5. Failure of Governance and State Legitimacy

Background

Violence in parts of Nigeria (Delta) and Pakistan (Balochistan, FATA, and KP provinces) —two large and globally important MICs—is a form of subnational organized violence, but it differs from the cases described earlier in that they reflect lack of loyalty with and popular legitimacy of national and local government — rather than primarily reflecting state hostility toward local minorities. (See Appendixes A.7-8 for details on the history of these conflicts.)

The two cases differ in important ways. The Niger Delta is intermittently in rebellion, but history shows that when the rents from oil are more fairly distributed between local and national elites, peace can be maintained. Identity and the perception of injustice can become a fulcrum for violence (as in the Biafra civil war in the 1960s), but can recede when rent extraction is better balanced. As in all the cases examined in this study, external economic and or political drivers matter. In this case they are manifested in the actions of the major international oil companies, but since the oil companies share common cause with federal and local elites seeking a stable rent regime, their contribution is not necessarily destabilizing.

In Pakistan, the central government has always had difficulty extending its writ in the mountainous tribal areas—this problem long predates the modern state. Local elites have resisted incorporation into a national polity, seeing few benefits to joining a modernization process that would erode their power and influence. Religious extremism further complicates this picture, but does not determine it—these forces have not to this point shown an ability to threaten the one institution of the state that demonstrates real competence, the army—not least because the funds they are able to attract have not empowered them to the same extent as extremists in Iraq and Syria.

Bank Group Response

Nigeria. During the reviewed period, the Bank moved from a policy of not sending staff to the Niger Delta to preparing and implementing a conflict-responsive project in four Delta states. Ending a six-year hiatus, the Bank re-engaged with Nigeria in 1999 after civilian government was restored following decades of military rule. However, it was only the 2010-14 CPS that included conflict-responsive lending to the Niger Delta, after heavy fighting between armed militias and the government gave way to an amnesty in October 2009.

Non-involvement (1999-2009). The conflict in the Niger Delta does not feature prominently in the series of interim strategy notes (ISNs, 2000-04) issued after re-engagement. They refer variously to pollution associated with oil industry activities being a flashpoint for political unrest; the sentiment that the Delta population was not receiving an adequate share of natural resource wealth; and ethnic conflicts around oil resources in the Delta being much better financed through theft of oil. The strategy notes mention growing youth unemployment contributing to social instability. The documents relied mainly on the existing literature since the Bank, due to its earlier disengagement, had done no independent diagnosis of the conflict. With the exception of CDD projects, no lending was envisaged in the Delta. This was to persist for the rest of the decade. In 2002-03 the Bank, together with other donors, supported a Strategic Conflict Assessment prepared by the Institute for Peace and Conflict Resolution in Nigeria.

The 2005-09 CPS mentions that the Bank was increasingly introducing conflict avoidance and resolution mechanisms in its projects and cites the FADAMA[1] project as one that includes specific mechanisms to resolve conflicts over land use. The CPS states that the causes of violent conflict identified in the Strategic Conflict Assessment of 2002-03 largely remained and observes that “Nigeria remains vulnerable to resurgence of conflict. The extraction of oil in the Niger Delta provides a particular force.” The CPS Progress Report (2008) takes the view that adjustments in the program would be made to reflect, *inter alia,* an increased emphasis on Niger Delta issues. It notes that conflict in the Niger Delta threatened stability in the region and Nigeria’s economy as a whole.

Gradual engagement (2009-2015). The 2010-13 CPS was prepared at a time of heavy fighting between militias and government forces over control of the Niger Delta. The CPS Progress Report (2011), prepared when the amnesty had become well-established, observes that “in the troubled states of the Niger Delta, the potential for deeper engagement going beyond CDD projects was to be explored.” The Bank expected that, in these states, extensive fiduciary work would establish a basis to strengthen governance and institutions over the longer term. Thus, both the admittedly fragile peace, as well as the government’s eagerness to harness donor support to demonstrate early wins in areas such as youth employment in the wake of the amnesty, had removed the constraints to Bank lending to the Delta states.

The Bank appeared to have taken the lead in going into the Delta states in support of the government’s amnesty and development program, with other donors such as the

European Union and the United Kingdom's Department for International Development (DFID) following. The CPS Progress Report described the preparation of the SEEFOR project ($200 million) in Bayelsa, Delta, Edo, and Rivers states. SEEFOR was approved in 2013 as the main vehicle of Bank support of the government's development program in the Niger Delta. It used the provision of youth employment as a point of entry to strengthen generally weak PFM systems in Bayelsa, Edo, Delta, and Rivers states. The project had been under preparation for two years and state commitment to move forward had emerged only in small steps.[2]

Pakistan. World Bank Group engagement and interest in conflict-affected regions of Pakistan has varied considerably from one CAS cycle to another. From 2000 onwards there was regular reference to the challenges of the North-West, but the heightened focus on specific FCV projects and engagement has been evident only since 2010. Thus, much of the relevant overview relates to events between 2010 and 2015.

In the *2010-13 CPS,* the security issue is taken up more explicitly as a development challenge to be addressed. One of the four pillars of the CPS was to improve security and reduce the risk of conflict. The CPS focused on the conflict in KP and FATA, identifying the need to respond to the most vulnerable and marginalized populations. The absence of employment opportunities and inadequate livelihoods in these areas were considered to be fertile ground for militant groups to flourish. Addressing security was one of the transformational outcomes the CPS prioritized, and the formulation of the MDTF for KP, FATA, and Balochistan was seen as the key tool in responding to the security challenge.

A Post-Crisis Needs Assessment (PCNA, done jointly with the United Nations, European Union, and ADB) was undertaken to serve as the guide for Bank support in FATA and KP. Expected support included agriculture, technical and vocational training, social protection, and governance programs designed to enhance the legitimacy of the state. Based on the PCNA, the Bank Group took the lead in establishing and managing the MDTF.[3] To support priority interventions in Balochistan, a comprehensive Balochistan Development Needs Assessment was also carried out.

The *2015 CPS* is responding to the effort by the government to develop a comprehensive development framework of 4Es: Energy, Economy, Extremism, and Education. In addition to challenges from militancy, sectarian and ethnic violence, and rising crime, the CPS notes uncertainty over the post-2014 transition in Afghanistan and possible spillovers. Feedback from stakeholders for the CPS consultations indicated that the foremost priorities to create conducive conditions for economic and social progress include: in KP—improving the security situation and creating jobs; in Balochistan—water scarcity, transparency, and sharing benefits from natural resources, girls' education and access to finance; in FATA—governance and constitutional reforms.

Assessment

Nigeria: The Bank's limited financial leverage with the Nigerian authorities meant that opportunities for engagement were demand-driven, and the Nigerian government (at least in the beginning) was not keen to involve the international community in its internal conflicts. Furthermore, the Bank's ability to do so did not depend solely on the federal government, since the Nigerian states have considerable autonomy.

Another reason for the Bank's noninvolvement until after the amnesty in 2009 and the buyoff of over 20,000 ex-militants was the serious security situation. In addition, since governance was a core theme of the CPS, the Bank was increasingly engaging with the Nigerian states that had demonstrated a commitment to improved governance. The states of the Niger Delta did not fulfill this criterion and lending to them was seen as a risk. Hence, once security considerations permitted, involvement in the Delta in the interest of mitigating conflict required the Bank to trade off the benefits of demonstrating early wins against the costs of operating in a governance-challenged environment.

At the same time, the Bank has been implementing CDD projects in the Delta states for some considerable time. Since the governments of the Delta states did not meet the criteria for Bank engagement, the only agents with which the Bank felt it could engage were communities. The fact that the community associations managing the CDD subprojects also included members of militant groups, offered some security assurance for the Bank project teams.

The return of an uneasy peace to the Niger Delta in the wake of the 2009 amnesty and the government's desire to demonstrate early successes there provided the donor community with the opportunity to implement conflict-responsive programs. The SEEFOR project combined a youth employment component targeting youth from disadvantaged backgrounds, in which the state governments were most interested, with a component to strengthen PFM. There is no particular connection between the two components. The youth employment component will be judged to have delivered an early win if those graduating from the program and equipped with vocational skills pass a market test, where success implies finding employment or becoming entrepreneurs. In contrast, the results from the PFM component will take considerable time to materialize. So far, the project has been extremely slow to take off since approval in 2012, and there are no results to report.

The Bank's analytical and advisory work on the Niger Delta has focused on PEMFARs, using them as an engagement and motivation tool before the project preparation in the states participating in the SEEFOR. Given the prominence of the conflict in the Niger Delta and fragility of peace, an economic report on the causes of the conflict would have deepened the Bank's understanding of the region's economy and provided a sounder analytical basis for conflict-responsive lending.

There were no projects or AAA to mitigate the negative environmental impact of oil spills and gas flaring in the Niger Delta. While in the past (prior to the amnesty) this was explained by the security conditions in the Delta, the Bank is still reticent to get involved in this area.

Pakistan: This evaluation identified three major themes or areas of engagement. Each theme includes specific lending operations, technical assistance, and partnerships.

Education in conflict.[4] Bank interventions sought to ensure continued access to education, in particular for girls, and development of institutional structures at the provincial level. The capacity-building components that funded training for teachers and staff, student achievement testing, and M&E, was instrumental to the successful implementation of the project. The education team has seen a shift in priorities with regard to the education portfolio and acknowledged that the appetite for working in difficult regions has grown. This has been partly driven by the priorities of the Bank strategy, but also by the performance of the provincial government and its continued interest in education programs.

National and Regional CDD and Social Development Projects as complementary fragility tools.[5] The link between CDD, social protection programs, and the Bank's strategy in Pakistan was fundamental to its impact in the areas of conflict. Historically, national-level projects have not had the same reach in the North-West Frontier Province (NWFP), Balochistan, and KP, but they have informed the nature of the Bank's engagement. PPAF II implementation was affected by several factors, including rising conflict, insecurity, and political instability across the country. Nevertheless, the bulk of project objectives were achieved, and new partnerships with and financing from multilateral and bilateral organizations and the corporate sector were established, creating enough momentum to carry the project into a third phase.

While the success of the PPAF project series was widely acknowledged, the diversity of needs in the conflict-affected areas made it increasingly apparent that specific projects were required to supplement national programs and respond to the specific conflict drivers in FATA and KP. In discussions with program staff, there was acknowledgment that the formality of the PPAF model worked against any momentum established in conflict regions. Negotiations and partnerships took considerable time and there was inadequate flexibility in the system to respond to project inputs that either worked or failed. There was a clear sense that these regions required specific projects tailored to their needs.

The NWFP CIP-II project was an early attempt at responding to the particular needs of the conflict-affected regions. The project faced many logistical delays and its impact was limited. The experience highlighted that implementing a community-based project through a local government system that has been introduced recently, needs sustained commitment at all levels and a major emphasis on institutional and behavioral change. This was missing, and the project failed to meet expectations. In addition, both project documentation and feedback from project staff indicated that CIP-II did not consider how it could be strategically linked to the PPAF.

The KP-SADP project made a more explicit effort to strengthen the capacity of the poor to improve their livelihood options through access to social and productive infrastructure using participatory approaches. The project has been moving slowly, but has paid particular attention to consultations with relevant stakeholders to ensure a degree of ownership and the institution of appropriate project structures. A meeting with the key field staff for this project showed that while security remains a burden, the decision-making process that relies on a 75 percent majority for investment projects was bringing consensus to how funds were disbursed.

In reflecting on the link between national and regional social development and CDD projects in Pakistan, it is apparent that the lack of integration and strategy with how the investments worked in fragile regions has prevented the Bank program from achieving better results. Much of the focus of these projects was on delivering commitments rather than identifying expected changes and using these to determine a way forward. The country team stressed that in the rural areas of northern Pakistan, projects cannot hope to shift the value system simply through the provision of assets and services. There are entry points for change, but these need to emerge through persistent engagement and committed partnering.

In the KP-SADP, changing the way things are done has led to considerable impact. Examples of this include sewing workshops where women were encouraged to take other women along as their chaperones. This negotiated arrangement took time to organize, but it resulted in more than 3,500 women being trained in communities where they were previously restricted outside of the household. Shifting the mindset of younger community members was having a big impact on change. Where youth representation was encouraged, there was an emerging debate about shifting away from families having to make the huge financial commitments to funerals and weddings.

But observations of this kind were not being adequately tracked or monitored. Thus, the opportunity in linking the various threads of the social development portfolio in Pakistan was about identifying the range of entry points for innovation and using these to better respond to the radically different needs of those in the conflict-affected regions.

MDTFs as strategic tool for development assistance.[6] The introduction of the MDTF for KP and FATA led to a significant shift in the strategy and approach to working in the conflict regions. The reviewed projects financed by the MDTF all sought to offer an alternative model to working in the fragile regions.

Both emergency recovery projects had greater strategic oversight that came with the Bank's MDTF responsibilities and renewed urgency in dealing with the regional instability. Third-party monitoring became an integral part of the MDTF setup as did the promotion of sustained beneficiary participation. The MDTF committed significant resources to project preparation and supervision. The Bank drew on a long history of similar projects in close cooperation with other parts of the Bank Group to identify priority needs and approaches. Activities proposed were to be identified in the PCNA and where possible to draw direct links between the full range of MDTF instruments.

The Revitalizing Health Services in KP project was designed as a pilot in six districts to be scaled-up further. What was missing from the engagement was the necessary sophistication in the monitoring systems to illustrate how effective the pilot was likely to be and the features needed for the project to be scaled-up. The FATA Rural Livelihoods project intended to complement the recovery projects by reaching the unserved and underserved low-income communities in a phased manner. The project was consistent with the intentions of the PCNA in adopting a rights-based approach, with an emphasis on empowerment, nondiscrimination, consultation, and participation.

One of the pillars in the MDTF strategy was to enhance the development of a vibrant and active economy, thereby addressing the core strategic objective of stimulating employment and livelihood opportunities, as highlighted in the PCNA. The

Economic Revitalization of KP and FATA project sought to innovate by looking to technological advancements such as geo-referencing for physical verification and mobile phone-based voice messaging for beneficiary participation, tracking, and verification. These measures were intended to provide a useful alternative in crisis-affected areas where the Bank's supervisory capacities are challenged due to limited access.

Overall, the projects funded through the MDTF offered a useful vehicle for support to the conflict-affected regions, but Bank staff and development partners identified two persistent issues that kept it from being more effective. First, while the responsiveness of the Bank and its projects were appreciated by partners, there was inadequate programmatic oversight and strategy in how the MDTF sought to deliver impact. The quality of Bank management and engagement on the MDTF was acknowledged by a wide range of partners, particularly with regard to the PCNA process, but linking initial projects to a cohesive strategy reflective of engagement on fragility was problematic. There was also concern with regard to the integration of MDTF and non-MDTF Bank projects. This left the MDTF as an efficient vehicle for support to the conflict regions, but without a clear strategic vision.

Conclusions

Bank programs in Pakistan and the Nigerian Delta aimed at helping to deal with the consequences of violent conflicts (destruction of infrastructure and lack of services), promote social cohesion, and address some of the drivers of violence (such as youth unemployment). The main causes of fragility that were at the heart of developmental challenges in these large and complex countries were often beyond the reach of the Bank—often even in terms of initiating dialogue on sensitive topics such as distribution of rents and religious extremism.

The Bank's understanding of discourse on violence in both countries has evolved over the years, reflecting the way that the Bank is gradually becoming more comfortable focusing on the political economy of subnational violence and developing analytical and operations instruments to address it. CDD has been used as a form of information-gathering and contextual learning.

Nationwide CDD projects allowed the Bank to maintain a presence in the conflict regions even when security conditions were highly unsettled. These projects were seen as serving local communities rather than governments and ensured relative security for Bank staff working on them. They were not, however, the forum for addressing the causes and consequences of the insurgencies.

The experience in Pakistan showed that even with small regional commitments and relatively high cost, implementation of nationwide education programs in conflict zones, adjusted to local realities, can deliver important developmental outcomes and contribute to progress on conflict mitigation. Lack of integration of investments in fragile regions with national programs and strategy can limit the efficacy of those programs.

Many Bank projects combined two essential elements: meeting community needs (infrastructure, employment, services) and capacity building. The latter has a much longer gestation period compared to the former and depends to a larger extent on collaborative and committed local and central government counterparts.

MDTFs are a vital strategic tool in conflict regions, and they require a diverse and specific skill set. This includes the ability to liaise and interact effectively with donors, effectively link MDTF projects to other projects in the Bank portfolio, establish, build, and maintain relations with regional governments in difficult circumstances, as well as the foresight to see how different project priorities fit with longer-term strategic planning.