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Towards a framework for better donor engagement in fragile federal states:
Lessons from Balochistan

Jack Eldon and Stephen Commins

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Working in federal states that have pockets of fragility and conflict poses particular problems for donor agencies. Existing approaches may be inadequate to the challenge, as they do not capture the complexities and variability found in federal states.

This paper attempts to stimulate thinking on the political and economic dynamics of federal states with fragile and conflict affected sub-national regions, and on how practitioners might develop more effective strategies for engagement to improve governance and service delivery. Sub-national political settlements – the configurations of power and politics at the local level – have a role in helping or hindering human development, yet are poorly understood.

Drawing on the experience of Balochistan, and supplemented with examples from India, the paper proposes a simple framework to help practitioners think through how support to such environments might be initiated and sustained.

Key messages

Federal states with pockets of fragility and conflict are crucial to achieving the Millennium Development Goals. But they pose particular challenges for donor agencies, and current approaches do not respond adequately to the complexity.

In these contexts, understanding sub-national political settlements is key. Yet there has been little work to date to improve understanding.

Experience from Balochistan illustrates how service delivery for the poor is the main loser where political settlements are exclusive and unresponsive. Experience from India supports this.

Balochistan shows how failing sub-national political settlements can strengthen perceptions of 'predatory' federal elites and drive insecurity and violence.

Federal government responses are often geared to military engagement and 'pacification' rather than addressing underlying causes of conflict and fragility.

Donor responses tend to focus on the federal level, often engaging at sub-national level in an uncertain and fragmented manner.

A **framework** to provoke deeper thinking about these issues, and how to improve responses, requires consideration of some core issues:

- Do donors understand sub-national political settlements and do they have clarity of purpose?
- Can and should donors engage in peace building in sub-national states, and does service delivery have a role?
- What is the nature of fragility and how does this affect service delivery?
- What is the nature of the sub-national political settlement and does it offer institutionalised ways of channelling resources to the poor?
- Can working through non-state agencies improve service delivery and influence political settlements?

1. Introduction

Working in federal states can be difficult for donor agencies. These states are often large, populous and ethnically diverse, with several autonomous sub-national governments pursuing different development strategies. This can bring challenges over where and how to engage, at what level, and with whom. Nevertheless, federal states are important for developmental reasons. Nigeria, Pakistan, Ethiopia and India between them account for almost 40% of child mortality worldwide.[1] So in terms of numbers alone, achieving the Millennium Development Goals by 2015 will require international donors to work effectively with the national and sub-national governments of these countries. And although some are classed as middle income countries (MICs) and show steady economic growth, this can hide large pockets of deprivation. Sumner, for example, argues that there is a new 'bottom billion', with three quarters of the world's poor – over 706 million – living in MICs.[2] Eighty two percent of these – almost 580 million – live in three non-aid dependent, middle income, federal states (India, Nigeria and Pakistan) with severe pockets of poverty, fragility and violent conflict.[3]

Donor agencies have developed detailed typologies to guide their understanding and engagement in fragile states. However, these typologies are based implicitly on the assumption of a unitary state with a central government with whom donors can or should ultimately work. Federal states with pockets of instability, fragility and violent conflict are even more challenging. They can have several sub-national governments with complicated 'inter-governmental relations', and ethnically based 'societies' pulling in different directions.[4] There can be different interpretations of fragility and conflict, and quite different responses may be advocated by different levels of government.

Understanding conflict and fragility in these situations, and responding to it, is clearly a complicated business, raising practical and ethical issues. Existing donor typologies provide limited guidance. It would seem sensible, therefore, to improve our understanding of sub-national fragility and conflict in federal settings if responses are to be more effective, and if the root causes are to be addressed. This paper seeks to provide a framework to aid understanding of fragility in federal states, and to help thinking about how to engage to improve service delivery and human development outcomes.

The arguments are illustrated with evidence from Balochistan, a chronically fragile and conflict affected province in Pakistan, and supported by experience from India, a middle income federal country, yet with some extremely poor states and some of the worst human development indicators in the world.

2. Key concepts and issues: federalism, fragility and political settlement

Federalism

Federal states are countries in which power is divided between a national (federal) government and sub-national governments (states, provinces, regions, etc.) with each government having its own area of legal responsibility. This may sound like just another form of decentralisation. However three elements make federalism distinct:

1. Sub-national powers in federations are guaranteed constitutionally, rather than simply being 'handed down' by central governments, as is often the case in decentralised unitary states.
2. Sub-national units are represented at the central level of government, usually through a second chamber. This representation is also constitutionally guaranteed.

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[1] These countries are also among those projected to have the largest population increases by 2100 according to the UN (World Population Prospects: 2010 Revision).
[2] A. Sumner (2010). Global Poverty and the New Bottom Billion: What if three quarters of the world's poor live in middle income countries? IDS Working Paper.
[3] Sumner (2010) refers to 'new MICs' as the countries graduating from low income status between 2000-2009, according to World Bank classifications (China is not included in these figures as it graduated in 1999).
[4] In fact many federations are the outcome of decolonisation processes, where federalism attempted to protect newly developing counties against disunity and disintegration, particularly where there was (and may still be) considerable ethnic diversity.

3. The federal constitution is superior to all government institutions, including federal government, and powers can only be redefined through constitutional changes requiring consensus from all or the majority of the units.

In practice this means that federalism gives sub-national governments a large degree of constitutionally protected freedom from central government (for example to tax and spend, and to pursue different development strategies with different priorities). This is fundamentally different from decentralised unitary states, where one government dominates fiscal and policy decisions and has ultimate control over service priorities, standards and spending.[5]

The effectiveness of donor support in federal government systems depends crucially on how the federation 'works', and particularly on how the fiscal system works. Sub-national units nearly always rely on financial transfers from the federal government to help finance social services, and federal governments can use these transfers to influence sub-national expenditure patterns.[6] However, power does not always favour the centre. In Nigeria, federalism poses challenges precisely because the constitution grants sub-national governments substantial autonomy and authority over the allocation and utilisation of resources, with very limited accountability back to the federal government. This constrains the leverage by the federal government over sub-national spending levels in key social sectors, and in the application of national standards.[7] One response by the UK Department for International Development (DFID) in Nigeria has been the 'Lead State Approach', that is, to focus on states that can demonstrate results as a way of encouraging others to do the same.

In Pakistan, the constitutionally mandated National Finance Commission is currently responsible for fiscal transfers to the provinces. These transfers make up about 80% of provincial revenue, suggesting considerable scope for the federal government to influence state and local government expenditure patterns. However, donors have tended to deliver aid through federal vertical programmes, undermining intergovernmental accountability. Following the Constitutional Amendment in April 2010, provinces will have greater responsibility in terms of patterns of social sector expenditure. Donor financing agreements with individual provinces could undermine the country's federal fiscal system as a whole, which is acknowledged to be one of Pakistan's strengths.[8]

Fragility

There is no single, internationally-agreed definition of the term 'fragile state'. Different organisations use different parameters to judge fragility, in general combining aspects of capacity, will and accountability with indicators related to conflict risks.[9] Donor agencies use these definitions to shape policy and practice in states they consider to be fragile.

The term 'fragility' tends to be used in a blanket sense, referring to countries in their entirety, though some donors have started to use the term 'fragile situations'. Thus some countries are seen to be fragile in one way or another, while others are not. Yet countries rarely fit all of the characteristics of a particular category. A given country can fall into different categories over time, and parts of the same country can be in different categories at the same time, and be evolving in different directions.

Indeed some countries may not, on the whole, fit comfortably into any fragile state category yet may contain pockets of extreme violence and fragility. This is the situation we find in Pakistan and India, where some sub-national states have strong ethnic identities, autonomous governments pursuing their

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[5] This is an 'ideal type' definition of federalism, to stress core characteristics. In practice a number of constitutionally based unitary states have a strong federal character, notably China, and some highly decentralised federations experience strong central political pressures (for example Ethiopia).

[6] For example, the Health and Social Transfer in Canada is a large federal block grant to provinces, tied to health, education and social assistance to ensure the delivery of these services. The grant helps ensure federal concerns about sector financing and standards. Similarly, in Ethiopia, the federal system has enabled the Protection of Basic Services programme to successfully channel large-scale donor support for basic services to regions and districts through the federal government's block grant transfer system. This additional funding is fully incorporated into the government's fiscal federalism and has contributed to local plans and budgets paying increased attention to basic services.

[7] T. Bossert and E. Gomez (2003). Federalism and Social Sectors in Comparative Perspective: Lessons from Nigeria, DFID Health Resource Centre.

[8] A. Lieven (2011). Pakistan: A Hard Country. Allen Lane.

[9] The OECD, for example, defines fragile states as "those failing to provide basic services to poor people because they are unwilling or unable to do so" (Good Practice Guidance for Development Co-operation, 2006).

own sub-national agendas with extreme variations in development performance, and high levels of violent conflict. This raises key questions: are current fragile states frameworks sufficiently nuanced to capture the variability found within federal states, and do current donor approaches respond adequately to this complexity?

Political settlement

The term 'political settlement' is commonly used to describe the formal and informal arrangements of politics and power within a given country. Whaites describes political settlement as, *"the forging of a common understanding, usually among elites, that their interests or beliefs are served by a particular way of organising political power"*.[10] The term can include **events** (such as 'engineered settlements' negotiated as part of a peace process) and **process** (for example, informal elite pacts with the balance of interests shifting over time). Equally important are elements of **quality**, including the ideals of inclusiveness, fairness, legitimacy, robustness and adaptability.

It is important for donors to understand political settlements as they shape their engagement strategies, yet this is no simple task. Political settlement events, processes and quality can be inter-related, but not necessarily correlated. For example, the stable entrenched political settlement in China may be legitimate and robust, but it can not be described as inclusive. And, entrenched and apparently robust settlements can quickly become unstable if they do not respond to social change, as the recent 'Arab Spring' suggests. Furthermore, some countries may adopt the **appearance** of inclusive political settlements (elections, parliaments, constitutions and so forth), yet this can be at odds with the ethos and objectives of the elites dominating the political settlement, which may be more feudal in character. This is captured by the concept of 'shadow states' - informal networks based on patronage and rent-seeking by local elites to enhance their own wealth, power and control, operating in parallel to formal state bureaucracies.[11] This can give the appearance of normalcy and a formal framework with which donors can engage, yet the hidden reality may, in the end, subvert attempts to support development processes.

Political settlements affect the prospects for poverty reduction, service delivery and stability particularly where the drivers of fragility are linked to the concentration of power at the expense of the poor, for example through manipulation of voting blocs, resource extraction and land confiscation.[12] However, most work on political settlements in fragile states focuses on the national level, and there is a gap in thinking about the role of elite politics and competition at the sub-national level, and how sub-national political settlements operate. This involves issues of formal and informal relations between the centre and periphery, the role and interests of central elites in sub-national politics and vice versa, and the outcomes in terms of protracted sub-national conflict and lagging human development.

3. Pakistan: political settlements and service delivery

The ways in which different factors have shaped political settlements over time in Pakistan, including how federal and provincial governments have sought to strengthen their own positions, directly affects service delivery, including who receives what services, how and when. Services are also shaped by the degree to which formal rules are institutionalised and interact with informal rules and power structures, such as the implicit roles of line ministries, the participation or exclusion of specific groups and social cohesion at the local level.

In Pakistan, the political settlement at federal level is essentially based on an implicit agreement between military, bureaucratic and political elites, and influential customary and 'feudal' leaders. This has been reasonably stable for many years, punctuated by military coups, shifting alliances between bureaucratic elites and provincial patronage networks, and more recently by Islamic national identity politics and religious notions of statehood.[13] Nevertheless, the same dominant elites have retained access to national political power. Although individual governments have come and gone, this has

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[10] DFID (2008). States in Development: Understanding State Building. Working Paper.
[11] W. Reno (2000). Clandestine Economies, Violence and States in Africa. Journal of International Affairs, 53.
[12] T. Parks and W. Cole (2010) Political Settlements: Implications for International Development Policy and Practice. Asia Foundation.
[13] DFID (2011). Pakistan Country Governance Analysis.

been essentially a game of political musical chairs in which political dynasties are reshuffled, while the structure and rules of power – and the impact on society – in effect remain unchanged.

This stability has supported faltering social and economic development at the national level, and fostered an inherently conservative settlement – which donor investment has tended to reinforce – skewed in favour of institutions that sustain elite power. This stability is also why Pakistan, on the whole, is not considered to be fragile.[14] Chandran argues that "despite numerous sub-regions facing serious problems of governance and crisis, the state (in South Asia) at the macro-level *does* function. Pakistan is a perfect example of this phenomenon".[15] This view is echoed in a recent detailed study:

> *"Pakistan is divided, disorganised, economically backward, corrupt, violent, unjust, often savagely oppressive towards the poor and women, and home to extremely dangerous forms of extremism and terrorism – 'and yet it moves', and is in many ways surprisingly tough and resilient as a state and society […]. Pakistani democracy, the Pakistani political process and Pakistan federalism retain a measure of vitality, flexibility and ability to compromise. None of these things is characteristic of truly failed or failing states like Somalia, Afghanistan or the Congo".[16]*

However, the persistence of this elite bargain has created a wide gap between state and society, and fostered huge inequalities, both between groups and between provinces. Service delivery for the poor has been the main loser: core public services are not used by elites, service delivery is under-resourced, and there are few incentives for reform to meet growing needs. This elite bargain has also left unresolved serious tensions between the central state and some provinces. Balochistan in particular remains mired in poverty and fragility through a combination of some of the worst social development indicators in South Asia, conflict over natural resource extraction, inter-tribal violence, and more recently violence linked to the Taliban and Afghanistan. These tensions have fuelled militancy and entrenched violence, and have been harnessed by Balochi nationalist and secessionist movements, directly challenging the federal (and increasingly the provincial) government.[17]

4. The case of Balochistan

Balochistan is located in the south west of Pakistan, bordering with Iran to the west and Afghanistan to the north (see figure 1).
It is the largest of Pakistan's four provinces, with about 44% of Pakistan's total land area, but the least densely populated.
Balochistan's population of about 8 million represents only 5% of Pakistan's total population. The population is ethnically diverse with two main tribes, Pashtun (approx. 60%) and Balochi (40%).

In Pakistan, a country known for its social gaps, there is systemic inequality between the provinces. Balochistan stands out as the province with the most poverty and the weakest social and economic indicators (Table 1).

Fig. 1: Pakistan's administrative units

KP - Khyber Pakhtunkhwa
FATA - Federally Administrative Tribal Area
GB - Gilgit Baltistan
J&K - Jammu & Kashmir (disputed area)
AJK - Azad Jammu & Kashmir

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[14] This is changing, and some recent analyses are more likely to classify Pakistan as fragile.

[15] D.S. Chandran (2010). The Fragile Regions of South Asia: Why States Fail in Parts. Institute of Peace and Conflict Studies, Brief, No 100.

[16] A. Lieven (2011). Pakistan: A Hard Country.

[17] Initiative for Peace-Building, Democratisation and Transitional Justice Cluster (2009) Pakistan State-Society Analysis.

Table 1. Selected human development indicators in Pakistan[18]

Indicator	Pakistan	Balochistan	Punjab	Sindh	KP (NWFP)
Population in lowest income quartile	15%	32%	14%	16%	17%
Population in highest income quartile	26%	9%	28%	29%	20%
Total Fertility Rate	2.5	4.1	3.9	4.3	4.3
Contraceptive Prevalence Rate	29%	13%	32%	21%	19%
Births in health facility	34%	18%	33%	42%	30%
Births with Skilled Birth Attendant	39%	23%	38%	44%	38%
Birth by C section	n/a	1.5%	9.2%	6.5%	2.9%
Maternal Mortality Ratio	276	785	227	314	275
Infant mortality rate	78	49	81	81	63
Under 5 mortality rate	94	59	97	101	75
Women aged 15-19 currently pregnant	2.7%	3.2%	2.4%	2.9%	2.4%
Full immunization record 12-23 months	78%	43%	85%	69%	73%
Tetanus Toxoid (% married women over 15)	68%	24%	76%	57%	64%
Literacy rate	35%	15%	41%	33%	23%

The political settlement

Balochistani culture is deeply patriarchal and conservative. Its politics are factionalised by tribal and ethnic competition, with votes cast for individuals rather than policies or parties. The sub-national political settlement is complex and potentially unstable. It includes central military and federal elites with sub-national economic interests, and local elites – hereditary tribal chieftains and religious leaders with strong ties to local communities through informal institutions. It involves shifting allegiances between central and local interests, and central penetration into local affairs, in which federal elites have shaped arrangements at the local level, often co-opting local leaders to operate within a set of rules that undermine local interests. The provincial government as a whole is too weak to counter the pressure from the federal government.

This situation has contributed to local perceptions of predatory federal elites, and to a significant portion of the local population contesting federal presence and provincial legitimacy, often in violent ways. Long-running, violent conflict between central elites and local ethnic groups led by local elites has fuelled bitter divisions between those allied with the state and those who oppose it. This has major implications for the distribution of power, resources, services and security at the local level, and resistance to both central and provincial authorities. It is perhaps not surprising that demands for an autonomous political settlement have grown, with some local elites seeking to exclude national elites from local affairs, maintain high levels of local autonomy, and resist continued integration into the national political system.

There are also areas of *state absence* in Balochistan, mostly unstable and controlled by local non-state groups, with both federal and provincial elites having limited purchase on security, governance and service delivery. There are growing dangers from the presence of the Taliban and Al Qaeda in these areas, and from the potential international (US) response.[19]

The Constitutional Amendment in 2010 gave provinces in Pakistan greater autonomy from federal government. However the Provincial Government in Balochistan was seen by many as too weak to

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[18] Sources: Pakistan Demographic and Health Surveys 2006-07; WHO Pakistan Country Profile; Government of Pakistan, Statistics Division. There is wide uncertainty around data for Balochistan.
[19] See for example: Trilateral Talks and US Involvement in Balochistan (Asian Tribune, May 2, 2011).

make the best use of this. Provinces were also given the freedom to design a new local government system. Balochistan has chosen to dismantle the last vestiges of representative local government and adopt a version of the colonial 'commissionerate' system, with senior bureaucrats appointing themselves as Provincial Commissioners, supported by selected tribal and religious leaders – a model of governance recently described as "a colossal administrative mess".[20]

Box 1. The case of India: sub-national political settlements

As in Pakistan, complex interstate dynamics by national and state elites in India have shaped sub-national political settlements in ways that exclude the poor: they may live in a middle-income sub-continent, but most live in low-income states with desperately poor human development indicators. The poorest states in India with the worst health outcomes are characterised by modes of politics that rest on a narrow political base of upper castes and classes, factional bickering, and politicised state level bureaucracies.

However, experience in India also hints at how more inclusive political settlements can provide a basis for improvements in service delivery and poverty reduction. Poverty has been reduced most in states where effective governmental power rests on a broad and inclusive political settlement involving representatives of the poor and progressive bureaucrats and politicians. In such cases, political leaders have minimised the hold of upper classes on the state, successfully organised the middle and lower strata into an effective power bloc, and then used this power to channel resources to the poor.

In **Tamil Nadu**, political competition around responses to citizen demands for social programmes in health, family planning and nutrition ensure that political elites directly engage with community representatives to build broader political constituencies, and press the state's public sector to actively implement social programmes for the poor. Improved public perceptions of Tamil Nadu's politicians and civil service have helped to strengthen the sense of 'social contract' between state and society, and led to improved human development indicators beyond what might have been expected by growth alone.

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5. Government and donor responses in Balochistan

The government response

According to federal government, Balochistan's social organisation and tribal politics act as a hindrance to progress. The perceived solution is, therefore, federal intervention to break the stranglehold of tribal and ethnic politics.[21] Historically, federal government engagement has involved a combination of military 'pacification', co-opting local elites, and investing in 'mega projects', largely to facilitate the extraction of natural resources. Fiscal transfers in Pakistan have historically been calculated on a per capita basis, leading to relatively small transfers to Balochistan, despite the fact that the province has the worst human development indicators in Pakistan and that service delivery costs are high due to its remoteness and low population density.[22] Service delivery has largely been through vertical federal programmes with weak local accountability, and provincial requests for quotas for local citizens to be employed in government institutions have been ignored. Persistent water shortages remain throughout the province, and low investment in health and education has deepened poverty. All of this has exacerbated tensions and fuelled Balochi nationalism.

In 2008 the federal government stated the need for a 'consensual' approach to Balochistan to address the province's security and social problems. However, such was the level of distrust that many senior Balochi politicians expressed little faith in the government's sincerity, and in practice little has been achieved. Political elites in Islamabad have some allies among the provincial elites, but have failed to find any among the nationalist elements in the province. With Islamabad ignoring the fundamental

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[20] A. Mateen (2011). A Drive through Troubled Balochistan: The Buck Stops at Governance. Pakistan News on Sunday, November 20.

[21] A. Budhani and H.B. Mallah (2007). Mega Projects in Balochistan.

[22] Following the new Finance Commission Award 2011, fiscal transfer formulae include poverty indicators and revenue generation capacity, increasing the share of national resources to Balochistan from 7% to 9.09% (see Lieven 2011, cit., p 342).

issues that have sustained conflict, and focusing only on suppressing it, violence continues to be an everyday reality. The basic issues, which include control over resources, equal authority, and social and economic development are yet to be addressed, and a lasting solution looks unlikely in the near future.

The donor response

Donor support to Balochistan is erratic and fragmented, and has so far failed to find a way to make sustained improvements in security or human development. In recent years the US and China have provided support for infrastructure (for example dams, irrigation, electricity and roads) and there has been increasing military assistance for Balochistan via the federal government. The Asian Development Bank provided loan funding to support district governments and devolved social services in Balochistan until the district governments were abolished in 2008. The GAVI Alliance is supporting immunization nationally and this may or may not be reaching Balochistan. The UK (DFID) and Australia (AusAID) have provided financial aid through vertical health programmes,[23] though concerns over fiduciary risks have constrained the flow of these funds. AusAID has recently started supporting health through grants to UNICEF, although this may be severely constrained by the security situation and the human resource crisis as key staff leave the province. The situation is the same for the NGO sector, as long standing agencies such as Islamic Relief and Save the Children-US find it increasingly difficult to work in the growing insecurity.

Donors are clearly keenly aware that Balochistan is affected by conflict, and this shapes their engagement, which understandably tends to be geared to security and the need to ensure the safety of their own officials. However this severely limits their direct involvement in the province, and their grasp of the provincial and local level issues which could be obtained through a deeper engagement. Others appear to have decided that Balochistan is a 'lost cause', and that it makes more sense for them to support other provinces where results are assumed to be more achievable and visible. By and large, there have been few if any coherent attempts to date to support positive dialogue between the various antagonists to strengthen peace, to build a workable political settlement, to understand peoples' aspirations, or to stem the decline in governance and social indicators.[24]

Box 2. The case of India: government and donor responses

In India, the government recognises the inter-relationships between sub-national disparities and sites of conflict:

"We have two worlds of education, two worlds of health, two worlds of transport and two worlds of housing, with a gaping divide in between … In general, the contradiction between the tribal community and the State itself has become sharper, translating itself into open conflict in many areas … people feel a deep sense of exclusion and alienation, which has been manifesting itself in different forms. The failure to provide infrastructure and services … is one of the many discriminatory manifestations of governance."*

Donors are also shifting their focus to state level. For example, DFID is supporting state level projects in health and nutrition in Bihar; health, nutrition and sanitation services in Madhya Pradesh and Orissa; and health sector support in West Bengal. However, in the Indian context, state governments are often seen by poor people to be part of the problem, that is, part of the 'elite bargain' that sustains poverty and inequality. It is not clear that current donor efforts at 'refocusing' sufficiently address the political drivers of fragility and poverty, or strengthen the relationship between state governments and their populations.

*Government of India (2008). Development in Extremist Affected Areas. Report of an Expert Group to Planning Commission.

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[23] One example is the Maternal, Neonatal and Child Health Programme.
[24] The 2010 Constitutional Amendment which, among other things, transfers responsibility for vertical programmes from federal level to the provinces provides an opportunity for this to change. Donors will need to engage more directly with provinces to understand needs and entry points. It is difficult to see how things can improve in Balochistan without promoting and supporting a more inclusive political settlement.

6. A framework for more effective action

The proposed framework is simply a structured list of questions to help the reader or practitioner think through how support in the context of complex federal-with-fragile environments might be initiated and sustained:

Box 3. The framework: five key questions

1. Do donors understand sub-national political settlements and do they have clarity of purpose?

2. Can and should donors engage in peace building in sub-national states, and does service delivery have a role?

3. What is the nature of fragility and how does this affect service delivery?

4. What is the nature of the sub-national political settlement and does it offer institutionalised ways of channelling resources to the poor?

5. Can working through non-state agencies improve service delivery and influence political settlements?

The list is not exhaustive and is intended primarily to provoke debate. Figure 2 (page 13) presents a simplified, visual outline of the framework.

Do donors understand sub-national political settlements and have clarity of purpose?

Sub-national political settlements in federal states are complex, involving inter- and intra-state political relations, and a wide range of actors and interests (some with mutually interdependent objectives, other incompatible). Where federal states have fragile and conflict affected pockets, donors may also have multiple objectives, such as peace building, security, state building, and human development, and not all of these will be necessarily compatible.

For example, short term stability can be achieved by striking agreement with powerful local leaders and warlords who can enforce their will over other groups. However this is unlikely to be conducive to a more inclusive settlement or longer term development. Potential trade-offs need to be identified, made explicit and considered, including those relating to: actions and outcomes at different levels of the state; different interests of various government departments of the donor countries (such as development aid, foreign office diplomacy and international security); and indeed the interests and approaches of different donors working in the same sub-national state.

Can and should donors engage in peace building in sub-national states, and does service delivery have a role?

Experience in Pakistan suggests that neither federal nor provincial government have done much to address the roots of conflict in Balochistan. Can donors do any better?

At the outset it is important to recognise that there are limitations: federal governments tend to see sub-regional fragility and conflict as a domestic affair, and not the business of international actors. The conflict in Kashmir on the Pakistan-India border is a classic example of this. This means that donor purchase on sub-national fragility can be very limited. If Balochistan was a unitary state, donors might well look at it through a fragile states lens, and be able to shape their engagement accordingly. Up to now most donor engagement has been through federal government, and implicitly treated Balochistan in the same way as other provinces, that is, with at least a degree of normalcy. The recent 18th Constitutional Amendment provides opportunities for more direct and nuanced support to provinces, and donors may have more scope to provide relevant assistance to Balochistan.

The first step is a clear understanding of the drivers of conflict and fragility. In Balochistan these relate to governance failures: sub-national political, social and economic exclusion, oppressive security forces, corruption and the failure to deliver services. Political leadership is focused more on the accumulation of power than on human development, and has little legitimacy and limited presence throughout the province. This is a recipe for continued conflict.

Experience in how to support different institutional *forms* of political settlement is growing, however it is relatively limited on how donors might support the *evolution* of political settlements. Yet process influences legitimacy, and in a sub-national context ensuring local roots can be essential for peace. Donors may need to focus more on the processes of institution-building to promote settlements that are locally appropriate, agreed upon, responsive, adaptable and capable of becoming more inclusive at the local level, rather than advocate for particular institutional structures.

In the absence of top-down political will to resolve tensions, bottom-up approaches to strengthen state and community relations are worth exploring, such as working with non-state and community-level institutions to bridge the chasm between state and citizens. This could include supporting links between progressive traditional and religious leaders and sub-national governance structures, strengthening civil society to engage with the state over sector priorities, and community-driven service delivery alongside local governance capacity building to monitor performance. This is equally relevant for federal states and decentralised unitary states.

In terms of linking service delivery to peace building and stability, there are lessons from fragile and conflict affected states elsewhere. Donors could support shared infrastructure (health facilities, schools) between different communities and promote the concept of community management, for example through local health boards. There are positive experiences from Somalia (a failed federal state affected by severe conflict) where establishing and supporting Community Health Boards with representation from majority, minority and sub-clans has brought communities together and given them a stake in protecting health facilities and services. In these areas, when health facilities and providers are caught up in conflict, it is the local communities who take responsibility to broker peace to protect the services. Community Health Boards have also strengthened traditional conflict resolution mechanisms to address sexual and gender-based violence.[25] There are similar entry points in Balochistan where experience suggests that the social sectors may be less prone to targeting by militants and that health providers can be seen as neutral and acceptable.[26]

What is the nature of fragility and how does this affect service delivery?

Do sub-national states lack the political will to meet human development needs, or are they simply unable because of capacity weaknesses? Each of these possibilities implies a different engagement strategy by external actors.

Where the issue is one of sub-national **recalcitrance**, that is, where sub-national elites show no direct interest in service delivery, and there is little pressure for them to perform (they may even try to make the problem appear to be a lack of capacity rather than political will) donors need a broad strategy. A key objective should be strengthening demands for performance and accountability:

- From above, for example by promoting the design of federal transfers that ensure incentives for discipline, performance and accountability, and sanctions for non-performance.
- From below, for example by strengthening community voice and accountability mechanisms to demand better sub-national governance, and promoting the use of community managed structures for demanding better service provision.
- Horizontally, by increasing demands for departmental accountability through, for example, 'tools' such as performance based budgeting, and strengthening bureaucratic control and 'managerial power' to ensure providers perform better at facility and service deliver level.

Donors can also help to expose key issues to wider public scrutiny by drawing attention to failings that demand a response, such as low investment in health, low service coverage or immunisation. The

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[25] A. Davis (2010). Gedo Region Health Care Programme, Somalia Phase III, 2007-2010.Final Evaluation. Trocaire.
[26] From interview with Save the Children-US Pakistan, October 2010. There are similar experiences in Somalia.

challenge here is to be very clear about what is being exposed, how, to whom, and for what purpose, and to be able to provide support if those responsible ask for help to make improvements. In this way 'exposure' can play a positive role in provoking stronger political will and in gaining agreement around capacity bottlenecks. Once there are sufficient signs of improvement then developing local capacity may become more appropriate and possible.

Where the issue is **capacity** rather than political will, donor engagement may be more straightforward, focusing on individual knowledge, skills and behaviours, or organisational structures, systems and processes, although sustainability needs to be kept in focus. It is important to think beyond straightforward service delivery, and consider the roles and capacities of local government, traditional authorities and civil society in terms of participation and accountability.

What is the nature of the sub-national political settlement and does it offer institutionalised ways of channelling resources to the poor?

Judging the nature of any political settlement and gauging the potential for progressive engagement requires an understanding of its origins, evolution and qualities. This can be difficult for outsiders. Yet it would be useful for donors at the very least to be able to recognise the characteristics of different types of political settlement (e.g. inclusive/exclusive; responsive/unresponsive; adaptive/entrenched; resilient/fragile and so forth). Judgements need to be made on a case by case basis, and there is no substitute for a deep understanding of local power relations.

If the sub-national political settlement does provide a good framework for supporting pro-poor human development, then donors should (and usually do) work with it, for example by providing financial support either through federal channels or directly to sub-national governments. If it does not, then 'business as usual' may not be an option.

Assuming the sub-national government has sufficient will and capacity, a question to ask would be: is it failing in human development terms because of inadequate 'room to manoeuvre' given the structure and relationships between central and sub-national political settlements? In other words, is there something in the relationship with the central state that constrains sub-national performance? At a formal level this raises questions about the legal and constitutional framework, devolved functions and powers, and the adequacy of financial and human resources and freedom to manage them. If these factors are limiting sub-national service delivery, then donor efforts should focus on promoting and supporting reform of intergovernmental relations in the interests of greater sub-national space. This could have a significant impact on service delivery, and help to define the sub-national capacities required to 'make the most' of the powers and resources being freed up.

There are also questions about how central and sub-national political actors and interests are aligned. The extent to which alignment is based on a negotiated and adaptive compact, 'shadow state' elite bargains, co-optation or coercion has implications for accountability (are sub-national elites primarily accountable to federal level politics and power, or to their citizens?) and for decisions around which actors to support, how and with what incentives. Donors should analyse the institutional environment to identify potential 'change agents' and those who are likely to defend the status quo. In situations where the sub-national political settlement is failing human development, partners should aim to support 'coalitions for change' – groups of key individuals (not only those with high formal status) located throughout the institutional environment who can work together to try and shift the balance of power vis-à-vis those with an interest in protecting the status quo.

Informal components of a political settlement are also important, but harder for donors to address. They are unwritten, often less binding, more open to interpretation and harder to enforce. Nonetheless, the practices and even mentalities of elites (the 'shift from competition to conciliation'[27]) are key factors that can help strengthen the ability of formal institutions to manage fragility. Donors can try to persuade sub-national elites that adapting political settlements in ways that may reduce their power in the short-term is actually preferable in the longer term (if it can widen their political constituencies or for example, improve political popularity), even if it appears contrary to their immediate interests.[28]

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[27] C. Barnes (2009). Renegotiating the Political Settlement in War-to-Peace Transitions. Conciliation Resources.
[28] OECD (2011). From Power Struggles to Sustainable Peace: Understanding Political Settlements.

Can working through non-state agencies improve service delivery and influence political settlements?

Recognising entry points at community level to strengthen state-society relationships through service delivery is essential, not only in federal systems but in all types of political frameworks – centralised and decentralised. It means working at the interface where possible, including with local government, traditional authorities and civil society, understanding the expectations of different groups and promoting 'bottom-up' approaches that support stronger state, local state and civil society linkages. In federal systems this can have a bearing on sub-national state legitimacy and acceptance of the local state's 'right to rule' – including the provision of peace and security.

Sometimes it may be necessary to think about positive 'holding activities' – working with positive local initiatives during periods when more substantial investment is not possible or justified. This can help to strengthen local political legitimacy and open up opportunities for further engagement, as in the example recounted by an ex-provincial government official in Balochistan:

> *I sat with local and religious leaders, and told them I was from the provincial government and that we were trying to work for the benefit of people. I told them we needed their support. But they wouldn't support us, suspecting we were backed by foreigners, and said they wouldn't carry any messages for us to the community. So, we asked them to agree to allow us to work with the community for a limited period, and if they liked what we did we would ask if we could stay longer, but if they didn't like what we did then we would leave. They agreed to this, and we had their reluctant acceptance to get started. We knew we needed a quick impact, so we set up a free eye camp for three months, at the local Basic Health Unit, and agreed access to the local hospital and Out Patient's Department. We had hundreds and hundreds of patients. We referred complicated surgeries to Quetta. We told the local leaders that we had no funds for transport and they gave us the district ambulance and funds to carry people. Hundreds of families came, including women and children. It was a huge success. After that religious leaders began to promote us and it made them very popular. The whole idea of 'development' became more popular and local leaders promoted it. Within a year other agencies came in – NGOs, UNFPA. But we would never have got there without working through the local and religious leaders.* [29]

There are similar small scale and localised experiences in Balochistan with non-state providers, for example though Mercy Corps, Merlin and Save the Children. Experience shows that to succeed these initiatives need to adhere to certain **core principles**, including:

- Be sensitive to local traditions and cultural norms. Learn from community leaders what is acceptable and unacceptable.
- Build trust between providers and communities by using locally known providers and local networks. These have to be accepted by local communities if they are to gain entry. Identify good local organisations with a track record of working with local communities, who can deliver and report to donors. One ex-provincial government worker reported that there are some 'visionary Imams' who can help NGOs to reach communities by providing them with legitimacy.
- Strengthen local non state capacity, by supporting local institutions that can help build links between communities and more formal systems. In Balochistan this could include, for example, the Institute of Public Health and Training in the Ministry of Population Welfare.
- Build connections between provincial government providers and communities, to draw communities into provincial politics (e.g. through planning and prioritisation) and to build support for government facilities.
- Ensure tangible results. A common complaint in Balochistan is that NGOs often provide little that is concrete, and rarely feedback to communities. People then lose confidence in the 'development sector'. Visible results are important.

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[29] Interviews were conducted for this study in October 2010 with a range of local and international NGOs which have worked in Balochistan, with ex provincial government officials, and with donors.

Figure 2. Donor choices in fragile federal states
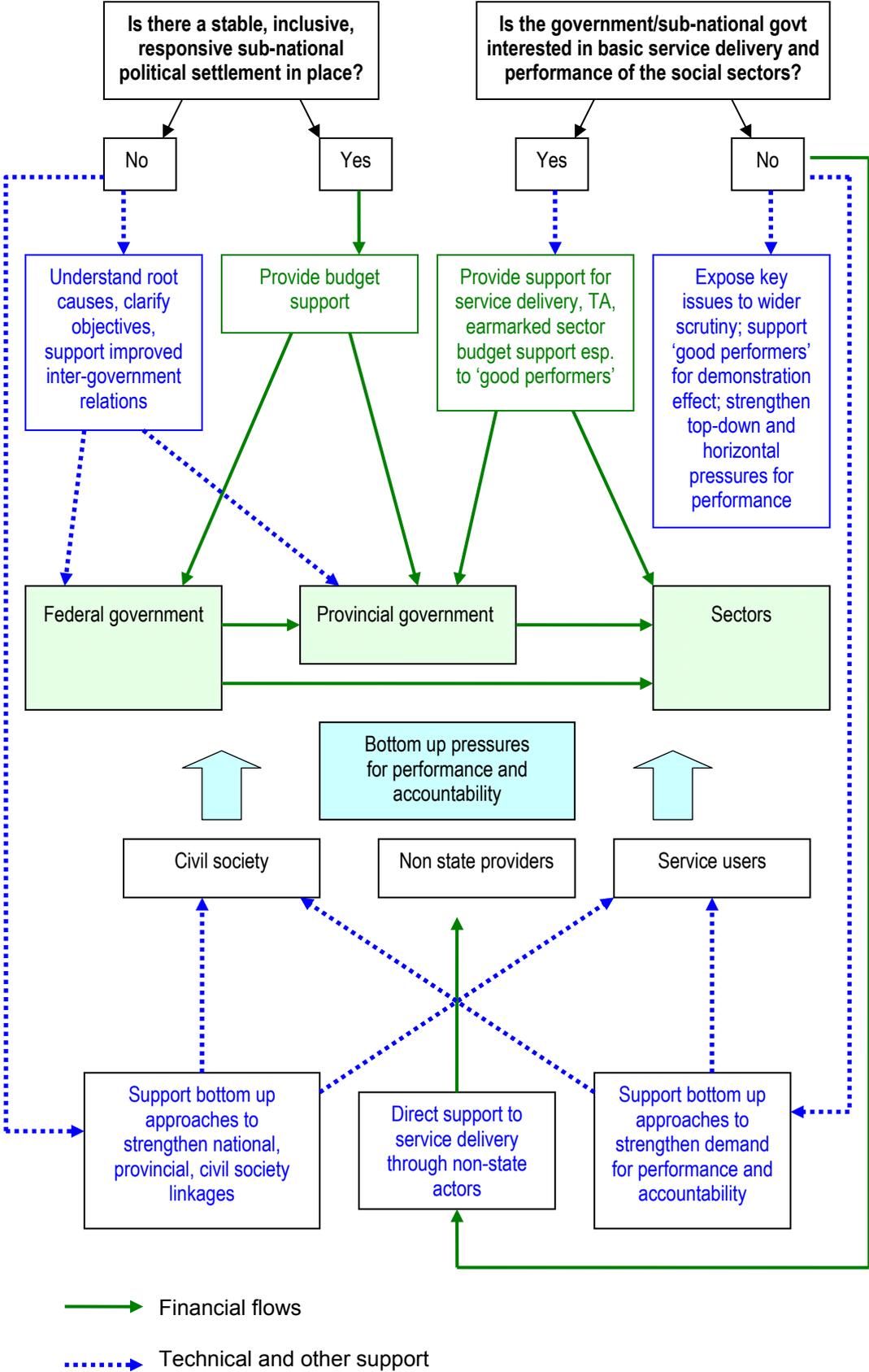
7. Afterthought: a note of caution

Understanding (and seeking to influence) sub-national political settlements raises ethical questions and concerns about the mandate of development actors, the legitimacy of international efforts to influence local political dynamics, and the risks of infringing national sovereignty. There can also be a tension between efforts to focus on the nature of national leadership and the principles of ownership and alignment set out in the internationally agreed principles of aid effectiveness.

These are all valid concerns, though not new. Aid has rarely been neutral and it has always been important to look at international interventions from several perspectives to understand who gains, who loses, and why. What is new is placing the power and interests of key political and economic actors at the centre of thinking. This implies a need for agreed limits on what is an acceptable level of influence by international actors in the political settlements of recipient countries.

It has to be acknowledged that much of the aid invested in 'technical' approaches and institution building based on western models has often failed to deliver functioning and accountable institutions, ensure critical services, or generate much credibility with local populations. Increasingly the evidence suggests that investment in conventional approaches is insufficient to ensure political, economic and human development outcomes, and that state institutions frequently serve elite interests first, with little accountability and responsiveness to the poor. If these issues are determined by the underlying political settlement, and we wish to improve human development outcomes, we must at least understand the political settlement and, if possible, seek to influence it.

Furthermore, influencing political settlements does not mean manipulating local politics, or instigating regime change. It is clear that if external actors determine political priorities without local participation the result is likely to be weak commitment and heavy dependence on external support. Experience shows that the most durable agreements are those developed through an inclusive problem-solving process that encourages parties to see contested issues as 'shared problems' that need to be addressed to obtain a 'good enough' benefit for the majority. A focus on political settlement can potentially help realign efforts towards the shared objectives of inclusiveness, stability and development.

About the authors

Jack Eldon is HLSP's Lead Specialist on Governance and Institutional Development.
Stephen Commins is Lecturer in Urban Planning, Luskin School of Public Affairs, University of California, Los Angeles (UCLA).

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