



Australian Government
AusAID



AusAID Philippines

Delivery Strategy for Mindanao Conflict-affected Areas

2012/13 – 2016/17
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Acronyms

ADB	Asian Development Bank
AECID	<i>Agencia Española de Cooperación Internacional para el Desarrollo</i> (Spanish Agency for International Development Cooperation)
AFP	Armed Forces of the Philippines
ARMM	Autonomous Region of Muslim Mindanao
AusAID	Australian Agency for International Development
BDA	Bangsamoro Development Agency
BLMI	Bangsamoro Leadership and Management Institute
CAA	Conflict-affected areas
CBCS	Consortium of Bangsamoro Civil Society
CDD	Community Driven Development
CFC	Coalitions for Change
CHR	Commission on Human Rights
COMELEC	Commission on Elections
CRS	Catholic Relief Services
CSO	civil society organization
DBM	Department of Budget and Management
DepEd	Department of Education of the Philippines
DILG	Department of the Interior and Local Government
DOH	Department of Health
DOLE	Department of Labor and Employment
DPWH	Department of Public Works and Highways
DRR	Disaster Risk Reduction
DSWD	Department of Social Welfare and Development
DTI	Department of Trade and Industry
GPH	Government of the Republic of the Philippines
HAP	Humanitarian Action Plan
HDI	Human Development Index
HRODF	Human Resource and Organisational Development Facility
ICRC	International Committee of Red Cross
IDP	internally displaced persons
ILO	International Labour Organization
IPSP	Internal Peace and Security Plan
LGU	Local Government Unit
MDG	Millennium Development Goal
MILF	Moro Islamic Liberation Front
MinDA	Mindanao Development Authority
MNLF	Moro National Liberation Front
NDRRMC	National Disaster Risk Reduction and Management Council
NEDA	National Economic and Development Agency
NGO	non-governmental organization
NPA	New People's Army
NSO	National Statistical Office
OPAPP	Office of the Presidential Adviser on the Peace Process
PAMANA	Payapa at Masaganang Pamayanan / Peaceful and Resilient Communities
PDP	Philippine Development Plan
Php	Philippines peso (approx. AUD\$1 = Php 44)
PNP	Philippine National Police
PRMF	Provincial Road Management Facility
SLAM	Southwestern Ligawsan Alliance of Municipalities
SPIM	Supporting Peace in Mindanao
SSR	Security Sector Reform
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
WFP	World Food Programme

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1 Executive Summary

Large parts of Mindanao are trapped in a vicious cycle of conflict, poor governance and underdevelopment. This is both economically and socially damaging. Poverty incidence in the Autonomous Region of Muslim Mindanao (ARMM) is amongst the highest in the country. Despite rich natural resources Mindanao's economy is consistently lagging behind the rest of the Philippines. Human Development indicators are similar to parts of sub-Saharan Africa. An absence of governance in a number of areas fosters general insecurity, providing small havens for terrorist groups presenting threats to national and regional security. Unresolved peace processes undermine the sustainability and legitimacy of government and donor investments in development.

Yet there is much potential. Mindanao comprises a third of the country's total land area, has good soil and rainfall, and largely escapes the impacts of typhoons. Areas that enjoy relatively better security and governance conditions contribute about 60 percent of the country's total agricultural exports and enjoy a quality of life similar to the most developed regions in the country. Isolated cases of good governance and a small number of successful enterprises demonstrate what can be achieved.

The reality is that two Mindanaos exist: one largely conflict free and growing economically, and one that suffers from insecurity, extreme poverty, and a crisis of governance. The basic development challenge in the region is to create in conflict-affected areas an environment of security, establish good governance practices, build the human capital and exploit opportunities to link economically with the more developed parts of Mindanao and perhaps wider afield. A sustained peace will help deliver these but in its absence there is an urgent need to prevent the region from falling further behind.

This *Delivery Strategy for Mindanao Conflict-Affected Areas 2012-2017* of the Philippine Country Program explains how AusAID will contribute to Philippine national goals to address these development challenges, with a focus on central and western Mindanao, covering ARMM and neighbouring provinces. The signing of the 'Framework Agreement on the Bangsamoro' in October 2012 between the Philippine Government and the Moro Islamic Liberation Front signals a fertile opportunity for Australia to contribute to significant shifts in peace and security for these areas.

Under the recently signed *Australia-Philippines Development Cooperation Program - Statement of Commitment* the Governments of Australia and the Philippines agreed to work together to assist the poor and vulnerable to take advantage of the opportunities that can arise from a more prosperous, stable and resilient Philippines. This will be achieved by addressing some of the key issues that keep people poor and make others vulnerable to falling into poverty.

One of the key vulnerabilities for Filipinos is that arising from conflict in Mindanao. We will work together to facilitate a more conducive environment for improved security and development by:

- Building more capable and legitimate institutions in conflict-affected areas
- Expanding economic opportunities for conflict-affected populations
- Strengthening foundations for a negotiated peace

- Reducing vulnerabilities for conflict-affected populations

By 2017 we will aim to:

- Support the conduct of more credible and legitimate elections in the Autonomous Region of Muslim Mindanao (ARMM)
- Improve conflict management capabilities by training state actors to be better able to manage conflict within and between communities and by strengthening non-state mechanisms for averting escalation of conflict
- Increase economic linkages between conflict-affected areas and more developed regions by trialling three local economic development models.

We will achieve these outcomes by working together with the Philippine government, with civil society and the private sector, and through multilateral partners. We acknowledge that there are significant risks working in conflict-affected areas, and therefore we will focus on improving our capabilities to mitigate and manage risk, and to decide how to differentiate and balance risk.

Australia's assistance on these deeply entrenched development challenges will necessarily be small relative to the scale of the required solutions. Therefore to maximise the impact of our limited support our investments will need to be clearly targeted on areas where we can make a difference, and in direct complement to Philippine government programs, initiatives of non-government partners, and initiatives of other Australian agencies.

DELIVERY STRATEGY AT-A-GLANCE	
Philippines Program Goal	Assist the poor and vulnerable take advantage of the opportunities that can arise, and subsequently benefit, from a more prosperous, stable and resilient Philippines
Philippines Program Key Objective	Reduce vulnerabilities arising from conflict by improving conditions for peace and security
End-of-Delivery Strategy Expected Outcomes:	Australia would have contributed to enabling: (i) More capable and responsive state institutions in conflict-affected areas (ii) Expanded economic opportunities for conflict-affected populations (iii) Strengthened foundations for negotiated peace (iv) Building resilience of conflict-affected populations
Key Flagship Programs	<ul style="list-style-type: none"> - Supporting Peace in Mindanao (SPIM) - Coalitions for Change (CfC) - Philippines Australia Human Resource and Organisational Development Facility (PAHRODF)
Geographic focus	Central & Western Mindanao
Partnerships	National Agencies: OPAPP, DILG, AFP, PNP Regional Agencies: ARMM Regional Government, MinDA Development Partners: World Bank, UN, CSOs
Australian Inputs	Technical Assistance Grant funds Policy dialogue

2 Context: the critical development issues

The Philippines is a slow-growing middle-income country (USD\$3,300 per capita GDP¹). However, despite middle-income status and recent economic growth, the Philippines has increasingly uneven geographic divisions, with some parts of the country more closely resembling a failing state than a middle-income country. Large parts of Mindanao are trapped in a vicious cycle of conflict, poor governance and underdevelopment, with long-term economic and social consequences.

While violent conflict is a problem in many regions of the Philippines, the areas of central and western Mindanao have been the most heavily affected. The conflict between Moro separatist groups and the Philippines Government has been a major obstacle to development for more than 40 years, despite the elevation to middle income status, and profound political reforms at the national level. The Autonomous Region of Muslim Mindanao (ARMM) has consistently reported the highest levels of insecurity, and among the lowest levels of development in the country. The gap between the conflict-affected regions and the rest of Mindanao continues to grow, despite the large and growing international aid programs to the area. The signing of the 'Framework Agreement on the Bangsamoro' in October 2012 is the most positive step towards resolution of that conflict in recent decades, though there are still many precarious steps before peace can be declared.

Human development indicators

More than 40 years of conflict in Mindanao has exacerbated poverty and acts as a brake on development, particularly in the Autonomous Region of Muslim Mindanao (ARMM). Human development indicators in the ARMM region are extremely poor, demonstrating similarity to parts of sub-Saharan Africa. Less than half of the pupils who start grade 1 are able to reach grade 6. ARMM has the highest child and maternal mortality rates in the country. Only 35% of the residents in ARMM have access to potable water resources compared to a national average of 80%. The proportion of people with access to sanitation is barely 39 per cent. There are fewer doctors, nurses, teachers and well trained government officials relative to the rest of the country. All five provinces in ARMM are in the bottom 10 of the Human Development Index (HDI) rankings reported in the 2008/09 Philippine Human Development Report.²

Poverty

The poverty incidence in 2006 in the ARMM was the highest in the country with 55 per cent of the population living below the poverty line, almost double the national poverty incidence. Between 2006-2009 Mindanao accounted for more than half of the increase in the total number of poor families. There is a high degree of volatility in economic activity in the region.

Continuing conflict

There is an obvious humanitarian cost to the continuing conflict – more than 120,000 people killed as a result of the low-intensity war between the Government and various Moro groups, and estimates of over two million people displaced. According to UN estimates, the Moro insurgencies cost up to USD100 million per year between 1975 and 2002.

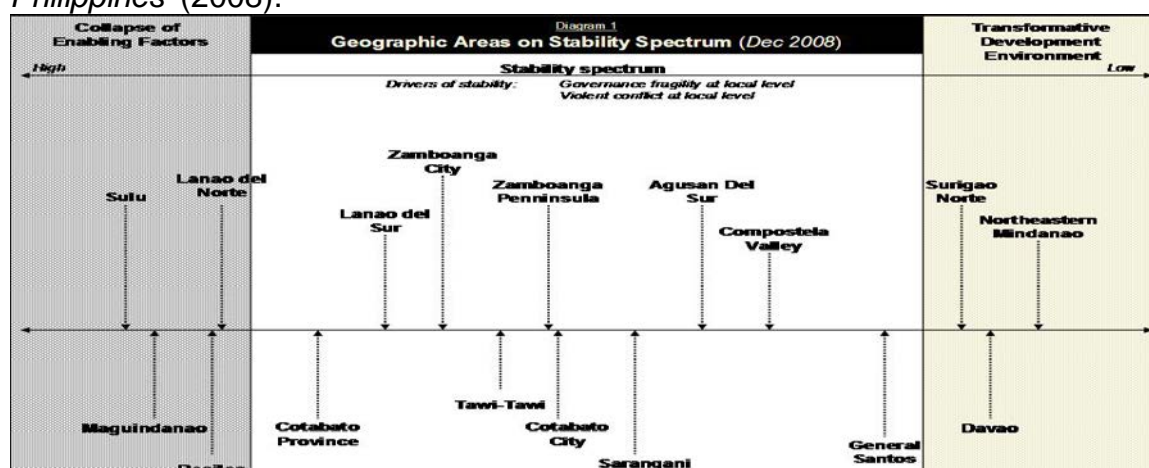
The potential of this situation to undermine regional stability is very real. Terrorist groups such as Jemaah Islamiyah and Abu Sayyaf Group have a history of conducting operations in the conflict-affected areas, and have retained their networks and support structures despite long-running security operations against them.

These difficult development challenges in Mindanao are exacerbated by susceptibility to rapid and complex shifts in the security and political environment. Peace and development gains can be repeatedly undermined by a host of factors, in particular: a strong sense of injustice, armed non-state actors, intense local political contestation that often involves violence, shifting political alliances within and between local and national actors, weak rule of law, impunity, corruption, and resource battles.

Understanding the diversity within Mindanao

In addition this relatively small area is characterised by extremely diverse conditions with respect to the kinds and intensity of conflict, levels of economic development, quality of governance, and sense of social cohesion. The local challenges, opportunities, and actors in one province or municipality may be entirely different from the province or city next door. Over the last twenty years around one third of the island is directly affected by militarised violence, while other areas are in varying degrees characterised by relative stability and steady economic growth. Some of the key factors that differ between locations include the prevalence of violent conflict; the activity level of armed non-state actors; the capacity of the state to deliver basic services; the level of resistance to state presence and authority; and the role of non-state authority structures in managing disputes and governance. Undermining decision-making ability of key agencies is the lack of appropriate data on geographic and temporal variations. If we are to be sensitive and flexible to these constraints, we will need timely and accurate information.

Our programs need to be flexible enough to respond to the varying nature of ‘stability’ across the provinces of Mindanao, as explained in the stability spectrum of the ‘Strategic Framework for Engagement: Peace and Development in the Southern Philippines’ (2008).



Demonstrates the wide divergence in ‘stability’ across provinces of Mindanao. Interventions to assist those on the left end of the spectrum will be very different in nature to working with those moving into a ‘transformative development environment on the right end of the spectrum. (Strategic Framework 2008)

All of the above factors suggest there is a crisis of governance in the conflict-affected areas, and in particular the ARMM. The situation is exacerbated by the presence of

multiple transitional and quasi-legal structures with poor capacity, overlapping jurisdictions and uncertainty over internal administrative borders.

While there are improving prospects for reaching a sustainable peace agreement between the major insurgent groups and the government, the most likely scenario is that central and western Mindanao will continue to be affected by instability and fragile conditions for the duration of this delivery strategy. Even in the best case scenario, with a final peace agreement signed with the Moro Islamic Liberation Front, there are a large number of other armed groups in the area (insurgents, private militias, criminal networks, and paramilitary groups) that could continue to destabilise the region. All likely scenarios for the next 5 years suggest continuing levels of violent conflict across central and western Mindanao, with or without a final peace agreement. Mindanao has the distinction of being host to two of the longest-running sub-national conflicts in the world – our scenario planning assumes under the most likely scenario that will soon reduce to one.

As a result, AusAID should not defer major investments to conflict-affected areas of Mindanao in anticipation of conclusion of the Framework Agreement. There is a critical need to deliver assistance to the conflict areas now, to both improve the prospects for a lasting final peace agreement, and improve the lives of people living in the midst of this transition. The strategy provides scope for adjustments depending on the progress of the peace agreement, and recognises that there will be a transitional period in which to negotiate and finalise any new administrative arrangements. The transition period between signing of the Framework Agreement, reaching a final Agreement, and start of the new Bangsamoro is the most critical – nothing is yet set in stone and all potential scenarios are still possible. Our support can be critical in helping during this transition period.

2.1 Why develop a specific strategy for Mindanao conflict-affected areas?

These conditions suggest the need for AusAID to adjust programming to fit the characteristics of conflict-affected parts of Mindanao. International experience³ (and our Philippines program experience over recent years) suggests that applying the same approaches and using the same methods in conflict and non-conflict-affected areas will not yield significant impact, and in some cases, could exacerbate local tensions.

The characteristics of the Mindanao context that influenced our decision to develop a separate delivery strategy are four-fold:

- (i) Decades of violent conflict, with elevated presence of formal and informal armed forces and the resulting impact on those communities
- (ii) The different historical, geo-political and cultural context in Mindanao, and particularly in Muslim Mindanao
- (iii) Governance – the historical fragility associated with extremely weak local governance, both for ARMM and provinces, cities, municipalities and barangays
- (iv) Continuing poor performance on key development indicators (compared to the national average)

The importance of a differentiated strategy is also reinforced by international experience. The World Development Report (WDR) of 2011 focussed on issues of conflict, security and development, with the most striking observation being the fact that no low income fragile or conflict-affected country has yet achieved a single Millennium Development Goal.⁴ In addition poverty rates are 20 percentage points higher in countries affected by repeated cycles of violence over the last three decades. Every year of violence in a country is associated with lagging poverty reduction of nearly one percentage point.⁵

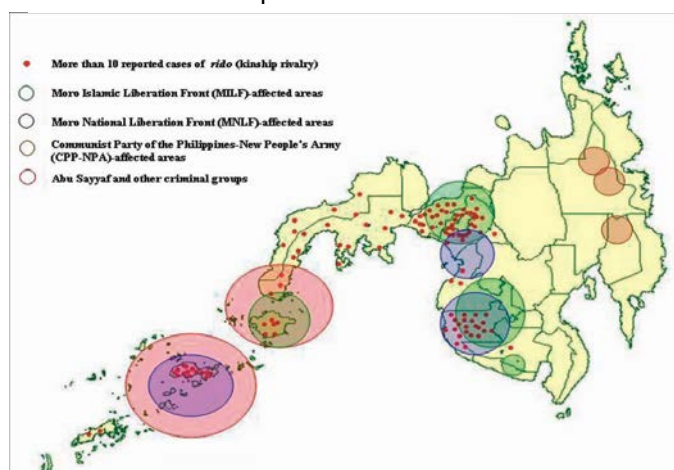
These implications are corroborated by research in the Philippines which shows that the conflict is reducing growth in Mindanao, and drags down the national GDP growth by between 0.5-1%.⁶ The WDR also highlighted the fact that “weak and illegitimate institutions that are unable to provide citizen security, justice and jobs can lead to crises in countries that on the surface appear stable.”⁷ These global statistics help to illustrate the particular challenges of areas affected by conflict and fragility, which are widely applicable in central and western Mindanao. .

The development needs and challenges in conflict-affected areas of Mindanao differ from the rest of the country. One of the major lessons from the past five years is that major internal and external shocks are common in Mindanao, and international donors have often had difficulty adapting to the dynamic environment. Donor strategies must be sufficiently flexible to adapt to intermittent violence, with associated development and humanitarian implications. These conditions suggests the need for a targeted, nuanced strategy that will provide appropriate approaches and methods for working flexibly with a range of partners to help resolve those conflicts as well as addressing the development needs.

The geographic focus

There is a growing understanding that in development terms two Mindanaos exist: one largely stable and growing economically, and one that suffers from insecurity, extreme poverty, and a crisis of governance.

Conflict map of Mindanao –HDN 2005



The north (Region X), north-east (CARAGA Region), south (regions XI and XII) are largely free of conflict. Isolated areas within these regions are affected by New People's Army (NPA) attacks, and law and order problems persist across the whole island, however there is little impact on these areas from organised political violence such as the conflict between the Government and Moro insurgent groups.

Central Mindanao (ARMM plus neighbouring parts of Lanao del Norte, North Cotabato, South Cotabato, Sultan Kudarat, Cotabato City) and the western provinces (Region IX and BaSulTa provinces of ARMM) are those characterised by continued insecurity, greater extremes of poverty, and a crisis of governance. For example,

government data shows that 100% of the Barangays in Lanao del Sur and Basilan are affected by conflict, and over 90% of the Barangays in Maguindanao.⁸

These distinctions are clearly imperfect. Zamboanga del Norte arguably shares more development characteristics with Region X than its southern BaSulTa neighbours. The CARAGA Region in the east is extremely poor and a focus of the development programs of Spain and Germany for that reason.

Australia's primary interest in Mindanao is to assist efforts that address the combination of injustice, poverty, vulnerability, and violence in central and western Mindanao. This is broadly defined as the ARMM Region and its immediate neighbour provinces.

2.2 The prospects for peace

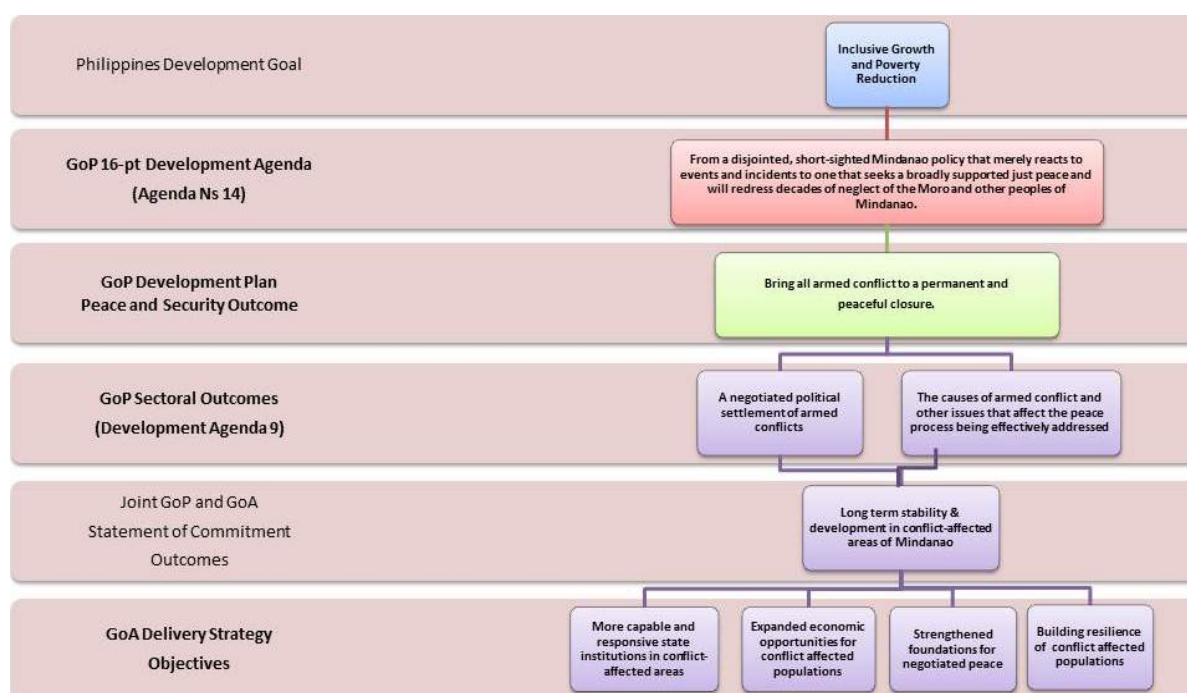
We have compiled this Delivery Strategy with the following three scenarios in mind. These are a brief guide to help provide the context for planning the scale and focus of our programming over the period of this strategy (2012-2017).⁹ See Annex A for full scenarios.

Category	Track 1 (Official)	Scenario Track II (Donors, NGOs, CSOs)	Track III (Grassroots, Communities)	Implications for Australian Aid
I. Peace Agreement finalised	Final peace agreement signed between GPH and MILF. Transition Commission drafts the Basic Law, and is passed by Congress. BTA established, and elections held in 2016. MILF and MNLF agreement on political arrangements.	Donors and CSOs begin major post-conflict transition especially in the areas of basic services, trauma healing, rights and broader development work.	Renewed pressure for interim government to improve transparency, accountability and service delivery. Possible splintering of factions amongst Moro groups that agree or disagree with the new arrangements, and localised conflict results.	Need to review and update the Strategy in the event of a final agreement. Basic sector focus will remain, but adjustments to be made to take into account capacity building needs of new regional authority. Expected 'peace dividend' requests, leading to scale-up of Australian assistance.
II. Peace process incomplete	FAB signed but completion of annexes is delayed or the Basic Law is not passed by Congress before elections in 2016. Stalemate in the GPH-MILF negotiation. Continued dialogue between MILF and MNLF without final resolution.	Select international and local NGOs continue to play critical facilitative, mediation, service delivery & peace-building role.	Occasional population displacement and security challenges include clan-based conflict. Citizens will grow weary of the pace and prospects for peace.	The strategy as set out in this document remains relevant for the duration of 2012-2016. The APPR process provides opportunity for review and adjustments as appropriate.
III. Breakdown in Peace Talks	Fighting escalates between GPH and insurgent groups, with higher casualties. Likely withdrawal of IMT. Increase in general destabilisation.	Donor, CSO, NGO activities will be severely limited. Many will withdraw.	Peace and security in the community will be constantly threatened by military-rebel skirmishes. Displacement likely from increasing conflicts.	Need to review/update Strategy annually. Greater flexibility required to respond to deteriorating situation. Greater emphasis on working through local/multilateral partners as access for AusAID is increasingly restricted. Likely reductions in funding for governance activities, and increase for humanitarian.

2.3 Key Philippine Government policies

The signing of the **‘Framework Agreement on the Bangsamoro’** in late 2012 heralds a great step forward in the overall prospects for peace in Mindanao. That breakthrough was influenced by a number of policies of the current Aquino Administration. The most important of these is the **‘Social Contract with the Filipino People’**, in which President Aquino committed to move “from a disjointed, short-sighted Mindanao policy that merely reacts to events and incidents to one that seeks a broadly supported just peace and will redress decades of neglect of the Moro and other peoples of Mindanao.”¹⁰ This forms the central reference point of all Government actions with regards to peace and security. Key steps by the Aquino Administration (e.g. continuing the MILF peace talks, the PAMANA program, AFP IPSP) demonstrate government commitment to this shift.

Following the Social Contract the **Philippine Development Plan 2011-16 (PDP)** set out a focus on winning the peace through a negotiated political settlement of all armed conflicts and the implementation of complementary development tracks to address its causes. The **PAMANA (Payapa at Masaganang Pamayanan / Peaceful and Resilient Communities)** peace and development framework was designed as a complement to the PDP, to respond to and strengthen peace building, reconstruction and development in conflict-affected areas (CAAs). For the armed forces, the **Internal Peace and Security Plan (IPSP-Bayanihan)** provides the strategic guidance in the performance of the Armed Forces of the Philippines (AFP) mandated functions of protecting the state and the people. The Philippine National Police (PNP) key guidance is their **Internal Transformation Program (ITP)**. Lastly the **Mindanao 2020** report coordinated by the Mindanao Development Authority (MinDA), and the **NEDA Mindanao Strategic Framework (MSF) 2010-2020**¹¹ attempt to define specific development opportunities for Mindanao. For further details refer to Annex D. The diagram below indicates GoA contribution to the GPH vision and objectives for peace and security:



Even though the general thrust of these policies are complementary, there are challenges for the Government in developing a consolidated framework for peace and stability. For example, OPAPP is the lead agency for the peace negotiations, and the architect of the PAMANA framework, however OPAPP does not control the budgets through which the elements of PAMANA are achieved. The ‘normalisation’ agenda within the GPH-MILF peace talks is central to finalising and sustaining the peace deal, yet OPAPP does not have control over the security forces responsible for securing the peace. In addition the AFP is heavily involved in internal security operations, yet is supposed to transition out of those and hand control to the PNP. By its own admission the PNP is not ready to assume responsibility for all internal security concerns across the country. In each of these layers of institutional responsibility there are areas where AusAID can play a supporting role to develop the required internal and coordination capacity.

2.4 International experience

Recent efforts by the international community to improve assistance to conflict-affected and fragile states provided practical orientation to this strategy (see Annex B for summary of key references). However, while there has been a great deal of progress in adapting ODA for fragile states, there has been less attention to the unique challenges of sub-national conflict areas. For the purposes of this Delivery Strategy, we have integrated some of the concepts and approaches developed for fragile states, while adapting them as needed for the context of a subnational conflict.

The most relevant of the recent policy frameworks is **AusAID’s ‘Guidance Note on Working in Situations of Fragility and Violent Conflict’**.¹² This guidance note recommends that Australian assistance should focus on three main objectives: (i) Building more responsive states, (ii) Preventing violent conflict, and (iii) Building societal resilience. This delivery strategy adopts a similar approach, adapted to the Philippine context, and in particular noting the relative strength of the Philippine state institutions, with comparative weaknesses in reach in some geographic areas. The Guidance Note also includes particularly relevant observations on the kinds of approaches that work most effectively in fragile and conflict-affected conditions, including:

- Development assistance alone cannot solve the problems of fragility and violent conflict but it can play an important supporting role.
- Sustainable transitions must be driven by conflict-affected countries themselves. In the case of Mindanao, ownership of the transition is important, and needs to be multi-faceted, balancing GPH and Moro ownership, while also drawing other actors into the process.
- Development assistance will be more effective if it is part of a broader approach that also includes security and diplomatic activities and efforts to ensure a thriving economy.
- Joint planning by Australian government partners and the development of longer-term strategies, which outline a clear division of responsibilities, can help reduce risks and enhance effectiveness.

2.5 What we have done and what we have learned

Under the previous country strategy AusAID worked to contribute to two objectives: Mindanao peace processes reinforced by more effective participation by communities and institutions (Objective 6), and enhanced basic services and livelihoods in conflict-

affected communities (Objective 7). The end of strategy assessment concluded that both were ‘partially achieved’.

Our current range of activities in Mindanao includes some specifically tailored for working to address selected drivers of conflict (e.g. BEAM ARMM, SPIM), some national programs with reach into Mindanao (e.g. HRODF, CFC), and some assistance through multilateral partners (e.g. Mindanao Trust Fund).

In addition our Australian Government partners have activities of relevance, principally the ‘Strengthening Grassroots Interfaith Dialogue and Understanding’ (SGIDU) managed by DFAT, various Defence cooperation programs, and some police activities.

AusAID has long promoted the fact that approximately 50% of funding to the Philippines is targeted to Mindanao. This remains the case at present. However until recently only a small percentage of that funding was spent in the conflict-affected areas of central and western Mindanao. With the growing gap between conflict-affected Mindanao and the rest of the island, and with the opportunities presented by the Framework Agreement for shifting some of the underlying dynamics of conflict, it will be essential for AusAID to shift a greater investment towards the conflict-affected regions. However any scale-up will be tempered by the relatively high risks associated with operating in these areas, the low absorption capacity, and the need to ensure effective fiduciary controls.

Lessons learned from current program

The key lessons of relevance arising from the Annual Program Performance Report (APPR) review of the past country strategy were the following:

- (i) The characteristics of the conflict-affected areas require specific strategies
- (ii) The overall lack of coherence in conflict programming reduced the impact of our program
- (iii) A range of modes of engagement makes sense, given the likelihood of conflict which restricts access of various partners and geographic areas
- (iv) Programs designed to work across the whole of the country tend not to be effective in conflict-affected areas
- (v) Therefore we need to move towards a coherent program, one which begins to address selected root causes of conflict
- (vi) The constraints resulting from security risks are difficult, but not impossible, to address.

The primary influence of these lessons has been in the development of the BEAM-ARMM program. There is an increasing consolidation of the AusAID Philippines program, with education as the flagship sector. In conflict-affected areas this is reflected in the development of a tailored response to the specific education challenges, accounting for approximately 70% of AusAID’s total expenditure in conflict-affected areas.

Overall our previous interventions in conflict-affected areas have been largely successful when viewed in isolation. Our programs have helped to build understanding of the drivers of conflict, and strengthen resilience amongst conflict-affected communities. AusAID support is helping to strengthen overall education

outcomes, to build the capacity of Mindanao development agencies, and train soldiers to use greater restraint and more effectively reduce conflict. However, over the past five years, the overall impact of our support on conflict-affected Mindanao has been small. Our impact has been partly constrained by the lack of a coherent overall strategy for Australia's assistance and the broad spread of our engagements. This Delivery Strategy directly addresses these challenges, based on our experience. Our programs have also been constrained by factors outside of our control, such as difficulties of delivering aid in an insecure environment, and problems with the GPH-MILF peace process. It is important to note that this is not unique to AusAID. We recognise the inherent challenges of working in this area, and the importance of a frank and open appraisal of what we and other contributors can achieve with regards to peace and stability in Mindanao.

To have a significant impact, it is important for all international donors to work within a broader framework of support. This concept has also been captured in the *“New Deal for Engagement in Fragile States”* (see section 2.4 and Annex B) which calls for country-led analysis and compacts between the government and donors to establish a shared vision for international support. The central framework should ideally be a shared ‘game plan’ resourced from a number of sources (government, donors and the private sector) to help stabilise the situation and reduce potential conflict while the peace agreement is being negotiated. The Philippines Government has developed the PAMANA framework as an attempt to provide coherence to their planning, though there is not yet a consolidated approach for donors for supporting peace and security in Mindanao.

2.6 Supporting cross-cutting aid issues

This delivery strategy and the current activities that focus on conflict-affected parts of Mindanao are underpinned by a number of key cross-cutting issues. Guiding our delivery strategy and activity implementation are the following Australian aid program strategies and policies:

- Promoting opportunities for all—Gender equality and women's empowerment
- Development for All: Towards a disability-inclusive Australian aid program 2009–2014
- Investing in a Safer Future: A Disaster Risk Reduction policy for the Australian aid program

Gender is not only integrated across the objectives of this delivery strategy but is a clear area of focus. A number of strategic ongoing activities will provide avenues for the voices of women in policy, and representation in implementation such as activities that enhance the role of women in the peace process, the role of female religious leaders, and a particular focus on women's role in key social protection programs. Australia's approach to support for Mindanao conflict-affected areas supports the UNSCR women peace and security-related resolutions. This is particularly important as the Philippines Government issued its “2011-2016 Plan for the Implementation of UNSCR1325 and 1820” in 2011. In addition, Australia's National Action Plan on women peace and security 2012-2018 was issued in March this year – both are key references for shaping our support. Our peace-building programs are all shaped in some form by these plans, and we also continue to support specific activities linking to UNSCR1325 such as the work of the Mindanao Commission on Women, and global support to the Centre for Humanitarian Dialogue

(CHD) *Women at the Peace Table Phase II: Enhancing the Participation of Women from the Asia Pacific in Peace* program. An Annex to address in detail the gender implications for the programming areas of this delivery strategy will be completed in early 2013.

People with disabilities will be a key target group under activities undertaken as part of this delivery strategy. Activities will need to ensure equitable access for people with disabilities, including for access to education, and during critical elections. Robust monitoring of vulnerable groups (such as people with disabilities and female headed households) in program activities will be important. Ongoing analysis of vulnerable groups will be required to ensure that interventions under this strategy are well targeted and are positively impacting on the development status of these groups.

People with disability are often doubly disadvantaged—first by poverty and then by social and economic exclusion. Many people with disabilities cannot access schools, work places or basic services nor participate fully in their communities because of inaccessible built environments, roads and transport. We will build on existing efforts in infrastructure, including leveraging our partnerships with national and regional agencies, to improve access to essential infrastructure and services. These include education facilities.

The impact of the strategy objectives on the environment may vary. For example providing improved road access may facilitate the illegal extraction of timber. AusAID will put in place measures to limit negative environmental impacts during program design and implementation. For activities that support building infrastructure we will undertake an environmental impact assessment as part of the design process.

3 Theory of Change

3.1 Philippines-Australia Statement of Commitment

Australia's proposed assistance to the Philippines over the next five years is outlined in the 'Statement of Commitment' between the two countries. Australia's development assistance will be targeted to two strategic objectives: strengthened essential services for the poor; and reduced vulnerabilities arising from climate change and conflict.

This delivery strategy is one of four that will translate these broad objectives into a specific program, including priority outcomes, methods of delivery, means of measuring success, and internal resourcing.

The focus of this delivery strategy is *Sub Objective 4: Improved conditions for peace and security*.

The strategies of the Philippines and Australia are both in agreement on the basic challenges for conflict areas of Mindanao - to create an environment of security, establish good governance practices, build human capital and create more equitable economic development opportunities. The signing of the Framework Agreement on the Bangsamoro by the Government and the MILF was also supported by Australia – both our Prime Minister and Foreign Minister spoke in support of the positive

progress the peace negotiations and committed continuing Australian support for peace and security in Mindanao.

Within this broad agenda Australia will target its assistance to support the Philippines to achieve “long term stability and development in conflict-affected areas of Mindanao”. Australia’s contribution to this broad goal will be achieved through the following ‘end of strategy’ outcomes:

- (i) More capable and responsive state institutions in conflict-affected areas
- (ii) Expanded economic opportunities for conflict-affected populations
- (iii) Strengthened foundations for negotiated peace
- (iv) Building resilience of conflict-affected populations.

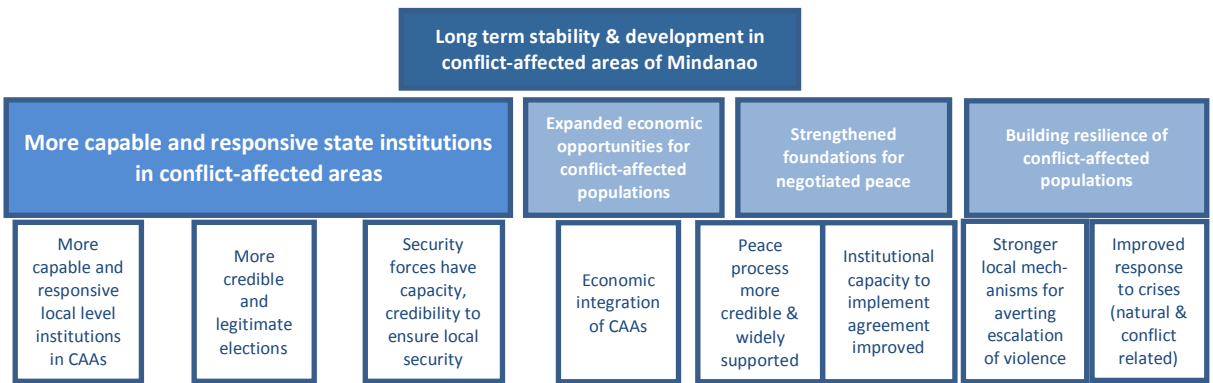


The case for investing in each of these areas is outlined in the following section.

3.2 Prioritising Outcomes

The program framework for the Mindanao Delivery Strategy will be weighted heavily towards the first ‘end of strategy’ outcome – “more capable and responsive state institutions in conflict-affected areas”. This reflects assessment of development challenges, potential impact, and Australia’s comparative advantage. This also reflects our intended level of support, with approximately 80% of our current program directed to this outcome.

The other three are ‘secondary’ outcomes. While all of these areas are important pre-requisites for the overall goal of Australian aid to Mindanao (long-term stability and development in Mindanao), it is not necessary nor strategic for AusAID to invest equally in these outcomes, nor to necessarily continue investments in all of these areas for the whole period. In many of these areas, other bilateral and multilateral donors are making sizable contributions. Government capacity and expenditures in many of these areas is already robust. Within this delivery strategy, AusAID will generally focus on key areas where there is a clear gap in funding and capacity terms, and where our involvement demonstrates clear results.



The Mindanao Delivery Strategy is also designed to allow for flexibility over the course of five years. The local context in Mindanao is highly dynamic, and it is likely that over the five year period of this delivery strategy, major shifts in the local context will require AusAID to recalibrate funding allocations. As a result, the program framework includes outcome areas which may scale up or down in importance and focus depending on those shifts. Our management of this portfolio will be tailored to ensure we respond appropriately to changing situations.

Our rationale for prioritisation is based on the following factors:

- Most important development and security challenges (outcome focus) – Mindanao context.
- Areas that AusAID can have the greatest impact (value added) – under-served areas, AusAID comparative advantage.

3.3 Outcome 1: More capable and responsive state institutions in CAAs

Governance and security in Mindanao has long been shaped by the fluctuating relationship between Manila and local political leaders (both competitive and collusive), as well as intense rivalries between local factions. In the Moro dominated regions, these struggles have been amplified by the forty year secessionist and autonomy movements. The confluence of weak governance, a hollow law and justice system, endemic corruption, a tendency by national authorities to overlook electoral failings in Mindanao for the vote returns that result, and the relative power of armed insurgency groups, has resulted in a crisis of legitimacy for local and national institutions in many areas.

These political dynamics have systematically undermined the capacity and legitimacy of local state institutions, particularly in the ARMM. Unfortunately, with endemic poverty and pervasive lawlessness, poor governance was accentuated in the conflict-affected areas. Tolerating the misuse of Internal Revenue Allotment (IRA) became a major form of patronage between the national and local leadership. Central Government, for reasons of political expediency, defaulted in its critical function of oversight essential for systemic ‘check and balance’. When pushed on how certain Mayors managed to artificially increase their population numbers to trigger greater IRA payments, NSO officials admitted that they were not able to visit and verify such numbers in many parts of central Mindanao, for fear of violence against their staff.¹³

In parts of Maguindanao, Lanao del Sur, Basilan, and Sulu multiple non-state groups compete for recognition and legitimacy, aside from the local government. In some barangays and municipalities, the MILF, MNLF and even ASG wield effective military and political control of these areas. The consent of these competing groups is often necessary for delivery of both Government and non-government services. The state security forces are constrained by resources and blurred responsibilities between key agencies.

The successful completion of negotiations between the Government and the MILF should help to resolve some of the contestation over the legitimacy of the ARMM regional government, but it will not fully address the ongoing problems at the local level. In addition to supporting the Framework Agreement, there are other efforts that can be done to build capacity and legitimacy of local government structures, and

community-level capacity to solve shared challenges (i.e. social capital). The national government oversight for good governance is being renewed through the political capital invested in the interim Administration in ARMM. Financial capital in the form of the Transition Investment Stimulus Fund has also been allocated to support strategic investments. Incentives to promote transparency among LGU's have been put in place. These are promising early signs – however we recognise that building the capacity and legitimacy of key institutions in central and western Mindanao is a long-term commitment.

During the transition period of the Framework Agreement on the Bangsamoro there are a number of priority support areas that overlap with the our country strategy. Depending on the progress through the formal steps under the Agreement we have the opportunity to scale-up our assistance on specific technical assistance and capacity development needs. (These options will be addressed in more detail through a separate document). There will be the following main stages during the transition period:

- (i) Completion of the annexes to the Framework Agreement
- (ii) Appointment of the Transition Commission
- (iii) Drafting of the Basic Law
- (iv) Period of transition under the Bangsamoro Transition Authority (2014-2016)
- (v) Establishment of the Bangsamoro Government (May-June 2016)
- (vi) Implementation thereafter (post July 2016)

AusAID can best contribute to these overall challenges under this Outcome through the following three clusters of activities.

3.3.1 More capable and responsive local level institutions in CAAs

In areas affected by conflict, and particularly areas of contested legitimacy of state institutions, the provision of basic services to citizens is a key means of building trust and stability of the state. These services are often constrained by a lack of resources, low capacity of state institutions, and the disruptions caused by ongoing violence. Donor agencies can play a useful role in strengthening the ability of the state and partner agencies from civil society to counter these constraints. Given the low capacity of the state it is important to acknowledge that local governments are often unable to focus equally on the service delivery needs of education, health, water and sanitation, and public infrastructure. Therefore prioritisation is important.

Australia's primary contribution to service delivery in conflict-affected areas will be in education, primarily through the *Basic Education Assistance for Muslim Mindanao* (BEAM-ARMM) program. BEAM-ARMM is covered under the Education delivery strategy, and has a separate, comprehensive design which set out the internal logic and desired outcomes. Therefore we will not go into details of that program. This delivery strategy focusses on the peace and security objectives of Australia's aid program.

Given the challenges to the legitimacy of institutions identified above, some measures to enhance the capacity and responsiveness of existing institutions are warranted. These should be centred on the capacity of the State to provide basic services, justice, economic opportunity and security. This requires more than

technical fixes and capacity building. It needs to address significant political issues that inevitably must lead to redefining roles and dealing with winners and losers in that process. Above all it requires considerable time, beyond the short-term of the appointment ARG Administration (16 months), and beyond the medium-term of the Aquino Administration (2016) and into the transition to the Bangsamoro government in 2016.

In the Philippines, this question of capacity and legitimacy will be solved in the long-term through a combination of improved exercise of, and completion of the renegotiation of, powers of the regional authority in ARMM and the Bangsamoro, along with greater capacity of barangay, municipal and provincial governments, and improved working relationships between national and local authorities. This last point is critical – improved vertical relationships will require genuine moves to strengthen regional autonomy, appropriate oversight, and following through on incentives for performance.

The current attempts to reform the ARMM government are one of the key steps in resolving these challenges. If successful the current interim Administration will begin to shift the political status quo in ARMM, and lay some foundations for continued improvement in governance after the May 2013 elections. However reforming the ARMM is a complex, difficult task.

On the positive side it is worth noting that AusAID has extensive experience in strengthening local level institutions in conflict areas, directly through PACAP and indirectly through UNDP and MinDA in the Act for Peace Program. The current Administration is also preparing for a new national CDD program, which will include a specific funding window for ARMM. The UN is also considering options for how best to empower conflict-affected communities post-Act for Peace.

One specific element to note from BEAM-ARMM – under BEAM-ARMM remote communities that have no existing basic education facilities will be assisted by introduction of the BRAC NGO alternative education delivery model. BRAC has an international reputation for successful delivery of non-formal primary education to underprivileged children who are outside the formal education system. BEAM-ARMM will support BRAC to rapidly trial and adapt their community schooling model in ARMM. It is hoped that if the model shows positive results there will be opportunities to build on the community schools to engage other aspects of community development, as BRAC has done in other countries (offering economic support through micro-finance, and branching into other basic services such as legal, health, etc). This is one area which will be monitored closely as it offers potentially transformative opportunities for conflict-affected communities.

What we will do:

There is a short window of opportunity up to May 2013 to work with the appointed government in ARMM on key reform measures. The objectives of the interim administration for this period are to strengthen and professionalise the regional bureaucracy and to raise the quality of education in ARMM. These intersect closely with our broader interests, and therefore we will support select activities.

We will also continue with our commitments for the medium-term, and gradually build capacity of ARMM institutions, LGUs and other partners. Support for the Bangsamoro Development Agency (BDA) and Bangsamoro Leadership and Management Institute (BLMI) will be important in developing the capacity of the future Bangsamoro administration.

The UN and World Bank are exploring establishing a facility to provide technical assistance for the MILF during the transition period. AusAID will consider supporting this if it shows it can contribute to a coordinated approach amongst donors in an environment where the MILF is limited by capacity to absorb assistance on multiple fronts.

We will remain as an active partner in the Mindanao Trust Fund (MTF), and consider further investment of funding depending on current reviews of the MTF, the future role of the BDA, and consideration of other available mechanisms which may be established which fit the needs of all partners.

We will consider future community driven development (CDD) investments once the Government has completed preparations of a national CDD program, and the UN has completed current strategy reviews.

How we will measure success:

Monitoring for this outcome would focus on the degree to which community level institutions can improve community services, thus making conflict-affected communities more resilient and less prone to revert to active conflict. This will include a periodic review of the basic competence of local governance and examples of its responsiveness to resolving/mitigating local conflicts. Core competencies of staff in partner organisations such as BDA and BLMI will provide a gauge of progress, as will investments in community projects through the multi-donor trust funds.

3.3.2 More credible and legitimate elections

Elections in the conflict-affected areas of Mindanao are a major destabilising factor. In most recent elections, the ARMM has had the highest levels of manipulation and violence in the country¹⁴. Overall this violence and manipulation of elections decreases confidence in local formal institutions, undermines the credibility of the election process, and ultimately erodes the legitimacy of all levels of elected government.

What we will do:

Our support for the intermediate outcome of ‘more credible and legitimate elections’ will be focussed on an increase in transparency and decrease in election-related malpractice, reduced violence in campaigns and elections, and increased trust in the key election institutions.

These outcomes will be achieved through influencing activities including greater election monitoring in conflict-affected areas; provision of technical assistance for election procedure reform; supporting collaboration between security forces, CAA communities and civil society to reduce election related violence; and supporting citizen coalitions for electoral reforms and monitoring.

While the challenges to improved elections within ARMM are daunting, there are positive signs of opportunities for improving elections in the conflict-affected regions. Some interventions supported by AusAID have already had immediate impact, such as updating and cleaning the voter rolls. Civil society groups are mobilising to play a much more active education and monitoring role. We will work to support both these endeavours.

Programs under this intermediate outcome will be informed by extensive political analysis, and a realistic approach to reforms. We realise that improved elections will not lead to a sea change in local political dynamics. We also recognise that past efforts to strengthen elections systems, monitoring and civil society oversight have had limited impact. However, the political context has changed significantly with the change of Administration, and the removal of the Ampatuan clan from high positions in the ARMM. Unlike Arroyo, President Aquino did not require vote manipulation in the ARMM in order to win the election in 2010, and as a result, has few political debts to local political leaders. This gives the current government a strong incentive to end the practice of collusion between national and ARMM-based political leaders to manipulate elections, and clears the major hurdle to significant reforms.

How we will deliver our support:

The Aquino government has taken some steps that demonstrate a commitment to electoral reforms (e.g. re-registration of all voters in ARMM) and current ARMM Governor Hataman has declared electoral reform as a key priority. This political capital will be necessary for any significant change in the short term leading to the 2013 elections, and our support beyond 2013 will be tempered to build on continued commitment.

AusAID's global and Philippine specific partnership with The Asia Foundation provides one suitable mechanism for assisting in this regard, as does AusAID's global relationship with the International Foundation for Electoral Systems (IFES). TAF and IFES have built respected reputations in elections support, together with a solid network of civil society partners across the country, including Mindanao. Both groups are able to work with their key partners on monitoring of re-registration and elections, reducing election related violence, and generally supporting citizen coalitions for electoral reforms.

How we will measure success:

Based on public perception surveying, monitoring for this outcome would focus on key indicators of perceptions of the fairness of electoral processes, key government institutions and local elected leaders, as well as local security. Monitoring efforts would also include tracking the number of municipalities where "failure of elections" would be declared. Furthermore, field-based, long-term election monitoring would identify key dynamics in local political competition and elections processes to assess their efficacy and fairness.

3.3.3 Security forces have capacity, credibility to ensure local security

Providing a secure environment for its citizens is a critical function of the state. However long-running conflicts, weak institutional environment, and fluctuating political commitment to either combat or peace negotiations have eroded the capacity and credibility of both the Armed Forces of the Philippines (AFP) and the

Philippine National Police (PNP). The nature of conflict in Mindanao is “is multi-faceted, motivated not only by ideology but also local and regional struggles over political power and resources, clan conflict, vigilantism, and opportunistic crime. Violence typically involves more than one of these elements.”¹⁵ This makes enforcing local security a continual challenge.

The overall approach of the security forces to conflict management is one of the most critical determining factors for stability and human security in protracted sub-national conflict areas like Mindanao. In the past, the Philippines security forces deployed in sub-national conflict areas tended to rely on coercive force (sometimes applied indiscriminately) and intelligence gathering, with a focus on threat elimination and force protection.

For many years the armed forces have also been challenged by entrenched corruption, an appointments process that encouraged promotion of those willing to do favours for political decision-makers¹⁶, and was regularly accused of wanton disregard for human rights. These entrenched behaviours have resulted in distrust in state forces by conflict-affected populations, subsequently deepening and prolonging the extent of conflict.¹⁷ In addition the long-running rebel movements (communist and Moro) have resulted in the AFP taking over police functions, in an attempt to secure the local peace and stability. At the same time the PNP has developed significant para-military capability, further blurring the lines of responsibility with the AFP. Moreover due to budget constraints, both the AFP and PNP have cultivated large networks of ‘force multipliers’ which due to relatively loose controls have complicated local stability and peace keeping.

Improving outlook

In response to these fundamental challenges there is a major shift underway within the Armed Forces of the Philippines (AFP). Some leadership groups within the AFP have been experimenting with approaches that focus on confidence-building, positive community engagement, greater restraint and respect for human rights, and addressing local grievances through mutually beneficial dialogue.

The need for a fundamental shift that will be necessary for the Philippines to change the behaviours of the Armed Forces has resulted in the *‘Internal Peace and Security Plan’* (IPSP or Bayanihan), launched in 2010. The IPSP is a formal attempt to spread changes in attitudes and behaviour across the forces. There are signs that the limited initiatives we have supported to date are getting acceptance and are being mainstreamed – e.g. modules are now being adopted in the main military training staff course.

Even with these positive changes there are significant political risks to working in this sector. Our engagement on these issues is predicated on a number of critical assumptions. The first is that there will be no return to GPH-MILF hostilities. The second is that AFP leadership remains supportive of the new, peace-focussed approach.

There is a legitimate question as to whether Australian grant aid should be used to help this transition. It is not a traditional area of expertise for AusAID, though it is a growing area of engagement for our programs in conflict-affected states. The first key

reason for supporting these small-scale efforts is the critical role of ‘normalisation’ within the context of the Framework Agreement and the transition period. The completion of the Framework Agreement process will depend in large part on the handling of the normalisation agenda. The second reason is the strong demand from AFP and other government agencies for support. The third reason is that the AFP is the critical state actor in conflict areas, in many cases the most credible and most able to respond, and the way they operate in CAAs has implications for state-society relations. Another reason for support is that this kind of work often falls between the cracks with development agencies and defence institutions, with one reluctant to take risks of engaging the military, and the other focussed on ongoing relationships. The last reason for supporting this work is the most significant – without significant reforms in the approach of security forces for addressing conflict in the Philippines, as well as in the allocation of responsibilities and resources between them, there remains a serious risk of repeating the cycles of violence of the last forty years, and thus undermining all of the collective development efforts. Any support would necessarily continue to be modest, building on our limited interventions to date.

There may also be potential for whole-of-government support, in addition to the aid program, for the transition agenda under the Framework Agreement, particularly on security and the normalisation challenges.

What we will do:

AusAID plans to take an exploratory approach to continue supporting multi-stakeholder efforts to encourage the security forces to use greater restraint, understand local context, and address problems through mediation rather than force. Working with the security forces to improve the way they work will be a relatively modest but strategic investment, complementing the increased resources allocated by the Philippine government for these reforms.

We will achieve these intermediate outcomes by funding local groups to provide training for select elements within the security forces to help them understand local context and peace-building approaches, and support internal security sector reform efforts (e.g., changes to processes of promotions and military curriculum). We will also support civil society attempts to establish monitoring and oversight bodies leading to greater transparency and accountability of the security forces.

Lastly, we will facilitate analytical work to examine how the long-term transition of law enforcement from AFP to PNP can be achieved. We will continue to liaise with other Australian government agencies on relevant points of collaboration as appropriate (defence, police, etc.).

How we will measure success:

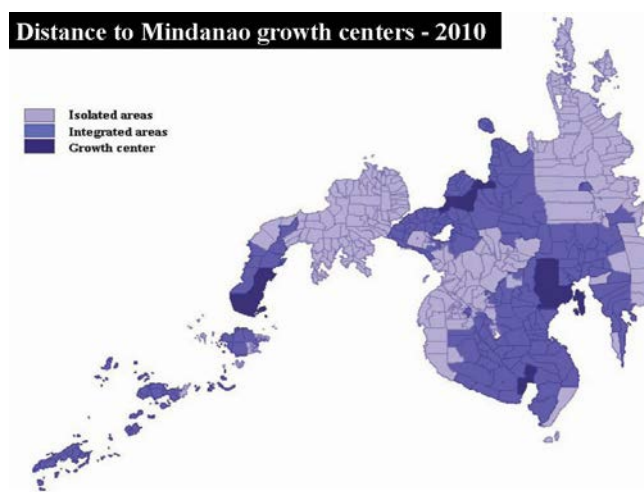
Monitoring of this objective will focus on two levels. First, there will be a need to monitor changes in AFP doctrine and training curriculum, and basic behaviour changes resulting from those changes. Second, it will be important to monitor changing perceptions and levels of trust in the military within the conflict-affected population. Since this is an exploratory outcome, AusAID will focus monitoring on the micro-level – i.e., on issues, or in geographic areas where AusAID assistance is concentrated.

3.4 Outcome 2: Expanded economic opportunities for CAA population

Over the last few years the evidence has been mounting that economic opportunities in Mindanao vary greatly between regions affected by conflict and those relatively more stable. Whilst poverty rates over recent years have been falling in some regions of Mindanao, poverty in ARMM increased faster than elsewhere in the country.¹⁸ In contrast to the economic lethargy of central and western Mindanao, the north and south of the island has been growing fast.

This poor comparative performance indicates a deeper malaise. The continued high poverty rates in central and western Mindanao in the midst of an expanding national economy indicate that these conflict-affected citizens are excluded from opportunities to link with the national growth. The pockets of growth in these conflict-affected areas are also unsustainable as they rely on primarily on national-level funding for “reconstruction and election-driven consumption spending”¹⁹.

These two aspects of the nature of growth in conflict areas make it more difficult for a lasting peace agreement, as they work against greater integration between conflict areas and non-conflict.



Spatial growth disparities across Mindanao from 'Behind the Veil'

While investor surveys consistently rate the lack of decent infrastructure in the Philippines as one of the highest deterrents to investment²⁰, ARMM has greater disincentives than most. For example, ARMM has less roads than any other region in the country, and those roads are also in the poorest condition.²¹ In addition the rate of electrification of ARMM is half that of its growing neighbours (50% versus 76% in Region X).²²

3.4.1 Economic integration of conflict-affected areas

An AusAID-funded study in 2009 '*Behind the Veil of Conflict: Moving Toward Economic Integration for Sustained Development and Peace in Mindanao*' made the case that these disparities between different regions of Mindanao were a result of 'disconnectedness', the comparatively high cost of transport, and thus restriction of access to markets. These physical limitations were compounded by all the characteristics of weak governance in conflict areas - overlapping jurisdictions of traditional and modern governance structures, a poorly functioning justice system, fuelled by a zero-sum battle for political control.

The study asserted that greater economic integration between growth centres and conflict-affected areas will create long-term benefits of a convergence in living standards for Mindanao. This could be achieved through strengthening institutions to improve living standards, improving infrastructure to connect markets and allow

labour mobility, and targeting interventions in areas with severely challenged conditions of isolation, conflict and weak local institutions.

Although investors have been largely wary of investing for reasons of insecurity, political turbulence and poor infrastructure there appears to be some prospect of change, particularly if the Bangsamoro process is concluded. However it seems probable that during the transition period to the conclusion of the Bangsamoro there will be limited private sector investment.

Creating an environment conducive for sustained economic growth in conflict areas will involve interventions at different levels. At the macro or policy level, there needs to be reliable security, as well as a policy framework that will allow greater private sector interest in investing in a particular area. The correct “market signals” will have to be provided by the government to potential investors that the latter are welcome to invest. This may lead to support for an ARMM Omnibus Investment Code.

At the meso level, there has to be local political leaders hospitable to private investors, a community open to welcoming entrepreneurs, and an environment where the security of the investor and investments are not put to undue risk.

At the micro level, the citizens in the community should have the skills to match employment demand, and there needs to be a minimum of basic infrastructure to encourage investments. We will support analytical work to better understand the state and dynamics of both issues.

What we will do:

In order to pursue these questions of economic integration, AusAID will continue to explore ways in which greater economic linkages between conflict and conflict-affected areas can be enhanced. Our analysis suggests possibilities for greater economic opportunities in conflict-affected Mindanao. The first is that, even within the operational instability of conflict-affected areas some investors have been able to achieve solid returns, almost always in an area where there is an “enlightened” political strongman to provide security guarantees. The second is that security and secure land access are the most critical investment constraints. The third is that there is no single model for successful investments, though unsurprisingly local investors enjoy a comparative advantage, and foreign companies long operating in Mindanao enjoy advantages over new investors.

It is important to note that all these studies recognise the inseparability of expanding economic opportunities for those most affected by conflict and achieving peace and stability.

Our approach will use modest resources to identify and scale up good practices in the conflict areas, and focus our resources where we can assist in leveraging more significant investments from Government or other donors, and share lessons with other stakeholders.

We recognise that the development of the mining and resources sector in Mindanao could have significant social and economic impacts, if the Government decides to pursue a policy that permits or encourages investment in mining to a large scale,.

The Framework Agreement references the importance of resource-sharing as an issue. However the AusAID Philippines country strategy does not identify support for mining-related development as an explicit area of focus. If this emerges as a Philippines Government priority, or a priority for the new Bangsamoro entity, there is scope in the medium term to consider it further within the framework of this strategy.

Our investments in provincial road networks through PRMF also connect to these broader challenges for economic development in conflict-affected areas, particularly in the province of Lanao del Norte. We will ensure appropriate links between the Mindanao and PRMF teams.

How we will deliver our support:

We approach this outcome with a view to contributing to the work of other partners who have the resources to leverage for large scale investments (e.g. Government, multilateral banks). AusAID is not in a position to address all of the economic development concerns, but we can play a role in providing the background analysis, in bringing together various donors and government agencies to concentrate resources in selected areas, and in providing international and national expertise to help set the directions of government. If we are to be effective in playing this catalytic role we will require continued expertise in economic development, and we will need to partner with investment promotion agencies (e.g. ARMM-DTI, RBOI), representative groups (e.g. Mindanao Business Council), and work directly with LGUs that are open to external investment.

We will continue to coordinate with the World Bank on joint issues of interest, including analysis of the potential role of the Multilateral Investment Guarantee Agency (MIGA) in helping to provide guarantees for private sector investment.

We will provide technical assistance to agencies with oversight responsibility for economic policy and programs in conflict areas, including the ARMM Regional Government, OPAPP, and MinDA.

We will reassess our support for this outcome at yearly intervals, with the expectation that we will phase out of engaging on this outcome over the life of this delivery strategy.

How we will measure success:

As an exploratory priority, AusAID will primarily rely on existing sources of data for monitoring in this outcome area. As programs will be targeted and small relative to the scale of the economic development challenges, the impact monitoring of AusAID assistance will be customised to the design and scope of individual activities, based on previous AusAID research on interconnectedness and isolation.

3.5 Outcome 3: Strengthened foundations for negotiated peace

Peace negotiations between the Philippine Government and Moro groups have been ongoing for 38 years (starting with the 1974 negotiations with the MNLF). Since 2000 there have been three large-scale wars (2000, 2003, 2008) which have displaced approximately two million people.

These stark facts contrast markedly with the optimism in the GPH-MILF peace talks following the signing of the Framework Agreement on the Bangsamoro. The Aquino Administration has made “the pursuit of negotiated political settlement of all armed conflicts”²³ a centre-point of its agenda. Reaching a final peace agreement would likely result in significant gains for the Philippines, not least the reduction in conflict and loss of life, reduction in displacement and the disruption to lives that this entails, the removal of significant barriers to economic growth in conflict areas, and a reduction in the high cost of conflict to the Philippine state. For the Philippines to begin to realise its economic and human growth potential the heavy anchor of more than 40 years of conflict needs to be removed. We recognise that a political agreement is not the end of the problem, in many ways it is just the start of the process of resolving the underlying drivers of the conflict.

Therefore we will continue to support the Philippine Government push for a final agreement. However regardless of what nature of peace agreement is reached before 2016, we can assume that for the period of this delivery strategy the key ingredients of improved skills and resources for negotiation, engagement, dialogue and consultation will be necessary for all the key stakeholders. A multi-track approach is therefore required.

Australia’s role in this regard is to indirectly support the peace process by building capacity of key institutions involved, or other foundational work that can help build momentum for a settlement.

3.5.1 Peace process more credible & widely supported

The long duration of the conflict in central and western Mindanao has not helped to create a groundswell of support the ongoing negotiations. Although a majority of Filipinos support the idea of a peace agreement there is little engagement in the actual negotiations, and surveys suggest few Filipinos are aware of the basic nature of the challenge. Since the conflict is largely confined to pockets within Mindanao there is little pressure for someone from Luzon or the Visayas to engage intimately in the process. When violent clashes occur, as with the Al Barka incident in 2011, public commentators are often quick to call for an end to peace talks.

A concurrent challenge is the lack of a unified position amongst the Bangsamoro. The history of Moro negotiations with the Government is one of factionalism and internal disagreements. There are at least three significant Moro political forces: the MILF, MNLF and the mainstream political leaders. It is unclear at present whether an agreement signed with the MILF will hold for any of all of the MNLF. This fuels uncertainty for local citizens and their current politicians.

What we will do:

Australia’s current role is outside the formal structures of the peace process. This is appropriate. However we are recognised to play a significant influencing role given the breadth and depth of our investments in development in conflict areas. We can have a positive influence on the ability of government and non-government organisations to contribute to peace and stability.

Our primary contribution on this outcome will be to helping forge ‘a more credible and widely supported peace process’. This will be achieved by strengthening and

broadening interest in the peace process, and specifically the issues in contention at the negotiating table. In order to be successful there is a need for engagement of groups beyond the negotiating parties and the traditional core of peace advocates. This will require broadening the peace constituency who will actively monitor the peace process and contribute to developing a consensus of support for the outcome of the negotiated peace.

AusAID will support activities that will promote dialogue and collective action among peace advocates. We will encourage activities that will popularize the issues of the peace process to other sectors including facilitation of perception surveys and analysis of key issues in negotiations. We will support appropriate forms of dialogue and consultations of the Government and the MILF to reach out to concerned LGUs, business and civic community. We will continue to support women's participation in all aspects of the peace process, and analytical work to understand the gender implications of potential peace agreements. Special attention will be given to confidence-building initiatives with the MNLF, other Bangsamoro groups and the non-Moro ethnic groups (indigenous peoples) or *lumads*.

How we will deliver our support:

AusAID has over recent years established strong functional links with the Office of the Presidential Adviser on the Peace Process (OPAPP) as well as with the network of peace advocates and their opinion leaders both within and outside Mindanao. We will support key influential partners to serve as conveners for initiatives that will strengthen peace advocacy as well as to broaden reach to new advocates. We will also consider supporting programs designed to delivery the peace dividend in the aftermath of the Framework Agreement.

Coalitions for Change (CFC) and HRODF will be tapped as appropriate to support specific organisations with advocacies that overlap with our objectives, for example the ongoing HRODF support to the Philippine Center for Islam and Democracy.

How we will measure success:

- Degree that public perceptions are included and valued by negotiators.
- Size (diversity) and relative influence of 'peace constituency'
- Public support for peace process (formal and informal/local), stating level of support and willingness to conform to the agreement (program treatment areas only)
- Active participation of women in the formal and informal elements of the peace process.

3.5.2 Institutional capacity to implement peace agreement improved

Although the negotiations are carried out by two panels convened specifically for the purpose, those panels are supported by key agencies on the Government side and a range of NGOs and individuals on the MILF side. Each of these groups have a need for technical assistance on issues relating to future governance and development arrangements. In addition there are internal capacity gaps for both sides.

Beyond the specific negotiating points for a potential agreement there is also a need to start preparing for post-agreement transitions. Compiling international experience

to share with relevant parties, and convening dialogues with the appropriate institutions to examine options will be worthwhile contributions.

What we will do:

We will help parties to the negotiations and those involved in the transition period adapt technical input and international lessons in positions and policy. We will facilitate specific capacity building activities for key peace process stakeholders. Contributions might include demand driven studies and research on areas likely to be important post-agreement.

We will help partners draft strategies for dealing with managing the post-agreement period of transition. We will support development of improved internal capacities and skills within OPAPP.

How we will deliver our support:

Our institutional support to OPAPP currently includes a mix of basic skills (e.g. financial management) and broader capacity (e.g. leadership development), coupled with technical assistance for key priorities of OPAPP in the peace process. Similar support to the BDA and the BLMI or other organisations involved in implementing the peace agreement will be considered.

HRODF will remain the primary capacity building support mechanism, including for the continuing In-Country Scholarships Program, with a focus on supporting future generations of leaders from conflict-affected areas of Mindanao. We will also provide support through multi-donor mechanisms (e.g. the Mindanao Trust Fund), or through specific intermediaries such as The Asia Foundation (who are already working to support BDA and others).

How we will measure success:

Considering the inherently complex and secretive nature of peace processes and the political settlements defining them, monitoring this outcome will require sophisticated political-economy analysis of key stakeholders. Key indicators for tracking will include:

- Level of institutional capacity of Key Stakeholders for implementing agreement
- Effective collaboration amongst key agencies.

3.6 Outcome 4: Building resilience of conflict-affected populations

In central and western Mindanao, including the Sulu archipelago, violence is a frequent, unpredictable, and often highly localised phenomenon. As a result up to two million people in these areas have experienced displacement from their homes over the last few decades. A 2011 World Bank and World Food Program study of conflict-affected populations across central and western Mindanao found that 41% of the total population had experienced displacement over the last ten years, and 30% of those were displaced for more than a year.²⁴ The poverty data presented in the opening section of this Strategy clearly indicates the disturbing connection between conflict and poverty in the Philippines. Whilst large parts of the country surge ahead in economic terms, those affected by regular conflict are near-stagnant. The populations in these (largely rural) areas have far fewer options than their nearby cousins – as a result of poorer education achievements, life expectancy, health care, welfare support. Perhaps the most disturbing finding of the World Bank-WFP study

was that populations resettled in their place of origin are almost as badly off as those currently displaced – a reflection of the extreme vulnerability of these communities.

In addition, recent studies have shown that violence is much more commonly a result of local disputes and rivalries, and not only a result of high-profile ‘vertical’ conflict between the Government and rebel groups. These local disputes most often result from disagreements over land or other resources.²⁵

3.6.1 Stronger local mechanisms for averting escalation of violence

Given this context of recurrent localised conflict it is perhaps unsurprising that the best solutions also seem to be at the local level. A number of groups have experimented in recent years with quick-response multi-sector mechanisms in the event of an outbreak of violence.

One key factor that fuels much of the local conflict is the “public office-private militia” dynamic. This is a complex issue which has several strands: presidential powers and the public financial management system; the umbilical relationship between LGUs and the central government which forecloses revenue-raising and the development of a social contract with their constituencies (i.e. taxes for services); lax controls over weapons; blurred relationships between local elected officials and security forces; and the capture of the Commission on Elections (COMELEC) and the integrity of the electoral system as a whole. In short it encapsulates the weaknesses of the political and social structures of the Philippines including the security sector.

Its particularly regressive impact in the ARMM should be recognized as should the critical role of the central government. How this phenomenon has been overcome in other parts of the Philippines needs to be understood to help inform future development scenarios.

Although coverage of the Bangsamoro conflict dominates the media, research shows that local clan violence (or *rido*) in Mindanao is actually more pertinent in the daily lives of the people, with 50% (637 cases) of the total *rido* incidences recorded since the 1930s occurring within the years 2000 and 2004²⁶. Further to this, Mindanao’s violent disputes that originate from religious difference constitute only 12% of instances²⁷. In contrast, friction between family, clans and tribes is attributed to 43% of the region’s conflict (27% families, 10% clans and 6% tribes)²⁸.

For decades, this constant threat of localised violence has been a barrier to stabilisation, development, and effective governance in the region²⁹. State and local government bodies lack the capacity to intervene to prevent violence at critical points of escalation. Violent conflict can result from unresolved disputes between local actors – clans, political leaders, military units, police, insurgent groups, and criminal networks – and quickly escalate into wider hostilities. Armed conflicts between the military and the major insurgent groups are often between local units and are triggered by local grievances that may have little to do with the larger state-insurgency conflict.

Some of the most effective mechanisms for mitigating these volatile local conflicts are through local mechanisms, including traditional local institutions, civil society, or local government units. Violent conflict often erupts when there is an unresolved

dispute between local actors that cannot be mitigated through existing formal structures or state intervention. The weakness and lack of trust in state institutions is a key underlying factor in the outbreaks of this form of conflict – underlining the importance of building more capable and responsive state institutions in our strategy (see Section 3.3). Until institutions are stronger, local mechanisms are often the only option for preventing escalation of violence, as they can increase the capacity of civil society actors and community-based leaders to manage crises and manage interventions for outbreaks of hostility that may occur between armed groups³⁰.

What we will do:

Recent experience suggests that Australia can play a useful role in supporting local mechanisms for averting escalation of violence. Two of our key partners (The Asia Foundation and the Centre for Humanitarian Dialogue) have demonstrated good results in working with local actors to address localised conflict.

Therefore we plan to support local stakeholders and key actors to respond rapidly to conflicts and other crisis points. This includes demand-driven capacity building activities that will strengthen support structures to mitigate potential flashpoints and make communities more resilient to circumstances that may lead to violent conflict.

We will support policy discussions and policy briefs that will help incorporate the lessons we have learnt into meaningful improvements in policy and resource allocations, with a focus on addressing *rido* and localised conflict.

How we will measure success:

Based on similar programming ongoing with TAF and CHD, key indicators for this outcome will include cases of local actors intervening to avert crises and mediate conflicts, changed relationships between key groups at local level, and improvements in capacity of local partners to mediate in conflicts.

3.6.2 Improved response to crises (natural & conflict related)

If recent history is a guide to the future, there will be one or more serious displacements of people within conflict-affected Mindanao during the period of this strategy. During the ‘all-out war’ of 2000 there were approximately one million internally displaced persons (IDPs) across central and western Mindanao. In 2003 there were approximately 400,000. Following the Supreme Court rejection of the Memorandum of Agreement on Ancestral Domain (MOA-AD) in 2008 there were nearly 600,000 displaced, garnering unfortunate recognition as the “the biggest new displacement in the world” for that year.³¹

We should expect that significant conflict will occur at some point during the next five years, and we need an appropriate strategy to respond to the consequences of conflict when it occurs. This requires partnerships that can meet humanitarian needs, provide protection for the vulnerable, and help with recovery and rehabilitation when the situation stabilises.

Although the above displacement numbers resulted from conflict it is important to remember that “like the rest of the Philippines, Mindanao is very susceptible to natural disasters... Seasonal flooding occurs across all the provinces included in this plan, with over 100,000 people displaced annually.”³² Our strategy for responding to

natural disasters is covered under our delivery strategy for '*Disaster Risk Reduction*', including pre-positioning support to the Philippine Red Cross and government partners.

It is also important to note that the Philippine government has significant capacity to respond to disasters in the conflict-affected areas. Immediate responses to the 2008 conflict were led by national and local government, with the international community in support once the scale was fully understood. We will work to support the national capacity in the event of any emergencies, and with civil society and international partners in cases where the scale of disaster is beyond the scope of the Philippine government to respond. The cluster system that is currently in place is an effective coordination mechanism, and as evidenced by Australia's financial support in the wake of *Tropical Storm Washi* in 2011 and *Typhoon Bopha/Pablo* in 2012, we are able to work effectively with the clusters when required. Our ongoing support for the National Disaster Risk Reduction and Management Council (NDRRMC) and the Philippine Red Cross at the national level helps inform our overall understanding of local capacities in disaster responses.

What we will do:

Our support for improved responses to crises in conflict-affected areas will focus on:

- Technical assistance to response agencies, key government agencies and local CSOs
- Training and access to information for relief agencies on local conflict dynamics
- Supporting activities that promote dialogue between response agencies, government bodies and local CSOs and encourages collective action
- Establishing pre-approved agreements with key partners for emergency relief operations.

This assistance will help ensure relief efforts more effectively target the most vulnerable areas, and relief programs are delivered in more conflict sensitive manner (avoid escalation of tensions). Ultimately this assistance should result in more timely access to relief goods in a crisis.

We envisage that these commitments will be relatively small, with potential for increased funding through the established partner organisations in the event of increased displacements.

How we will deliver our support:

Our preferred options for support will be through the Philippine Government, and with local NGOs who have the capacity to respond in conflict areas. We will ensure appropriate linkages with the NDRRMC and the Philippine Red Cross, building on our existing collaborations on disaster risk reduction at the national level.

We will continue our existing arrangements with UN partners, primarily OCHA, WFP and UNICEF so that our response is directed through the appropriate cluster arrangements in the event of significant-scale crises.

We will also conduct an assessment of relevant local NGO partners, including those we have worked with in the past, to have a 'ready call' list for response under various critical sectors and geographic regions.

When appropriate we will tap into the Australian Civilian Corps. This will be particularly relevant as a bridge between emergency humanitarian response measures and longer-term development programs, ensuring basic state functions are maintained while more comprehensive assistance strategies are developed.

How we will measure success:

Success for our support in immediate responses to humanitarian crises will be determined in terms of our ability to respond to identified needs. The medium-term success will be in increased capacity of our key partners, both national and international organisations, to plan for and respond to such crises. Through that support we will make a limited contribution to the longer-term resilience of conflict-affected communities.

3.7 What we will not invest in

The depth and breadth of the challenges for conflict-affected areas of Mindanao mean that there are many more areas deserving of support and assistance than Australia will be able to engage in. Funding limitations, personnel resources, comparative advantage and prospects for significant impact all figure in considerations of what to engage in. The focus areas identified in the draft country strategy provided the broad initial parameters for our engagement in conflict-affected areas.

A few areas were not considered for engagement, for political reasons. We did not do any analysis on more formal engagement in the peace process, as Australia is not part of the formal architecture for international support, and those support mechanisms are currently well resourced.

Nor did we give significant consideration to a large investment in other basic services, given that education was already selected (BEAM-ARMM and PRIME), and we are heavily invested in roads (PRMF). The health sector already receives significant support from other donors, and in the interests of maintaining a focussed program was excluded. These decisions were based on many years of engagement in Mindanao, and an in-depth and rigorous design process for BEAM-ARMM, PRIME and PRMF, so we did not want to second-guess those efforts.

We acknowledge that the law and justice sector is a fundamental problem for conflict-affected areas. However we considered that any investment in significant reforms in this area should be long-term, of a scale sufficient to include reforms of large institutions, and needs to be coupled with a similar program at the national level. We decided that other donors in the Philippines (USAID, European Union, World Bank) have greater expertise and engagement on these issues.

There are many more layers of ‘filtering’ in the process of identifying the final areas for investment. For example under ‘economic opportunities’, there is a valid case to be made for supporting micro-credit, given the difficulties many small businessmen have in ARMM. However our lack of country expertise in this area and the presence of other actors in this space meant we rejected that option in drafting this Delivery Strategy. We don’t propose to explain in this document each decision.

We started our assessment of the relevant sectors and level of engagement for conflict-affected areas with a blank slate. Hence the inclusion of an ‘economic development’ outcome, despite the lack of a similar outcome in the overall country strategy.

4 How Australia will deliver its support

4.1 Modes of engagement

The characteristics of central and western Mindanao – with complex, interwoven conflict and development challenges – suggest that our program of assistance will be best delivered through a range of different modes of engagement, so that we can respond flexibly to changing circumstances, with different partners appropriate to evolving circumstances.

The proposed mix of assistance is threefold: bilateral facilities, direct support to non-government organisations, and multilateral programs. These modes of engagement are considered relevant for all three scenarios sketched earlier in the document. However the most appropriate mix will vary depending on progress towards a substantive political settlement. For example if there is a breakdown in talks and an escalation in fighting it is likely we will focus less on building the capacity of government departments and more on humanitarian and emergency responses through national government and multilateral partners.

Bilateral: Some core programs of the current AusAID suite of activities are relevant for achieving the outcomes outlined above. Education, through the BEAM-ARMM program, will remain as the centre-point of our assistance (with connections to PRIME and the national education agenda). Human capital will be developed through scholarships and institutional support from HRODF. The Coalitions for Change program will provide an avenue for targeted reforms. PFMP will have selected interventions on PFM issues connecting national and regional reform agendas. PRMF will address selected governance weaknesses in Lanao del Norte and neighbouring provinces. It is expected that these activities will form the majority of expenditure under this strategy.

Non-government actors: in an environment of contested legitimacy of state institutions, fuelled by entrenched feelings of injustice and exclusion, it is important that the positive roles of civil society are recognised. CSOs can play a useful bridging role between state and communities, can fill service delivery gaps where government is not able to, and are critical for the challenges of transparency, accountability and pushing policy reform. Both CFC and SPIM provide the flexibility to engage CSOs on these challenges. Our partnership with the Asia Foundation will be critical for leveraging their expertise and ability to work with a range of actors.

Multilateral: AusAID has a close working relationship with the World Bank, including on conflict issues. Our strategies for conflict areas are complementary, and linking our resources to the Bank’s larger scale loans and technical assistance for selected activities helps maximise returns on our grant funds. Whilst our primary avenues for supporting humanitarian needs of conflict-affected communities should be through national institutions (e.g. the Philippine Red Cross), UN agencies are necessary for

the large scale responses. In addition UNDP, UNICEF and others have proven implementation capacity in conflict areas. Support to UN programs provides a useful avenue for areas in which AusAID wants to play a support role, as opposed to a high-profile role. However in future our support to multilateral organisations needs to be through more structured commitments to support partners over time, and less on a shorter-term activity basis.

4.2 Working with partners

Philippine Government agencies lead the coordination of development and humanitarian efforts in the conflict-affected areas. Australia's support will complement their capacity in the sectors outlined above.

However given capacity constraints at all levels, and the range of actors involved it is also important to work with a diverse set of local partners. This will include civil society and the private sector, as well as nascent Bangsamoro institutions critical to any implementation of a peace agreement.

On the basis that Mindanao is a complex operating environment for all donors AusAID has been pushing for collective government and donor approaches to analysis and operational frameworks. These efforts have been largely unsuccessful to date. The cost of failing to coordinate should not be underestimated, nor the challenge of coordinating effectively. Greater collaboration depends on local leadership, political realities and levels of external interest. Australia obviously cannot do this alone but we will continue to work with other donors in partnership with the government and non-state actors to try to fashion collective and complementary activities where possible.

AusAID is only one of a number of other Australian government agencies that are active in conflict-affected areas of Mindanao. Our colleagues responsible for diplomacy, defence, police, transport, and immigration also have ongoing interests in these areas, and it will be important that Australian Government interests are coordinated. Regular coordination meetings, joint analytical work, and continual sharing of information will be important for all involved.

5 Strategy management

5.1 Managing and coordinating the strategy and portfolio

The Independent Review of Aid Effectiveness 2011 recommended an expansion of the Philippine program over the next five years. At present our total funding to conflict-affected areas of Mindanao is approximately 10% of our total funding to the Philippines. Given the relatively high risks associated with operating in these areas, the low absorption capacity, and the need to ensure effective fiduciary controls this allocation is expected to expand slowly, not exceeding 20% of total Philippine funding (see Annex G).

It will be important for AusAID to gain the right mix of aid delivery mechanisms across its peace and conflict portfolio. It will be important in some areas to take the opportunity to gain visibility and adopt a leading role amongst development partners. However in other areas AusAID will work through development partners.

AusAID has gradually developed an informal but widely accepted coordinating position within the donor community for Mindanao. Key research and publications funded by us over the last few years are the default reference documents for the donor community and have influenced key government departments. As an example one Mindanao-based senator recently instructed his staff to use the *Mindanao 2020* report and the '*Behind the Veil*' study as their key reference documents for developing economic policy.

Australia can play a role in facilitating research and access to expertise to help inform the foundations of peace and stability. Building the capacity of Moro institutions so they can deliver on that bargain when it eventuates will be a key strategy, as will support for civil society led peace initiatives.

During the period of this strategy Australia will develop a stronger strategic basis for engagement: one that can guide greater coherence in programming and one that also examines how the broader peace process can be supported to provide an enabling environment ensuring development interventions are more effective.

5.2 Transition from the existing program to the new program

As outlined above, the key activities for intervention are already in place. The SPIM initiative is the core mechanism for our peace and conflict assistance, and the CFC program is the means through which our work with the Asia Foundation is channelled. Cross-cutting support is provided through the HRODF and PFMP activities.

SPIM will remain a flexible, responsive suite of activities, which allows it to respond to emerging issues in a fluid environment. However it will become increasingly concentrated on decreasing number of objectives, bringing greater coherence to the total range of activities. As we better understand the context, the interested groups, and the options for support we will narrow the focus of our support.

As these programs gradually adapt to become more attuned to supporting activities in conflict-affected areas, there will be an increase in our funding support. However this will be broadly in line with the remainder of the country program. The signing of the Framework Agreement on the Bangsamoro signals a shift in the kind of assistance that we can provide by providing the legitimacy and legal basis for us to engage with the MILF. The transition period from the signing of the Agreement through to the enactment of the Basic Law and to the first elections under the Bangsamoro in 2016 will be particularly hazardous, and therefore a time when our support can make a clear difference. It is likely that the majority of support required during this period will be technical in nature, with larger-scale investments in infrastructure and services to follow the formal completion of the agreement (i.e. once the Basic Law is enacted).

The focus of this Delivery Strategy links closely to activities outlined in the 'Education Delivery Strategy' for the Philippine country program. BEAM-ARMM supports the objectives of reducing vulnerabilities resulting from conflict, as well as improved education results for the Philippines.

The Delivery Strategy for 'Disaster Risk Management and Climate Change Adaptation for Philippine Cities' takes into account the focus of this Delivery Strategy, in particular influencing the structure of our support for 'improved responses to crises'. A conscious decision was made to ensure that the geographic focus of these two Delivery Strategies don't overlap.

5.3 Resource implications

This delivery strategy cuts across a number of sectors, and is defined by thematic and geographic focuses rather than a specific number of activities. Therefore the main responsibilities are coordination and setting strategic guidance for specific sector activities.

Through 2012 it is anticipated that significant resources will be required to developing new activities, coordinating with sector teams, and to undertake and coordinate analytical work in the exploratory outcomes identified above. This level of resourcing should gradually reduce after 2012 once the suite of activities is in place, guidance on the strategies for engaging in conflict areas is complete, and as sector teams take up the implementation responsibilities.

The mix of internal and external resources is proposed as:

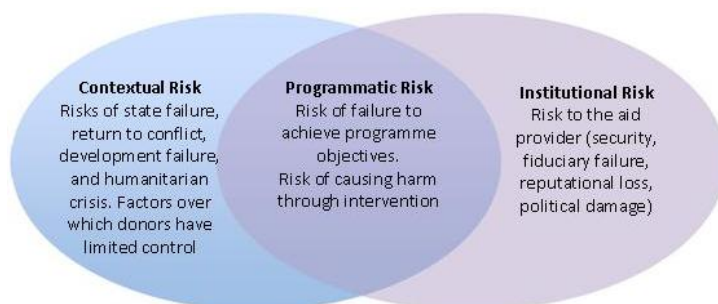
- Counsellor (30% ongoing commitment)
- Portfolio Manager (limited to 5% commitment in 2012 because of BEAM-ARMM requirements at start-up. Further sustained engagement in the transition to the Bangsamoro would require an additional Portfolio Manager, subject to resource availability)
- Adviser (75% commitment for early 2012, reducing to 30% by year end)
- Non-ongoing Specialist position (100% from Jan 2012 – June 2014)
- Program Officer (75%)
- BEAM-ARMM team (reporting under education portfolio but linking to the above staff)
- Mindanao cross-sector team, incorporating all relevant activities, will meet once a quarter and on an ad hoc basis as required (e.g. HRODF, CFC, PFMP, PRMF, CCT, Advisers)
- Regular support from pool of external expertise for specific analytical work, and on peace and conflict guidance.

5.4 Proposed performance management arrangements

A Performance Assessment Framework is included in Annex H. This provides the high level assessment against the end of strategy outcomes.

5.5 Risk Management

There are significant risks in working in conflict-affected areas. The 'Framework for working in fragile and conflict-affected states' explicitly notes that working in conflict-affected areas "requires accepting that risk is inevitable and that more frequent and regular monitoring is critical. Rather than seeking to avoid risk, AusAID needs to improve its capabilities to mitigate and manage risk, and to decide how to differentiate and balance risks." The diagram below highlights the different risk types and the overlapping nature of AusAID's risk profile.



To work effectively in Mindanao, AusAID has gradually developed a sensible approach to risk management, guarding against risk and fraud while delivering programs and assistance to the most vulnerable people who need assistance. Based on our experience over the last ten

years we have identified some key strategy-level risks that will result in varying degrees of negative impact on the aid program if not mitigated, and prepared a risk management matrix (see Annex F).

The principle of 'do no harm' underpins our risk management approach.³³ In the fluid security environments in Mindanao it is critical not to exacerbate divisions or existing tensions, or put at risk people who are vulnerable to abuse or exploitation. Well-intentioned interventions can have inadvertent consequences if they're not grounded in local knowledge. We have provided training in 'do no harm' principles for our partners and we will continue to reinforce understanding of those principles on a regular basis.

AusAID maintains zero tolerance of any fraud in the aid program and has a range of systems in place to ensure that fraud is minimised. AusAID's internal audit section reviews the specific fraud control mechanisms of partners such as non-government organisations, contractor firms and tertiary institutions, to ensure they comply with its fraud reporting and risk management requirements.

Contextual risks:

- Election related violence
- Elections in 2013 produce an ARMM leadership with different development focus than that of Australia
- Change in Secretary and agenda of key partner agencies (OPAPP, DILG, DBM)
- National elections in 2013 return a weakened Aquino Administration, little political capital to expend on conflict issues
- Natural calamities – flooding, earthquake
- Breakdown in peace talks, increase in conflict
- Continued violence, with or without a formal peace agreement between the GPH and MILF

Programmatic risks:

- Criticism from parties to local conflicts of 'external' Australian involvement
- Desire for flexibility undermines the scope for a concentrated, coherent program
- External events over-shadow any outcomes attributable to Australia's investments
- Restrictions on travel to key areas during implementation lead to reduced oversight and understanding of the program impact
- Duplication of roles within donor community

Institutional risks:

- Security threats to AusAID staff
- Fraud and corruption
- Political polarisation on potential peace agreement, leading to criticism of Australia's involvement

6 Annexes

- A) Scenarios – the prospects for peace
- B) International and Philippines experience of programming for conflict-affected areas
- C) Connecting AusAID's activities
- D) Philippine Government programs
- E) Other Donor activities
- F) Risk Management Matrix
- G) Summary of planned expenditure
- H) Performance Assessment Framework
- I) Policy Dialogue and Partnership Engagement Framework

Annex A: Scenarios – the prospects for peace

Category	Track 1 (Official)	Scenario Track II (Donors, NGOs, CSOs)	Track III (Grassroots, Communities)	Implications for AusAID
I. Peace Agreement finalised	<p>Final peace agreement signed between GPH and MILF. Transition Commission drafts the Basic Law, and is passed by Congress. BTA established, and elections held in 2016.</p> <p>Gradual transition of IMT role to monitor implementation of peace agreement, followed by gradual withdrawal. Modest improvements in ARMM government capacity and responsiveness leading to handover to BTA and then Bangsamoro government.</p> <p>Elections conducted with greatly reduced casualties and largely free and fair. Improvements in law and justice lead to reduction in <i>rido</i>, localized political violence, and criminality, though impunity of political leaders and security forces remains a challenge.</p>	<p>Donors and CSOs begin major post-conflict transition especially in the areas of service delivery, trauma healing, rights and broader development work.</p>	<p>Renewed interest for government to improve transparency and accountability and service delivery.</p> <p>Possible splintering of factions amongst Moro groups that agree or disagree with the new arrangements, and localised conflict results.</p>	<p>Need to review and update the Delivery Strategy in the event of a completion of a final agreement between the GPH and MILF. Basic sector focus will remain, but adjustments to be made to take into account capacity building needs of new regional authority.</p> <p>Expected 'peace dividend' requests from government and new regional authority, leading to scale-up of Australian assistance. Likely additional support through the UN and World Bank, given capacity to scale-up.</p> <p>Sequencing assistance, and mix of state and CSO support will be important. Requires a mix of instruments to manage trade-offs between responsiveness and sustainability.</p>
II. Peace agreement incomplete	<p>FAB signed but completion of annexes is delayed or the Basic Law is not passed by Congress before elections in 2016. Stalemate in the GPH-MILF negotiation.</p> <p>Continued dialogue between MILF and MNLF without final resolution.</p> <p>GPH will continue to invest in improvements in ARMM government capacity and responsiveness leading to improved governance, more equitable security, and expanded service delivery.</p>	<p>Select international and local NGOs continue to play critical facilitative, mediation and fact-finding roles within IMT framework.</p> <p>CSOs continue to mobilise grassroots support for the peace process. CSOs play a critical service delivery, peace-building and capacity building role.</p>	<p>Humanitarian services to isolated conflict-affected areas.</p> <p>More sustained presence in areas affected by flooding and similar environmental disasters.</p> <p>Occasional population displacement and security challenges include clan-based conflict and crimes against persons and property, trafficking of illegal drugs and the criminal activities spawned by substance abuse.</p> <p>Citizens will grow weary of the pace and prospects for peace.</p>	<p>The strategy as set out in this document remains relevant for the duration of 2012-2016. The APPR process provides opportunity for review and adjustments as appropriate.</p>

AusAID Delivery Strategy – Conflict-affected areas of Mindanao

III. Breakdown in Peace Talks	<p>Fighting escalates between GPH and insurgent groups, with higher casualties. Likely withdrawal of IMT. Increase in general destabilisation.</p> <p>Appointed ARMM administration unable to achieve significant improvements in governance and basic service delivery.</p>	<p>Donor, CSO, NGO activities will be severely limited. Many will withdraw.</p>	<p>Peace and security in the community will be constantly threatened by military-rebel skirmishes.</p> <p>Displacement likely from increasing conflicts, with potential to escalate in excess of 2000 and 2008 levels.</p>	<p>Need to review and update Delivery Strategy on an annual basis. Greater flexibility required to respond to deteriorating situation. Greater emphasis on working through local and multilateral partners as access for AusAID is increasingly restricted. Likely reductions in funding for governance activities, and increased funding to humanitarian responses.</p>
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Annex B: International and Philippines experience of programming for conflict-affected areas

In the past five years, conflict-affected and fragile situations have been a major focus of ODA policy debates and research. In the High Level Forum on Aid Effectiveness in Busan, the topic of fragility and conflict was an important focal point for the dialogue, and the release of the **‘New Deal for Engagement in Fragile States’**³⁴ was an important policy milestone for future assistance to conflict-affected and fragile areas. In 2011 the adoption of five international Peace-building and State-building goals provided a framework for country-led analysis and strategy development:

- (i) Legitimate Politics: Foster inclusive political settlements and conflict resolution
- (ii) Security: Establish and strengthen people’s security
- (iii) Justice: Address injustices and increase people’s access to justice
- (iv) Economic foundations: Generate employment and improve livelihoods
- (v) Revenues and services: Manage revenues and build capacities for accountable and fair social service delivery

These have clearly influenced our evolving thinking for this Delivery Strategy, even though we have made conscious decisions not to craft investment options for each goal. Our proposed Outcomes in this Delivery Strategy are designed to support:

- Legitimate Politics: Foster inclusive political settlements (Outcome 3) and conflict resolution (Outcome 4)
- Security: Establish and strengthen people’s security (Outcome 1 & 4)
- Economic foundations: Generate employment and improve livelihoods (Outcome 2)
- Revenues and services: Manage revenues and build capacities for accountable and fair social service delivery (Outcome 1)

However, while there has been a great deal of progress in adapting ODA for fragile states, there has been less attention to the unique challenges of sub-national conflict areas. For the purposes of this Delivery Strategy, we have integrated some of the concepts and approaches developed for fragile states, while adapting them as needed for the context of a subnational conflict.

The most relevant of the recent policy frameworks is **AusAID’s ‘Guidance Note on Working in Situations of Fragility and Violent Conflict’**.³⁵ This guidance note recommends that Australian assistance should focus on three main objectives: (i) Building more responsive states, (ii) Preventing violent conflict, and (iii) Building societal resilience. This delivery strategy adopts a similar approach, adapted to the Philippine context, and in particular noting the relative strength of the Philippine state institutions, with comparative weaknesses in reach in some geographic areas. The Guidance Note also includes particularly relevant observations on the kinds of approaches that work most effectively in fragile and conflict-affected conditions, including:

- Development assistance alone cannot solve the problems of fragility and violent conflict but it can play an important supporting role.
- Sustainable transitions must be driven by conflict-affected countries themselves. In the case of Mindanao, ownership of the transition is important, and needs to be multi-faceted, balancing GPH and Moro ownership, while also drawing other actors into the process.

- Development assistance will be more effective if it is part of a broader approach that also includes security and diplomatic activities and efforts to ensure a thriving economy.
- Joint planning by Australian government partners and the development of longer-term strategies, which outline a clear division of responsibilities, can help reduce risks and enhance effectiveness.

DFID's Practice Paper "Building Peaceful States and Societies", which outlines an integrated approach to state-building and peace-building in fragile and conflict-affected countries also had a significant impact on the reflections regarding our program. That paper recommends an approach based on four objectives: (1) address the causes and effects of conflict and fragility, and build conflict resolution mechanisms; (2) support inclusive political settlements and processes; (3) develop core state functions; and (4) respond to public expectations.³⁶

The **OECD-DAC Guidelines 'Principles for Good International Engagement in Fragile States and Situations'**³⁷ promotes ten sensible principles to guide donor agencies acting in fragile situations. Whilst Mindanao doesn't fit the standard definition of a fragile state, parts of Mindanao share enough characteristics to make these principles a useful reference point for us in our collaborations with government and other partners. The most directly relevant of those are:

- Understanding context is the starting point for effective international engagement
- International interventions need to ensure that they 'do no harm'
- Prevention of violence and fragility should be prioritised
- The links between political, security and development objectives need to be recognised
- Non-discrimination should be promoted as a basis of inclusive and stable societies
- Aligning with local priorities can be done in different ways in different contexts
- There is a need to act fast but stay engaged for a long time
- Internationally, there is a need to avoid pockets of exclusion

The **World Development Report 2011 focussed on Conflict, Security and Development**, and was a valuable reference for many of the lessons that helped shape our approach once the initial areas of importance were identified. Several of the key findings from the WDR 2011 are significant for our approach over the next five years, including:

- The path out of fragility and instability is not linear, and often takes many years – in most cases, it takes a generation (i.e., more than 25 years) for newly established state institutions to reach a level of modest effectiveness
- International assistance should focus primarily on restoring confidence (between state and society, and between societal groups), and transforming institutions to enable the country or region to emerge from conflict and fragility
- Technocratic approaches that focus on international best practice for governance and state-building have generally been ineffective in fragile states – there is a need to focus on "best-fit" solutions, or those that are grounded in local, legitimate institutions and political dynamics

In addition to these global reference documents the team studied AusAID's experience in sub-national conflicts, including Bougainville in Papua New Guinea,

and Aceh in Indonesia. Both experiences influenced elements of the current AusAID policies, and provided useful lessons in how best to target bilateral assistance for conflicts that stem from perceptions of injustice by a minority ethno-cultural group, overlaid by geographic distance from the national centres of power.³⁸³⁹⁴⁰ Substantial Australian aid was mobilised to support and to enhance confidence for the peace process and in post-conflict reconstruction in both regions.

What we have done and what we have learned

Under the previous country strategy AusAID worked to contribute to two objectives: Mindanao peace processes reinforced by more effective participation by communities and institutions (Objective 6), and enhanced basic services and livelihoods in conflict-affected communities (Objective 7). The end of strategy assessment concluded that both were ‘partially achieved’.

Our current range of activities in Mindanao includes some specifically tailored for working to address selected drivers of conflict (e.g. BEAM ARMM, SPIM), some national programs with reach into Mindanao (e.g. HRODF, CFC), and some assistance through multilateral partners (e.g. Mindanao Trust Fund).

In addition our Australian Government partners have activities of relevance, principally the ‘Strengthening Grassroots Interfaith Dialogue and Understanding’ (SGIDU) managed by DFAT, various Defence cooperation programs, and some police activities.

AusAID has long promoted the fact that approximately 50% of funding to the Philippines is targeted to Mindanao. This remains the case at present. However until recently only a small percentage of that funding was spent in the conflict-affected areas of central and western Mindanao. With the growing gap between conflict-affected Mindanao and the rest of the island, and continuing challenges to economic integration, it will be essential for AusAID to shift this investment towards the conflict-affected regions.

Lessons learned from Annual Program Performance Report (APPR)

The key lessons of relevance arising from the APPR review of the past country strategy were the following:

- (vii) The characteristics of the conflict-affected areas require specific strategies
- (viii) The overall lack of coherence in conflict programming reduced the impact of our program
- (ix) A range of modes of engagement makes sense, given the likelihood of conflict which restricts access of various partners and geographic areas
- (x) Programs designed to work across the whole of the country tend not to be effective in conflict-affected areas and issues
- (xi) Therefore we need to move towards a coherent program, one which begins to address selected root causes of conflict
- (xii) The constraints resulting from security risks are difficult, but not impossible, to address.
- (xiii) The process of engagement for the BEAM program in ARMM was appropriate. BEAM began as a Mindanao wide program, with limited engagement in ARMM. Over time that engagement expanded, and the process of starting small and learning as

they expanded allowed the program to develop a good mix of local staff, local networks and overcome knowledge gaps.

(xiv) We can contribute to the peace process without involvement in the formal negotiation process. We can facilitate research and access to expertise to help inform a sustainable autonomy bargain, build capacity within Moro society so they can deliver on that bargain when it eventuates, and support civil society led peace initiatives.

(xv) The initial support to security agencies demonstrates success is possible, and there is sufficient internal support for change.

Australia's interventions have been largely successful when viewed in isolation. Our programs have helped to build understanding of the drivers of conflict, and strengthen resilience amongst conflict-affected communities. AusAID support is helping to strengthen overall education outcomes, to build the capacity of Mindanao development agencies, and train soldiers to use greater restraint and more effectively reduce conflict. However, over the past five years, the overall impact of our support on conflict-affected Mindanao has been limited. Our impact has been partly been constrained by the lack of a coherent overall strategy for Australia's assistance and the broad spread of our engagements. This Delivery Strategy directly addresses these challenges, based on our experience to date. Our programs have also been constrained by factors outside of our control, such as difficulties of delivering aid in an insecure environment, and problems with the GPH-MILF peace process. It is important to note that this is not unique to AusAID. We recognise the inherent challenges of working in this area, and the importance of a frank and open appraisal of what we and other contributors can achieve with regards to peace and stability in Mindanao.

To have a significant impact, it is important for all international donors to work within a broader framework of support. This concept has also been captured in the "*New Deal for Engagement in Fragile States*" (see section 2.4) which calls for country-led analysis and compacts between the government and donors to establish a shared vision for international support. The central framework should ideally be a government led 'game plan' resourced from a number of sources (government, donors and the private sector) to help stabilise the situation and reduce potential conflict while the peace agreement is being negotiated. At this point, the Philippines Government has struggled to develop a consolidated framework and encourage donors to subscribe to their vision for peace and security in Mindanao.

Lessons learned from ongoing SPIM initiative

Since 2005 AusAID has implemented an initiative known as '*Supporting Peace in Mindanao*' (SPIM) as a flexible grants mechanism for catalytic activities to reduce conflict and support the general environment promoting peace. These activities have supported community level peace building, institutional strengthening projects, policy contributions to key conflict issues, as well as innovative projects with other actors such as providing training to security sector actors to support their ability to promote peace. As part of the preparations for this delivery strategy, an independent review of SPIM was commissioned to provide findings and recommendations on past performance and future directions. The report found that:

- (i) SPIM allows AusAID to support important work on sensitive issues in a low-profile, flexible manner, and has provided a mechanism to allow for experimentation and incubation of innovative new ideas to address peace and security challenges.
- (ii) There is a need for more coherent project selection and sectoral focus - recommend using the overall structure of the MDS to shape and focus SPIM program selection.
- (iii) There is a strong case to expand the spectrum of possible partners, including working through government, civil society, conflict-affected community leaders and institutions, and security forces. By expanding the spectrum of partners, AusAID will strengthen the prospects for impact, and avoid accusations of favouring certain groups or partners.
- (iv) SPIM requires more robust results monitoring. AusAID should consider outcome-level monitoring for all of SPIM through an independent consortium of researchers.
- (v) AusAID needs to improve knowledge retention and aggregation. SPIM allows AusAID to be innovative and experimental with modest resources in order to test program hypotheses, and monitor the results of new approaches. However, for this value to be realized there needs to be a system for capturing the lessons from individual projects, and aggregating information into a format that can be readily utilized in program decisions and policy debates.
- (vi) AusAID should consider expanding the current funding level for the SPIM facility.

Lessons learned on Service Delivery in Fragile States⁴¹

The available evidence suggests a few key elements for improving service delivery in fragile contexts, namely:

- Tailoring interventions to context – this requires continual learning as context shifts over time, a need for resource flexibility, likely mid-course corrections, and a thorough risk/benefit analysis.
- Long term focus on governance – this includes balancing short and long-term needs with an integrated and coherent approach; transition to sustainable service delivery and accountable governance; finding entry points to strengthen ‘political will’ and leverage for change; working with state is not a question of either/or but rather of degree; government balanced and linked local and non-state actors; finding alternate ways to improve citizen engagement and market for services.
- Managing transition – this implies recognising ‘status change’ and adjusting accordingly; built-in transition planning in donor programs; early intervention by donors especially in stabilising contexts; capacity and sustainability development; and mechanisms to ensure that local providers are within alignment framework.

In post conflict situations, the same OECD/DAC discussion paper states the recipient country and partners must maintain a consistent focus on ‘turnaround’ objectives and a decade-long perspective. Sustaining the transition to peace requires a context-specific balance of technical and political considerations.

Annex C: Connecting AusAID's activities

Coalitions for Change

Coalitions for Change (CfC) has been established as part of the AusAID-The Asia Foundation (TAF) country partnership in the Philippines to explore ways in which positive policy change involving civil society, the private sector, government and other stakeholders can be achieved through more effective and constructive cooperation. Designed to bring together the demand and supply sides of reform built on partnership principles, CfC aims to support civil society, the private sector, and government in multi-stakeholder coalitions and networks to introduce change that can better meet the needs of poor and marginalized citizens. The Partnership will also undertake specific research, analysis, capacity development, and other activities that advance identified development outcomes.

This Annex builds on initial activity engagements, evolving discussions, and analytical work undertaken by AusAID and its CfC partner, The Asia Foundation. It aims to articulate the conceptual relevance of the CfC program to achieving the objectives of the Mindanao Conflict-Affected Areas Delivery Strategy. It outlines an approach for how CfC can contribute to the delivery strategy, capitalising on the flexibility and responsiveness of CfC and the networks and partnerships established.

CfC-Delivery Strategy Links

CfC plays a critical delivery role in achieving the overall objectives of the Mindanao CAAS delivery strategy. CfC's suite of activities clustered around four outcome areas coincide with the six intermediate outcomes of the delivery strategy. These are:

- i. more transparent, credible election results;
- ii. more capable and legitimate local-level institutions in CAAs;
- iii. security forces have capacity, credibility to ensure local security;
- iv. peace process more credible and widely supported;
- v. institutional capacity to implement agreement improved; and
- vi. stronger local mechanisms for averting escalation of violence.

The CfC Program for Mindanao seeks to achieve the following outcome areas:

- i. improved governance outcomes in the ARMM;
- ii. institutionalized reforms in the security sector;
- iii. improved response mechanisms on conflict mitigation; and
- iv. peace process more credible and widely supported and institutional capacity to implement agreement improved

CfC will therefore contribute to the achievement of three 'end of strategy' outcomes:

- i. more capable and responsive state institutions in CAAs;
- ii. strengthened foundations for negotiated peace; and
- iii. building resilience of conflict-affected populations.

CfC will employ a multi-stakeholder engagement strategy that builds on the networks and partnerships established and strengthened in previous implemented programs

on electoral reform, local governance, security sector reform and conflict management.

In pursuit of improved governance outcomes in ARMM, CFC will work towards improving electoral process in the ARMM through support for national and local-level advocacies and strategic interventions to address election-related violence in ARMM and monitoring of the elections. CFC will also promote stakeholders' involvement in ARMM governance reforms and National Government's stimulus initiatives through mapping of civil society organisations in ARMM, development of database of CSOs working in the agenda and sectors, provision of operational support for monitoring activities, and support for building of reform constituencies and formal coalitions for CSO collaboration. As a support mechanism for initiatives on electoral processes and stakeholders' involvement in governance reforms, CfC will work with a network of CSOs and government and private media groups for a comprehensive information and education communication strategies supporting the reform agenda of the transitional government.

CfC takes an exploratory approach in working towards institutionalised reforms in the security sector as it is a relatively new area of partnerships and interventions pursued by the Foundation and AusAID. CfC will work towards strengthening the local civil society network to exercise effective oversight over security forces and increasing the engagement between the security forces and the civil society. It will support analytical work and conduct of baseline research on key policy issues for security sector reform. The intention is to consolidate the reform agenda among the policy makers, the AFP and the PNP, and build up social capital among the reform-oriented officers in the security institutions. As the reform agenda has a relatively better appreciation within the AFP than the PNP, CfC is also supporting exploratory work on mainstreaming SSR concerns within the PNP through studies on PNP's capacity and readiness to handle internal security operations, its training institutions and curriculum development. CfC will also continue to support institutionalisation of use of materials providing the PNP officers knowledge and operational procedures on handling clan-feuding and ethnic conflict to be used in engaging community peacekeepers. Relative to PNP's engagement, CfC will also support analytical work on current police service organisation, capacities, resources and operations towards addressing the imperatives of shared security of communities.

CfC will work towards improving response mechanisms on conflict mitigation, an area where the Foundation has built a reputation of innovation together with its local partners. CfC supports local stakeholders and actors to respond rapidly to conflicts and emergency crises. This includes formation and rapid deployment of quick response teams to manage conflicts and capacity building activities that will strengthen support structures to mitigate potential flashpoints and make communities more resilient. CfC will continue to support the development of knowledge products on better responses to conflict including support for policy discussions, policy briefs, and training materials on addressing rido (clan wars) and localised conflicts. CfC will work towards supporting local institutions to improve their strategies in conflict resolution. The CfC will also support analytical work and rapid assessments on emergency response networks and networking opportunities in conflict-affected areas.

CfC will work towards supporting the peace process through continued capacity building of civil society organisations. We will focus on working with those CSOs that will have input to the Transition Commission and Transition Authority and in community outreach around the various stages of the transition. It will also support the BLMI through mentoring, coaching, and capacity-building on its core functions. CfC will also support objective polling on the general attitudes of the populace on the progress and substance of the peace process to identify potential flash-point issues. It will also support analytical work on options for political-party building covering possible structures, training and roles and responsibilities as inputs to the Transition Commission and Transition Authority.

Basic Education Assistance for Muslim Mindanao (BEAM-ARMM)

Basic Education Assistance for ARMM (BEAM-ARMM) is a six year program (2012-2017) with an Australian grant of A\$85 million. BEAM-ARMM follows from and builds upon the previous, highly successful AusAID project, BEAM, that was implemented in three regions of southern Mindanao, including ARMM, over the period 2002 to 2009. The design document was prepared by the DepED-ARMM and AusAID with support of the RPDO-ARMM and DepED Central Office.

BEAM-ARMM is located within ARMM's Regional Basic Education Plan, 2009-2014. The BEAM-ARMM design has been influenced by extensive consultations with stakeholders in ARMM and a close reading of a range of international and national literature concerned with donor assistance in fragile states. Importantly, the design is based upon a trend analysis of education indicators in ARMM and the relationship between education, economic development and social cohesion.

The AusAID teams managing BEAM-ARMM and the broader peace and security program will work closely together. Aside from the geographic overlap the teams are also working with many of the same partners, both in government and non-government. Clearly many of the challenges the teams face will be similar.

One particular point of connection will be in the alternative delivery model implementing under BEAM-ARMM. Remote communities that are either not serviced at all by basic education facilities or where access is extremely difficult will be assisted by introduction of the BRAC alternative education delivery model. BRAC is an international NGO based in Bangladesh that is recognized globally for implementing an education program in Bangladesh that is successful in providing non-formal primary education to underprivileged children who are outside the formal education system. BEAM-ARMM is supporting BRAC to rapidly trial and adapt their community schooling model in ARMM. It is hoped that if the model shows positive results there will be opportunities to build on the community schools to engage other aspects of community development, as BRAC has done in other countries (offering economic support through micro-finance, and branching into other basic services such as health, etc). This is one area which will be monitored closely as it offers potentially transformative opportunities for conflict-affected communities.

Philippines Response to Indigenous Peoples and Muslim Education

The Philippines Response to Indigenous Peoples and Muslim Education (PRIME) is a AUD\$20 million five-year program (2010-14) that aims to improve access to quality education and better learning outcomes for indigenous peoples (IP) and Muslim

communities. It works in nine regions of the Philippines that have the lowest educational indicators (excluding ARMM which will have BEAM-ARMM as a dedicated program).

The PRIME Program will address high drop-out rates, improve poor participation rates, and increase completion rates and national test scores. PRIME works with the DepED to fund the education needs of these disadvantaged groups. Funds can cover support for learning materials, teacher training and changes to the curriculum to make it more relevant to Muslim and indigenous children. As well as extra funding, DepED will receive support for its planning, management and delivery of education to disadvantaged children. A key aim of the program is to ensure that DepED can access more reliable data for planning and targeting its resources to better reach the under-served groups across the country.

In pursuit of the above objectives, PRIME will:

- (i) provide for a flexible demand side response to Muslim and IP education needs through provision of regional and school grants;
- (ii) support demand side advocacy and engagement activities and capacity building for this at Central Office, Regional, school and community levels; and
- (iii) support the supply side response through a range of activities such as policy and strategic planning, curriculum development, materials development and teacher support.

Specifically, PRIME supports demand side activities such as: advocacy; School Improvement Plan (SIP) development and implementation; technical assistance for SIP preparation/implementation and localisation of Multi-Lingual Education policy in curriculum and materials development and training program; and strengthening linkages with communities.

On the other hand, PRIME's three components supporting the supply side needs in support to IP and Muslim education are:

- (i) IP education – development of IP policy, strategy and implementation plans; development of SIP by IP schools; development and distribution of IP curriculum, instructional guides and student learning materials; delivery of teacher education and training programs for IP and non-IP teachers; implementation of support program for IP leaders and managers; establishment of regional IP education centers and community center networks; and support for implementation of DepED's Child and Community-Centred Education System.
- (ii) Madrasah education –development of madrasah curriculum and teaching-learning materials; SIP development by Madaris; implementation of capacity building for madrasah teachers and educational leaders; support to mainstreaming of private madaris; support provision to training programs for Muslim out-of-school youth and adult learners; and support program for DepED's implementation of Child-centred and Community programs for Muslims
- (iii) Management and capacity building support –establishment of baseline information on IP and Muslim sector; DepED management capacity development.

Upon completion of PRIME, support for context specific education (i.e. for Muslim and IP learners) may be supported by the broader AusAID's Basic Education Sector Transformation (BEST) Program. It is six-year program (2013-2019)supporting the

Philippines in improving learning quality and access to education in the context of the Kindergarten to year 12 (K-12) program of DepED. Support is focused on teacher development, curriculum and assessment development, classroom construction, and context specific education (i.e. for Muslim, IP learners and children with disabilities). Support also includes assisting DepED in organisational development and establishment of a Unified Information System to improve service delivery. Our research confirms that these are the critical areas for reform. The proposed Australian grant is \$ 200 million and will be delivered through various partners: Facilitating Contractor, Civil Society Organisations and DepED systems.

Provincial Road Management Facility

The Provincial Roads Management Facility (PRMF) works with Provincial governments to improve their planning, budgeting and management, using their responsibilities for provincial roads as an entry point.

PRMF is working on two major components:

- (i) Capacity Building for Road Sector Planning and Management – with the intended outcome that target provinces have strengthened institutional capacity and systems to develop and implement road sector plans in support of broad-based sustainable social and economic development.
- (ii) Road Network Rehabilitation and Maintenance – with the intended outcome that provincial roads are rehabilitated to a good condition and are sustainably maintained on an annual basis.

PRMF has recently expanded to include Lanao del Norte, a conflict-affected province in northern Mindanao (Region X). It also covers provinces which have significant conflict issues relating to the presence of the New People's Army (NPA), including Bukidnon and Davao del Norte.

Philippines-Australia Human Resource and Organisational Development Facility

The Philippines-Australia Human Resource and Organisational Development Facility (PAHRODF) is the Australian Government's program to support human resource management, capacity building, and organisational development in the Philippines. It will provide a range of support to select Philippine organisations including Australia Awards (scholarships), customised short-term training programs, and advisory support, where necessary. PAHRODF builds on the lessons and successes of its predecessor, the Human Resource and Development Facility which operated in 2004. Australia provides around \$65 million for the Facility over the period 2010-2015.

The goal of the Facility is to enhance the effectiveness of selected programs and reform agenda under the Philippines-Australia Statement of Commitment. It will manage the Australia Awards programs such as the Australian Development Scholarships and the Australia Leadership Awards Scholarships. The Facility aims to achieve the following objectives:

- a. develop or strengthen human resource development and management, planning, administration competencies and organisational capacities of targeted individuals and organisations, and support systems for service delivery;

- b. enable targeted individuals and organisations to make better use of human resource management and development, planning, administration and support systems to improve their service delivery competencies and organisational capacities; and
- c. enable individuals and organisations to build and maintain relationships, share and build on enhanced competencies, capacities, and lessons learnt from research and knowledge synthesis initiatives.

A pilot program of the PAHRODF is the In-Country Scholarships Program (ICSP) whose overarching objective is to provide additional graduate studies scholarship opportunities strategically to Filipinos. The ICSP's first intake came from the conflict-affected areas of Mindanao as a complement to other AusAID Programs. ICSP aims to provide a cost effective, complementary award to help strengthen select Philippine institutions in key fields of current emerging relevance to the Philippines and Australia. It is meant to complement Australia Awards and to diversify the options for long-term study available for PAHRODF partners.

ICSP's primary objectives are:

- (i) Strategically provide additional educational opportunities for Filipinos to support:
 - the academic advancement of eligible individuals through higher tertiary studies in Philippine universities, thereby enhancing their technical knowledge and skills, and develop their potentials as leaders and reformers in identified sectoral and/or geographical priority areas; and
 - select individuals and organisations in expanding their technical knowledge and strengthening their skills;
- (ii) Address the needs of PAHRODF partners for flexibility in terms of long-term study interventions/options; and
- (iii) Specific for the pilot phase, provide data and process inputs leading to the development of a proposal for an expanded, full-scale ICSP.

In the longer term, the program aims to:

- (i) strengthen the aid program's partnership with and among academic institutions in developing future leaders; and
- (ii) assist partner Philippine universities and colleges improve their curricula and human resource's technical capabilities through access to Australia Awards Open Category, ALAF and other mechanisms.

ICSP will aim to concentrate each cohort in limited numbers of (i) target priority areas – sectoral and/or geographic, (ii) higher educational institutions, and (iii) areas of study. It will work closely with organisations that have strong ties with peace and development initiatives in the region that are being supported both by Australia and other development partners in targeting and selecting scholars.

The ICSP's first intake came from the conflict-affected areas of Mindanao as a complement to other AusAID Programs (i.e. BEAM-ARMM in providing opportunities for teaching and non-teaching workforce in the basic education sector to upgrade their skills by pursuing graduate studies, improve classroom instruction and management) and as it envisages the need to develop technically capable leaders in a post peace agreement scenario.

Annex D: Special Programs of the Philippine Government in Conflict-affected Areas

Win peace and ensure national security. Thus defined the role of Peace and Security in the Philippine Development Plan (PDP, Chapter 9).

“Winning Peace” centres on the peace process, which will pursue negotiated political settlements of all armed conflicts and the implementation of complementary development tracks to address its causes.

“Ensuring national security” involves the “whole-of-nation approach”, focusing on internal stability, upholding the sovereignty and territorial integrity of the state, capability and preparedness against natural calamities and disasters, and reform and modernisation of the security sector.

1. Winning the Peace

This is considered as the “centrepiece” of the internal security program.

Track 1: Negotiated political settlement of all armed conflicts

- Resumption and completion of negotiations with the MILF and CPP-NPA-NDF, respectively;
- Completion and implementation of signed final closure agreements with the CPLA (1986) and the Rebolusyonaryong Partidong Manggagawa-Pilipinas / Revolutionary Proletariat Army / Alex Boncayao Brigade (RPM-P/ RPA/ABB) (2000), respectively.

Track 2: Addressing the causes of conflict and issues affecting the peace process.

This involves a focused development strategy in conflict-affected areas. PAMANA (“Payapa at Masaganang Pamayanan”) Program will be the main vehicle on this track.

2. Ensuring national security

The PDP calls for a “whole-of-nation approach”, creating a consensus and understanding of security, that is shared not just among core security forces and oversight government institutions, but also by civil society and all the nation’s communities. People-centred security puts people’s welfare at the center of its operations. It gives primacy to human rights while recognising and promoting local security and safety based on the needs and realities of communities.

This will involve:

A. Promotion of sustained internal stability

- Capabilities of armed groups reduced at a level where they can no longer threaten the stability of the state;

- Continuous and intensified police and other law enforcement agencies' operations must be implemented to address criminality including organized crime groups;

B. Full capability to uphold the sovereignty and territorial integrity of the state assured;

- International relations and external security must be sustained and cultivated;
- Capability on border management, surveillance and detection against lawless elements must be improved;

C. Highest standard of capability and preparedness against natural calamities and disasters achieved;

- Strengthen the role of the security sector in emergency relief and rescue operations to maintain public order and safety during calamities.
- Support national development programs by securing and protecting critical infrastructures and facilities, and other high value projects of the public and private sector.

D. Security sector reformed and modernized.

- a. Pursue reforms in the security sector by adopting policies, programs and activities;
- b. Pursue the upgrading and modernization of the defense and security establishments to perform the full spectrum of roles and mandates in accordance to the more comprehensive and updated definition of National Security;

In support of the Peace and Security Plan, during the Plan period, the administration shall work toward the passage of legislation or amendments to existing laws such as:

1. Amendment of the AFP Modernization/Development Program (RA 7898) to extend its implementation;
2. Enactment of the National Defense and Security Act to make it relevant to the contemporary global and regional environment;
3. Enactment of a law declaring the country's maritime zones (Territorial Sea, Contiguous Zone and Exclusive Economic Zone) to ensure Philippine Maritime interests;
4. Enactment of PNP Reorganization Law; and
5. Enactment of Comprehensive Law on Firearms, light Weapons and ammunitions

Implementing Agencies

Five agencies contribute significantly to the attainment of the goals of PDP's Peace and Security plan:

(i) Office of the Presidential Adviser on the Peace Process

The Office of the Presidential Adviser on the Peace Process (OPAPP) is mandated to oversee, coordinate, and integrate the implementation of the comprehensive peace process. It is the lead agency for the 2-tracked strategy for "Winning Peace":

- A negotiated political settlement of all armed conflicts;
- Addressing the causes of conflict and issues affecting the peace process.

In pursuit of Track 2: Addressing the causes of conflict and issues affecting the peace process, OPAPP takes the lead in directing focused development in conflict-affected areas through PAMANA (Payapa at Masaganang Pamayanan/ Peaceful and Resilient Communities).

PAMANA is the national government's peace and development framework to respond and strengthen peace building, reconstruction and development in conflict-affected areas (CAAs). Under the guiding principles of PAMANA, government will implement a converged peace building program focused on the development of conflict-affected areas to address the causes of armed conflict. The main strategy is to bring back government in these communities by ensuring that they benefit from improved basic services delivery and are served by responsive and accountable government. This will ensure that these communities feel the presence of government in their lives. The design of specific interventions shall recognize cultural practices and traditions.

PAMANA adopts 3 levels of “interventions” or *Pillars*.

Pillar 1: National Level

Laying the foundation for peace. PAMANA lays the foundation for peace-building through policy reform and legislative action. Development interventions shall also be pushed in housing, ancestral domain, banking, and in other areas.

Pillar 2: Community Level

Building Resilient Communities. Focusing also on empowering households and communities, PAMANA includes delivery of basic services at the community level through conditional cash transfer approaches, community driven reconstruction and development, and community livelihood interventions. This aspect shapes families and communities by concentrating on health, education, and livelihood programs.

This pillar will involve three (3) core interventions that will provide social protection to individuals, families and communities. These include:

- a) household support through conditional cash transfers and targeted to individuals and families
- b) community-driven peace-building and reconstruction through a community-specific investment package; and
- c) sustainable livelihood support and employment generation.

Pillar 3: Sub-Regional Level

Economic Development and Asset Reform. Addresses sub-regional challenges, including constraints to regional economic development, economic integration of developing areas with the more progressed areas, and inter-regional connectivity improvements. This include investing on agri-industrial enterprises, coastal development initiatives, and the Halal industry.

PAMANA operates in seven different geographical areas. Each PAMANA areas will receive development programs according to the needs of the people residing in that region. With these areas, PAMANA emphasizes its efforts to address what a specific community needs to be developing and working on.

1. Cordillera
2. Quezon, Bicol, Mindoro
3. Negros Island
4. Samar Island
5. Zambasulta
6. Central Mindanao
7. Compostela Valley-Caraga Corridor

The Office of the Presidential Adviser on the Peace Process (OPAPP) is the Lead Convenor of the Inter-Agency Steering Group (IASG) that will set directions for PAMANA. For 2012, PAMANA has a total budget of Php 1.92B. Since OPAPP is not an implementing agency, project implementation will be through regular line agencies specifically DAR, DILG and DSWD.

(ii) Armed Forces of the Philippines (AFP)

The **Armed Forces of the Philippines (AFP)** is the constitutionally mandated body of “protecting the state and the people”. It is composed of the Philippine Army, the Philippine Navy and Philippine Air Force. The President of the Republic of the Philippines serves as the Commander-in-Chief.

The AFP crafted its Internal Peace and Security Plan (IPSP), also known as OPLAN BAYANIHAN, to serve as the guide in the performance of its mandated functions and attainment of internal peace and security.

Under IPSP, the AFP’s desired end state is as follows:

“capabilities of internal armed threats are reduced to a level that they can no longer threaten the stability of the state and civil authorities can ensure the safety and well-being of the Filipino people”.

Operationally, four *Strategic Concepts* define IPSP:

1. *Contribute to the Permanent and Peaceful Closure of all Armed Conflict.* IPSP adheres to the primacy of the peace process and supports peace building activities such as reconstruction and rehabilitation of conflict-affected areas.
2. *Conduct of Focused Military Operations* against armed threat groups. Military operations shall focus only on the armed components of insurgent groups. In addition, the AFP shall employ distinct methodologies for the NPA, the MILF and ASG and other terrorist groups.
3. *Support Community-based Peace and Development Efforts* focuses on securing and bringing peace and development to conflict-affected communities. The AFP shall

also contribute in sustaining community development initiatives through the construction of basic social infrastructure.

4. *Carry Out Security Sector Reform (SSR)* in the AFP. AFP SSR efforts shall be geared towards its capability development, the professionalization of its ranks, and involvement of stakeholders in AFP initiatives.

(iii) MINDANAO DEVELOPMENT AUTHORITY

The Mindanao Development Authority mandate: to “promote, coordinate and facilitate the active and extensive participation of all sectors to effect the socioeconomic development of Mindanao.”

Moreover, MinDA serves as the coordinating office for all BIMP-EAGA related programs. MinDA’s powers and functions cover all provinces and cities of Region IX, X, XI, XII, Caraga and Autonomous Region in Muslim Mindanao (ARMM) in a comprehensive approach towards socioeconomic development.

MINDA has adopted a comprehensive strategy for the development of Mindanao also known as the *Mindanao 2020 Plan*. The Plan highlighted 5 challenges, described as rooted in injustice:

1. Peace and Security
2. Human Development and Social Cohesion
3. Economy and Environment
4. Governance and institutions
5. Enabling conditions

(iv) Autonomous Region in Muslim Mindanao

The Autonomous Region of Muslim Mindanao (ARMM) was created in 1989 in pursuit of constitutional mandate for an autonomous governance of Muslim Mindanao. Under the amended ARMM Organic Act (RA 9054), ARMM is composed of the 5 Provinces of Maguindanao, Lanao del Sur, Basilan, Sulu, Tawi-Tawi and the City of Marawi.

ARMM elects its own Regional Governor, Vice Governor and 24 members of the Regional Legislative Assembly. The Regional Governor in turn forms his Regional Cabinet mirroring the major national agencies.

In 2010, a law was passed postponing the scheduled regional elections to synchronize ARMM and national elections starting 2013. The synchronization law provided for the appointment of an interim government by the President of the Philippines.

The 20-month interim appointment was seen as an opportunity to put in place a leadership in ARMM that, with the full confidence of the President, will initiate basic reforms and fast track services urgently needed especially in view of the peace process. In January 2012, President Aquino installed the ARMM interim Regional Governor and Vice Governor. They will be at the helm of the Autonomous Regional Government up to May 2013 or a period of 17 months. For 2012, ARMM will have a

budget of P12.4 B. about half a billion more than the previous year. More than 75% of the ARMM budget is earmarked for salaries and personal services.

In addition to the ARMM budget, the Aquino Administration allocated a “Transition and Investment Support Plan” also known as “Stimulus Fund” amounting to P8.5 B. The budget is broken down into two components: Improving Service Delivery Performance and Creating and Enabling Environment for Public-Private Partnership towards Equitable Growth.

TISP will be implemented by national agencies in coordination with ARMM Government. About P6B will go to the Service Delivery Component, i.e. health, education, social welfare and potable water. DOH, DEPED, TESDA, DSWD and DILG will be key players for this component. About P2.5 B will be for Enabling Environment Component i.e. livelihood, infrastructures and environment. DA, DENR, DPWH, DOTC are implementing agencies.

(v) DSWD

The Department of Social Welfare and Development (DSWD) has the primary mandate of providing “assistance to local government units, non-government organizations, other national government agencies, people’s organizations, and other members of civil society in effectively implementing programs, projects and services that will alleviate poverty and empower disadvantaged individuals, families and communities for an improved quality of life”.

DSWD is the implementing agency for the Aquino Administration’s flagship anti-poverty program called the Pantawid Pamilyang Pilipino Program (4Ps). The 4Ps provides cash grants to extremely poor households to allow members of the families to meet certain human development goals specifically health, nutrition and education. For 2012, 4Ps budget is Php 40 B, of which Php3.5 B is earmarked for ARMM.

Annex E: Other Donor Programs in Mindanao Conflict-affected Areas

Significant official development assistance has been committed to support Government efforts towards peace and development in CAAs in Mindanao over the past decade. But as of the beginning of 2012, many major delivery mechanisms of donors were in transition or closing.

USAID:

USAID states that between 1996-2009, it provided nearly \$500 million - about 60% of its total assistance - towards Mindanao. USAID assistance has been focussed on Peace and Security, Economic Growth, Energy and Environment, Democracy and Governance, Health, and Education.

Among the delivery mechanisms of USAID were Growth with Equity in Mindanao (GEM) Program, Livelihood Enhancement and Peace (LEAP) Program, Alliance for Mindanao Off-Grid Renewable Energy Program (AMORE), Transparent Accountable Governance Project (TAG), Fisheries Improved for Sustainable Harvest (FISH) Project, Education Quality and Access for Learning and Livelihood Skills (EQuALLS), Sustainable Health Improvements through Empowerment and Local Development (SHIELD). MINDA and ARMM were primary partners in project implementation.

Most of these mechanisms however have either closed or as in the case of GEM and SHIELD about to conclude operation by the end of 2012.

One key new program will be 'Enhancing Governance, Accountability and Engagement (ENGAGE) Project'. ENGAGE will be a five-year project designed to contribute to improving peace and stability through the promotion of good governance in six targeted conflict-affected areas of Mindanao by addressing challenges that permit continued social and economic instabilities and marginalization. The project seeks to promote community empowerment as a foundation for inclusive local governance in the six areas.

The ENGAGE project will consist of two main interrelated tasks:

1. Strengthening the capacity, legitimacy, and transparency and accountability of local governments; and
2. Increasing the involvement of youth and adults in governance processes through civic education, civil society strengthening and the promotion of mechanisms for participation.

JICA:

JICA contributed \$20m to fund the ARMM Social Fund. JICA commitment to ASF ended in 2011 but was extended up to 2012 until the balance of about Php 70m of ASF is fully disbursed. A continuing JICA commitment is an ODA Technical Adviser embedded at the Office of the Regional Governor of ARMM.

Among the reported major projects in the JICA pipeline for central Mindanao are the rehabilitation of the MALMAR Irrigation System (Php 6.5B) which services Maguindanao and North Cotabato and a grant support for social service delivery (Php 100M) through the Bangsamoro Development Authority.

Japan Bangsamoro Initiatives for Reconstruction and Development (J-BIRD), Grant and Loan. J-BIRD has run from 2006 to present, and supports basic human needs sectors such as water supply, education, health, livelihood, agriculture and fishery production, community facilities and others.

Japan Human Capacity Development Project. Building capacity of key ARMM agencies since 2006. This includes administration, planning and management, and focusses on key sectors such as economic development.

World Bank:

The World Bank has a number of relevant activities that AusAID contributes to or that complement our work.

The Mindanao Trust Fund - Reconstruction and Development Program. With multi-donor contribution of approximately \$10 million, MTF-RDP has been in operation since 2005. The Bangsamoro Development Agency (BDA), the development arm of the Moro Islamic Liberation Front is the main Philippine counterpart of the Program. Due to significant internal problems in the Bangsamoro Development Agency, the Program implementation rate was very slow. The program has been extended to 2017, with expectations of a call for expansion in funding. AusAID has been a supporter of the MTF since inception.

ARMM Social Fund. World Bank approved in the last quarter of 2011 additional financing of \$30 million for the ASFP. Over 500 additional barangays in the five provinces and one city in the ARMM will receive assistance under the additional financing to improve basic services and livelihood in the communities. \$40 million from World Bank and JBIC financed operation from 2003-2011. ASFP is managed by the ARMM Government.

The State and Peace-building Fund (SPF) was established in 2008 to address the needs of state and local governance and peace-building in fragile and conflict-affected situations. The SPF is the World Bank's premier global multi-donor trust fund to support projects that contribute to prevention and recovery from conflict and fragility, operating at the intersection of development, conflict prevention, post-conflict reconstruction, and peace-building. With its support to recipient activities, the SPF has become an important entry point for early and catalytic financing for peace-building and state-building. The fund strives to capture and disseminate the lessons of its activities to promote better understanding of the dynamics of fragility and conflict as well as effective strategic and operational approaches to engagement in fragile and conflict situations. Australia has contributed to the global SPF.

Mindanao Rural Development Program (MRDP) was developed in 1999 as a targeted poverty reduction program for the rural poor, women and indigenous communities in Mindanao. It aimed specifically at increasing agricultural production and efficiency; and improving rural incomes in a sustainable manner, improving food security among the poor, and providing sustainable mechanisms for rural development through improved institutional service delivery by the local government units (LGUs) and the agencies concerned. AusAID has funded some of the technical assistance components of MRDP2.

ADB:

The Asian Development Bank has extended \$30 million financing for “rural infrastructure” for Agrarian Reform Communities (ARCs) in the ARMM. Because of the slow disbursement, due to the inability of LGUs to provide counterpart to the fund, the national government in late 2011 set up a fund of Php1B to assist LGUs avail of the ADB funds. The National Assistance to Local Government Units (NALGU) will be made available on first come, first serve basis to all eligible LGUs nationwide covered by the ADB program.

Annex F: Risk Management Plan

RISK REGISTER: Mindanao Program													
Risk Owner: Sam Chittick													
Date of Last Review: September 2012						Date of Next Review: December 2012							
Do any risks need to be escalated? (List the Risk No/s.) 1, 9, 11						To whom are they being escalated? Elaine Ward							
Are any risks being de-escalated? (List the Risk No/s.)						To whom are they being de-escalated?							
Risk Ratings and Treatments Approved by: (Approver must be at appropriate level/position to accept responsibility for ratings and treatments)													
Objective/s	Risk No.	Risk (what will prevent you achieving the objective/s?)	Existing Controls (what's currently in place?)	Risk rating with existing controls in place			Is risk rating acceptable? Y/N (If no, please propose treatments)	Proposed Treatments (If no further treatment required or available, please explain why)	Person Responsible for Implementing Treatment/s	Implementation Date for Proposed Treatment/s	Target rating when Proposed Treatments are in place		
				Consequence (refer to matrix)	Likelihood (refer to matrix)	Risk Rating (refer to matrix)					Consequence (refer to matrix)	Likelihood (refer to matrix)	Risk Rating (refer to matrix)
Contextual													
	1	Breakdown in peace talks leads to a return of conflict	Providing appropriate and strategic support to peace process Constant monitoring of situation and updates to senior management Engagement of local staff to ensure timely information	Moderate	Possible	High	Yes	Assess program in conflict-affected areas and look at alternative means of implementation					
	2	Humanitarian crisis and displacement resulting from a natural disaster	Stand-by response mechanisms with relevant disaster authorities	Moderate	Possible	High	Yes	Outside AusAID control					
Programmatic													
1. Building more capable and legitimate institutions in conflict-affected areas 2. Strengthening foundations for negotiated peace 3. Reducing vulnerabilities for conflict-affected populations	3	Program success impaired by weak capacity of partners (national and local government, civil society) to deliver	Selection of reputable partners with capacity to deliver Funding support to include capacity-building of partners Close monitoring and oversight of partners' program implementation Strong coordination with partners Provision of technical assistance as needed Coordination with other relevant stakeholders and strong participation of partner in activity design	Moderate	Possible	High	No	More robust monitoring and oversight of partners' program implementation by dedicated staff for each activity and provision of technical assistance as needed Deliberate strategy to spread support across a number of partners to reduce reliance on key partners noting their absorptive and implementation capacity Strong review and selection criteria for partner organisations with appropriate due diligence	Mindanao team, implementing partners	October onwards	Minor	Possible	Moderate
1. Building more capable and legitimate institutions in conflict-affected areas 2. Strengthening foundations for negotiated peace 3. Expanding economic opportunities for conflict-affected populations 4. Reducing vulnerabilities for conflict-affected populations	4	Program activities not sustainable / sustainability impaired by lack of support of stakeholders who may pursue initial efforts and inadequate policy engagement	Designs and funding support structured to ensure sustainability efforts and partners' capacity to pursue them incorporated Engagement with relevant stakeholders and linking up partners with them to continue support initiatives Participation of relevant government and other key stakeholders (donor community, civil society) in implementation and evaluation	Minor	Possible	Moderate	No	More active engagement with partners and relevant stakeholders in ensuring sustainability efforts of partners including involvement of AusAID's senior management as appropriate for strategic concerns and influence	Mindanao team, implementing partners	October onwards	Negligible	Possible	Low

AusAID Delivery Strategy – Conflict-affected areas of Mindanao

1. Building more capable and legitimate institutions in conflict-affected areas 2. Strengthening foundations for negotiated peace 3. Expanding economic opportunities for conflict-affected populations 4. Reducing vulnerabilities for conflict-affected populations	5	Unable to demonstrate program successes due to inadequate data and difficulty in drawing direct results or distinguishing results of Program efforts versus other factors or contributions of other stakeholders	Close coordination with partners and clear guidelines on reporting requirements in design, implementation and evaluation stages Participation of relevant stakeholders in program evaluation	Minor	Possible	Moderate	No	More robust monitoring and oversight of partners' program implementation by dedicated staff for each activity and provision of technical assistance as needed Strong review and selection criteria for partner organisations with appropriate due diligence	Mindanao team, implementing partners	October onwards	Negligible	Possible	Low
1. Building more capable and legitimate institutions in conflict-affected areas 2. Expanding economic opportunities for conflict-affected populations	6	Program success impaired by inadequate policy engagement with relevant government and other key stakeholders	Participation of relevant government and other key stakeholders (donor community, civil society) in designs, implementation strategies and program evaluation Engagement and coordination with relevant stakeholders on implementation updates, issues and challenges including to solicit responses from stakeholders as appropriate	Minor	Unlikely	Low	No	More active engagement with and participation of relevant stakeholders in program design, implementation and evaluation	Mindanao team, implementing partners	October onwards	Negligible	Rare	Low
1. Building more capable and legitimate institutions in conflict-affected areas 2. Strengthening foundations for negotiated peace 3. Expanding economic opportunities for conflict-affected populations 4. Reducing vulnerabilities for conflict-affected populations	7	Proliferation of donors and lack of donor harmonisation (duplication of initiatives)	AusAID to continue supporting ARMM Donor Convergence activities and ARMM coordination activities AusAID proactive partner in the Mindanao Working Group and PDF sub-groups	Minor	Possible	Moderate	Yes				Negligible	Possible	Low
Reducing vulnerabilities for conflict-affected populations	8	Success of program impaired by lack of experience of AusAID in developing and implementing this specific-sector approach	Discussions with relevant government and other key stakeholders (donor community, civil society) who are experts operating in the sector in design and implementation strategies.	Moderate	Unlikely	Moderate	No	Stronger participation of relevant government and other key stakeholders (donor community, civil society) who are experts operating in the sector in designs, implementation strategies and evaluation. Recruitment of staff with specific peace and conflict and Mindanao experience, and continued development of capacity of AusAID staff in this sector area Active engagement with relevant stakeholders on implementation updates, issues and challenges including to solicit responses from stakeholders as appropriate	Mindanao team, implementing partners	October onwards	Minor	Unlikely	Low

AusAID Delivery Strategy – Conflict-affected areas of Mindanao

Institutional													
Security	9	Volatile security situation resulting in violence against AusAID workers and assets	AusAID Security Plan, regularly updated Close monitoring of security situations, including mapping of election hot spots Engaging local organisations and local staff for implementation wherever possible Selection of reliable partner organisations that have appropriate security protocols and systems, with good local networks Locating the BEAM-ARMM Office within ARMM compound with back-up office option in Davao City	Severe	Likely	Very High	No	Formulate and pursue an integrated AusAID Security Plan	Mindanao team, implementing partners	October onwards	Major	Possible	High
Security	10	Unable to demonstrate program successes due to inability to implement the program and project delays in areas affected by the security situation (including inability to monitor in volatile areas and inadequate data)	Selection and flexibility of well-regarded partners who have expertise to operate in the conflict-affected areas Travel plan and security approval measures Security monitors and escorts Conduct of PEIR to strengthen data management systems Close monitoring of security situations and coordination with relevant stakeholders and partners	Major	Likely	High	No	Formulate and pursue the back-up plan/strategy on project implementation including re-programming with flexibility to move funds and communications strategy Technical assistance on school mapping database, implementation of planning and budgeting reforms Civil society monitoring to be continuously supported Support the development of risk management plans Strengthen capacity of partners to manage risks	Mindanao team, implementing partners	October onwards School Mapping Database – July 2013	Minor	Likely	Moderate
Fraud	11	Misuse of funds due to fraud and/or corruption in partners	Fixed audit requirements for each partner Due diligence checks Robust monitoring and oversight of partners' program implementation by dedicated staff for each activity including spot audit Strengthened support for roles of civil society and media to increase transparency and good governance	Major	Likely	High	No	Report, immediate visit to partner, and investigate Partners to receive fraud training from AusAID	Mindanao team, implementing partners	October onwards	Moderate	Likely	High
Political	12	Change in leadership and priorities of regional and/or national government including the Armed Forces of the Philippines leading to delays in implementation, need to reconsider priority areas, loss of program support/ownership and/or momentum	Funding support, designs and implementation strategies structured to be flexible Flexibility of partners Participation of central departments and ARMM in activity design and oversight Updates in situation after each election or change of officials Establish a reputable project monitoring office and integrate operations within the organisation (ARMM); formalise agreements Locally engaged contractors build relationships AusAID continuing policy engagement High level AusAID representation/briefings for incoming leaders Continuing engagement of permanent education officials at the region and provincial levels Strong linkages with civil society organisations for program advocacy	Minor	Possible	Moderate	No	Identify strategies to re-program funding including increasing flexibility to move funds	Mindanao team	October onwards	Negligible	Likely	Moderate
Political	13	Criticism of external Australian involvement in sensitive political environment leading to restrictions of funding and travel and damage to AusAID's reputation	Minimised Australian visibility at local level where appropriate Prepare clear talking points on conflict mitigation support and describe our role Work through and with reputable local partners who have good networks Calibrating involvement in sensitive issues together with DFAT	Major	Unlikely	Moderate	No	Work with DFAT to design an effective communication response and strategy	Mindanao team	October onwards	Moderate	Unlikely	Moderate

Annex G: Summary of Planned Expenditure

MDS Planned Expenditure by Program						
	2012-13	2013-14	2014-15	2015-16	2016-17	Total
SPIM	4,000,000	5,000,000	6,000,000	11,000,000	15,000,000	41,000,000.00
CFC/AusAID-TAF Partnership	800,000	1,000,000	1,200,000	TBC	TBC	3,000,000.00
HRODF (ICSP, OPAPP, PCID)	1,750,000	1,750,000	1,750,000	3,000,000	3,000,000	11,250,000.00
PRIME	387,704	461,104	TBC	TBC	TBC	848,808.00
Human Rights	145,760	TBC	TBC	TBC	TBC	145,760
TOTAL	7,083,464	8,211,104	8,950,000	14,000,000	18,000,000	56,244,568.00

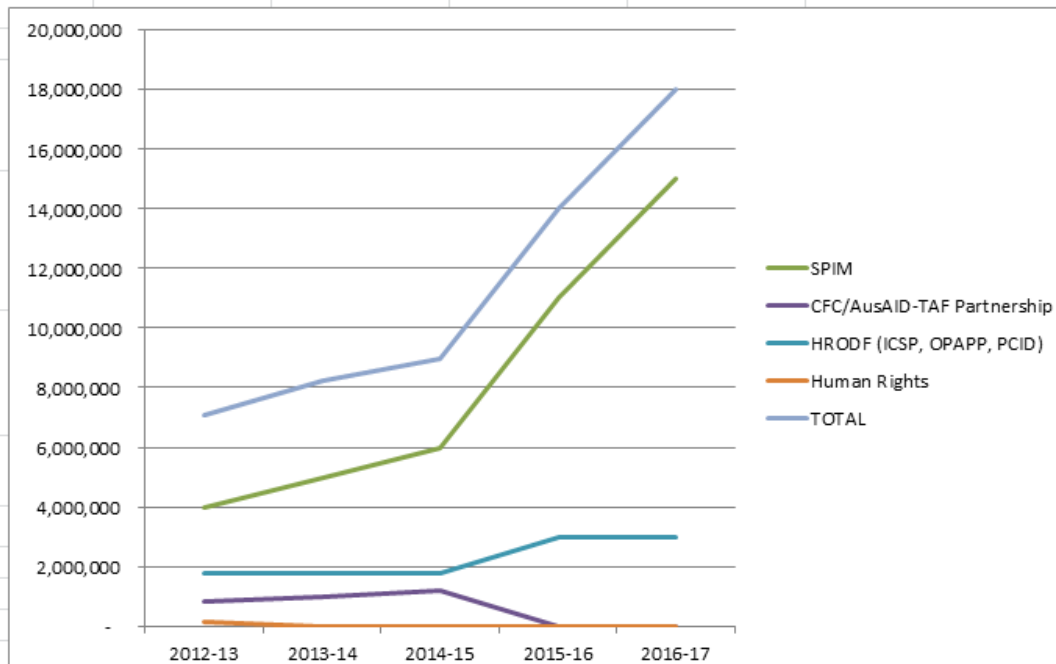
Notes:

All figures are indicative, not fixed.

Figures include estimates beyond current approval period, based on programming intentions (and therefore reflect no commitment at this point)

CAA - Central Mindanao (Maguindanao, Lanao del Norte, North Cotabato, South Cotabato, Sultan Kudarat, Cotabato City); Western Mindanao (Zamboanga Peninsula, Basilan, Sulu, Tawi-Tawi)

SPIM figures include a projected increase post peace agreement in 2015. If there is an agreement the mode of implementing would not necessarily be SPIM but budget estimate covered here



Annex H: Performance Assessment Framework

Philippines Country Strategy 2012-2017 Performance Assessment Framework

Strategic Objective 2 –Reducing Vulnerability Arising from Climate Change and Conflict: Sub Objective 4 Improved conditions for peace and security

Note: This is an indicative and general ‘end of strategy’ outcomes Performance Assessment Framework. A more rigorous outcome-level monitoring and evaluation framework will be developed within 2013.

{see separate doc, difficulties adjusting the A3 format to fit here)

Annex I: Policy Dialogue and Partnership Engagement Framework

Related development objective	Area of policy interest	Policy outcome sought	Program entry points for policy dialogue	Influential stakeholders	Resources required	Policy dialogue lead	Mgmtres p'ty
1. More capable and responsive state institutions in conflict-affected areas	Credibility and legitimacy of elections	<ul style="list-style-type: none"> More credible elections conducted, leading to greater legitimacy in the eyes of the citizens 	CfC funding to TAF on election support Possible SPIM funding to IFES	<ul style="list-style-type: none"> COMELEC ARMM Regional Gov't CSOs Asia Foundation IFES USAID 	Moderate: funding for coordination amongst stakeholders, developing & implementing CSO training, monitoring elections	Adviser Specialist	Specialist
	Capability and responsiveness of local level institutions	<ul style="list-style-type: none"> Improved efficiency and effectiveness of ARMM gov't Future Bangsamoro institutions designed with responsiveness in mind 	Regular engagement with ARMM gov't through BEAM-ARMM, HRODF, CFC and SPIM Support to BLMI, BDA and possibly Transition Commission	<ul style="list-style-type: none"> ARMM Regional Gov't CSOs Asia Foundation 	Moderate: Some capacity building and some technical assistance	Adviser Specialist	Adviser
	Security forces have capacity, credibility to ensure local security	<ul style="list-style-type: none"> Transition of internal security responsibility from AFP to PNP Improvements in the conduct of security forces in key locations Improvements in the curriculum for PMA Shared security, community policing enhanced 	SPIM and CFC funding to CSOs	<ul style="list-style-type: none"> AFP PNP ARMM gov't CSOs 	Moderate:— funding for scoping papers/research work, development of training materials, roll out of training	Adviser	Program Officer
2. Expanded economic opportunities for	Improving the environment for investors in	<ul style="list-style-type: none"> New regional investment code 	SPIM	<ul style="list-style-type: none"> ARMM Gov't ARMM RLA TC & MILF 	Moderate: <ul style="list-style-type: none"> Support facilitation of 	Adviser	Program Officer

<i>conflict-affected populations</i>	<i>conflict-affected areas</i>	<ul style="list-style-type: none"> • <i>Policy papers and recommendations adopted and/or facilitated investments</i> 		<ul style="list-style-type: none"> • <i>World Bank</i> • <i>JICA</i> 	<i>forums and workshops</i> <ul style="list-style-type: none"> • <i>Commission of studies into successful examples</i> 		
<i>3. Strengthened foundations for negotiated peace</i>	<i>Peace and stability</i>	<ul style="list-style-type: none"> • <i>Peace process more credible & widely supported</i> • <i>Institutional capacity to implement peace agreement improved</i> 	<i>SPIM CfC HRODF</i>	<ul style="list-style-type: none"> • <i>OPAPP</i> • <i>MILF</i> • <i>BDA</i> • <i>BLMI</i> • <i>CSOs</i> • <i>ARMM Gov't</i> • <i>WB</i> • <i>UN</i> 	<i>Moderate: Capacity development and technical assistance</i>	<i>Specialist</i>	<i>Adviser</i>
<i>4. Building resilience of conflict-affected populations</i>	<i>Peace and stability</i>	<ul style="list-style-type: none"> • <i>Stronger local mechanisms for averting escalation of violence</i> • <i>Improved response to crises (natural & conflict related)</i> 	<i>SPIM CfC</i>	<ul style="list-style-type: none"> • <i>ARMM Gov't</i> • <i>AFP</i> • <i>PNP</i> • <i>LGUs</i> • <i>Asia Foundation</i> • <i>CHD</i> • <i>CRS</i> • <i>UN</i> • <i>OPAPP</i> • <i>CSOs (local mediators' networks)</i> 	<i>Moderate:</i> <ul style="list-style-type: none"> • <i>Support facilitation of forums and workshops;</i> • <i>Support information dissemination</i> • <i>Possible placement of experts</i> 	<i>Specialist</i>	<i>Specialist</i>

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⁹ These scenarios were crafted from internal discussions, and referencing the scenarios presented in the UN-led 'Humanitarian Action Plan for the Conflict-Affected Provinces of Mindanao 2011', as well as reference to Annex 1 – Fragile State Scenarios, Service Delivery in Fragile Situations: Key Concepts, Findings and Lessons (OECD/DAC Discussion Paper), <http://www.oecd.org/dataoecd/17/54/40886707.pdf> and "Peace Cycle: Track I, II and III Actors and their Strategies" in AusAID's Peace Conflict and Development Learning Package (PCDLP)

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¹² See <http://www.usaid.gov.au/publications/pdf/aid-fragile-conflict-affected-states-staff-guidance.pdf>

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¹⁴ Pantino, P and Velasco, D (2006), 'Violence and voting in post-1986 Philippines,' Stanford University Press, Stanford

¹⁵ Buchanan, Cate (ed), 2011, Armed Violence in Mindanao: Militia and private armies, p.9

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¹⁷ Melo et al (2007), 'Report created under Administrative Order No. 157,' Independent Commission to Address Media and Activist Killings, retrieved from: <http://www.pinoyhr.net/reports/meloreport.pdf>

¹⁸ World Bank, CAS 2010-12, page 7: "between 2003 and 2006, official estimates of poverty declined in four of the country's 17 administrative regions. Poverty declined in three regions in Mindanao: Zamboanga from 49.2 percent to 45.3 percent, Caraga from 54 percent to 52.6 percent, and Northern Mindanao from 44 percent to 43.1 percent... , poverty in conflict-affected Autonomous Region of Muslim Mindanao (ARMM) swelled by almost 10 percentage points (to 61.8 percent)."

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²⁰ Arrangkada 2010 (check page)

²¹ World Bank, CAS 2010-12. See Annex 1: 46.3% of ARMM roads are paved, compared to 62.2% of Mindanao roads, and 71.5% of all roads.

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²⁵ Torres III, WM (2007), 'Rido: clan feuding and conflict management in Mindanao,' *The Asia Foundation*

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³⁵See <http://www.usaid.gov/publications/pdf/aid-fragile-conflict-affected-states-staff-guidance.pdf>

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⁴⁰Fieth, Peter (2007), "The Aceh Peace Process, Nothing less than Success" USIP Special Report 184, <http://www.usip.org/files/resources/sr184.pdf>

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