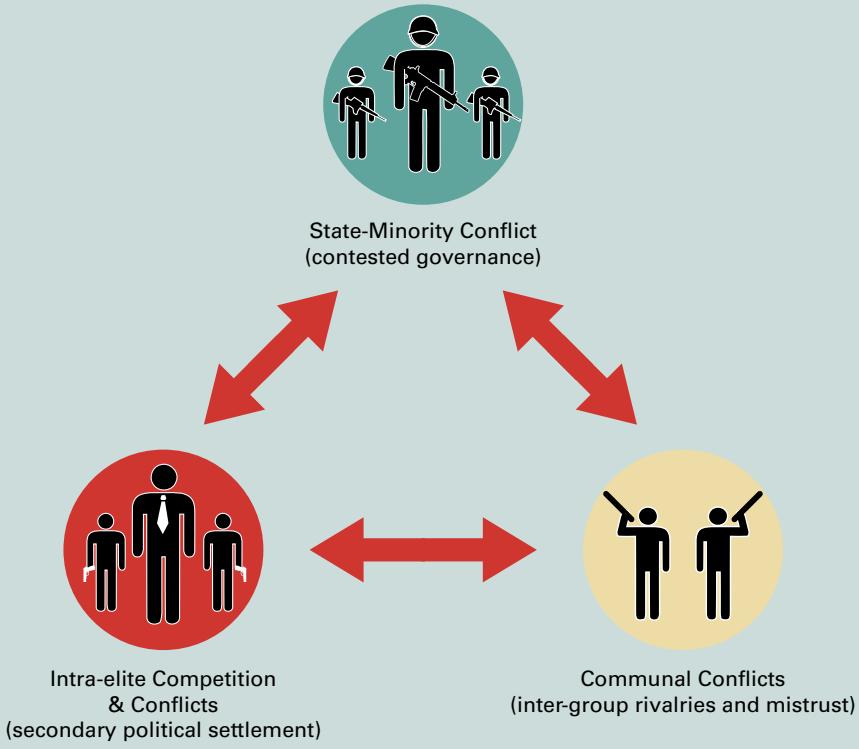
a) *State-Minority Conflict*, which involves the active struggle over the presence, role, authority, and legitimacy of government actors and institutions in the conflict area;

b) *Competition and Conflict between Local Elites* that include rival clans, families and/or political factions that compete for dominance in their area; and

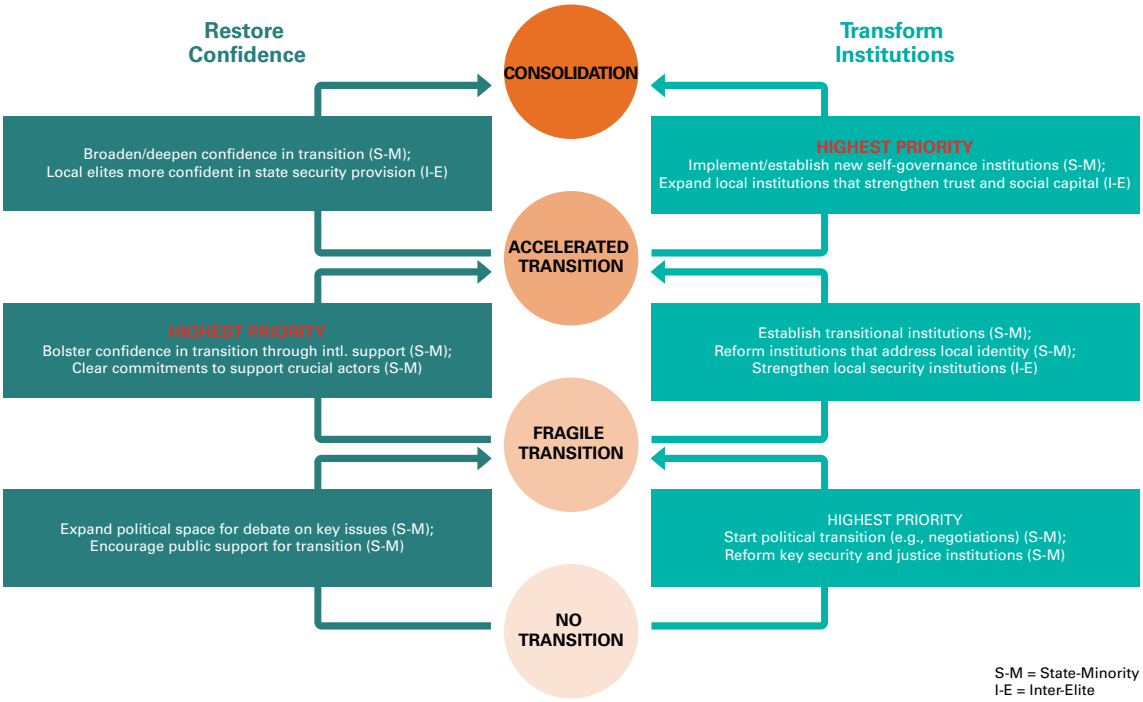
c) *Inter-communal Conflict* that comprises competition between different ethnic and/or religious groups living close together, and often competing for scarce land and other resources.

Four different stages of political transition. Each subnational conflict can be placed along a continuum of *political transition* from war to durable peace. At Stage 1, *no political transition,* there is effectively no credible process underway to facilitate peacemaking and end protracted violence. Where there are efforts to facilitate a transition, a *fragile political transition* may exist—most commonly through a formal peace process between the central government and the armed group opposing the state. However, there may be widespread skepticism that the transition process will lead to a durable peace, due to stalled negotiations, fragmentation of armed groups, or failure to deliver on promised reforms or concessions.

Three forms of contestation in subnational conflict areas



Calibrating strategy to the stage of transition



An *accelerated political transition* may take hold in cases where there is high confidence in the transition process, and where the government, the armed opposition, and key leaders from the conflict area have more political space to proceed with difficult compromises and concessions. Finally, the *consolidation* period is the other end of the continuum, taking place usually after a major agreement has been reached, when institutions undergo major transformation. *The path from war to durable peace is not linear,* however. It is very common for political transition processes to follow winding, circuitous paths, with major setbacks at multiple points in the process.

It is very difficult for international aid to influence key factors that fuel or sustain a subnational conflict. Aid agencies concerned about peacebuilding focus mainly on fragile and heavily conflict-affected states. Since subnational conflicts are often found in middle-income, relatively strong states, and consequently receive low levels of foreign aid, donors do not have the policy influence that they usually have in donor-dependent fragile states. For 17 of 26 South and Southeast Asian subnational conflicts reviewed for this study, international aid flows were extremely low, averaging less than US$ 3.5 million per conflict area annually.

Most aid programs are not focused on core conflict drivers. Generally speaking, aid projects focus on *development outcomes* such as improving livelihoods, health, and education, and on local economic growth. The international community provided nearly US$ 6 billion in official development assistance to subnational conflict areas in Asia over the period 2001 to 2010. However, most assistance does not explicitly focus on conflict issues, and many large-scale programs do not seriously consider conflict in their design, implementation, and monitoring. Nearly 88% of aid programs focus on traditional development sectors such as infrastructure, economic development, and service delivery. Even in cases where aid programs are justified on the basis of contributing towards long-term peace and security, this study shows that most programs use developmental approaches and that there is very little evidence of positive impact on conflict dynamics. In sum, purely developmental assistance is not sufficient to support a transition to peace.

Findings: Transformational Aid and Peace Processes

Transformational strategies and outcomes are fundamentally political in nature. A transition to peace requires changing the perceptions and political calculations of key actors in armed groups, the national government, national opposition parties, and local leaders in the conflict-affected area. The most effective ways to improve confidence usually involve major symbolic changes or dramatic course corrections by government, armed groups, or key non-state actors. These give credibility and authenticity to a process of transition towards peace. Transforming established institutions that are closely tied to the conflict will inevitably lead to a new set of winners and losers, and attendant resistance from those who have benefitted from the status quo.

In the absence of a peace process, international aid is highly restricted and usually avoids conflict-related issues. There are major differences between aid programs in places where there is a formal peace process (or political transition) unfolding and places where there is none. The vast majority of donor aid to subnational conflict areas without a peace process in progress is 'business-as-usual' for donors. With no formal peace process, 86% of funding supports economic development or service delivery programs, including 56% for economic infrastructure or production sectors. The departments within the donor agencies that are implementing programs in these conflict areas often work through mechanisms and on sectors that allow them to largely avoid or 'work around' conflict. In areas with no peace process, the majority (72%) of funding is provided by the multilateral development banks (Asian Development Bank and World Bank). Peace and conflict programs are extremely small in areas with no peace process—only US$ 8.8 million annually for the entire region (or 2.1% of total aid).

In areas with a peace process, the largest sector in terms of level of funding is typically peace and conflict programming. Major donors during peace processes include the United States, Australia, Japan, the United Kingdom, the European Commission, Germany, Canada, and Norway. However, in areas without a formal peace process, these donors provide little or no funding, with the exception of Japan.

Findings: Implications of Relations between Donors and Recipient Governments for Responding to Subnational Conflict

Government usually restricts donor access and operations in subnational conflict areas without a peace process. In the absence of a peace settlement or process, governments will often allow large aid programs, but only if they are a) channeled through government, b) working in politically-innocuous sectors, and/or c) strengthening government capacity to deliver services or improve administration.

Managing bilateral relations while encouraging a transition to peace. Efforts to address subnational conflict often raise highly-sensitive issues over decentralization or autonomy, national identity, the role of security forces, and territorial integrity. Thus the need to maintain good relationships with the national government heavily influences how donor agencies behave. As a result, aid programs have tended to back central state policies and programs in their existing form, rather than promote the transformations needed to resolve subnational conflicts. Even when aid agencies have good understanding of the realities on the ground, they will tend to keep their analysis of the conflict private, and avoid programs that could raise government concerns.

Conflicting motivations for providing aid. Commitments to promote peace, tackle human rights abuses, reduce poverty, and protect vulnerable minorities often compel donors to address subnational conflicts. Conversely, donor governments often have other priorities related to regional security, trade and investment. These competing donor government priorities can make it difficult for donor agencies to work on subnational conflict issues. Strategic security concerns over instability and extremism can further complicate donor positions. If there are higher-priority security issues that require a close partnership with the government, then donor governments are more likely to ignore the subnational conflict, or to interpret it through the framework of these other diplomatic and security priorities.

Findings: Donor Agency Internal Constraints

Internal bureaucratic regulations and other donor agency imperatives can adversely impact aid effectiveness in subnational conflict areas. First, procurement and financial management rules and procedures can limit the flexibility and responsiveness of aid programs, reducing aid effectiveness in subnational conflict areas. Second, within some donor agencies, pressure is increasing to fund fewer and larger programs in order to reduce administrative costs per project. These cost-cutting measures can reduce the ability of donor staff to improve their knowledge of the conflict area and also to monitor results effectively. Third, short project cycles do not match the slow pace of change in subnational conflict areas. Helping to transform the institutions necessary to resolve a multi-decade conflict requires a long-term commitment which usually well exceeds the timeframe of a typical aid project cycle.

There is a noticeable gap between the knowledge and understanding of the conflict among aid officials, and the design and implementation of programs in conflict areas. In many cases, the country staff of donor agencies and international non-governmental organizations have a sophisticated understanding of the drivers of subnational conflict, including the macro-level political dimensions. However, actual programs and aid practice on the ground have not kept pace with this increased understanding. This gap can be a product of a) sensitivities of the host government, b) conflicting donor government priorities related to aid, trade and security, and c) inflexible staffing rules that make it hard for an aid agency's local and international staff to develop expertise on the conflict and be properly compensated and promoted for this.

Aid agencies lack a strong evidence base for tracking conditions in subnational conflict areas. Without a credible evidence base, it is extremely difficult to make informed judgments about sound program design options or to fully understand the impact of aid on conflict. There are two key gaps: a) *Lack of socio-economic data disaggregated by ethnicity or religion*. This makes it extremely difficult to track differences in well-being and equality across identity groups in subnational conflict areas, and to effectively target aid programs and assess improvements in key ethnic minority populations; b) *Lack of data on local level dynamics and variation.* Local-level variation in violence, economic development, and governance within subnational conflict areas is not well understood by donors, but appears to be significant. Given the degree of local variation and the rate of change, most forms of conflict-area-wide aggregated data provide at best an incomplete picture, and at worst a misleading one.

Development actors do not systematically monitor the key factors (confidence and institutional transformation) that are necessary to determine whether aid is having an impact on the conflict. Monitoring and evaluation for large-scale aid programs focuses primarily on developmental outputs and outcomes. Those aid programs that claim to directly address conflict rarely have evidence to back up these claims, even for long-running, well-funded programs. Effective monitoring requires a hard-nosed analysis of politics, not just of policy and/or project implementation. Aid practitioners are relatively comfortable analyzing the impact of policy change, but far less equipped to analyze local community perceptions, intra-elite political dynamics, or evolving debates over sensitive political options.

Findings: Development Aid and Political Dynamics

Local political dynamics shape the delivery and impact of aid in most cases, rather than aid shaping local power structures. While some programs, particularly community-driven development interventions, have been able to minimize the influence of local power relations on the project itself, there is little evidence that this carries beyond the project.

There is strong evidence that aid programs are used by local elites to strengthen their support networks. In all three country cases, this study found that community members were unable to correctly identify the actual source of aid funding; instead most attributed projects to local elites, even when they knew that funding came from somewhere else. Local elites can dictate the terms of aid project implementation, especially the selection of beneficiaries, and also take credit for the benefits of projects. This study also found cases where elites have even appropriated aid outputs for themselves.

Strengthening local elites can help a transition to peace if it provides a strong motivation for powerful local actors to remain committed to the peace process. However, this can be a major liability in the long term if it reinforces local dynamics that perpetuate conflict. On this issue, there is a tension between building confidence and transforming institutions, especially during the stage of accelerated transition and consolidation (e.g., Aceh since 2008). Evidence from several country cases indicates that aid played an important transformative role by working through local power structures, even if the benefits helped boost the power of local elites. Undermining local elite control in a conflict area can actually destabilize an area. Replacing the security and social welfare services provided by local elites with government security and welfare services, often requires a level of security and confidence in the state that is simply absent in the conflict area. Conversely, strengthening local power structures in a conflict area can exacerbate local rivalries, and undermines local confidence that positive change is coming. Thus, it is crucial for aid providers to understand very well the role of local elites and traditional power structures, so that aid is provided only if it will achieve a positive impact and not contribute to conflict between rival elites.

The potential reaction from insurgents is a major factor in aid delivery, acceptance and community engagement. There is strong evidence that insurgent opposition (or profiteering) can alter the local community's willingness to accept and engage in development projects. If insurgent groups are opposed to the introduction of aid programs, they may attempt to block implementation through violence. However, in most cases, this study found that insurgents use more subtle tools: intimidation, extortion, and manipulation of aid project design and implementation. As a result, it is critical for aid providers to understand well the motivations and strategy adopted by non-state armed groups before initiating any development projects in an area, and that aid not be provided if conditions are unsuitable.

Findings: Strategy, Design, Targeting, and Timing

Matching aid strategy to levels of contestation and stages of political transition. Aid programs can support a transition to peace by making strategic contributions that restore confidence in the transition and transform institutions. The best examples of aid to subnational conflict areas are programs that were ideally suited for the stage of transition and the types of contestation. In Aceh, for example, international support helped to build the trust and confidence of political elites in the early weeks of the transition to peace by committing to support for GAM political prisoners after the peace treaty required their release. In southern Thailand, where there is no clear transition in the long-running state-minority conflict, the most effective programs have helped to open political space for dialogue on key conflict issues, and supported key institutional changes by government. These contributions may look different in each stage of transition, and depend on the types of contestation present in the conflict area. While such contributions (collectively referred to as 'transformative strategies') should be distinguished from developmental strategies, aid programs can focus on both developmental and transformative strategies at the same time. In fact, a pure focus on transformational strategies may not be possible for many large donors, and may be counter-productive in some contexts.

Misalignment of context and strategy is problematic. This study found that programs that were not well suited to the stage of transition and type of contestation, generally had no impact on key transformative factors. For example, in Aceh, during the post-transition process, most of the major aid programs have not adjusted to the changing context, where the dominant form of conflict now is inter-elite competition. In southern Thailand, programs that focused entirely on community-level interventions seem to have few prospects for influencing the transition, though conflict-sensitive approaches have effectively managed the risks of exacerbating local conflict. In Mindanao, the international community has been largely pre-occupied with the state-minority conflict, and some aid programs have actually exacerbated local inter-elite contestation by providing resources for them to fight over. In the absence of a credible transition, traditional aid programs are unlikely to affect the dynamics of the subnational conflict. This research shows that government efforts to 'win hearts and minds' through development or cash handouts does not result in people developing more positive opinions about the state, nor in making insurgents less likely to continue their struggle.

Conclusions and Recommendations

Aid can support a war-to-peace transition process—it cannot lead it. Such processes are inherently political, complex, and led by national and local elites. International actors need to be more realistic about what can plausibly be accomplished through assistance to subnational conflict areas. For aid programs intended to directly support transitions to peace, there is need for more realism and reflection on the level of impact that aid programs can have on the trajectory of long-running conflicts. There is a real risk that exaggerated claims of aid impact on conflict are undermining the potential of international actors to help. The majority of organizations involved in addressing conflicts do not have the incentive or the capacity to critically assess whether their programs are failing or succeeding. As a result, it is extremely difficult to honestly evaluate the impact of international assistance on subnational conflicts. Unfortunately, inflated claims very often raise expectations that aid will transform conflict in the short term, when in fact, most transformations take many years or even decades.

Development actors must re-think their assumptions about how aid can bring peace to subnational conflict areas. Subnational conflict regions in Asia challenge several implicit assumptions that underpin international aid to conflict-affected areas, including: a) violence is a consequence of weak state capacity, b) economic growth will reduce violent conflict, and c) improved levels of development and service delivery will address the underlying causes of conflict. In subnational conflict areas, international support to strengthen the government's local capacity or extend its authority can inadvertently exacerbate conflict. Increased economic development can fuel tensions if it perpetuates relative inequality between conflict-affected areas (and especially their minority populations) and the rest of the country. While many conflict-affected areas are underdeveloped compared to the rest of their respective countries, they are generally not the poorest regions, and it is rare to find absolute poverty. Expanding government service delivery can also inflame tensions if it heavily promotes national identity and language, or exacerbates social inequalities by spreading benefits unevenly.

Aid agencies need to work differently. International development actors can help to end subnational conflict, but doing so requires working on different issues and in very different ways from the standard approaches. Many of the core objectives of development assistance—increasing economic growth, strengthening government capacity, and improving service delivery—do not seem to reduce or end subnational conflicts. In some cases, they exacerbate the drivers of conflict. Indeed, many of the lessons that the aid community has learned from its engagement in fragile states—most notably the need to strengthen and extend the reach of state institutions—can be counterproductive in subnational conflict areas where the very legitimacy, and not necessarily the capacity, of the state is at issue.

Strategies for transformation. This study recommends that aid programs contribute to transition in three critical ways:

a. Address the most critical area of contestation (state-minority, inter-elite, inter-communal);

b. Focus on transformative outcomes (strengthening confidence, transforming institutions) and;

c. Calibrate program strategy based on the stage of political transition (no transition, fragile transition, accelerated transition, or advanced transition)

Closing critical knowledge gaps. A critical gap for development actors is the accumulation of knowledge of the conflict area and dynamics on an institutional level. Deep local knowledge and good connections are absolutely critical in designing, implementing and measuring the impact of aid programs in subnational conflict areas. Without nuanced understanding of local political and conflict dynamics, aid programs are not likely to contribute to transformative outcomes, and will tend to be clumsy and distant in their interaction with local actors. Specific recommendations for international development agencies include:

- Attract and cultivate local staff, ideally from the conflict area, who bring pre-existing knowledge and networks, and are committed to focusing on the particular challenges of the conflict area.

- Attract and retain international staff who are long-term country specialists with deep knowledge of subnational conflict areas. Ensure that specialists in a conflict area do not have to make a choice between continuing to work on the conflict, or career progression in the agency.

- Invest in knowledge transfer and retention by broadening the circle of staff involved in conflict analysis.

- Establish strong partnerships with established local or international organizations with deep knowledge of the conflict, to allow for greater continuity and improved quality of conflict and political analysis.

Make it possible for aid programs to adapt to local dynamics. For development assistance programs to be as well suited as possible to work in subnational conflict areas, programs should be as flexible and adaptable as possible so that staff can respond to changing local conditions. Successful programs must be able to identify and respond to unexpected opportunities and risks, and carefully calibrate program interventions to ensure the right message and balance. There is a critical need for flexible program designs that allow for learning and refinement during implementation. As a result, many of the best examples of aid programs in subnational conflict areas were especially designed for the local environment, through an iterative design process that embraced trial and error. Specific recommendations include:

- *Insulate programs in subnational conflict areas from corporate pressures and regulations that preclude flexible, responsive approaches.* Project managers have strong incentives to work on issues that are easy to measure and where it is easy to spend, rather than working on the critical transformative issues. Procurement, financial, and audit regulations often preclude involvement of small actors, or informal networks, even when they are best placed to influence key actors and/or apply political pressure for the key reforms and compromises that are critical for transformation.

- *Customize programs to reflect the diversity of local contexts.* It is critical to customize programs to make them as flexible and responsive as possible to local conditions and sensitivities. For large-scale programs, there is a strong case for developing a program component especially designed for the subnational conflict area. It is important to enable large programs to have small pilot activities attached, to allow program teams to work in more politically-nuanced and responsive ways, creating a mechanism for learning from successes and failures before scaling up or replicating programs.

- *Align targeting and distribution strategies to address inequalities and sources of grievance, and avoid widening the gap between rival groups in a conflict area.* This requires programs to target benefits and track results by identity group. However, there may also be a trade-off—targeting certain ethnic groups to address inequality may also heighten inter-ethnic tensions.

Invest in evidence. This study strongly indicates that the international community does not have a clear understanding of its impact on subnational conflict because of major evidence gaps. At present, almost all monitoring is organized around projects. To fully understand the aggregate impact of aid programs on a conflict area, donors must move above the project level to monitor conditions across a broad geographic area. Within projects, monitoring should be much more rigorous, and focus on transformative outcomes that are within the scope of the project's influence. Project monitoring should also allow for outside researchers to review and analyze monitoring data. Specific recommendations related to monitoring include:

- *Focus on transformative factors* such as confidence in a transition or peace process, trust between rival actors or groups (state

and non-state), strength and quality of local institutions (especially those dealing with security and justice), distribution of wealth and services among rival groups, and the pace of institutional change and support for change.

- *Disaggregate socio-economic data by identity group* (ethnicity, religion, and language) to allow for tracking of horizontal inequalities. Through monitoring key socio-economic conditions by identity group it should be possible to track the rate of development and service delivery for each group relative to the other.

- *Develop new methods for monitoring transformative change*. These methods will look very different from traditional monitoring and evaluation practices. This type of monitoring will require methods that look very similar to social science research, going well beyond counting outputs and post-hoc evaluations. Perception surveys can monitor transformative change by tracking changes in: levels of confidence; attitudes towards security and state personnel; trust between rival actors or groups (state and non-state); and the strength and quality of the services provided by local institutions (especially those dealing with security and justice). In-depth qualitative research can map political dynamics and conflict, and aid understanding of how local dynamics are changing.

- *Monitor aid funding flows at the subnational level, and between different identity groups in the conflict area.* At a minimum, international donors and implementing agencies should report on their total funding to a subnational conflict area.

- *Monitor impact over the long term.* Transformation takes time, and should be tracked beyond the typical project cycle, using a variety of longitudinal data.

Re-align incentives of aid officials: The incentives that shape program design and funding decisions are frequently out of synch with the critical needs in subnational conflict areas. Many bilateral and multi-lateral donors have tried to increase efficiency by making individual projects larger, while significantly reducing staff involvement, including those who work on analysis, design, and oversight. These large programs can effectively crowd out the crucial efforts of smaller international actors, and local partners, who are often able to work in more flexible and politically nuanced ways. Furthermore, operating effective programs in subnational conflict areas usually requires more, not less staff engagement, in order to develop and manage locally-grounded, flexible programs that respond to dynamic local conditions. *The incentives of donor agencies strongly push for developmental programs, and disincentive programs that address higher risk political challenges.* More positive incentives and space are also needed to enable development actors to work on the political issues of the subnational conflict.

Commit to long-term programs. The typical project cycle of 3 to 5 years is extremely brief when compared with the slow process of change in the key institutions and entrenched political structures that sustain the conflict. Only in the rare cases of an accelerated transition process, with a peace process that enjoys high levels of confidence, can short-term projects make a major contribution. With subnational conflicts in Asia lasting an average of 40 years, it must be expected that the key institutional changes will be slow and difficult.

Implications for aid policy: beyond the fragile states consensus. *This study resonates some policy guidance regarding engagement in fragile states.* The Peacebuilding and Statebuilding Goals in the New Deal for Fragile States have captured some of the core tensions in aid delivery to conflict-affected areas. For

example, the first goal, to establish "Legitimate Politics" helps to recognize the centrality of politics and informal institutions. Similarly, the third goal "Justice – Address injustices and increase people's access to justice" helps to create space for protection of individual and minority rights, on an equal footing with security. *However, this research also provides a reality check* on some of the core assumptions embedded in fragile states' frameworks. In particular, the imperative to strengthen state capacity, and work through state institutions, may be actively counterproductive in subnational conflict areas.

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

Anticipating and managing risk. International actors have the ability to use development assistance to improve conditions in subnational conflict areas, and support transitions to a durable peace. However, as already explained, providing aid to these regions brings the risk of contributing to contestation or power dynamics that prolong or worsen the conflict. If development assistance is going to reach marginalized minority populations, aid programs will have to be increasingly delivered in active conflict areas where there is a serious risk of doing harm through elite capture and/or increasing violence between contesting elites. This makes it even more imperative that international development actors understand local conditions very well before engaging in subnational conflict areas and that they invest in the monitoring methods needed to track impact and changing conditions.

Authors	Thomas Parks, Nat Colletta, Ben Oppenheim
Contributing Authors	Adam Burke, Patrick Barron
Research Team (in alphabetical order)	Fermin Adriano, Julara Damrongviteetham, Haironesah Domado, Pharawee Koletschka, Anthea Mulakala, Kharisma Nugroho, Don Pathan, Ora-orn Poocharoen, Erman Rahman, Steven Rood, Pauline Tweedie, Hak-Kwong Yip
Advisory Panel (in alphabetical order)	Judith Dunbar, James Fearon, Nils Gilman, Bruce Jones, Anthony LaVina, Neil Levine, Stephan Massing, James Putzel, Rizal Sukma, Tom Wingfield
World Bank counterparts	Ingo Wiederhofer, Markus Kostner, Adrian Morel, Matthew Stephens, Pamornrat Tansanguanwong, Anton Baare, Ed Bell, Florian Kitt, Holly Wellborn Benner
Supporting team	Ann Bishop (editor), Landry Dunand, Anone Saetaeo (layout), Kaptan Jungteerapanich, Gobie Rajalingam
Lead Expert	Nat Colletta
Project Manager	Thomas Parks
Research Specialist and Perception Survey Lead	Ben Oppenheim
Research Methodologist	Hak-Kwong Yip
Specialist in ODA to Conflict Areas	Anthea Mulakala

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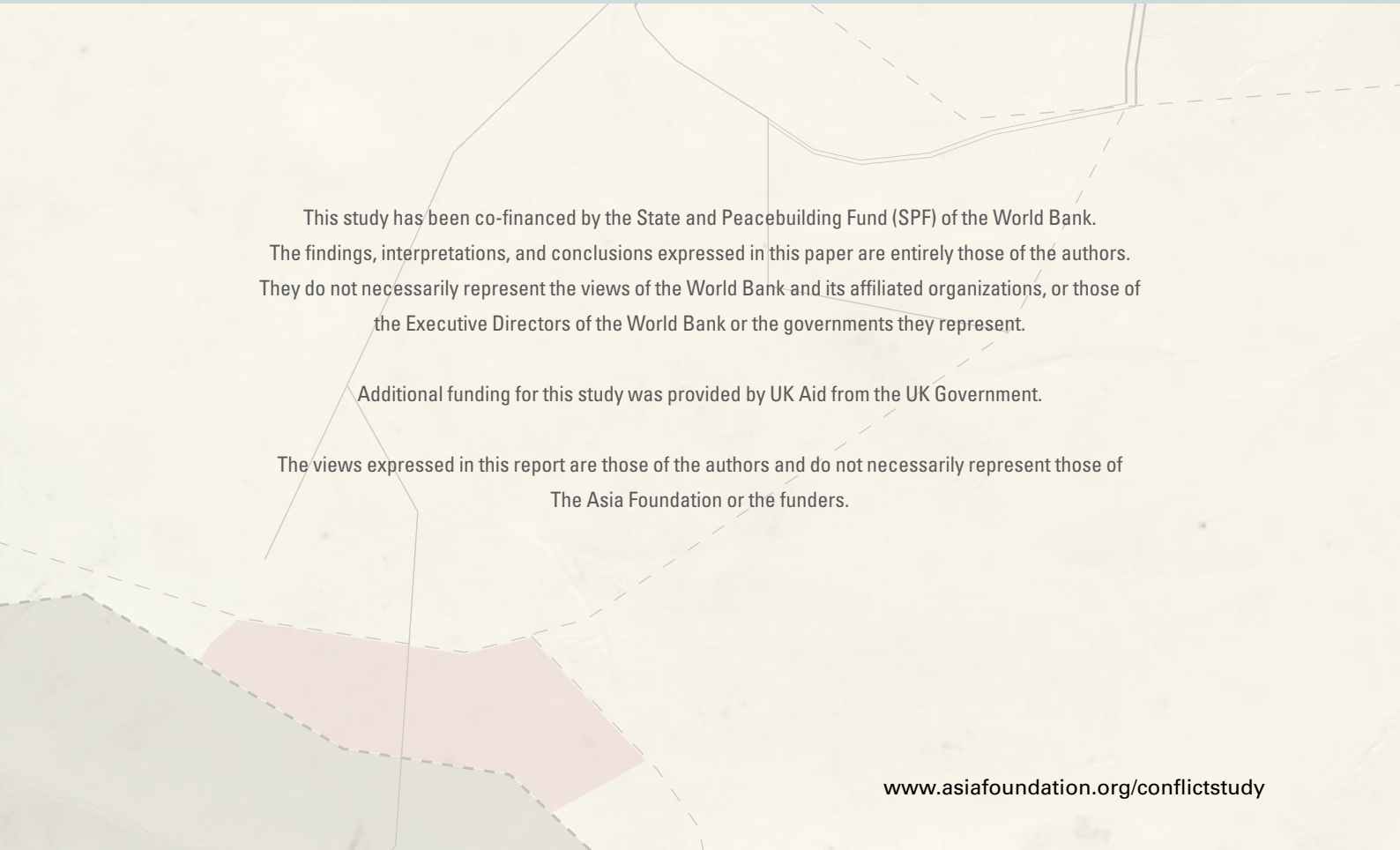

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