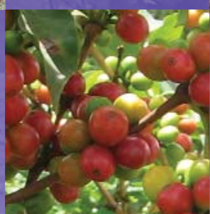
International Alert.

The World Bank in fragile and conflict-affected countries
‘How’, Not ‘How Much’



Understanding conflict. Building peace.

About This Report

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About International Alert

International Alert is an independent peacebuilding organisation that has worked for over 20 years to lay the foundations for lasting peace and security in communities affected by violent conflict. Our multifaceted approach focuses both in and across various regions; aiming to shape policies and practices that affect peacebuilding; and helping build skills and capacity through training. Our regional work is based in the African Great Lakes, West Africa, the South Caucasus, Nepal, Sri Lanka and the Philippines. Our thematic projects work at local, regional and international levels, focusing on cross-cutting issues critical to building sustainable peace. These include business and economy, gender, governance, aid, security and justice. We are one of the world's leading peacebuilding NGOs with an estimated income of £8.4 million in 2008 and more than 120 staff based in London and our 11 field offices. International Alert is grateful for the support of our core donors: Irish Aid (Department of Foreign Affairs Ireland); Danida (Danish International Development Agency); DFID (UK Department for International Development); The Netherlands Ministry of Foreign Affairs; Sida (Swedish International Development Cooperation Agency; and SDC (Swiss Agency for Development and Cooperation).

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‘HOW’, NOT ‘HOW MUCH’

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Acronyms

AAA	Analytical and Advisory Activities, World Bank
ADB	Asian Development Bank
APPR	Annual Review of Portfolio Performance, World Bank
CAS	Country Assistance Strategy, World Bank
CBO(s)	Community-Based Organisation(s)
CDD	Community-Driven Development
CFAA	Country Financial Accountability Assessment, World Bank
CFPVP	Concessional Finance and Global Partnerships Vice Presidency, World Bank
CNDD-FDD	National Council for the Defence of Democracy/Forces for the Defence of Democracy (in Burundi)
CPIA	Country Policy and Institutional Assessment, World Bank
CPN-M	Communist Party of Nepal-Maoists
CPN-UML	Communist Party of Nepal-Unified Marxist Leninist
CPR	Conflict Prevention and Reconstruction Unit, World Bank
DDC(s)	District Development Committee(s) (in Nepal)
(D)DR	(Disarmament,) Demobilization and Reintegration
DFID	Department for International Development, United Kingdom
DoLIDAR	Department of Local Infrastructure Development and Agricultural Roads (in the Ministry of Local Development), Nepal
DRC	Democratic Republic of Congo
DRG	Development (Economics) Research Group, World Bank
DSCG	Donor Support and Coordination Group in Sri Lanka
ESW	Economic and Sector Work, World Bank
FAB	Armed Forces of Burundi
FNL	Forces for National Liberation (in Burundi)
FRODEBU	The Front for Democracy in Burundi
FY	Fiscal Year
GAC	Governance and Anti-Corruption, World Bank focus area
GDP	Gross Domestic Product
HIPC	Highly Indebted Poor Country
IDA	International Development Association
IDC	International Development Committee, House of Commons, UK
IDS	Institute for Development Studies, University of Sussex
IFAD	International Fund for Agricultural Development
IFI(s)	International Financial Institution(s)
IMF	International Monetary Fund
INGO	International Non-governmental Organisation
I-PRSP	Interim Poverty Reduction Strategy Paper
IEG	Independent Evaluation Group—formerly Operations Evaluation Department (OED), World Bank
INT	Institutional Integrity Department, World Bank
ISN	Interim Strategy Note, World Bank
JSAN	Joint Staff Advisory Note, World Bank-IMF
JSM	Joint Supervision Mission under the MDRP
LICUS	Low Income Countries Under Stress Unit—later called the Fragile States Unit, World Bank

MDG(s)	Millennium Development Goal(s)
MDTF	Multi-Donor Trust Fund
MDRP	Multi-Country Demobilization and Reintegration Program
MIGA	Multilateral Investment Guarantee Agency, World Bank Group
MTEF	Medium Term Expenditure Framework
NGO(s)	Non-Governmental Organisation(s)
NPC	National Planning Commission (Nepal)
OECD/DAC	Organization for Economic Cooperation & Development/Development Assistance Committee
ONUB	Opérations des Nations Unies au Burundi
OP	Operational Policy, World Bank
OPCS	Operational Policy and Country Services Vice Presidency, World Bank
PAF	Poverty Alleviation Fund (Nepal)
PBA	Performance Based Allocation, World Bank
PCF	Post-Conflict Fund, World Bank
PCPI	Post-Conflict Performance Indicators, World Bank
PCU	Project Co-ordination Unit
PFM	Public Financial Management
PIP	Portfolio Improvement Program, World Bank
PNOWB	Parliamentary Network on the World Bank
PRADECS	Community and Social Development Project, World Bank (Burundi)
PRASAB	Projet d'Appui à la Rélance du Secteur Agricole au Burundi, World Bank
PREM	Poverty Reduction and Economic Management Vice Presidency, World Bank
PRS (C)	Poverty Reduction Strategy (Support Credit), World Bank
PRSP	Poverty Reduction Strategy Paper
QER	Quality at Entry process for projects, World Bank
QAG	Quality Assurance Group, World Bank
RAIDP	Rural Access Improvement & Decentralization Project, World Bank (Nepal)
RMS	Results Measurement System, World Bank
SDC	Swiss Agency for Development & Cooperation
SIDA	Swedish International Development Agency
SOPE	Status of Project Execution, World Bank
SPA	Seven Party Alliance in Nepal
SWAP(s)	Sector Wide Approach(es)
TA	Technical Assistance
TSS	Transitional Support Strategy, World Bank
TTL	Task Team Leader, World Bank
UN	United Nations
UPRONA	Parti de l'Unité pour le Progrès National (Burundi)
VDC(s)	Village Development Committee(s) (Nepal)
VP	Vice Presidency, World Bank
WBI	World Bank Institute, World Bank
WDR	World Development Report

Executive Summary

'The renewed and deepening conflict…looms over everything else that we might say here. There is no way to politely skirt this issue. The World Bank would be failing if we did not place the conflict front and centre in our deliberations for it is this that constrains the country's development and stands in the way of its tremendous potential.'

Opening remarks at the Sri Lanka Development Forum, Colombo, by Praful Patel, Vice President, South Asia Region, The World Bank Group. January 29, 2007

More aid is flowing to the world's poorest countries and more of it than ever is passing through multilateral institutions. In December 2007, the World Bank's International Development Association (IDA) received the largest expansion of donor financing in its history. Over the next three years, it will have access to $41.6 billion.[1] Eighty countries, with a combined population of 2.5 billion people, are currently eligible to receive this assistance. Over half of these countries are either prone to or affected by violent conflict. They pose the greatest challenges to sustainable development and are the most difficult contexts for all donors, including multilaterals, to work in.

'Fragile' countries are often affected by deep undercurrents of discontent and division. Where these erupt into instability and violence, donors may be forced into a major rethink of their country and region-wide strategies and previous development gains are reversed. This has been shown by recent events in Kenya and those in Ethiopia in late 2005—places not traditionally identified as 'fragile' or 'conflict-affected'. For the 40-50 states labelled as such,[2] the Bank is among a number of donors where some staff are arguing for an improved international approach.

In the Bank over recent years, two specialist units have produced conflict guidance for country teams, and have pushed for better institutional approaches and financing in Fragile States. A new operational policy has been agreed and senior managers have begun hosting conferences on fragility as well as internal 'retreats' on conflict. In late 2007, as part of the Bank's latest strategic review, President Robert Zoellick set up a task force on the institution's response to fragility, and the Bank is in the process of changing its institutional set-up relating to conflict and fragility.

The key question, however, is whether the Bank's programmatic prescriptions have remained largely the same regardless of the emerging knowledge and the lessons of hard experience. Are the Bank's internal systems continuing to undermine its overall effectiveness?

Issues for the World Bank

Issue 1: Understanding how fragility affects operations and how operations affect fragility

- **Informal institutions, processes and power relations are underplayed in Bank decision-making**

Informal 'institutions', power relations and 'systems of meaning', such as caste or ethnicity, have profound impacts on governance and access to economic opportunity. Yet the Bank, institution-

1 This 15th replenishment of IDA was an increase of US$9.5 billion on IDA14. It included new donor pledges of US$25.1 billion, a 42 percent rise.

2 'There is no agreed global list of fragile states.... One common way to estimate the level of fragility is derived from the World Bank's Country Policy and Institutional Assessments (CPIA). This leads to a list of 46 fragile states. Middle-income countries are not included in this list' - from *Why we need to work more effectively in fragile states*, UK Department for International Development, January 2005

wide, underplays the importance of these dynamics and the effects of its activities on them. The Bank's main analytical tool (the Country Policy and Institutional Assessment—CPIA) centres primarily on formal institutions and policies. Despite staff awareness of power dynamics and local politics, as an institution the Bank's approach to economic reform and project activities can still be overly technical. It can even appear detached from the conflict realities of the context. This was the case with the second tranche of the Poverty Reduction Support Credit debated in Nepal in late 2005. Targeting deeply sensitive issues such as labour relations and fuel subsidies, the PRSC conditions risked further destabilising a volatile political environment.

- **Multidisciplinary analysis is needed for internal decision-making**

In recent years, the Bank has sought to improve its knowledge on a wider range of contextual dynamics. For example, with regards to Nigeria, the Bank is equipping itself with a deep assessment of political economy and social issues. Multidisciplinary analysis (including on social impacts) is, however, not yet systematically integrated into internal decision-making processes. Sensitivities amongst member countries mean that necessary changes to the CPIA, which is shared with partner governments, remain some way off. Such sensitivities should not, however, prevent deeper, multidisciplinary analysis from being embedded in the internal working practices of country-, research- and results-assessment teams.

- **The Articles of Agreement should not prevent engagement on political economy and social issues**

Article V states that the Bank must ensure the 'proceeds of any financing are used. . . Without regard to political or other non-economic influences or considerations'. The clause affects the Bank's work in all its operating contexts and is sometimes used as a rationale for pursing 'development' as if it can be isolated from politics. There is, however, a fundamental conceptual difference between avoiding the politicisation of IDA and ensuring that IDA commitments are based on sound analysis and are adapted to political economy and social factors. Article V is, in fact, already inconsistently interpreted across the Bank due to a recognition by many staff that insufficient attention to such dynamics leads to superficial and unsustainable outcomes.

Issue 2: Adapting the approach to the context

- **Alignment should not be rushed**

Even more, perhaps, than bilateral donors, the Bank is guided by a principle of country 'ownership'. Under its constitution, it is obliged to agree on projects with partner governments. However, even if governance capacity-building remains a vital task, it should also be recognised that the 'State' can be a major part of the problem. With the alternative approach of 'shadow' alignment remaining ill-defined and their own vested interest in 'low transaction costs', the Bank and donor partners need to take care not to rush into formal alignment with government. There are a number of reasons for this including:

- Weaknesses in oversight and accountability systems and in perceptions of a shared 'political community' mean that government ownership should not be equated with country ownership. Government may be riven with factional interests and personality politics;
- An agenda agreed with a Ministry of Finance or a National Planning Commission does not, in and of itself, amount to government-wide leadership. Such bodies may not be able to marshal other institutions of the executive, making activities difficult to sustain; and
- Competition *within* government may prevent progress through sector-wide approaches (swap) particularly where the swap relies on cooperation among a number of ministries (such as for rural infrastructure).

To highlight these challenges is not a call to avoid government systems and leadership. What is vital, however, is again to be clear about political dynamics and to provide close accompaniment to implementation.

- **An over-focus on the executive government capacity may undermine progress**

Sustainable outcomes depend on patient engagement with all major stakeholders. This is necessary so as to help change the 'cultures of power' that have been driving conflict. For example, to deliver improved livelihoods to beneficiaries, the ongoing coffee-sector reform in Burundi needs to taken slowly. As an industry with a long history of dominance by state decision-makers, time and close engagement by the Bank is needed to build understanding and capacity amongst coffee farmers and their federations—i.e. Beyond the executive. Without it, reform could actually serve to entrench monopolistic control of the coffee sector by a small well connected elite. Although the frequency and expertise of IMF and Bank supervision missions is positively seen, the Bank must continue to be careful to avoid 'supply-driven' timelines which may rush the process.

Issue 3: Matching human resources to operational realities

- **Bank teams need to include a wider range of disciplines**

In recent negotiations over IDA15, major donors such as the UK have pushed the Bank to pay greater attention to social analysis and social impact assessments.[3] With quantitative evidence as the primary criteria for decision-making, the Bank tends not to systematically focus attention on the human dimensions of the context (culture, traditions and other 'systems of meaning'). These often have to be covered by discrete trust funds and/or specific 'social development' projects. The provision of in-country conflict sensitivity expertise, too, has largely been on a short-term basis thanks to supplementary bilateral resources—for example from Finland and then Sweden in the Bank's Sri Lanka office. Yet economic and social analysis should be seen as complementary, allowing quantitative and qualitative approaches to be brought together. The Bank needs to rethink human resource policies in order to strengthen country, review and research teams with this wider range of expertise.

- **Work in fragile countries is expert labour intensive**

Effective engagement in fragile contexts requires not only knowledge but adequate staff numbers. From some quarters in the Bank (supported by DFID and certain other bilateral donors), there are welcome efforts to increase staffing and improve incentives for staff to work in such countries and reduce staff turn-over. However, senior management and, indirectly, IDA donors sometimes apply pressure for country teams to meet spending targets (measured by the quantity of disbursements) or otherwise face a reduction in the funding available from the administrative budget. Additional obstacles to 'context-driven' staff resourcing include the global Bank effort to reduce the overall administrative budget in absolute terms, and the 'flat' regional allocation system (which sees, for example, one country office's administrative budget fall if another office in the same region is allocated a rise—and the rest of the region remains the same). This system defies the lessons of experience in dozens of countries.

Even if every fragile context is different, research (including from within the Bank) suggests that turn-around comes through slow, incremental change which may be subject to the occasional setback. As the achievements and failures of the Bank-managed Multi-country Demobilisation and Reintegration Program (MDRP) in Burundi show, almost every objective—national and local—depends on the skilled and delicate application of expertise and leverage to unblock political obstacles, and tackle long-established systems of power and hierarchy. The level of the administrative budget, globally and for country teams, has not yet been adapted to ensure these outcomes. Stronger staffing for the MDRP, for example, relied on additional finance from leading bilateral partners.

3 Oral evidence of Minister of State for International Development, Baroness Vadera, at the enquiry of the International Development Committee of the UK parliament, 10 January 2008

Anchored in formal institutions and in policy rather than real *practice*, the CPIA does not sufficiently reflect underlying ‘cultures of power’ and ‘rules of the game’. In fragile contexts, these are particularly important determinants of the operating environment. Senior management in the Bank should, therefore, not base decision-making on administrative budget allocations primarily on the CPIA. The Post-conflict Performance Indicators, which are substituted for the CPIA when deciding on exceptional post-conflict funding, also need to be improved as a mechanism for determining financial allocations. The categories of ratings for the PCPI need to be further disaggregated and nuanced to reflect the complexity of the relevant operating environment.

- **A ‘mission’ culture remains problematic**

‘Task Team’ trips from Washington to the field put a considerable burden on national counterparts and country office staff to organise themselves around the visit. In addition, these missions are generally not frequent or long enough to unpack complex political and technical issues, including at local level, and sustain engagement on them. The Bank’s ongoing decentralisation is welcome but the need remains for senior staff to be located closer to the power politics and stakeholders that relate to their project. This would mean also that they would be better able to ensure closer scrutiny of local administrations and implementing contractors—primary determinants of the quality of project implementation.

Issue 4: Defining effectiveness

- **Efficiency must not be conflated with effectiveness**

The Bank has made significant progress in emphasising issues of ‘uneven development’ and ‘exclusion’. Its recent discourse in Nepal and Sri Lanka, as well as the planned focus of the *2009 World Development Report* on the geographic distribution of assistance (‘spatial disparities’), exemplify this shift. It is also helpful that certain ‘Corporate Advocacy Priorities’, such as ‘Empowerment, Security and Social Inclusion’, are now available for staff to highlight their attention to the human dimensions of economic development. Substantial Bank investments in community development projects such as the Poverty Alleviation Fund in Nepal are now seeking to address these broader development goals.

However, the current ‘results’ framework still falls short in integrating a long-term change agenda with regards to political economy and social relations, including gender equality. For country assistance as a whole and for projects, ‘results’ remain recorded largely on the basis of technical statistical measurements, with insufficient articulation of spatial, gender or identity group distribution. Instead, the Bank’s focus on ‘economic’ development, combined with external pressure for it to spend still more money, tends to make the speed and absolute **quantity** of disbursements the main benchmark by which ‘success’ is measured. This is compounded by the ‘scaling-up aid’ agenda. Too much focus is then put on the endogenous, internal systems-related factors of a ‘successful’ project and not enough on exogenous issues in the context. Yet it is the latter which determine the **quality** of outcomes over time for the country’s peoples.

- **It is important to be candid about the quality of data**

Due to problems of access or verification, it may not be possible to collect or rely on data. This has been the case, for example, in Nepal and Sri Lanka in recent years. It is a fundamental issue for an institution that focuses heavily on quantitative information. Where data is out of date or insufficient, decision-making needs to recognise this and be adapted accordingly.

- **There are ‘right’ and ‘wrong’ kinds of risks**

Under the current ‘results’ system, staff may be incentivised to do the following:

- Avoid certain kinds of risk—such as applying a slow incremental approach to the thorniest issues in the most unstable districts. If the Bank shies away from the hardest challenges, this may exacerbate actual or perceived disparities of the kind that are driving conflict in Nepal, for example. It may mean, as with Bujumbura Rurale in Burundi, that a province is not prioritised even where its volatility threatens development progress country-wide. It risks also that gender equality is only 'tacked-on' as a concern.

- Take the wrong kinds of risk. Notwithstanding the importance of preventing state bankruptcy and ensuring payment of public sector (and security service) salaries, *relatively* 'easy' risks can include rapid moves towards general budget or sector-wide support. They can also involve multi-million dollar project disbursements to government or quasi-statal recipients with little demonstrable interest in 'pro-poor' development.

It may be that the 'easier' risks prove unsustainable or unworkable over time, while the hardest ones, despite setbacks, have the most transformative impacts over the long term. This has implications for staff accountability.

Issue 5: Bank and/or donor?

Among board members and internally, there is a core tension as to the Bank's role. Is it purely a financial institution that provides lending to recipient governments, or a donor that uses money and expertise to help 'transform' the development contexts in which it works? With a deepening IDA discourse about providing grants rather than loans in the poorest countries and a strong commitment to ensure 'pro-poor' development, many of the Bank's operations show it to be increasingly playing a 'change agent' role. Improved performance in fragile countries will partly depend on how well all its stakeholders come to a shared understanding about this role and its implications.

What needs to change

a) Ensure decision-making is based on political economy and social analysis

The Bank should make multidisciplinary analyses mandatory in internal processes to formulate country strategies and to decide the projects that flow from them. These analyses should cover formal and informal institutions, processes and power relations. They should assess local, national and region-wide issues.

b) Adapt the size and use of the administrative budget

The Bank needs enough staff with the right skills to engage on the range of issues that determine project outcomes. IDA donors and the Bank management should agree that:

- Decisions on the allocation of the administrative budget should be informed on the basis of the Bank's internal context analysis. Staffing should be determined on the basis of what it takes, in any given setting, to deliver sustainable outcomes rather than on the level of disbursements and the performance of the Bank's current portfolio.

- Multidisciplinary expertise should be embedded in country, review and quality control teams (such as the Quality Assurance Group) as well as the Development Research group (DRG) of the Development Economics Vice Presidency (DEC). Discrete donor trust funds should not be relied on to achieve this. It should be prioritised in the administrative budget. Headquarters must, however, be careful, however, not simply to add further layers of evaluation to an already quite heavy set of processes. The key will be to 'streamline' those processes while getting the balance right.

c) **Amend the way 'results' are measured**

The way results are defined has a profound impact on Bank processes, outputs and outcomes. This is what determines staff incentives. The Bank needs to reassess the 14 country outcome indicators in its Results Measurement System (RMS) and the nine indicators for monitoring IDA's contribution to country outcomes. These should integrate political economy considerations and pay greater attention to social cohesion and how to empower people (men **and** women) to access economic opportunity and participate in decision-making. Governance and social development experts should join the experts in DEC in compiling and appraising the data. To institutionalise this change, it is vital that the Poverty Reduction and Economic Management (PREM) Vice Presidency, so dominant in the Bank, is fully engaged in the process.

d) **Improve internal and external accountability**

To systematise a different approach to 'results', there needs to be a shift in the **internal** accountability within the Bank. Accountability for staff involved in designing projects but who move on in the early stages of implementation should be applied and run at least for the full length of the project. Those who manage the implementation, or who assume the running of the project after the formulation stage and lead it through all its ups and downs, should be assessed fairly in light of the complex contextual challenges. In addition, given the pivotal role of country directors in the Bank system, their accountability for ensuring conflict-sensitive approaches, mutual coherence among operations as well as attention to the region-wide context, is particularly important.

Despite its commendable degree of transparency, the Bank needs to dedicate more time and effort to improve **external** accountability. It must ensure (i) two-way communication with communities beyond urban elites or other individuals with internet access, and (ii) greater involvement of developing country parliamentarians in discussing and monitoring Bank-funded activities. There are, of course, significant infrastructure- and capacity-related obstacles to these goals, but the Bank must nonetheless invest more time and resources in reinforcing expectations of accountability and responsiveness.

e) **Improve collaboration between the Bank and bilateral partners**

Bilateral donors need to establish sufficient staff resources and skills in order to engage in a proper appraisal of the Bank's conflict sensitivity. Bilateral staff numbers in Washington representations (additional to those paid out of the already overstretched administrative budget), in headquarter IFI-related units as well as in the field must be adjusted in order to take on this work and make it mutually reinforcing with their own objectives.

In addition, it may be useful for these bilaterals donors to agree on 'focus' countries. This might then involve a pre-identified representative of the donor's Executive Director team noting that a strategy or a major project for that country is coming up for appraisal by the Board. He/she would then activate his/her own system of officials, as well as other bilateral partners, in order to gather together comments from hqs and field missions. To work, this system would have to build in enough time for the collation of inputs.

It will certainly be problematic for bilateral donors to IDA to resource this kind of additional scrutiny due to budget constraints within bilateral agencies. Also, it would be far preferable if the Bank itself had the systemic capacity and incentives so as to make such scrutiny unnecessary. In the short to medium term, however, investment to ensure *mutually reinforcing* in-country, and region-wide, work among bilaterals and multilaterals should be a top priority. The benefits of such coherence (including its 'multiplier effect' on outcomes) and the necessity for bilateral government to meet their commitments to their taxpayers outweigh the costs of heavier strategy and project processes in the Bank. Over time, it would be expected that the emergence of improved staff incentives in the Bank would allow bilaterals to cut back on their additional staff costs.

Conclusion

In conflict-affected and fragile contexts, governance and economic systems very often favour a small group of competing elites who also determine policy formulation and public expenditure. Such systems are immense obstacles to the kind of 'open access' societies on which sustainable poverty reduction depends. Yet, because the Bank's decision-making remains focused on formal policies and institutions and is structured in line with the orthodoxies of 'alignment' and 'results', its effectiveness is impaired.

It is vital that the Bank's performance criteria and administrative budget institutionalise a multidisciplinary approach to the challenges of its operating contexts—in analysis, implementation and evaluation. Without such shifts, the Bank will continue its tendency to take 'context as the starting point' only on an *ad hoc* basis on the initiative of individual senior staff members. The Bank is improving its discourse on these issues but, institution-wide, the *quantity* of assistance still remains the principal determinant of 'success'. Yet the hard lessons of experience underline that it is as much the **process** as the expenditure that matters: **the how, not the how much.**

Introduction

The global development industry is seeing the increasing 'multilateralisation' of aid to low-income countries. For example, in December 2007, the World Bank[4] announced the biggest expansion in donor funding in the history of the International Development Association (IDA).[5] Already the largest source of interest-free development assistance to the world's poorest countries, IDA will have a total of $41.6 billion available for disbursement in eighty eligible countries.[6] About half of these countries are fragile or affected by violent conflict.

From time to time, the eruption of widespread violence can mean that leading development institutions like the Bank hit the headlines for the wrong reasons. This happened in late 2005 in Ethiopia when intense political violence, and accompanying media attention, prompted a major rethink by donors who were providing hundreds of millions of dollars in budgetary support to the Addis Ababa government. Such events happened again at the end of 2007 in Kenya—a place not generally judged to be a 'conflict' country.[7] In these kinds of cases, donors find their good intentions thrown into question by events which are, in fact, the eruption of deep and long-standing undercurrents of discontent and division. Worse, the instability and violence can reverse previous gains and force a major rethink of a country and region-wide strategy. Conflict can also throw up obstacles to development even in countries with consistently good levels of economic growth, such as Sri Lanka.

In 40–50 conflict-affected and fragile states, many of which are rarely in the western media spotlight, the challenges to development are particularly acute.[8] Even more than in other developing countries, external actors must deal with immense and opaque complexities in politics, identity and culture which are not limited to state borders. Locally and nationally, these are settings characterised by profound inequities between sexes and groups, severely limited local economic opportunities for large swathes of the population, and major disparities in levels of access to power and wealth.[9] Insecurity can spill over into neighbouring countries with major

4 The term 'World Bank' refers only to the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). Around 10,000 development professionals at the World Bank are involved in the operation of these two institutions. While most are in Washington DC, about 3,000 are based in over 100 country offices worldwide. The term 'World Bank Group' incorporates five closely associated entities that work collaboratively toward poverty reduction: the World Bank (IBRD and IDA), and three other agencies, the International Finance Corporation, the Multilateral Investment Guarantee Agency and the International Centre for Settlement of Investment Disputes. This report is concerned only with the 'IDA' function of the World Bank.

5 IDA15 saw an increase of $9.5 billion on IDA14. New donor pledges increased 42 percent to US$25.1 billion.

6 Three factors determine whether countries are eligible for IDA assistance: (i) Relative poverty, defined as Gross National Product (income) per person below an established threshold, currently US$965 per year; (ii) Lack of creditworthiness to borrow on market terms and therefore a need for concessional resources to finance the country's development programme; (iii) Good policy performance, defined as the implementation of economic and social policies that promote growth and poverty reduction.

7 See *The Independent* newspaper, UK, 18 January 2008: *World Bank under pressure to withdraw aid until resolution found*: 'Sir Edward Clay, the former British ambassador to Nairobi, said that in his experience the World Bank was "duplicitous" in its dealings with Kenya. "It seemed clear they were concerned to protect their budgets and projects, irrespective of the bad management by the government of its own people's resources." The bank is currently funding 16 projects in Kenya, totalling $919 million (£466 million). It is also funding three major regional trade and infrastructure projects worth $260 million to Kenya.'

8 'There is no agreed global list of fragile states. One common way to estimate the level of fragility is derived from the World Bank's Country Policy and Institutional Assessments (CPIA). CPIA scores divide low-income countries into five categories of performance, the lowest two of which are useful proxies for state fragility. There is a separate group of unranked countries, also deemed fragile. This provides a list of 46 fragile states. Middle-income countries are not included in this list' —from *Why we need to work more effectively in fragile states*, UK Department for International Development, January 2005

9 Of the 34 countries furthest from reaching the Millennium Development Goals, 22 are in, or just coming out of, violent conflict. A further 20 or so are in some way 'fragile', which almost invariably means prone to widespread instability, the causes and consequences of which themselves block or reverse economic growth.

effects on their own development.[10] It can also severely hamper implementation options for external actors, including with regards to the terminology they use for the context, For example, in working out responses with national actors, even the term 'fragile state' comes up against fundamental sensibilities and is keenly contested.

Recognition of the challenges posed by conflict and fragility is, nonetheless, changing the international donor community's discourse on how they should engage in these extremely challenging settings. They have recognised that, as external actors, they cannot themselves solve these problems but they can have an important influence. This influence is both intended and inadvertent, positive and negative, not only on communities being specifically targeted by their activities, but also on broader dynamics of governance, social cohesion and economic opportunity. External interventions affect the nature of the inter-relationship between populations and those that govern them—locally and nationally.

This report in no way advocates that IDA funds should be used to further the strategic interests of IDA donors (i.e., 'politicise' it). However, it aligns itself with the conviction of the UK Parliament's International Development Committee (IDC) that there must be a '... Greater World Bank focus on the issue of incentives for staff to integrate full impact assessments into their work'[11] and that:

'Engagement [by the Bank with parliaments and civil society on some policy and operational matters] is particularly important in borrower nations where it has the potential to bring about national debate and ownership. . . . [This] could significantly enhance World Bank performance as well as strengthening accountability in those countries'.[12]

To move the Bank towards these goals, and given its importance in the international aid architecture, there is a growing need to understand and influence the way that the Bank works. This report, therefore, aims to scrutinise whether, *institution-wide*, the Bank's systems are properly set up for working on, and in, the most challenging operating contexts. Research in three very different and constantly evolving fragile countries (Burundi, Nepal and Sri Lanka) underpins a broader assessment of the capacity (and will) of the Bank to address and adapt to complex political economy and social undercurrents in these kinds of settings. The analytical lens that is applied to the study is derived from the first DAC Principle on Good International Engagement in Fragile States and Situations: whether the Bank does all it can to 'take context as the starting point' for its operations.[13]

The study begins by considering why conflict and fragility matter—for the Bank and for the bilateral donors that are contributing larger than ever amounts to its budgets (Section 1). It goes on to outline the particular development challenges confronting international actors in fragile and conflict-affected countries (Section 2), and gives a summary of the Bank's evolving approach to those challenges (Section 3). The study then sets out certain key problems which, despite recent improvements, continue to reduce the quality of the Bank's impacts. Noting the inconsistencies in the Bank's approaches, it assesses the factors that determine the Bank's ability to deal with, and help address, the immense complexity of its operating environments (Section 4). It concludes with recommendations for improving approaches to those complexities (Section 5).

10 One estimate is that two thirds of the economic costs generated by a fragile state falls on its neighbours, causing them to lose 1.6 percent of their GDP every year as a result. See *Development effectiveness in fragile states: Spillovers and turnarounds*, Lisa Chauvet and Paul Collier, Centre for the Study of African Economies, Department of Economics, Oxford University, January, 2004.

11 UK House of Commons International Development Committee, *DFID and the World Bank,* Sixth Report of Session 2007–08, Volume I Report: p. 47

12 Ibid. p. 49

13 OECD DAC Development Ministers and Heads of Agencies endorsed the Principles for *Good International Engagement in Fragile States and Situations* at the High Level Meeting of the Development Assistance Committee (DAC) on 3-4 April 2007 in Paris. See http://www.oecd.org/dac/fragilestates

1. Why care how the Bank approaches conflict and fragility?

There are both 'pull' and 'push' factors which make the Bank such an important development institution. With the rapid transition from an $80 billion to a $130 billion aid system, bilateral donors are looking for long-term aid predictability, especially for recurrent cost funding. Including in fragile and conflict-affected states, these donors may seek an answer to the problem of how to meet their spending commitments in the greater use of existing or proposed multilateral windows.[14] These have a longer commitment horizon than is often possible in bilateral budgets. Multi-donor instruments (such as Multi-donor Trust Funds—MDTFs) at the country or regional level are also thought by many bilateral officials to be particularly advantageous for achieving the desired impact on the MDGs. Globally there have already been moves towards 'vertical' thematic funds managed by the Bank. Moreover, the Bank is under pressure from 'recipients', such as Nepal, to ramp up its assistance, shifting from projects that are 'piloted' in a limited number of districts to bigger country-wide initiatives.

The 'push' factors relate to the strong influence that the Bank itself has over the global aid effectiveness agenda, including on fragility. This is because of the important roles performed by IDA in the international aid architecture. IDA is often the largest source of funding for a country's development. Alongside this finance, the Bank offers Analytic and Advisory Activities (AAA), including on the (interim) poverty reduction strategies—(i-)PRS —which provide the principal framework for the country's development planning. IDA is also influential in defining the broader delivery of aid by all development partners, not least because of the Bank's status as the world's largest centre for development research and as a major epicentre for 'learning' networks. The performance of IDA's dual role depends not only on the volume of financing it can offer, but also on how IDA integrates this financing with its knowledge base—its understanding of country dynamics, technical skill, cross sectoral and global experience, as well as its research capacity.[15]

In this increasingly 'multilateralised', 'scaled-up' and structured aid context, the Bank's effectiveness in fragile and conflict-affected countries is an increasingly important issue. This is for three main reasons:

(i) **Fragility and conflict have profound impacts on its ability to perform.**

The example of Nepal illustrates the obstacles posed by cycles of conflict and instability to the Bank's operations. Since the start of the Bank's assistance in 1969, the original 'principal' of credits and grants allocated to the country amounts to about $2.155 billion ($1.93 billion in credits, and $225 million in grants), yet $1.5 billion is still due to the Bank. Therefore, seen as a lending institution that measures success by an ability to disburse money (and notwithstanding Nepal's own political stance on debt relief), the Bank encounters serious performance problems when an economy is rendered dysfunctional by the factors that are driving fragility and/or open conflict. (See Annex 1 for a summary of the Bank's financial allocation system.)

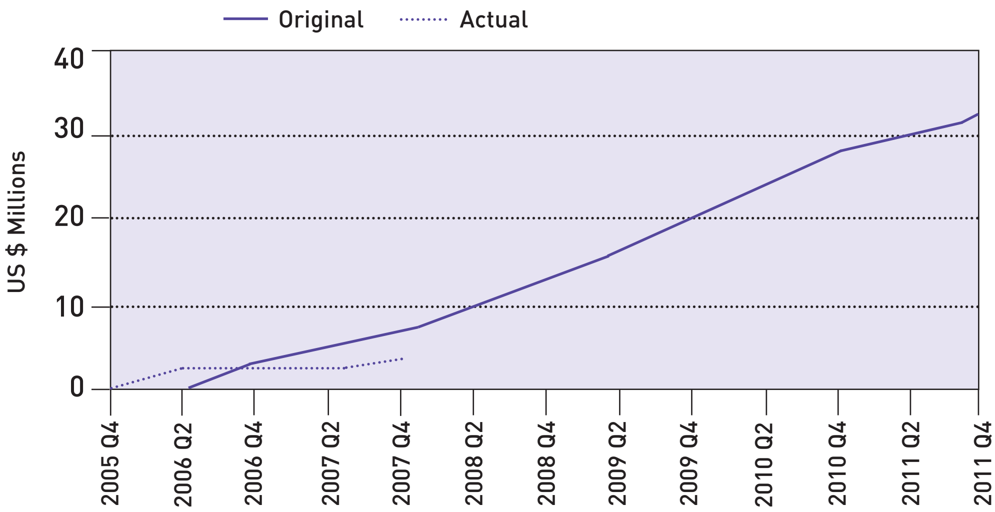
Problems also emerge for the Bank where it views itself as a development institution that makes capital transfers from rich countries to poor ones. In 2006, its commitments to Nepal fell to $4.5 million—from $135 million in 2005 and $185 million in 2004. A renewed period of serious political ructions and instability in the country made it extremely difficult for the country programme to agree on new commitments (the same dynamic which is currently worsening in Sri Lanka). This has only recently begun to change with the advent of the Seven Party Alliance (SPA) in 2006 and the subsequent integration of Maoist leaders into the country's transitional government, but many of the systemic, structural drivers of conflict and weak governance remain.

14 The Development Assistance Committee (DAC) secretariat projects a 30 percent increase in overall aid flows by 2010.
15 *The role of IDA in the global aid architecture: Supporting the country-based development model*, Paper for the IDA15 Replenishment meetings, 2007.

Security and political problems also affect project performance, as can be seen in the country's Rural Access Improvement and Decentralisation Project (RAIDP). In addition to more generalised capacity and financial integrity issues, not only did Maoist activity prevent visits to certain target districts during the project formulation period, but conflict in the five lowland 'Terai' districts targeted for rural roads construction under the project has prevented implementation (and supervision) in recent months. These constituted a quarter of the districts originally targeted by RAIDP and have contributed to a continued underspend on the project relative to original projections. A restructuring of the project is now getting under way.

Disbursement under the Rural Access Improvement and Decentralisation (RAIDP) project

Source: Status of Project Execution document, World Bank, 2007



(ii) Pressure from bilateral donors

For bilateral donors contributing to Bank budgets, the Bank's response to the challenges posed by 'fragility' and conflict is important because of accountability of those donors to their own taxpayers and because of the inter-relationship of Bank operations with their own development assistance activities. For the governing politicians of these donor countries, the accountability relationship to their national electorates for development spending is distorted by the transfer of hundreds of millions of dollars to multilateral institutions like the Bank (the UK's contribution to IDA15, for example, is about £2.13 billion, not including trust fund contributions). This carries political responsibilities (and risks) that cannot and should not be ignored. In addition, the ability of bilateral agencies to make progress on their own commitments can be undermined by the absence of concerted efforts to understand and engage with the Bank's operations. For these donors, also, there is a fundamental tension emerging between the commitments on governance, 'democratic culture' and 'conflict sensitivity' which many of them have explicitly made in their own important policy statements (such as the UK's Public Service Agreement on Conflict Prevention and Resolution and related DFID policy papers). This is clearly a difficult and awkward issue in a multilateral institution of all countries, North and South, when such 'change' agendas could sow divisions and divergences, but they are not ones that can be put to one side.

(iii) Importance for beneficiaries

Most importantly, the *quality* of the Bank's impacts matters because of the hundreds of millions of people who are indirectly or directly affected by the Bank's activities in a given country or region. In many ways this is obvious as some of these people are direct recipients of the benefits that the Bank's assistance is intended to help provide (roads, education services, power supplies, and so on). With the arrival of project funds and provision of policy advice, however, societies experience an additional influential dynamic. This is because all externally funded activities (whether explicitly governance-related or not) have implications for longer-term relationships between citizens and the state (sometimes included in emerging definitions of 'state-building').[16] Since there is no way to provide external development or humanitarian aid without in some way impacting on the political and socio-economic context, the Bank inevitably is involved in influencing the evolution of politics and the distribution of power and wealth, locally and nationally. Moreover, processes for defining development strategies (such as PRS) can be conducted so as to widen and deepen 'ownership' through the participatory identification of priorities and monitoring of activities. As the UK's IDC has emphasised, a fuller range of Bank-funded strategy formulation and project activities can be used to increase participation and improve governance at a number of levels: local, provincial, national, etc., thus driving progress towards *active* citizenship and the holding of governments and other service providers to account.

2. The challenges in fragile and conflict-affected contexts

Underachievement and failure to progress towards development goals—so often a feature of fragile and conflict-affected states—tend to be explained by donor and development institutions using terms such as 'corruption', 'lack of capacity', or external economic 'shocks'. Ineffective engagement by development institutions is sometimes put down to their being insufficiently '*selective*'. This was the prognosis of an recent Independent Evaluation Group (IEG) evaluation on Bank approaches to 'fragile states'.[17] In one example, the IEG pointed to the case of Afghanistan where the donor community embarked on numerous reforms simultaneously, which led to the accumulation of 120 pieces of pending legislation. It saw 'little likelihood that such a large number of laws will be adopted, much less implemented, given the country's weak institutional environment'.[18] The reality, however, is much more complex than institutions being too weak to cope with extensive reform agendas, something which research by Bank staff has itself emphasised.[19] The challenges can include the following:

- Longstanding social divisions which are reflected and manifested in the way that power is competed for, wielded and held.[20]

- The combination of (i) limited capacity of executive ministries and agencies to ensure the delivery of social services, and (ii) a low level of interest on the part of governing elites to be responsive to the collective needs of the peoples whom they govern, and to be accountable to them.

  This combination can result in rather short-term visions of what it means to hold power: e.g., to extract and safeguard financial resources for the benefit of oneself and ones 'clients'. Politicians may, for example, direct the delivery of education and health services in order to

16 *Governance, development and democratic politics*, DFID, UK (2007), para 7.7, p. 69.

17 *Engaging with fragile states: An IEG review of World Bank support for low income countries under stress (LICUS)*, The Independent Evaluation Group, World Bank (2006). The Independent Evaluation Group (IEG) is an independent, three-part unit within the World Bank Group. See http://www.worldbank.org/ieg.

18 Ibid.

19 See, for example, ongoing work on 'conflict-sensitising poverty reduction strategies' conducted by the Conflict Prevention and Reconstruction unit in the Bank's Social Development Group.

20 It should be noted that the concept of power is fundamentally contested, i.e., people mean a range of very different things when they use this term. The difference between the 'controlling' and the 'constructive' concepts of power is embedded very deeply in contrasting notions about the good society, good governance, etc. See *Consultant's report on published studies, principally on Burkina Faso and Ethiopia*, Mick Moore, The Institute of Development Studies, Sussex, UK in *Methods of Analysing Power—A Workshop Report*, May 2005, Division for Democratic Governance, Sida.

generate support from their clients, rather than as public services for the general good. The exploitation of mineral wealth might be skewed in the same way. Such a system, moreover, may be one in which some interested external actors (countries and companies) may be at ease, or prefer, working in.

- A lack of balance and diversity in information sources, particularly in rural areas. This robs individuals of the ability to debate and determine solutions to their own problems, while rumours, speculation and the manipulation of information contribute to instability and tension between communities and groups.

- The conjunction of (i) an absence of a sense of national political community, (ii) low expectations held by citizens of how they should be governed, and (iii) limited capacity of civil society to engage or meaningfully challenge their authorities.

  There may be little culture of, or impetus for, democratic politics. On the one hand, this may be evident in the limited space in which civil society organisations operate—limited either 'directly' through oppression and abuses of power, or 'indirectly' by new regulations on accreditation or taxation. Even where there are some strong civil society organisations in the country, these may often be limited to the capital and/or urban elites. On the other hand, governance problems may also actually be 'deeply institutionalized, i.e. a set of repeated practices and norms around which expectations converge.... People may complain about the system, but often their true gripe is that they are not part of it, that they do not benefit from it. Given the chance to be included in the system, many take over its behaviour'.[21] Like a government or public administration, the characteristics of civil society is a reflection of the strengths and weaknesses of the society in which it emerges.

- The dynamic evolution of power relations under the influence of flows of money from external sources. These flows may come in the form of (legal or illegal) payments for weapons or minerals, or as external assistance (whether development, military or commercial). Without very careful attention, such flows, including from IDA, may become a contested resource or even one worth fighting for.[22]

3. The World Bank's evolving approach to conflict and fragility

There are a number of initiatives under way in the Bank that show a welcome and growing recognition of the significance of conflict and fragility issues in its work. In pure spending terms attention to 'fragile countries' is rising. During 2003–05, the lending and administrative budgets amounted to $4.1 billion and $161 million, respectively—increases of 67 percent and 55 percent compared with 2000–02 (though events in Iraq and Afghanistan had much to do with this). Perhaps more encouraging are the more recent signs that key senior individuals in the Bank 'mainstream' are beginning to articulate the significance of conflict and fragility as fundamental determinants of the Bank's context and the effectiveness of its operations.

Attention to issues of conflict and fragility is being given at the global, regional and country levels. Following on from big thematic conferences held in Washington, DC[23] and in Addis Ababa[24] in 2007, a high-level working group has been established to work on conflict and fragility issues—one of six set up by President Zoellick to examine priority areas. The momentum has continued into 2008, with the circulation in February of a document which asked all executive directors and alternates, the President, group senior management, vice presidents, directors and

21 *A brief discussion of donor support to local governance in Burundi*, Peter Uvin, 1 July 2007.
22 Collier, P. (2005). *Is aid oil? An analysis of whether Africa can absorb more aid*, Oxford University.
23 For example, the Post-Conflict Transitions Conference held by the World Bank, Washington, DC on April 30th - May 1st, 2007. See http://go.worldbank.org/WOH6AMBTP0
24 In collaboration with the Norwegian Agency for Development Cooperation and the United Nations Economic Commission for Africa, the Independent Evaluation Group (IEG) of the World Bank hosted a conference in Addis Ababa on *Engaging with Fragile States: Challenges and Opportunities* on July 24-25, 2007.

department heads to consider how the institution can better 'address the special challenges of states coming out of conflict or seeking to avoid breakdown of the state'. At the regional level, examples include the South Asia Vice President-hosted regional 'retreat' in October 2006 at which management discussed conflict issues affecting each country. At a country level, the 'Nepal day' organised by the Bank's Kathmandu office in November 2007 included a focus on how the Bank could best contribute to peacebuilding in the country's post-peace agreement context. Moreover, in a sign of collective concern across the world's development financing institutions, at the annual meetings of the World Bank and IMF in October 2007, the Heads of the Multilateral Development Banks and the IMF issued a statement on deepening their collaboration in fragile situations.

Structurally, too, there have been important initiatives in the last decade or so with the creation of the Conflict Prevention and Reconstruction unit (CPR) in 1997, and the Low Income Countries under Stress team (LICUS) in 2002 (although the overlapping mandates of the two units were not an encouraging sign of a coherent and integrated strategic approach to conflict). There have been further changes towards the end of 2007.

Conflict Prevention and Reconstruction unit

Situated in the Social Development Group in the Sustainable Development Vice Presidency, the CPR unit was active for 10 years making specialist advice available to the Bank's various regional and thematic networks and partners.[25] The unit played a leading role in increasing the pool of available knowledge on conflict prevention and post-conflict re-engagement. This included guidance on:

- Conducting conflict analysis, for example with a framework tool developed for both the conflict analysis itself and follow-up monitoring;[26]
- Providing conflict-sensitive development assistance;
- Devising community-focused approaches to the reintegration of ex-combatants;
- Addressing gender issues in a way that pays attention to both women and men and to how the two inter-relate; and
- Providing conflict-sensitising Poverty Reduction Strategies.

The CPR also was responsible for administering a special fund, the Post Conflict Fund (PCF), financed out of the Development Grants Facility, with additional discrete contributions from donors.[27]

Low Income Countries Under Stress (LICUS)—later called Fragile States—unit

Established in the Operational Policy and Country Services corporate Vice Presidency (OPCS) in 2002, the LICUS/Fragile States team focused on the Bank's own internal institutional response to difficulties in its strategy implementation and disbursement plans. In addition to producing research, for example, on LICUS allocations, political economy of reform[28] and early warning, the unit has worked with country teams to support strategy development in over 12 countries

25 For example, in late 2005/early 2006, the head of the CPR unit, Ian Bannon, became involved in the Bank's operations in Nepal, providing inter alia accompaniment to the Nepalese government's Peace Secretariat as the country emerged from years of violent conflict. Such assistance has also been provided by the Bank, often through expert consultants, in many contexts, including Nepal (A. Ghani, 2006) and Burundi (V. Fruchart, 2007).

26 The Conflict Analysis Framework (CAF) puts forward six main categories of conflict factors, including 'social and ethnic relations, governance and political institutions, human rights and security, economic structure and performance, environment and natural resources, and external factors'. It encourages the analysis of these factors across seven different dimensions, including history, dynamics, public perceptions, politicisation, organisation, link to conflict and intensity, and link to poverty. *The Conflict Analysis Framework (CAF): Identifying conflict-related obstacles to development*, Sardesai, S., and Wam, P., World Bank (2002).

27 The PCF has received $73.6 million from the World Bank Development Grant Facility (DGF) and an additional $7.7 million from donors. As at FY 2006, it has approved a total of 171 grants in the amount of $84.5 million and disbursed a total of $71.8 million. The strategic value of the PCF was recently given an external evaluation, available at httpe://go.worldbank.org/BNFOS8V3S0

28 Rosser, A. (Ed.) (2006). *Achieving turnaround in fragile states, IDS Bulletin*, 37.2, 1–78.

since the Bank's fiscal year 2003.[29] These include Sudan, Cote d'Ivoire, Togo, DRC, Liberia and Somalia. To assist this work, the Bank set up the LICUS Trust Fund in 2004—the only fund that can provide significant assistance to recovering countries in 'nonaccrual status' with the Bank.[30] In line with the internal procedural, systems-related and partnership management function of OPCS where it sits, the LICUS/Fragile States unit has also pursued an internal reform agenda in the Bank. In 2007, it convinced the Board that the existing primary Operational Policy (OP/BP 8.50) was ill-adapted to the complex political conditions in conflict-affected and fragile countries. The specialist Bank staff argued that OP 8.50 hindered its efforts in designing, properly characterising, and evaluating activities in support of the peacebuilding objective. The replacement OP 8.00 established, in principle, that policies and procedures intended to reduce the impact of future disasters or crises, including prevention and mitigation measures, should be an integral part of all strategies for those countries. Related institutional changes in 2007 have included the emergence of a Managing Director Committee which meets to discuss specific 'crisis' countries. As at June 2007, this committee had met to discuss legal issues relating to initiating engagement in Somalia, problems with the Sudan MDTF and project non-disbursement in the DRC.

Operational Policies

Until 2001, Bank operational policies severely constrained the ability of the institution's post-conflict country teams to tackle conflict-related issues. Since then, staff have defined additional operational policies in order to better provide definitions and guidance for the Bank's work in and on conflict. These can be broadly outlined as follows:[31]

OP 2.30 (in the *Operational Manual 2001*): As a stated objective in post-conflict countries, the Bank committed itself to 'to supporting economic and social recovery and sustainable development through investment and development policy advice, with particular attention to the needs of war-affected groups who are especially vulnerable by reasons of gender, age, or disability'. To do so, the operational policy tasked the Bank to increase its understanding of the political impact of development assistance; the implicit imperative being that staff should act on the knowledge acquired. The second innovative section of OP 2.30 was the description of the Interim Strategy Note, which committed the Bank's country strategies to be 'closely aligned with the objectives and sequencing of priorities of peace accords and rehabilitation plans agreed to by parties to the conflict'. This clause sought to push country teams to design and implement Bank activities to support a peacebuilding agenda flowing from a peace agreement. This would have been considered overly 'political' under previous operational policy.

OP 8.00 (*Operational Manual 2007*): Approved by the Board in 2007, this new policy *Rapid Response to Crises and Emergencies* addresses countries in any kind of emergency situation. It replaced OP/BP 8.50, *Emergency Recovery Assistance*, agreed on in August 1995. OP 8.50 was originally designed to help the Bank respond to natural disasters but was often used in post-conflict situations. It allowed the Bank to move faster to respond to emergency post-conflict needs due to the increased speed with which the finance could be accessed by increasing the amount of money that can be retroactively financed from 10 percent to 20 percent within four months of Board approval. Under OP 8.50, emergency recovery loans were reserved for rebuilding physical assets and restoring 'economic and social activities' in the disrupted economy.

29 See http://go.worldbank.org/LEH4KHNZE0
30 The LICUS Trust Fund uses the same operational procedures as the PCF and is governed by an expanded PCF Committee. It is sourced from IBRD and receives some, relatively minimal, contributions bilaterally from donors. In the FY06, the LICUS Trust Fund allocated $17.6 million to integrated programmes in eight countries. In January 2006, the Board of Directors supported the replenishment of the LICUS Fund. As of June 2007, five countries (including Sudan, Central African Republic, Liberia and Cote d'Ivoire) were receiving 78 percent of its funds.
31 For a fuller summary of conflict issues in Operational Policies, see Young, L. (May 25, 2007). *Peacebuilding without politics: The World Bank and post-conflict reconstruction.*

With OP 8.00, the activities that World Bank country teams can engage in are now listed to include:

- Rebuilding and restoring physical assets and the means of production and economic activities;
- Preserving or restoring essential services, and human, institutional, and/or social capital, (including economic reintegration of vulnerable groups);
- Facilitating peacebuilding;
- Assisting with the crucial initial stages of building capacity for longer-term reconstruction, disaster management, and risk reduction; and
- Supporting measures to mitigate or avert the potential effects of imminent emergencies or future emergencies or crises in countries at high risk.

OP 8.00 also expanded the financing tools that country teams have available to them to implement their programmes. Under the new policy, up to 40 percent of financing can be retroactive (increased from the 20 percent allowed under the old policy) and payments can be made up to 12 months before the financing is actually approved by the Board (increased from the four months stated in OP 8.50). The Board also approved the creation of a new 'Project Preparation Advance' of up to $5 million. The policy should have the effect of allowing the Bank to speed up the disbursement of funds in crisis-hit situations (although attention must be paid to the kinds of risks that it will be prepared to take—see Section 4 Issue 4 below).

Bank staff have also been at the forefront of international efforts to encourage donors to improve aid effectiveness in fragile states and situations. Bank staff members have been co-leading a process to promote 'good international engagement' in these settings. Amongst other outputs, this collaboration has led to the *Principles for Good International Engagement in Fragile States and Situations* which were approved during the High Level Meeting of the OECD Development Assistance Committee in April 2007. The DAC Principles are based on the premise that the 'long-term vision for international engagement in fragile states is to help national reformers build legitimate, effective and resilient state institutions'.[32] While recognising that a durable exit from poverty and insecurity will need to be driven by their own leadership and people, the Principles aim to help promote better results and outcomes from international engagement. They emphasise the need to:

- Take context as the starting point;
- Ensure all activities do no harm;
- Focus on state-building as the central objective;
- Prioritise prevention;
- Recognise the links between political, security and development objectives;
- Promote non-discrimination as a basis for inclusive and stable societies;
- Align with local priorities in different ways in different contexts;
- Agree on practical coordination mechanisms between international actors;
- Act fast... But stay engaged long enough to give success a chance; and
- Avoid pockets of exclusion ('aid orphans').

During 2007, the Bank made some important changes to these specialist structures within its institutional set-up. While conflict-related work will continue within the Social Development Group, there is now a Conflict, Fragile States and Social Development team embedded in the Bank's Africa regional Vice Presidency. An enlarged unit on Fragile and Conflict-affected Countries will sit within OPCS. The result of a (quasi-)merger between CPR and the LICUS team,

32 The DAC Principles were field-tested in several countries over 2006–2007: The Solomon Islands (facilitated by Australia and New Zealand); The Democratic Republic of Congo (facilitated by Belgium); Haiti (facilitated by Canada); Sudan (facilitated by Norway); Guinea Bissau (facilitated by Portugal); Nepal (facilitated by the UK); Somalia (facilitated by the World Bank and the UK); and Yemen (facilitated by UNDP and the UK). See http://www.oecd.org/dac/fragilestates.

this latter unit is the focal point for 'conflict' counterparts in the UN system and bilaterals on these issues. It has recently been assigned an additional senior staff position, although it remains extremely small relative to the Bank as a whole. In addition, the Bank seems to be moving towards a merger of the PCF and LICUS funds. More changes are likely to follow in 2008–2009.[33]

It should also be noted that the Bank has access to a wealth of knowledge about governance, institutions and social dynamics beyond the 'conflict' and 'fragility' units termed as such. Although the focus of the Bank's mainstream analytical work is on a country's economic situation (as reflected in the dominance of Economic and Sector Work—ESW[34]—in Bank research), there has long been the ability in the Bank to articulate a deep understanding of these non-economic issues in countries that receive its assistance. This ability resides in every regional Vice Presidency. It also is generated by specific teams within the thematic anchors, by the Bank's internal think tank, the Development (Economics) Research Group (DRG) and by the World Bank Institute (WBI). The work of the staff located in a regional Vice Presidency but 'mapped to' the Public Sector Group in PREM or Social Development Group in the Sustainable Development Vice Presidency are just two examples bearing out this fact.

Overall, then, the quality of analysis made available by, and within, the institution can be seen to have improved markedly in recent years. It is less clear, however, how all this knowledge has been and will be used, what kind of work will now be generated and, in particular, whether significant extra weight will now be accorded by the Bank as a whole to a wider *range* of disciplines in designing, supervising and evaluating its operations. The key question is whether the programmatic prescriptions for fragile and conflict-related countries have been sufficiently adapted in light of the emerging knowledge and the lessons of hard experience. Will the welcome commitments to extra staffing and attention actually lead to the *right* kind of human resources and focus areas?

4. Issues for the Bank in fragile and conflict-affected countries

The first point that must be emphasised is an obvious one: that external engagement in a developing country is an immensely difficult task which cannot be understated. In addition to widespread capacity issues that permeate governmental and non-governmental institutions, plans can become impossible to implement if open violence breaks out in their areas of operation. Local and expatriate staff may have to operate in situations where corruption and the interference by state agencies, armed forces and other combatant groups are endemic problems. These not only throw up obstacles to their development activities and generate disincentives for recruitment, but also constrain development for the country's peoples. However, even if the quality of the Bank's impacts will certainly (and unavoidably) be influenced by country and regional factors and by globalised issues, this does not diminish the importance of the Bank's own structures and processes as determinants of the *quality* of its operations. This section identifies the manifestations of the Bank's own political economy and how it affects the deployment of financial and human resources.

33 Both the Post Conflict Fund and LICUS Trust Fund are administered by the same Secretariat, situated in the Conflict Prevention and Reconstruction Unit in the Social Development Department of the Sustainable Development Network.

34 ESW includes Country Economic Memoranda, Public Expenditure Reviews, Debt Sustainability Analyses and Poverty Assessments. See http://go.worldbank.org/UIAXTF6R30

Issue 1: Understanding how fragility affects operations and how operations affect fragility

When considering the inter-relationship between fragility and Bank activities, it is essential to note that these dynamics are, by their nature, extremely difficult to identify and verify, particularly for outsiders. As Mick Moore of the Institute for Development Studies has put it:

> *'There are a vast number a number of links in the logical chain that might lead from 'donor Y understanding more about the politics of partner country Z' to 'donor Y operating more effectively in country Z'. Let us politely leave aside any doubts about the capacity of the staff of donor Y to engage in delicate subjects. The staff of donor Y first has to work out how any kind of external intervention might be useful. They then have to work out what donor Y—typically only one of up to 20 or more aid agencies jostling for attention—can most effectively do, alone or in concert with other aid donors.'*[35]

However, this does not diminish the fact that all development activities at all levels of intervention are affected by the 'culture of power' in that setting—how it is wielded, competed for, and perceived. In addition, all development interventions impact on those power dynamics and are conflictive in that they actively or inadvertently change those inter-relationships to the benefit of some and the detriment of others. Ensuring that this dynamic unfolds peacefully and positively is, or should be, a core concern of development professionals. The key points for the Bank and its members to consider as they try to improve on their efforts are as follows:

- **Informal institutions, processes and power relations are underplayed in Bank decision-making.**

In the Bank, analytical outputs have been numerous and, in the light of concerns raised by the Bank's Operations Evaluation Department (now the IEG), the Bank has increased staff time and resources to try to strengthen the CPIA (see Annex 1). It is also welcome that, in an effort to broaden the focus beyond macroeconomic policies, this main tool for Bank country assessments is now meant to include other factors relevant to poverty reduction, such as social inclusion, equity and governance, and that indicators for the institutional dimensions are now part of the CPIA index. Globally, as well as in particular countries like Nepal, the Bank has also put emphasis on improving anti-corruption diagnostics and activities (such as thorough research conducted by the WBI) and has developed a monitoring mechanism termed 'Governance and Anti-corruption (GAC)' for in-country projects. Moreover, for countries whose human and physical capital has been most decimated by war, specific Post Conflict Performance Indicators (see Annex 1) are in place.[36]

The risk in the Bank remains that its predominant analytical processes continue to over-prioritise formal structures and processes. These may, in fact, be only quite cosmetically important in how a country, locality or institution is actually governed, particularly in fragile settings. Where the greatest obstacles to investment and growth are actually the underlying drivers of fragility and conflict, these are not sufficiently brought out in the CPIA (or the alternative PCPI system). Much harder to identify and assess, mistrust and the lack of dialogue between stakeholders in the country's political and economic systems (formal or informal) are not articulated. Therefore, the factors—informal power hierarchies as well as entrenched attitudes and behaviours—which determine the level of trust and communication can remain largely on the periphery of the bulk of the Bank's operations.

35 Moore, M. (2005). *Consultant's report on published studies, principally on Burkina Faso and Ethiopia*, The Institute of Development Studies, Sussex, UK in Methods of Analysing Power—A Workshop Report, May 2005, Division for Democratic Governance, Sida.

36 The Post-Conflict Performance Indicators apply to countries eligible to receive special post-conflict IDA allocations. As at 2005, these included Afghanistan, Angola, Burundi, Democratic Republic of Congo, Eritrea, Cote d'Ivoire, Republic of Congo, Sierra Leone and Timor-Leste. See http://go.worldbank.org/51Y64D5PD0

Willingness to articulate the exogenous risks to its operations? The case of Nepal

Bank documentation clearly articulates the underlying conflict factors that impede development in Nepal. The Interim Strategy Note (ISN) in January 2007 has stated the need to help the country prepare for important 'post-conflict work', and to make the State an 'instrument of collective action by the people'. It anticipated 'continuing uncertainty' in its operating environment, called for 'flexibility' in the Bank's responses, and recognised the risk that 'sound policies would be undermined by pandering to certain groups'. In addition, the Bank's 'conflict-sensitising PRS' process (led by the CPR team) set out a number of issues including:

- Wide socioeconomic disparities between the central and eastern regions and poor western territories, and between rural and urban populations;
- Unequal access to land, along with widespread landlessness and compulsory labour;
- Social structures that impede socioeconomic mobility, restrict access to education, and limit opportunities for women, further compounding disaffection; and
- A political system that is unable to effectively address popular grievances, exacerbated by an extended period of constitutional crisis and weak government.

Despite this background of deeply complex political economy issues, the Bank's discourse has sought to maintain a focus on the 'development agenda'. This is underpinned by concern that, if 'development... is neglected the population could easily lose patience, making it impossible for the political process to run its course'.[37] From 2000–2005, therefore, the Bank committed to 16 project agreements worth US$521 million.[38] After a lull, on 6 December 2007, it then extended its largest ever support package to Nepal with US$253 million in grants from IDA. The aim is to support the emergence of a 'peace benefit' through better education, roads, and irrigation, and empowerment among the rural poor.

More finance is certainly not wrong in and of itself. However, faced with authorities that have 'tended to assume that the social divisions resulting from conflict precluded engagement with populations located outside their sphere of influence',[39] the Bank's discourse on *disbursement* issues in Nepal in recent years has tended to underplay the deep-rooted drivers of conflict and fragility which have long impeded the institution's operations, and the country's growth prospects. For example, although the Bank has given a 'country environment risk flag'—which is non-project specific— to its Nepal operations as a whole, the institution's 'risk' identification system for projects in all contexts does not help clarify for Bank decision-makers (as well as bilateral and non-governmental stakeholders) the extent and range of difficulties that the Bank must deal with in project implementation.[40] Since two or more project-specific 'risk flags' are needed for a project to be 'at risk', the Bank's 2004 Portfolio Performance Review states that (only) one project is 'at risk' in 2004 and predicted 'no risks' in 2005 ('assuming improvement in security situation'). Yet at that time, Nepal was in its ninth year of insurgency and much of the country has been 'beyond the territorial control of the government'.[41]

One possible result of an over-focus on technical development issues is that the Bank's backing of certain reforms, notwithstanding arguments for the long-term necessity of such changes, may actually serve to increase and drive instability in a highly volatile situation. The insistence on certain macro-economic reforms, therefore, can receive criticism partly due to a lack of realism in the Bank's decision-making, the timing of the pressure it applies, and also due to the conviction among some bilaterals and INGOs that other needs are much more pressing.

37 International Development Association (2007). *Interim Strategy Note for Nepal*, 22 January 2007, World Bank.
38 Five of these projects involved Bank commitments of over US$50 million or more. These were the Financial Sector Restructuring Project, First Poverty Reduction Support Credit (PRSC I), Nepal Power Development Project, Nepal Health Sector Programme Project and Education for All (EFA).
39 *Toward a conflict-sensitive Poverty Reduction Strategy, Lessons from a retrospective analysis*, Report No. 32587, World Bank, 30 June 2005.
40 Appendix 1 of the 2007 ISN.
41 *Toward a conflict-sensitive Poverty Reduction Strategy, Lessons from a retrospective analysis*, World Bank (2005).

The gap between contextual needs and actual Bank commitments (and disbursement of funding) is manifested in Nepal where a large Financial Sector Restructuring project was agreed on in March 2004 with a commitment of $75.5 million, as well as two stages of a Poverty Reduction Support Credit (approved by the Bank's Board in November 2003). As deliberations on releasing the second PRSC tranche unfolded in 2005, the government's commitments under these agreements were stated by the Bank's then Country Director to be a 'litmus test' for reform. The conditions related to changes to the labour market, reduction of fuel subsidies, and tackling major defaulters as these are required to free up the economy for growth and job creation. However, given the extreme sensitivity of labour reforms and the social unrest prompted by increased fuel costs or reduced job security (as well as the ease with which such tensions are manipulated by those with vested interests), it is questionable that these measures were most likely to assist Nepal's transition out of violent conflict. Moreover, the technical benchmarks for 'reform' progress remained the same over a number of years despite the evolving conflict dynamics and the emergence of ever more numerous agitating groups in a growing number of districts.

- **Multidisciplinary analysis is needed for internal decision-making.**

Bank staff do not lack the awareness that formal policy processes tend to vary widely from sector to sector, and can be altered quickly as personalities change. Bank officials experience these problems on an ongoing basis in their in-country work. Individual units in the Bank have not shied away from conducting and commissioning multiple forms of analysis, and there are some very large community-driven development projects in the Bank's portfolio which target local interactions and dynamics in order to strengthen the voice of citizens and communities. However, the Bank faces the problem of sensitivities amongst board members should it try to deepen its analysis of political economy and social dynamics. Although the major Nigeria political economy assessment that is currently under way manifests good progress, there are also cases of analysis (such as a social assessment of Kenya drafted a couple of years ago) being blocked from publication or from being widely shared. The easier path, as exemplified in the shape of the CPIA and ESW is certainly a formal, technical approach—focusing largely on formal institutions and policies that government has put onto paper.

The slant towards a technical approach is reinforced by the dominance of a single discipline in the Bank's mainstream institutional 'culture'. As two Bank insiders have put it:

> '*...Generations of economists who have been recruited by the Bank have a created an argot within the Bank that is closely aligned with the argot of economics.... Competing perspectives cannot enter without translation, which dilutes their clarity and effectiveness: this, in turn, only reinforces the (often disdainful) views of economists regarding the rigour and relevance of other social science disciplines, thereby creating a vicious circle. Yet, like any other discipline, economics is limited in its ability to pose and understand questions. Its strengths and limitations are mirrored in its policy prescriptions: on some issues... It is clearly best placed to provide key policy advice, on others (culture, process evaluations, group dynamics and conflict), it has little comparative advantage.*'[42]

One example of this imbalance is that all staff in the internal think-tank, the DRG, are economists. The same critique goes on to state that: 'This state of affairs both reflects and perpetuates a disciplinary monopoly.... Not a single non-economist was asked to assess the Bank's research programme, let alone the research that had been done from a non-economics perspective. The committee was composed almost exclusively of elite academic economists, most of whom, with all due respect, have limited knowledge of what serious policy/operational work actually entails, and with a couple of notable exceptions, even less knowledge (or sympathy for) other disciplines'.[43]

42 Rao, V., and Woolcock, M. *The disciplinary monopoly in development research at the World Bank*, Global Governance 13, 2007, pp. 479–484.
43 Ibid.

'Safeguard' procedures in the Bank provide one counter-balance to these institutional characteristics. They incentivise staff to pay a certain amount of attention to elements of social and environmental analysis. Yet the human dimensions of the operating environment (the culture, the traditions, the 'systems of meaning', in other words, the non-economic determinants of behaviour) tend to remain at the margins except where 'social development goals' are specifically involved. Major contributors to IDA such as the UK are among a number of voices who continue to highlight this problem of under-attention to social analysis and social impact assessments in their negotiations with the Bank.[44] The broader solution would be for the Bank, institution-wide, to see economic and social analysis as complementary, allowing quantitative and qualitative approaches to be brought together, and to understand that, for internal decision-making, they together will underpin the quality of its operations.

- **The Articles of Agreement should not prevent engagement on political economy and social issues.**

According to the Bank's Articles of Agreement, Bank financing must be used 'without regard to political considerations'[45] and there are very good arguments why IDA should not be politicised. We do not go into that detail here. It is also true that in a number of highly charged political contexts, particularly where there is no 'aid dependency' such as in Sri Lanka, the Bank is only a marginal player relative to the presence (and investments) of Great Powers with strategic interests in the region (such India, China, the U.S. and Japan). The Bank, therefore, can feel restrained in what it can say publicly, as to go 'too far' as a 'change agent' might provoke a crisis in relations with the recipient country. The Bank may also be pivotal in decisions which determine the liquidity (or bankruptcy) of governments. These are very real dilemmas. However, there is a fundamental difference between avoiding the politicisation of IDA and ensuring that IDA commitments are based on sound analysis of political dynamics and of how those funds will impact on power relations and the governance environment.

The commitment, or continuation, of certain forms of spending also conveys very real and potentially powerful messages to governments *and* societies. For example, in Burundi, the $60 million Economic Reform Support Grant was approved by the Bank's Board in August 2006 (albeit with some hastily added conditions) very shortly after a spate of arbitrary arrests and killings (in July) and serious controversy over suspected government corruption in the sale of the President's plane. Moreover, on the same day as the commitment was signed off in Washington D.C., suspected coup plotters were arrested (and much later released without charge). Earlier in 2006 (January), a supplemental Public Works and Employment Creation credit to the government worth $30.6 million was approved. This was very shortly after an ONUB report on extra-judicial killings. Job creation is undoubtedly vital to the peacebuilding process and the importance of preventing the bankruptcy of the State cannot be understated. However, given the timing of the announcements in an environment where misconceptions are rife and accurate information limited, they send a questionable signal to Burundian citizens and civil society groups about the commitment of the World Bank to improvements to their human security and to their system of government. These reputational risks to the Bank can spill over to affect the international community more generally with regards to the confidence which these external actors inspire amongst the ordinary citizens as well as organised civil society groups.

It is striking that, in the Bank, individual staff members give different interpretations to Article V.[46] There are stark contrasts, country to country, for example, in the extent to which country directors are prepared to make their, and their staff's, political (and conflict-related) assessment

44 Oral evidence of Minister of State for International Development at the enquiry of the International Development Committee of the UK parliament, January 10th, 2008.

45 Article V, Section 1, paragraph (g) : 'Proceeds of any financing are used only for the purposes for which the financing was provided, with due attention to considerations of economy, efficiency and competitive international trade and without regard to political or other non-economic influences or considerations'.

46 Article V, Section 1, paragraph (g): '... proceeds of any financing are used only for the purposes for which the financing was provided, with due attention to considerations of economy, efficiency and competitive international trade and without regard to political or other non-economic influences or considerations'.

publicly visible, and perhaps even a key determinant of the country strategy. The examples of Sri Lanka and Nepal under their previous country directors are revealing in the extent to which the Bank can be prepared, or not, to articulate its position on the nature and use of political power and military force. In the former, Country Director Peter Harrold featured prominently in the media and, supported by even more senior figures in the Bank (including South Asia Vice President, Praful Patel), articulated clear concerns about governing politicians' decisions vis-à-vis the conflict. In the latter, the public discourse of the then Country Director explicitly separated the development agenda from the country's underlying political economy.

An ambiguous message on deteriorating governance: Nepal 2005

At a time when Nepal's emerging democratic institutions were replaced by autocratic royal rule, the Bank's rhetoric implied that it saw the King's assumption of power as likely to accelerate the reform process. The Bank's in-country leadership welcomed the King's assurance that the new government was committed to continuing economic reforms, accelerating poverty reduction and fighting corruption. It also drew attention to the argument that, lacking in parliamentary legitimacy, the new government had every reason to deliver good public services and development programmes, and build 'performance legitimacy'.[47] Given the political conflict and royal dismissal of democratic institutions in the country, serious doubts can be raised about this approach—one which strained relations between the Bank and bilaterals for some time.

It remains the case that the Bank may sometimes not be the 'right' messenger (in an active sense), but it must recognise that a decision to say nothing or to proclaim the technical nature of a process in itself has political impacts, including in legitimising ruling parties and regimes. It also must be clear about the value of communicating support for consensus-building reformers early on and well. A better balance is achievable between the political message given by the Bank on democratic governance (including human rights and media freedoms) and pragmatic support to economic concerns such as balance of payments account and the payment of government salaries.

In any event, these are unavoidably political issues in themselves, constituting the macro-economic backdrop to electoral choice in any country, North or South. If, for example, geographic disparities in Sri Lanka are a concern, then the Bank must hold true to its principles in committing funds to the Colombo government, even if this adds risk to, or reduces, the portfolio. The Bank must not function so as to disincentivise staff from making this position clear in public on a systematic basis, nor so that implicitly, or inherently, *political* statements are made on the basis of the ad hoc decision-making of individual personalities or teams.

By establishing consistent leadership on the importance of peace for development, the Bank would be establishing 'context' as the genuine 'starting point' for its work, in line with the agreed on OECD DAC Principles on improved international engagement. It would also be acting on operational policy commitments for country strategies to be 'closely aligned with the objectives and sequencing of priorities of peace accords and rehabilitation plans agreed to by parties to the conflict' (OP 2.30). The Bank should not be put off by difficult experiences, such as in Sri Lanka in 2003–4, where concerted efforts to engage better and more deeply in conflict-affected areas ultimately has been undermined by internal dynamics and have not helped to prevent deterioration in the conflict.

47 *The Aid Precipice*, article by World Bank Country Director, Ken Ohashi, *Nepali Times*, September 23, 2005.

Issue 2: Adapting the approach to the context

Substantially affected by national sensitivities, government-drafted (i-)PRSPs in fragile and conflict-affected countries often fail to articulate the drivers of conflict that impede development and economic growth. In contrast, Bank strategy documents on country assistance (CAS, ISN or TSS) do not tend to duplicate such gaps. It is rarely the strategy (on paper) that is the problem. There are, however, reasons to question whether Bank operations are decided upon primarily in line with the country context (as described in the strategy document) or whether their direction and timing are determined by global, aggregate development orthodoxies. These are the paradigms of 'ownership', 'harmonisation' and 'alignment', which are sometimes nuanced by the 'Fragile States' focus on supporting 'effective and accountable states'. The paradigms sit within the umbrella aid effectiveness agenda set out in the 2005 Paris Declaration[48] which will be reviewed in Ghana in September 2008.

- **Alignment should not be rushed.**

There is no doubt that the Bank and IMF play a vital role in helping the world's poorest countries to address critical macro-economic and long-term economic issues. This may include efforts to prevent the collapse of a country's balance of payments account (for example in Burundi), to improve a government's ability to pay the salaries of the civil public sector and security services, or to build long-term national capacity to generate electricity to drive the economy (for example in Nepal). The instability that can be caused by serious financial shortfalls in these areas has to be avoided, and the existence of a capable government is one of the primary pillars of an effective democracy. The Bank certainly needs to dedicate significant financial and human resources to these tasks. To eliminate poverty in the long term, the goals of the Bank (and donor partners) should continue to include the embedding of state capacity and results-based, transparent budgeting, while increasing 'voice', inclusion and accountability.

The dilemma, however, is over what is realistic and necessary given defunct administrative structures, corrupt or faction-riven politics, and ongoing instability which may exist in the operating context. These issues mean that external actors cannot at any time take events and government commitments at their face value, and must not interpret the Paris Declaration too narrowly. In highly volatile political contexts, with very young or only nominally democratic traditions and institutions, the main question that must be asked is what does a political leadership committed to development look like, and what will it take to get it.[49] This is important as in many contexts, politicians and related officials may be primarily motivated to deliver short-term benefits to their networks in order to secure election support or to maintain their authority within a political grouping or (former) armed group.

While laudable on paper, anti-corruption rhetoric and investigations may actually be used to try to win political advantage and remove rivals and critics. For example, in Burundi, as attention turns to the 2010 elections and how to secure power, this seems already to have started happening in the allocation of central ministries (as between CNDD-FDD factions, Frodebu and Uprona) and in the politics of the communes. In the latter, 10 administrators were sacked in the first four months of 2007 for corruption, and a total of 20 were no longer in their posts as at May of that year. In this context, the arrival of external assistance into a country and how it is directed to certain localities can drive these manoeuvrings. Therefore decision-making must pay close attention to the politics in the communes and to the localities that governments select for assistance.

48 The Paris Declaration on Aid Effectiveness was agreed at a High Level Forum, February 28-March 2, 2005.

49 See the work of a consortium led by the Overseas Development Institute for the Advisory Board of Irish Aid, *Good governance, aid modalities and poverty reduction, 2008*. See http://www.odi.org.uk/pppg/politics_and_governance/what_we_do/Politics_aid/Governance_Aid_Poverty.html

In some contexts, the Bank's portfolio of activities manifests a certain incoherence between 'state-building' (in line with the Paris Declaration's alignment agenda and also the DAC Principles of Good International Engagement in Fragile States and Situations) and 'state avoidance' where such an approach is the only way to reach the poorest groups (and thus make a dent in the MDGs). Bank operations can end up fragmenting under competing corporate priorities (growth, state-building, poverty reduction) and under the contrasting approaches of different Task Teams. When different parts of the institution pursue the two approaches in the same context, this incoherence leads to opportunity costs in terms of impacts as well as a blurred message on what kinds of change the Bank is seeking to support. This is the case, for example, in Nepal in respect of the Poverty Alleviation Fund and the Rural Access Improvement and Decentralisation Project whereby, in some districts, each aim only to 'avoid duplication' with the other in the same districts.

The dilemma in Nepal: How to serve the poorest whilst working with government structures

In Nepal, there has been some tension within the donor community about how to meet the two long-term challenges of poverty reduction and building effective, resilient state structures.

The Bank has been caught between (i) pragmatism about what is actually feasible and the belief that 'the strength behind development is highly concentrated at the community level' and will be driven by community-based organisations (CBOS),[50] and (ii) adhering *now* to the long-term principle of channelling assistance through the public administration. The resulting multi-pronged approach has prompted questions with regard to the Bank's coherence and, more recently, for its appropriateness in a changing governance context. A number of the Bank's partners in the international community have perceived a failure on the part of the Bank to respect the principles of the Paris Declaration (regardless, it seems, on whether such an orthodoxy would be appropriate in Nepal's socio-political context). There is also disagreement over the best means of promoting long-term social mobilisation to insist on, and underpin, responsive and accountable state structures.

Pragmatic targeting of the poorest: The Poverty Alleviation Fund (PAF) project of the Bank is in line with the reasoning articulated in the 2007 ISN that 'much of the development effort must be built on community leadership'. It works by transferring money by the shortest route possible to the beneficiaries. It transfers money to local Nepal Commercial Bank branches from which funds can be accessed by two signatories. The result has been a rapid pace of project implementation. The target population (the very poorest) have sole entitlement to income-generation support, while the community as a whole decides on local infrastructure priorities with a view to ensuring benefits for all.

In line with the same emphasis in the Bank's 2007 ISN, the PAF is based on a long-term vision of the transformation and mobilisation necessary in Nepal in respect of its social capital, cohesion and the social contract between citizens and the State. It seeks to help communities to break out of traditional hierarchies by permitting only dalit, janajati and (poor) women representatives to hold the position of president of the community organisation. Community decision-making, supported by 'contracted' local NGOs, was separated from district and village council leaders in order to move away from the traditional dominance of these leaders and inject transparency into the process (District Development Committees—DDCs—and Village Development Committees—VDCs—are, though, kept informed of activities). On the economic side, the focus on improving access to economic opportunities has been motivated by the desire to help the poorest escape from the burdens of debts to money-lenders. Success in strengthening local economies would then allow the PAF to become a revolving fund as community income generation feeds back into the pot. In addition, the PAF secretariat (and the Bank team) has hopes that, on top of the three cycles of assistance provided through IDA, other bilateral donors will contribute finance to allow them to reach a larger number of beneficiaries.

50 IDA Interim Strategy Note for Nepal, World Bank, 22 January 2007, p. 3.

The PAF was agreed on in June 2004 and piloting began in six districts. Ultimately activities were slowed up in one of these (Pyuthan—a main locus of the Maoist insurgency) due to political/security problems there. The pilots were supplemented in a further 19 districts in November 2006. The project team considered there to be no time for a baseline survey of the six pilot districts, but such an assessment was made for the second phase areas. During the roll-out of the project activities, CPN-Maoist representatives took a close interest and even scrutinised the legal agreement. As of September 2007, there are 40 districts in the regular programme and, in the next fiscal year (2008/09), an additional 15 districts will be added in the regular programme. A further 20 districts would have access to support through the 'Pockets of Poverty' approach. (These 20 districts rank from 1 to 20 and are relatively better-off districts, though there remain pockets of poverty in those districts.)

Although chaired by the Prime Minister, in receipt of Bank (and some public funds) through the Treasury and in line with the 'inclusion' pillar of the Government's Tenth Plan for Poverty Reduction, the PAF has been criticised for being too detached from the new governance setting. This is because it is seen to operate only very loosely with formal governance structures and outside the government's budget framework (in reality, the PAF is formally *on* government's budget). It also functions under the authority of the Prime Minister's Office and, although its Board represents multiple interest groups, the PAF does not have the support of all the parties in the transitional cabinet. The PAF's supporters, however, believe strongly that, a shorter-term state-building objective for the PAF will not bring about MDG and social mobilisation impacts for the very poorest groups at which it is very specifically targeted. This reflects a lack of confidence in the ability or desire of government structures to deliver benefits to the poor.

As with most national civil society organisations, employment in the public administration is strongly influenced by the quality of a job candidate's Nepali at the Public Service Commission exams. At the most basic level, this language divide can create a gulf between staff and the poorest in local communities. Furthermore, local and district governance still suffers from political stasis and manoeuvring at the centre as well as from local tensions among competing groups/individuals. The PAF board itself took several months to be formed due to political wrangling. Moreover, the reality of national-to-local financial systems and accountability is that they are largely defunct, corrupt or subject to factional politics. International development rhetoric on the state-building agenda does not change the realities of service delivery in practice.

Pursuing the *state-building agenda*: Separate from the PAF in both geographic focus and in its more public administration-oriented approach, the Rural Access Improvement and Decentralisation Project (RAIDP) builds on the Nepal Rural Infrastructure project which ran from 1999 to 2003. It received the approval of the Board in August 2005. With activities in 20 districts (12 in the Terai and 8 in the hills) it has two components: (i) rural transport infrastructure improvement to improve access to markets and social services ($34.63 million), and (ii) capacity building and advisory services which include training and building skills of DDCs in financial management, project development, implementation and supervision as well as in enhancing the participation of communities ($7.31 million). While the total finance of about $42 million is primarily out of IDA, nearly a quarter is derived from Nepali government funds, with a contribution also from Switzerland's SDC ($2.1 million).

The RAIDP is more closely aligned to government systems and the international discourse on 'state-building'. The Ministry of Finance channels 100 percent of the funds to the DDCs, while the operating modalities for the project have been established on the basis of an agreement between the Ministry of Local Development's Department for Local Infrastructure and Agricultural Roads (DoLIDAR). Within that state entity, the project funded a project coordinator's office with a coordinator and four engineers and this became effective in 2005. In addition, a project consultant, resident engineer and social 'mobiliser' were recruited for each district, a process which took about three months. As agreed, the social mobilisers were tasked with supporting DDCs in facilitating consultation with communities, carrying out social screening, assisting in the formation of Road User Committees, helping in disseminating and communicating about the project to the wider communities, including the Maoists (during the insurgency) and other stakeholders. The Bank's team and the central project consultants provided training and technical backstopping.

Given the security situation at the time of the project preparation and appraisal, the Bank management raised its concerns about conflict risks in the project. It posed a number of questions about mitigation measures. Staff responded by stating that activities would move to other areas in the event of implementation problems. As the project has unfolded, the problems have lain in the regular explosion of local level violence, such as in Kapilbastu district in September 2007 and increasingly in the Terai in 2007 to early 2008 (during which time a member of the implementation team was murdered during a site visit). Difficulties have also come in the form of weak financial management at the district level, where officials are unwilling or unable to account for finance provided upfront through the Treasury budget out of RAIDP funds. As at October 2007, 18 percent of the money had been disbursed but only 12 percent has been formally accounted for in the official documentation.

In addition, the Bank has had to deal with regular changes in its state interlocutors not only at ministerial level (for example, the Maoist Minister for Local Development resigning on 18th September—though he later resumed in post) but also in the DOLIDAR project coordination unit where a third official is now in post as head of the PCU. In districts too there are constant changes in personnel, as well as damaging levels of absenteeism, both in technical units and at Local Development Officer level. Such was the gap that emerged between physical progress and the established targets that, in the autumn of 2007, the Bank was beginning to consider restructuring the project. Concerns have also emerged about the competence of the social mobilisers to deliver on their tasks (such as their familiarity in local languages other than Nepali and English, and/or their ability to work with local women and deal with entrenched gender inequality).

Lessons for the Bank: Many of these problems are ones common to all efforts to improve service delivery and the quality of infrastructure, and the Bank (like its bilateral donor counterparts) is acutely aware of them. Efforts are getting under way to address project obstacles as well as wider 'system' issues such as personnel turn-over and absenteeism, gender sensitivity and the incoherence/opportunity costs of multiple initiatives. What is, however, clear is that state-building in Nepal involves a much longer society-transforming process than merely investing in formal structures and systems of public administration, even if these are more easily measurable in terms of results. Given the complex issues of political economy and social relations in the country, locally and nationally, 'state capacity-building' relies on deeper levels of analysis for each major project. This analysis, moreover, should encompass, wherever relevant, not only local and national issues but also cross-border ones. To be properly adapted to the local context,[51] project activities require a huge investment in the labour-intensive process of social mobilisation and accompaniment at the *local* as well as national levels. They must not be limited to technical assistance to officials in the executive.

It is insufficient and inappropriate to rely on state actors to motivate and lead the process of changing the culture of power—or the 'way things are done'—in the country so that ordinary people are empowered within an 'open access' economy and society. Key decision-makers in central government may have little interest in, or leverage to bring about, such changes. The RAIDP experience shows that pressure applied at the local level (where beneficiaries are

51 See, for example, http://www.conflictsensitivity.org

informed as to the sources of the delays and blockages) can be successful in leveraging progress and makes the calibre, and accompaniment, of the 'social mobilisers' and lead consultant contractors all the more important. It also underlines the importance of a broader transformation of the 'culture of power' which lies behind the PAF.

- **An over-focus on the executive government may undermine progress.**

In the Bank's operating environments, the poorest often have no voice and no influence over decision-making. Chronically weak capacity, unjust power structures, corruption, as well as a history of exclusion constitute major obstacles to their access to economic opportunity and influence over political actors. The polity as a whole is 'fragile'. Whilst much attention has been devoted to the first half of the 'governance' equation, largely through a combination of technocratic state-building and (inconsistently applied) political pressure, still relatively little emphasis has been placed on the second half—fostering demand for better governance. Although the Bank's clients (the signatories to project agreements) are prescribed to be governments, much more needs to be done by the Bank on the demand side of the equation to foster a culture of 'active' citizenship.

Over time, the community of citizens, whether or not recognised by law or majority public perception (a significant issue, for example, in the DRC and Cote d'Ivoire), is the most important force that will ultimately counter the sectarian and exclusionary politics that often characterise fragile states. This can be promoted using the full range of development assistance interventions, from social service delivery to infrastructure, as well as through participatory processes of strategy development. In these processes, the Bank needs to provide and sustain more effective support to the full range of processes and mechanisms that can help transform the political culture from one of exclusion, discrimination and patronage into one of genuine participation. This applies to the Bank's project activities and sectoral areas of engagement.

Underpinning the peaceful roll-out of crucial reform—The coffee sector in Burundi

In Burundi political power is synonymous with control over economic resources. Politics cannot be delinked from competition between elites for control of the economic resources that come with state power. This dynamic has been a core aspect of successive cycles of violent conflict in the country. Reform of the mechanisms which enable and perpetuate elite control of economic resources and exclusion of the majority of the population, therefore, is a peacebuilding imperative.

With an estimated three quarters of the population growing coffee and up to 80 percent of Burundi's export revenues coming from it, Burundi relies more than any other African country on this commodity for state revenues. The country's government agreed to a coffee reform agenda following years of losses from the public purse from the mid 1990s onwards, due to falling world market prices and failing domestic production. A first round of reforms took place in the 1990s but full privatisation and liberalisation was blocked by the civil war that erupted in 1993. Following democratic elections in 2005, the reforms are back on the table. While controversial amongst certain INGOs,[52] privatisation of the coffee sector continues to be a key conditionality of the IMF for Burundi's access to the HIPC initiative.

From a long-term development perspective, the coffee sector is a logical entry point for addressing elite control of economic resources and popular participation in governance. The sector's micro- and macro-economic importance has meant that it has always been tightly controlled by the state and until recently no independent farmer cooperatives were permitted. Given that 'whoever controls the coffee controls the state and the power',[53] there are fears that unless the influence of farmers is strengthened and transparency in the sector as a whole is

52 See, for example, the article in the Guardian newspaper of 14 April, 2008: http://www.guardian.co.uk/world/2008/apr/14/debtrelief.internationalaidanddevelopment/print

53 Interview by International Alert with the director of a private coffee factory, September 2004.

improved, privatisation may simply entrench monopolistic control by a small group with close links to the state. In addition, the sector is the scene of intense rivalry for which ethnic or regional cleavages are manipulated for self-interested gain. With vested interests under threat, different groups positioning themselves to get a share, and in the light of Burundi's recent violent past, the reform risks driving tensions and destabilising Burundi's fragile transition.
In the reform process, the coffee-grower associations,[54] including the national confederation, are crucial to the effort to move away from the entrenched interests of the central bureaucracy and other private economic agents. However, they risk losing legitimacy with members just as this is most needed, as a result of manipulation and lack of capacity. There is no shortage of opponents to discredit the movement and without support to allow these stakeholders to meet even the most basic expectations, the reform risks failure. The development of their capacity is, therefore, an urgent issue not just to achieve social justice aims which are crucial to consolidating peace, but also in order to ensure the economic success of the reforms by increasing farmers' motivation to grow sufficient quantities of high-quality coffee, to reduce poverty in rural areas and improve the macro-economy of the state. If the reforms fail it would spell disaster for the estimated 800,000 families that rely on coffee for cash income as well as for the fragile Burundian economy as a whole.

The extent to which the Bank's senior management is alert to the sensitivities of the process is an ongoing concern. Although the frequency of IMF and Bank supervision missions (and now the presence of an IMF official resident in country) is positively seen, concerns about the arrangements (and differing expectations) between the various stakeholders and the Bank remain. Considering the economic and political sensitivities of the coffee-sector reforms, which are in large part driven by the IFIs and certain national reformers, the Bank has a practical as well as a moral responsibility to provide adequate support for the process, which should include a focal point person for coffee-sector reforms based in-country. The context *has* to be the starting point, and the timetable should be determined by the realities of capacity, both of the government and other actors including farmers' organisations. The Bank should provide funding for strengthening coffee farmer organisations, apart from the micro-credit that is provided to rural associations generally (but not coffee associations specifically) by the Bank-funded project PRASAB.[55] Its political engagement in this process will also be an important supplement to its technical inputs.

Issue 3: Matching human resources to operational realities

Over the last few years, there have been significant improvements in the Bank's deployment of its human resources, and this effort is ongoing. Operations have been substantially decentralised to field offices and these have been strengthened with the recruitment of local staff who naturally have a closer understanding of the traditions and dynamics of the country (though this does carry certain disadvantages in terms of instinctive biases as well as particular opinions and ideas). It is welcome, for example, that a francophone African expert with military experience is *in situ* in Bujumbura to try to keep track of the Multi-Country Demobilisation and Reintegration Program (MDRP) process in Burundi (See Annex 2).[56] Similarly in Sri Lanka and Nepal, the presence of expert national economists and social scientists in the Bank office has helped the Bank negotiate its way through complicated and delicate reform processes.

54 Around 60,000 farmers out of a total 600,000–800,000 are members of associations that are linked together in a system of unions, regional federations and a newly established national confederation. As part of a state-instigated drive for 'relance caféière' the associations took over the role previously performed by state-employed agricultural instructors, organising collection and transport of berries and mobilising farmers for every step of the agricultural cycle. The Conféderation Nationale des Associations des Caféiculteurs (CNAC) established in March 2004 constitutes the farmers' first national advocacy and lobbying forum.

55 Projet d'Appui à la Rélance du Secteur Agricole au Burundi is a $35 million project agreed by the World Bank Board of Directors in 2005.

56 The estimated cost to complete regional activities supported by the MDRP is about $560 million (excluding bilateral support). 13 bilateral donors have made discrete contributions to the programme amounting to approximately $242 million to an MDRP trust fund. The Bank has put in $190 million from IDA, with another $50 million currently being processed. See the *MDRP Fact Sheet*, October 2007 at http://www.mdrp.org/PDFs/MDRP_fact_sheet_0607.pdf

The 'supply' aspect of decision-making: Sectoral task teams and the country office

Some of the Bank's difficulties in operating more effectively in the most difficult settings derive from its working practices which can impinge on its abilities to accommodate different views and act on analyses that reflect a range of perspectives. Inadvertently, perhaps, the Bank's internal system encourages the formation of 'rival' teams who have to compete for access to country strategy decision-making and the funding allocated to countries and sectors. 'Operational' travel, for example, to countries from headquarters depends on the budget for these 'work programmes' for each unit (e.g., Social Development in the South Asia Vice Presidency, Human Development in the Africa Vice Presidency, etc.). Depending on the position taken by the country director, project portfolios can risk being overly *supply-driven*: activities are developed by individual teams or departments in silos, often thousands of miles away (in DC) from the implementing context. Specialist staff compete for the in-country 'space' to design discrete projects in their particular area and secure funds for their work. For example, officials experienced in infrastructure stick to infrastructure, social development experts pursue 'bottom-up' projects and public sector officers concentrate on relevant policies, structures, laws and regulations. Sometimes, technical experts (for example, on intra-district and inter-district roads) do not collaborate closely, even though their projects are closely inter-related. Sometimes, too, there may be significant disparities in country expertise within the same thematic team of a regional Vice Presidency.

While projects are formulated, reviewed and taken forward by Task Teams (made up of staff with different but relevant areas of expertise), it is ultimately the country director (an individual who may be responsible for three or four countries), the country manager (where relevant) and the 'front desk of country teams' that are most pivotal in leading and deciding the overall strategy for the Bank's engagement and filtering what activities should be prioritised and funded by it. The country director will determine whether and how activities are pulled together into a coherent, mutually reinforcing whole, whether they are appropriate to the context, and whether conflict drivers and dynamics are properly factored into programming design and implementation. The country director and the 'front desk' must also act as the primary 'check' on supply-driven demands from headquarters, and try to ensure that the make-up of their country team is best adapted to the context.

The challenge remains to better integrate Washington-based, region-based and country-based officials and empower those closest to the country dynamics (within the regional context). A related gap is the degree to which country directors and sector managers are held accountable for integrating lessons learned in other countries or regions when addressing such issues. Does a tendency towards country 'silos' mean that new Country Directors and Task Team Leaders (TTLs) occasionally, and unnecessarily, repeat old mistakes?

- **Work in fragile states is expert labour intensive.**

Improvements in the Bank's human resources are under way. As these efforts continue, it will be essential for Bank management and donor partners to focus on three elements simultaneously (and NOT simply to concentrate on numbers of decentralised staff *per se*):

a) Staff numbers and turn-over;
b) The impact of staff location on decision-making, and the related issue of the Bank's mission culture; and
c) The range of expertise amongst staff in terms of their ability together to:
    i) Make their activities coherent and mutually reinforcing, **and**
    ii) Ensure that thematic lessons are learnt across different contexts.

These elements need to be taken together because quality outcomes in fragile settings, even more than in 'good performer' countries, are 'expert labour intensive'. Currently where Bank activities are approached more collaboratively and with greater sensitivity to the fragile context, it is largely *ad hoc*, on the initiative of individual personalities, or alliances of individuals, within the Bank. More conflict-sensitive engagement may also occur when the Bank finds itself under pressure from certain bilateral donor partners who are alert to the issues and feels it has to respond. In Nepal, for example, tensions between the Bank and bilateral donors in 2005-2006 over the Bank's (lack of) attention to conflict dynamics resulted in short-term deployments of Bank experts and consultants to Kathmandu. In Sri Lanka, Finland and then Sweden assisted with additional human (and thus financial) resources for discrete, short-term conflict-related expertise in the country mission. (It needs to be noted, however, that there may be cases such as in Iraq in 2003 when pressure from bilateral members may be best resisted.)

The 'ad hoc' nature of the efforts to improve the conflict-sensitivity of the Bank's activities raises an extremely important related issue of *how* the Bank and bilateral donors can work together more effectively—combining their relative strengths and mandates to deliver mutually reinforcing activities for sustainable peace. Particular challenges include:

a) ***Bank staff numbers and turn-over***

From some quarters in the Bank (supported by DFID and certain other bilateral donors), there are welcome efforts to improve incentives for staff to work in such countries and reduce staff turn-over. However, senior management and, indirectly, IDA donors sometimes apply pressure for country teams to meet spending targets (measured by the quantity of disbursements) or otherwise face a reduction in the funding available from the administrative budget. This defies the lessons of experience in dozens of countries. Indeed a Bank Fragile States unit publication in 2005 emphasised that the Bank's attempts to engage with fragile states '...Will only work if the Bank is willing to engage in the... reinforcement of organizational capacities necessary to deliver results'. If the Bank wants to attract and retain ambitious and good managers and staff to handle these complex situations, special incentives need to be put in place. It is very welcome that OPCS is mobilising the Bank to address this and to which leading contributors to IDA are also focussing attention on. The principle of increasing staff appears to have been accepted at the very highest levels within the Bank (although the expertise of those recruited needs careful scrutiny—see below).

The ongoing and increasing attention to staff incentives to work in fragile settings may help to improve a recurring issue for the Bank's human resources. Inevitable difficulties flow from the fact that, given the long duration of project formulation and implementation, staff move on during the lifetime of their assigned task. The Community and Social Development Project in Burundi (PRADECS), for example, saw the TTL who led the project design move on to a different post in the Africa division almost before any project activities began. The MDRP has had three different programme managers during the first two and a half years. This is far from ideal given the need for senior, experienced individuals to deal effectively with highly volatile operational realities. An extensive review of Multi-donor Trust Funds (including the MDRP) found that the changes in MDRP management over the period are felt to have been disruptive, in particular to some of the dialogues with national authorities (not helped also given regular power shifts and changes in government during that period).[57]

A high degree of staff turn-over can prompt concerns about the accountability of staff. Given the complexities of actually delivering effective outcomes in such a politically-charged local and national context, the hand-over of a *pre-defined* project to a new staff member could become a major burden on whoever takes up the responsibility. There is great variability from case to case but it would be unfortunate if credit for the (size of the) original financial commitment, and for obtaining the agreement of senior management and the Board, went to the staff member who has

57 Scanteam/Norway Review of Multi-Donor Trust Funds for Reconstruction, February–December 2006 commissioned by the World Bank, Norwegian Ministry of Foreign Affairs and Norwegian Agency for Development Cooperation (Norad). The draft report was discussed at an international conference in Hague on 7–8 December 2007 hosted by the Netherlands Ministry of Foreign Affairs. *Review of post-crisis multi-donor trust funds*, Final Report published in February 2007.

not had to deal with the very real complexities of implementation. In the same way, an official who has not him or herself designed the programme and built the initial relationships would be hard done by if operational realities prevented the smooth disbursement of the committed funds.

b) *The importance of staff location for decision-making and project accompaniment*

Although difficulties with project *delivery* are most often derived from exogenous factors (particularly insecurity) and cannot be over-stated, there are instances where the location of Bank staff relative to the implementation environment is not helpful. There are obviously good reasons for concentrating staff with certain expertise in regional centres and allocating responsibility for certain types of decisions upon them. However, it needs to be questioned whether it is right for the Chief Economist for Eritrea to have been based not in the country office in Asmara but in Nairobi (although where this arrangement is due to responsibilities in more than one country – as now – it makes more sense). Similarly, it seems a strange system that combines decision-making responsibility for Cameroonian and Burundian projects (such as the $26 million Economic Management Support Grant in Burundi) in the hands of an official based in Yaounde or that the Country Economist for the Central African Republic is accountable to two people: one in DC and one in-country, leading to blurred lines of authority and accountability. This may manage to work much of the time where the *human* inter-relationships are right, but the need remains to adjust the *system*. For example, where the travel schedule of that official delays important decision-making (including for a 'non-objection'), the Bank should rethink how the structure of decision-making on project activities should operate.

Progress but not there yet—Staffing the MDRP

The MDRP secretariat was set up with a presence in the field but with MDRP management in Washington. The programme fund was established in April 2002 and the initial administrative budget became available in July. One staff member and one consultant were almost immediately in the field, and two more were in place by September. Then four additional technical staff members were recruited and largely in place by year end.

In Burundi, like other fragile contexts, where governance and structures are weak and often highly informalised, personal relations are critical and it has been vital to follow the politics because it overshadows the technical issues (and often is the cause of them). To some extent, the Bank moved to address this problem mid-project by locating managing staff to Kampala to cover Uganda and to Addis Ababa to manage Burundi and Rwanda.

The importance of staff presence for the delicate negotiation of highly complex ex-combatant-related issues is indicated by the amount of time which the Bank MDRP official responsible for Burundi spent in the country in 2003–2005—at least 150 days per year. Some continuity in the team on the Bank side was also ensured despite staff changes in 2006. In addition, technical assistance on procurement and reintegration has also been provided by the MDRP for the Executive Secretariat for the national programme. However, for the reintegration phase which is no less critical and receives less attention, the staffing presence dropped off—in terms of numbers and missions. Relative to the size of the MDRP Secretariat, the geographical scope has remained too wide and burdensome to follow sufficiently closely the underlying drivers of progress and regression.

A comprehensive study of Multi-donor Trust Funds, led by Scanteam,[58] reported that MDRP

58 The *Review of post-crisis Multi-Donor Trust Funds*, Norad (2007), was prepared by Scanteam/Norway. The review was commissioned by the World Bank, Norwegian Ministry of Foreign Affairs and Norwegian Agency for Development Cooperation (Norad). It was conducted also in cooperation with the Canadian International Development Agency (CIDA), Netherlands Ministry of Foreign Affairs and UK Department for International Development (DFID). The study covered Iraq, Indonesia, Sudan, Greater Great Lakes (MDRP), Afghanistan, Timor-Leste, West Bank and Gaza, Sierra Leone and Sri Lanka. Findings relating to the functioning of these funds and the efficiency of disbursements under them were discussed at a conference held in the Hague on 7–8 December 2006. The Final Report was completed in February 2007. See http://www.worldbank.org/rmc/cofdr/MDTFReportExecSum.pdf

staff felt it was more important to have management based in Washington, since the important policy decisions are taken there. It was considered easier to provide overall management to a dispersed regional programme from a more 'neutral' city outside the region. Since the experience of the MDTFs, including the MDRP, is that they receive little attention by senior management, which is more focused on the normal lending portfolios of the Bank, it was considered necessary to remain as visible and close to management as possible.

This situation holds interesting lessons: (i) the usefulness of deploying project officers early and having the funds available to do so; and (ii) the ongoing belief that 'power' (and perhaps promotion prospects) within the institution reside in Washington. Yet the quality of operations can be undermined where the level of political engagement on the ground is insufficient or ill-adapted to the complexities of the activities. Washington-based management may make sense in terms of getting the funds out of the door, but it poses significant problems in ensuring effective implementation.

One of the most awkward issues for the Bank's operations in-country is the mission culture. The Bank faces a dilemma on this score as this 'culture' has the advantage of encouraging governments to assume ownership and responsibility for implementation, whereas bigger Bank teams on the ground might be tempted to take hold of the steering wheel themselves. However, the 'mission' approach presents two equally fundamental problems. Firstly, the arrival of colleagues or a ranking manager from Washington or a Bank regional hub adds to the work load of country staff. Just as the Paris Declaration's harmonisation agenda is trying to cut down on the close sequence of visits from donor capitals, development institutions need to minimise the 'internal' diversions from project implementation. This is particularly important because the realities of this implementation demand unceasing attention not only to technical issues but to 'human' (cultural/psychosocial) as well as political dimensions of problems—the second reason why the 'mission culture' needs to be rethought.

In fragile and conflict-affected contexts, dominated as they are by personality politics and informal power dynamics, relatively infrequent, short missions from key headquarters-based decision makers are fundamentally insufficient for ensuring effective, sustained outcomes for beneficiaries. Such missions may be limited to capitals and last just a few days, or they may be a little longer if there is a trip out to provincial areas from the capital. Nonetheless, these district supervision visits try to cover too many localities in too short a period of time. (A Roads Sector Support project mission in Nepal at the start of 2008, for example, sought to cover six mountainous and difficult-to-access districts in 10 days). There are some notable and laudable examples of the contrary such as those engaging on water and sanitation issues in Nepal, in negotiating Demobilisation and Reintegration in Burundi in 2003–4, and in a reconstruction project initiated in north-eastern areas of Sri Lanka following the tsunami of December 2004.

Local problems which a mission from DC will struggle to resolve—The RAIDP in Nepal

The Bank must be given credit for initiating a project that seeks to deliver local infrastructure, social mobilisation and state capacity-building outcomes in a country desperately in need of all three. It also has a Nepali project officer in Kathmandu who has the technical competence to deal with project implementation issues on a daily basis, while developing ideas and plans for developing the transport sector as a whole. As outlined in Section 4 Issue 2 above, however, these tasks do not concern only technical infrastructure construction issues. They constantly evolve in a shifting security environment as well as political setting, in which various members of the elite constantly move between decision-making positions within the multiparty ministerial system, within civil service structures, and also within the political parties vying for power. Since the beginning of the RAIDP project, for example, there have been several different Ministers of Local Development and a similar rapidity in staff turn-over among the Bank's interlocutors in the civil service. (This is a problem that has also affected the Public Works and Employment Creation project in Burundi which has seen the implementing agency go through three different directors after the Bank expressed concern about the first two.) Each time there is a change in a government counterpart, the project is set back a step.

In such circumstances, common in fragile and conflict-affected settings, the 'mission' model of the Bank is questionable. At a time of tense political negotiation in the capital and of proliferating popular movements locally, intermittent and relatively short visits by the project task team leader based in Washington is not likely to be sufficient to deal with political issues and scrutiny of contractors (nationally and in districts), which ultimately determine the quality and speed of project delivery. As with the Bank's engagement on macro-issues, and notwithstanding the diligence of task team members, much more time needs to be spent on disaggregating local implementation issues, bringing the relevant parties into the process and working through design and implementation issues with them. It is welcome that this is an area being given increased attention by the Bank, but much more can be done.

c) ***The range of expertise amongst staff***

Despite the laudable efforts of certain Bank units in the regional and thematic Vice Presidencies, the overriding impression of the institution as a whole is that economics is the dominant lens through which to understand and respond to the development process. This is driven by adherence to what the former World Bank official, Paul Collier, has called the 'central economic truth':

> *...Where some may argue 'the "central conservative truth" that culture is decisive, this is trumped by the "central liberal truth" that culture can be changed by government action... [which in turn is] hard to distinguish from what we might term the "central economic truth": if the economy develops, the culture (and, consequently, the institutions) will come along'.*[59]

This is both cause and consequence of the Bank's institutional 'culture' (see section below on 'defining effectiveness'). The dominance of this 'lens' restricts what is studied. It delimits how these issues are analysed and, thereby 'offers clients an unnecessarily narrow menu of policy options and strategies'.[60] The Bank has already begun to recognise that political and economic institutions matter, but, as noted above, it has not yet moved far in dealing with the concomitant complexities that are reflected in the way such institutions work. This has fundamental implications for the current discussions on human resources.

The Bank has made substantial improvements in staffing its field offices and performs better than many bilateral donors in recruiting national staff to its country office. On the whole, however, constraints in the system for deciding the administrative budget mode continue to impede the Bank's ability to account for, and respond to, constantly shifting power dynamics and engage in the kind of cross-faction dialogue that is needed to ensure equitable outcomes. Given the sums of money that the Bank is seeking to disburse in very difficult governance environments (where infrastructure is also very poor), the lack of presence in the right numbers, in the right disciplines and at the right level reduces the ability of the Bank to serve as a 'change agent' in that context. Staffing improvements are not only a matter of quantity. The multidisciplinary range and quality of staff is also fundamentally important.

As with the international aid system as a whole, it seems nonsensical to commit to a year-on-year reduction in the administrative budget (i.e., staff resources) where the spending of greater

59 Collier, P. (2007). For richer and for poorer, *Prospect* magazine, June 2007, Issue 135.
60 Rao and Woolcock (2007).

amounts of money is increasing the risks of subverted or failed results. Similarly, the 'flat' regional allocation system (which sees, for example, one country office's administrative budget fall if another office in the same region is allocated a rise, and the rest of the region remains the same) undermines a country director's desire to staff his/her office according to the needs. A request, for example, to have more staff in place to oversee projects and accompany implementers in highly complex environments might lead to damaging relations with Bank counterparts in the region who would lose staff resources as a result.

More effective collaboration between Bank and bilateral donors

A simultaneous need, also already emphasised by the Bank's Fragile States team, has been for stronger international partnerships—with bilateral donors as well with the UN and other development banks. Improved collaboration would mitigate the fact that, ultimately, an institution with such an extensive agenda will never have enough staff. Sometimes, unfortunately, the collaboration on each side is limited to 'information sharing'. Regarding the Bank, this was the case in Nepal where engagement with bilateral and multilateral partners in the strategy preparation process for the 2007 ISN was limited to 'presentation workshops' and some background work on priorities and scenarios by a former Bank official contracted to help out in the process. Some bilateral donors contributed comments at the Board level in Washington, but they felt that there was a lack of consultation on the process itself. This same tendency can also be true on the part of bilaterals. It may, in fact, be one sign of a larger issue—that is, the extent to which international donor partners systematically harmonise their country strategies.[61] In any event, improved coordination begins with openness and a desire to engage, as has been happening in recent months in Nepal.

The Sri Lanka case is also instructive in what it implies about digging below a 'surface' level collaboration for more effective 'peacebuilding'. There has been both good and poor intercommunication between donors and the Bank in recent years. On the one hand, the emergence of a 'Donor Support and Coordination Group' (DSCG) has seen the Bank house a coordinator in its office as a contribution to a wider donor effort to engage more effectively in peacebuilding assistance. Also, the Bank, for many months around 2005, chaired the development group of 'traditional' donors, provided a strong public profile for its MDG-focused efforts and, in line with these other external actors, showed concern on a regular basis that these improvements be brought to all parts of the country. However, on the other hand, during the 2007 preparatory phase of the Bank's own strategy, some bilateral missions felt they were unnecessarily in the dark about what was being considered and planned. In addition, while 'housed' in the Bank, the DCSG coordinator is not able to speak for the Bank. Lacking the status of 'staff member', the influence of this position is constrained.

More systematic collaboration and mutually reinforcing work between Bank and donors may also come through innovative partnership models. These can leverage additional (and more explicit) attention to political economy issues and accompaniment to political processes. In the wider Great Lakes region, notwithstanding huge problems in the programme's implementation (notably in the DRC),[62] the process leading up to the establishment of the MDRP (containing IDA and multi-donor funds) has been considered to be progressive, given the wide range of actors, agendas and objective challenges on the ground. The close involvement of bilateral donor interlocutors meant the Bank had not only the required 'buy-in' from the funders, but also has been able to call upon them to adapt timeframes and enter political dialogue where necessary. Regular interaction through joint missions and partner meetings can work particularly well in bringing the explicitly political voice and influence of the bilaterals to the table where such pressure needs to be applied. This has been the case in 2007 in the DRC, assisted by the committed interest of certain ambassadors (such as the UK's) in assisting the process and the close support of experienced bilateral experts in the Bank-managed process. However, notwithstanding the positive

61 An emerging EU pilot in Burundi and Haiti will be instructive in this regard.

62 See, for example, *Opportunities and constraints for the disarmament & repatriation of the FDLR, FNL and ADF/NALU in the DRC*, Hans Romkema, Conflict and Transition Consultancies for the World Bank (June 2007). See http://www.mdrp.org/PDFs/MDRP_DRC_COFS_Study.pdf

impacts of this kind of collaboration, the Bank must not rely upon discrete supplementary administrative resources for such work. Senior management and IDA donors must ensure sufficient resources in the project's/country's IDA administrative budget.

A model for closer collaboration—The MDRP

Even if the MDRP has encountered enormous operational difficulties, particularly in the DRC, the Bank/donor mechanisms for collaboration and partnership in the programme is a welcome innovation which need not be limited to a multi-donor trust fund. Bilateral donor partners are closely involved in supervision of implementation and regular discussion of immediate challenges, impending scenarios and lessons being learned. Moreover, in the early stages of constructing the programme they urged and supported the Bank to reserve a portion of the multi-donor fund for higher levels of staffing than would normally be the case for an IDA-only project. This allowed the Bank to deploy additional MDRP staff to the field to work with bilateral officials and partners in the highly political and technical negotiations on the modalities and expenditures necessary for demobilisation, reinsertion and reintegration.

An important mechanism is the Joint Supervision Mission (JSM) to which government DDR agencies and all MDRP partners are invited to participate. The country reports, which are attached to the main report as country annexes, include performance assessments against 10 basic indicators. The first JSM took place September–October 2002 and these missions have taken place annually since 2002. In addition, the MDRP Secretariat undertakes regular Implementation Support Missions that monitor the technical performance of national programmes and special projects. Most of the staff on these missions are from the MDRP Secretariat, though individual missions always involve local partners and often external ones for the more sensitive programmes. There were over 30 such missions between 2002 and 2006.[63] The benefit of this type of systematic collaboration is that it allows the Bank to draw on the more political 'voice' of donor partners where such pressure can, and needs to, be explicit. For example, MDRP's Joint Partner Mission of 2004 was a key factor in breaking the deadlock among Burundi's different conflict parties over the terms for military integration, thus allowing demobilisation to get under way.

On their side, bilateral donors also need to rethink their own staffing in order to achieve more mutually reinforcing activities with the Bank. This is because, very often, bilateral donors who themselves are heavily engaged in particular contexts are not able to provide substantive inputs on Bank project and strategy documents that come before the Board. Bilateral teams in headquarters and those located in field offices may be unaware of the details of multilateral plans and approval processes. In Washington DC, officials in bilateral representations to the World Bank may be under the same kind of time pressures which limit their ability to investigate how well the Bank's strategies and projects fit with country realities and the work of their own agencies. In some cases, staff in Washington DC may not have the right experience to do this effectively, having been posted from a Treasury or Economics ministry. This point has been emphasised in the UK Parliament's International Development Committee (IDC) in its report on DFID and the World Bank.[64]

Issue 4: Defining effectiveness

The way results are defined has a profound impact on Bank processes, outputs and outcomes. This is what determines staff incentives. Yet the key question concerns the impact of the Bank's internal set-up and external relationships on decision-making. Are operational choices and delivery modalities determined by the 'supply' end of the relationship rather than 'taking the context' as the starting point for determining the timeframe and modalities of disbursement and delivery?

63 See *Review of Post-Crisis Multi-Donor Trust Funds*, Norad (2007).
64 House of Commons International Development Committee, *DFID and the World Bank,* Sixth Report of Session 2007–08, Volume I Report: p. 47.

- **Is efficiency conflated with effectiveness?**

The primary discourse of the international aid system centres on absolute levels of development spending. The Bank is both a driver and a 'victim' of this discourse. Bank-commissioned as well as bilaterally produced research on resource allocations to Fragile States, for example, reflects this concern on how much money can be levered out of the donor aid system. Work by Dollar and Levin has stressed that many fragile states and other low-income countries—countries they call the 'aid orphans'—receive about 40 percent less aid than they can, according to these international experts, absorb—primarily because of the disproportionately low flows from bilateral donors. Many recent studies on assistance in fragile settings have focused on the quantities and efficiency of disbursements.[65] Likewise the MDTF 2006 review by Scanteam/Norway focused on the efficiency of spending. The pressure to *spend*, therefore can be seen to be flowing from the Bank's internal culture and also from external pressure from some bilateral donors.

As an institution where staff can use the Articles of Agreement as a rationale for a purely 'economic' approach to development financing, the Bank is most exposed to the risk that the absolute *quantity* of disbursements becomes the benchmark by which 'success' is measured. Even if the practice was supposed to have ended long ago, the suspicion remains that the Bank (as with other donors) is affected by a culture that gives officials incentives to design programmes that are as large as conceivably possible in spending terms. This is how 'performance' is most easily measured. The evidence, it should be noted, is largely anecdotal and it is certainly true that recipient countries have immense needs for development assistance. Nonetheless, there are reasons to question from where the pressure to spend is coming from. For example, a major motivation for the new Framework for Rapid Bank Response to Crises and Emergencies (OP 8.00) seems to be how to deal with the Bank's internal 'crisis' where its rules and regulations prevent money from getting out the door. Moreover, there is a fundamental difference between, on the one hand, the *need* to receive assistance and, on the other hand, whether sustainable improvements will actually accrue to the poor in the event that more money is forthcoming.

Some of the pressure to spend *per se* is due to the fact that actual lending on per capita terms is correlated with performance levels and the combined rating is scaled up or down depending on the strength of the country's 'performance'. The Bank also has a 'three ticks' system for project disbursement so that slow disbursement is flagged to senior management, with possible negative consequences for the task managers involved. The way that the Bank, institution-wide, assesses the performance of the country portfolio is manifested in the 'Results-Based' Country Assistance Strategies and in annual Status of Project Execution (SOPE) and 'Country Portfolio Performance Reviews' documents. The emphasis of these 'assessment' documents is on tracking expenditure and attaining the pre-determined disbursement targets. This is the thrust also of the Annual Review of Portfolio Performance (APPR), which summarises how well regions are performing on 'Development Outcomes' (as the term is used by the Bank). From this, it can be considered whether, for individual Country Directors and Sector Heads as well as Project TTLs, a reduction in the Bank's spending can risk prompting questions, and perhaps criticism from more senior Bank staff and certain members of the Board (and a reduction in the IDA budget made available to the country or sector—see the section above on human resources).

On the bilateral donor side, 'supply-driven' agendas on levels of aid are underpinned by the political interests of politicians (and some senior civil servants) who have committed to certain spending targets by certain dates. The fact that these aid targets are spilling over into multilateral development institutions is evident in the recent increased commitments to IDA15. The UK's

65 This can be seen in generic papers such as that commissioned in 2006 by the OECD DAC Fragile States Group on resource flows and in country-specific ones such as the one in 2007 written by Mick Foster on *Aid Instruments for DFID Nepal*. Specifically on the Bank, recently commissioned work on allocations includes that by the Overseas Development Institute for Germany's Development Cooperation Ministry, BMZ, and by the Dutch Institute for Foreign Affairs (Clingendael) for the Foreign Ministry in the Hague.

commitment has risen by 49 percent, France by 34 percent, United States by 30 percent, Germany by 21 percent, etc.[66] There is clearly and understandably a desire to proclaim greater spending, but a causal and corresponding link between expenditure and better (and lasting) outcomes has yet to be sufficiently established.

In the absence of evidence to show that the 'results' as currently measured convert to qualitative and sustainable outcomes for beneficiary societies over time, the suspicion will remain that development professionals are incentivised to focus on the *endogenous* factors of a 'successful' project. Although there can be no doubting the constraints that regional, national and local dynamics (and in security) can have on development activities, this concern extends to whether such professionals then underplay the exogenous issues which, in fact, largely determine the quality of outcomes over time for the country's societies (for example, over coffee-sector reform in Burundi). Yet the fact that these are much harder to measure should not diminish how much attention is paid to them.

The argument that a qualitative approach must complement a quantitative one is strengthened by the realities of data availability and collection in fragile countries. The collection process for this data can itself be flawed (or, as in Nepal or Sri Lanka, cannot be conducted or relied upon for large geographic areas for reasons of inaccessibility or weak governance). 'Results' are recorded on the basis of technical statistical measurements that largely do not articulate issues of spatial, gender or identity group distribution. It is particularly welcome, therefore, that the Bank has made significant progress in emphasising issues of 'uneven development' and 'exclusion'. Its recent discourse in Nepal and Sri Lanka, as well as the planned 'spatial disparities' focus of the 2009 World Development Report (WDR), exemplify this shift. It is also welcome that certain 'Corporate Advocacy Priorities', such as 'Empowerment, Security and Social Inclusion', are now available for staff to pay attention to the human dimensions of economic development. Substantial Bank investments in community development projects such as the Poverty Alleviation Fund in Nepal are now seeking to address these broader development goals. It remains to be seen, however, whether this kind of attention will convert into system-wide Bank practice, particularly in the approaches driven by staff in the PREM Vice Presidency.

Quality control

The Bank has a highly professional system of project review (through the Quality at Entry process and the Quality Assurance Group—see Annex 1) and evaluation (through the Independent Evaluation Group). However, these processes do not as yet provide adequate incentives for staff to 'take context as the starting point' (as well as adapt to it as dynamics change). This is because 'quality' reviews and ex-post evaluations are carried out on the basis of the pre-specified project objectives and not 'outcome' needs as determined by the evolving situation on the ground. Country team and individual Bank employees are ultimately monitored and evaluated based on their ability to implement the programme that is proposed in the project formulation documents. Where there *are* operational problems, and despite knowledge being generated by individual Bank staff members, the Bank's institutional discourse emphasises *symptoms* such as corruption and fraud rather than the contextual (political economy, cultural—'rules of the game') factors that drive them:

> *'A review of the Portfolio Improvement Program (PIP) shows that the PIP is successful in highlighting problems, but more attention is needed to resolving them after their identification. To improve portfolio results, more attention is also needed to corruption and fraud problems in Bank-supported projects implemented by Bank's borrowers. Detailed implementation reviews focused on fiduciary aspects have been piloted in cooperation with Bank's Institutional Integrity (INT) Department and they show good results in identifying corruption and fraud problems'*.[67]

66 UK House of Commons, International Development Committee enquiry on DFID and the World Bank: Uncorrected transcript of Oral Evidence given by Witnesses: Baroness Vadera, a Member of the House of Lords, Parliamentary Under Secretary of State for International Development, 10 January 2008.

67 *Annual report on portfolio performance*, FY 2005, February 2, 2006, Volume 1 – Main Report page iii, Quality Assurance Group, World Bank.

There is a danger, which must be avoided, that increased 'quality control' in the country-level formulation and implementation will come in the form of additional layers of requirements from headquarters. Many field office staff already feel over-burdened by internal procedures and there are concerns that these officials are therefore distracted from project implementation. Therefore, while the processes need to motivate staff to consider psycho-social issues and political economy dynamics (as argued above), their integration into standard procedures needs to be part of a wider review of monitoring and review. Such a review will help determine how to rationalise the layers of procedural tasks in order to reduce the bureaucratic burden.

- **There are the right and wrong kinds of risks.**

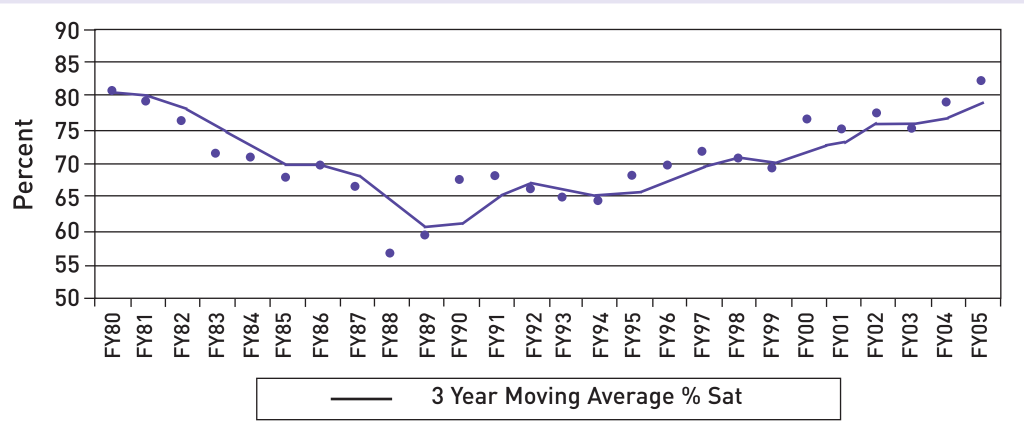
The spending incentives of the 'super-charged' aid system raise a number of related concerns about decision-making on risk. These include whether, in fragile and conflict-affected contexts, the Bank's institutional 'performance' criteria will push it towards sectors and areas where there is less risk of disbursement problems and greater likelihood of prodding MDG statistics across headline thresholds. Such pressure comes also from the way that assessments of future funding allocations are made, in that 'country performance' assessment also takes into account the performance of the country's active project portfolio performance. In 2005, for example, the Annual Review of Portfolio Performance, in assessing 'Development Outcomes' stated that:

Most regions are managing risk by limiting the size of risky projects either through lower initial loan amounts for risky projects, or through later restructurings and cancellations if performance problems develop and persist. This is reflected in disbursement weighted Development Outcome performance, which is now about 80 percent satisfactory for both AFR (Africa division) and MNA (Middle East and North Africa), and the trend shows improvements.[68]

The question, of course, is whether an institution which prioritises the broad-brush, quantitative issues like growth and underplays the importance of people-centred social development makes the 'right' judgment about 'Development Outcomes' and whether they are satisfactory or not. It may well be, in fact, that the right 'outcome' actually demands the taking of risks in difficult geographic and thematic areas and a slower, longer, incremental and staff-intensive period of disbursement. It may also be that, instead of considering moving resources into 'better performing areas' (as is being considered with Nepal's Rural Access Improvement and Decentralisation in the face of regular local violence in the Terai lowlands and poor district-level financial management), *more* resources (human and financial) should be allocated to riskier areas to obtain higher quality outcomes where they are most needed.

Proportions of Operations with Satisfactory Outcomes (FY1980–2005)

Source: Independent Evaluations Group except for FY05, which is a QAG projection.



68 Annual Review of Portfolio Performance (2005).

There is, however, clearly an awkward paradox in any discussion of the Bank's willingness to take risks as it regularly takes very substantial ones in certain circumstances. Such relatively 'easy' risks can include rapid moves towards budget support, the recurrent budgetary costs of a Sector-wide Approach (swap) or multi-million dollar project disbursements to a recipient (a government or its chosen implementing partner) where the agreed implementation modalities may not actually make sense when judged in terms of ensuring 'open access' to the benefits intended.

What kind of risks in Burundi? (1): Financing government

The Bank has long known the weaknesses in the public financial management systems and the political fractures in Burundi. It has given itself a clear picture of the situation having commissioned a Country Financial Accountability Assessment (CFAA) and Country Procurement Issues paper in June 2004, as well as conducted Governance and Corruption diagnostics work in 2007. On the basis of these studies, a financial institution would normally be reticent to lend or grant money to a recipient like the state of Burundi. However, as a 'client' with immense poverty reduction and service delivery challenges, and sufficiently reassured about improvements in Public Financial Management (budget execution, tracking and oversight etc.), the Bank has taken significant risks (of a particular kind) in directing very significant amounts of Bank funds at the transitional, then elected (but fractious) government. Often benefitting the ministries controlled by the ruling party or its preferred implementing partners, these risks have included the following:

- Public Works and Employment Creation Project (approved January 2001 to end 2007) for $41.56 million;
- Transport Infrastructure Rehabilitation (approved March 2004 to end 2009) for $51.54 million; and
- Public Works Supplemental (approved January 2006) for $31.52 million.

The Bank's risk-taking seems to be all the greater given the Bank's own analysis coming from the CPR unit which identified in the country, '. . . Political exploitation of deep inter- and intra-ethnic divides among and within (i) clans—both horizontal divisions (rival lineages) and vertical divisions (castes); (ii) regions, and (iii) political and economic elites problems'.[69] The fraudulent acts identified by the European Anti-Fraud office (OLAF) in their investigation of the European Commission's Programme of Rehabilitation of Burundi (PREBU) reinforce these concerns still further.[70]

This is not to say that such risk-tasking is wrong in and of itself, but it would logically give rise to serious concerns about how such funds would be used by the recipient state (or quasi-state) agencies and whether they would serve to promote more equitable access to economic opportunities. The principal question is whether additional staffing capacity to oversee the evolution of the project would have helped all parties to avoid the major disbursement problems that have ensued. In 2007, these issues prevented the completion of the IMF's sixth review, thus blocking the release of $93 million in bilateral and multilateral budget support to the government of Burundi as well as the salary rises promised by the government to many public sector workers.

69 *Toward a conflict-sensitive Poverty Reduction Strategy*, Lessons from a retrospective analysis, Report No. 32587, World Bank, 30 June 2005, p. 24.

70 Following audits, an OLAF external investigation revealed that fraudulent acts liable to prosecution in the criminal courts in Burundi had been committed in the implementation of the PREBU. See the OLAF Press Release, Brussels, 22 June 2006.

In contrast, and despite an improving trend, the Bank mainstream is rather more reluctant to shoulder the risks that are involved with improving community livelihoods, cohesion and empowerment in the most difficult areas. The disbursement of funds to multiple recipients, with the requisite accompaniment over time is, of course, an immense challenge for any external provider of funds in a developing context. This is true not least due to the limited number of potential partners locally who have the financial systems to receive and account for them. However, the Bank generally does not take on the higher administrative and logistical burdens, and greater risk (in terms of number of recipients rather than historic precedent) where that is justified by real long-term needs in the country. Ultimately the benefits of disbursing slowly over time to a greater number of local people with the associated benefits to communities can make more sense than large government-directed sums channelled to the ruling party's preferred implementing partner. Without diminishing the importance of macro-economic stability and the public sector's ability to pay civil and security services' salaries, the Bank must not use its established approach to 'outcomes' as a rationale to shy away from complex projects in complex environments. The staff must not feel that they are penalised for such risks if activities are harder to implement and sustain.

What kind of risks in Burundi? (2): Target beneficiaries for public works

An increased 'temperature' in the political domain in the (long) run-up to the 2010 elections in Burundi will coincide with an on-going dearth of job opportunities for ordinary people, above all unemployed youth distanced from an agricultural way of life. In urban areas, in particular, as well as provinces where there is little donor attention the consequences could be disastrous. The areas of greatest concern are:

- In Bujumbura Rurale, whose communes closest to Bujumbura Mairie suffered the greater part of two years of violent confrontations between the Forces for National Liberation (FNL) and government forces, there are grounds for fearing that the ruling elite and FNL leaders (themselves not united) will once again resort to violence to reinforce their respective positions and factions;
- In Bururi and Makamba, in Rumonge and Nyanza-Lac communes, where palm-oil lands on the littoral of the lake have long been contested as a source of relative wealth, there may be intensified intra-Hutu confrontation between the National Council for the Defence of Democracy/Forces for the Defence of Democracy (CNDD-FDD) Nkurunziza faction and the CNDD-Nyangoma faction (whose power is concentrated and rooted in the province); and
- In Bujumbura Mairie, many areas are suffering from extreme economic hardships and are divided ethnically and by faction. Kamenge and Kinama, for example, carry the Hutu/CNDD-FDD identity, while the communes of Musaga and Kanyosha are heavily Tutsi and are power bases for the UPRONA party. The latter have also historically been strongly linked to the FAB (the former armed forces closely associated with Tutsi-dominated regimes in the past). Very few agencies work in those areas and they report alarming signs of anger and frustration amongst ex-combatants and other unemployed youth, and rising levels of gang criminality, insecurity and fear.

Yet despite the conflict risks in these areas that would have spill-over effects onto the country's political and economic situation as a whole, they have not been prioritised by Bank-funded activities. Some infrastructure work, such as building a local market or clinic, has taken place under the Public Works project, and there has been some assistance to listed ex-combatants in these areas under the MDRP-funded D and R programme (see Annex 2). This has, however, been fairly minimal relative to the needs.

There was some initial hope that the PRADECS project would fill some of the gaps. However, the implementation priorities of PRADECS have been based on a 'poverty map', on an assessment of other externally-funded activities and on discussions with the governing party. The priority areas selected (with Bujumbura Rurale, for example, selected as a 'light touch' province due to receive only 'light' support several months after the project gets under way) and the activities of agriculture-focused work by IFAD are far from being adequate to mitigate the conflict risks.[71] Given internal Bank pressure to reduce 'risky projects', the impression is that risks to *disbursement* have also been taken as a factor in area selection, even if this could constitute a major 'opportunity cost' for the country's fragile transition towards growth and development.

A related concern is how the quest for such 'outcomes' is leading the Bank towards inconsistency and a lack of candour in its work. Evaluation by the IEG, for example, is based on the *specified* project objectives so TTLs may get plaudits even where they have aimed only at the 'lowest hanging fruits'. At the same time, there are instances where individual TTLs try to get round the 'technical' measurement in order to act pragmatically and sensibly in the context. The Bank has itself identified this in the APPR 2005 in which 'a special review showed that portfolio risks are understated leading to a lack of realism in rating. The special assessment shows that 22 percent of the portfolio is at risk of not meeting its Development Objectives but regional assessments rate only about 16 percent of projects as risky. The realism rating for the LICUS group of countries is especially low at 58 percent compared with 78 percent for overall portfolio'. The conclusion that 'special attention is needed to improve candor and realism of project performance ratings, and to work out risky projects through more aggressive project restructuring and downsizing when needed' is welcome. These efforts however should serve so as to match attention to disaggregated needs.

Opportunity costs

Discrete work has been under way in individual Bank teams for some time which has tried to focus attention to how to turn around societal expectations of government (and Bank) performance. The ongoing 'conflict-sensitising PRS' work (and the potential 'conflict-sensitising CAS' research), for example, has highlighted how processes for defining and monitoring (interim-) development strategies can be shaped so as to widen and deepen public 'ownership' in fragile settings. Certain Bank staff have responded by pushing for an intensified participatory planning process for the PRSs and some initial steps have been taken in this respect in Burundi in 2006, for example. 'knowledge outputs' by individuals in different Vice Presidencies have also been produced on the importance of extending the participation of stakeholders in its strategy and policy processes. These have emphasised that, properly designed, implemented and sustained over time, these processes can help improve a society's sense of shared identity, interests and mutual obligations and people's understanding of citizenship and their role in influencing the institutions, strategies and policies at different levels.

In addition, a fuller range of development cooperation activities (e.g., supporting the delivery of basic services and the selection and construction of infrastructure) can be used to increase participation and improve governance at a range of levels. A wide range of projects have the inherent, but often unexploited possibility, of establishing improved accountability relationships, advancing a set of 'agreed' arrangements which should govern the relationship between the rulers and the ruled on the basis of broadly based mutual rights and obligations. This would be able to pick up on recent work in the international 'Fragile States' community on service delivery,[72] particular Bank teams (such as the South Asia Public Sector Group) as well as emerging academic

71 Approved in March 2007, PRADECS will cover the 16 rural provinces, but it will not be implemented everywhere with the same intensity. Stronger support will be provided to the eight provinces of Bubanza, Cankuzo, Kirundo, Makamba, Muramvya, Muyinga, Mwaro and Ngozi. Light support will be provided to the other eight provinces, Bujumbura Rurale, Bururi, Karuzi, Gitega, Kayanza, Cibitoke, Ruyigi, and Rutana.

72 The OECD DAC Fragile States Group has commissioned work on Service Delivery as part of their focus on state-building. See http://www.oecd.org/dac/fragilestates

interest in the inter-relationship between service delivery and taxation systems (in theory and in practice). The challenge remains to systematise this work across the Bank through changing internal systems and how the institution sees itself, and how it is seen by its Board members.

Issue 5: Donor and/or Bank?

There remain significant differences among the governments (North and South) that ‘own’ the Bank and amongst Bank staff about what its mission is and how it should carry out its development agenda. This divergence matters because, alongside the interpretation given to the Articles of Agreement, it determines how managers and staff consider the purpose of their work and what they should and shouldn’t do with the resources available to them. The standards by which to judge the organisation's performance or assess the changes needed to respond to new problems are also very dependent on the assumptions about the Bank's role. The two sides to this core tension are as follows:

(i) The Bank is a purely financial institution which, first and foremost, must ensure that debt service obligations are met and donor contributions secured so that overall disbursements can be sustained. Maintaining the institution's long-term financial integrity is a crucial purpose on which all other goals depend. Under this view, it has a fiduciary responsibility to its depositors to scrutinise clients and administer its loan portfolio accordingly. This assessment would logically lead to a stronger bias for financial management and activities which (ultimately) are expected to generate public revenues. It might also lead to a reluctance to engage at all in fragile states; and

(ii) The Bank is an institution which exists in order to transfer resources to poor countries. From this perspective, development is the objective and ‘finance’ is the instrument. It implies a simple logic that more money to more countries would be needed in grant form if the developing world is going to have a serious chance to achieve long-term, broad-based economic growth.

As one version of the ‘resource transfer’ model, the Bank can be seen as an institution which uses its combination of money, access, knowledge, and expertise as a powerful instrument to help ‘transform’ the development contexts in which it works—both in terms of socioeconomic issues as well as the political economy dynamics that underpin them. There are two pillars to this agenda, (i) improving the investment climate in the areas where most of the world’s poor live, and (ii) investing in and empowering people—helping the poor shape their own lives through effective participation in decision-making.

This approach sees the Bank as a *donor* ‘change agent’, giving money for activities that promote values which may not be readily accepted by the traditional power structures within recipient countries. Increasing investment in and attention to women, environmental protection and better governance in terms of respect for human rights or accountability and transparency in government decisions are the prime examples of the sort of objectives that flow from this perspective of the Bank's role. For large numbers of IDA countries, in this role, the Bank must consider that debts will not be repaid and that grants will be used to transfer resources from North to South. With donors providing IDA with greater amounts of money under IDA15 and a significant portion of IDA being given in the form of grants, the Bank is increasingly taking up a ‘donor’ role (as opposed to a purely development lending institution). Yet many staff are still reluctant to accept the implications of this change and the additional non-finance-related issues that it raises.

5. The Way Forward

'Risks need to be managed, not avoided'
'Effective assistance to post-conflict countries requires an overhaul of standard approaches'
'Success is possible'
Burundi Interim Strategy Note, World Bank 2005: 'Lessons of post-conflict assistance programs' Box 3, page 14.

In line with its traditional core 'liberal' principles of promoting 'open access economies', the Bank's goal should be to ensure that its operations help to transform 'closed access' political and economic systems in the very process of their formulation, implementation and monitoring. It needs to expand its vision of what it can achieve. To do so would not be a breach of its Articles of Association, but rather the logical pursuit of its mission to ensure broad-based development. It would also provide invaluable leadership to the international development community as a whole. In fragile and conflict-affected settings, the Bank confronts its most complex challenges. Yet, to make the best possible contribution to outcomes in those settings, it must adapt its decision-making processes, human resources and incentive systems to those contexts.

a) ***Institutionalise analysis of power relations and political economy in Bank decision-making processes***

The starting point for improved effectiveness is, of course, the availability of the best possible range and quality of analysis to decision-making staff. Covering deeply sensitive issues, political economy and social analyses are likely to be contentious and problematic where they are shared with partner governments. The Bank does need to tread carefully in this regard but, taking an 'institutional economics' perspective, should not shy away from them for its internal purposes. Already for some countries, such as most recently with its political economy and social assessment for Nigeria, the Bank is making progress in this regard. Further improvements would come from:

- *Adapting the Bank's formal analytical frameworks* (principally the CPIA and the PCPI). These must ensure a more conflict-related appraisal of complex dynamics outside formal institutions and policies. The latter often exist only on paper. Specifically, these should allow for flexibility in the weighting of different categories, such as state-citizen interactions and the participation of women, depending on multidisciplinary analysis of the context. The development prospects of conflict-affected or otherwise fragile settings are particularly undermined by these types of issues and so the CPIA and PCPI should be adapted accordingly. It is also necessary to ensure a more conflict-related appraisal than is currently the case with CPIA where a complex conflict-affected setting (e.g., Nepal, Sri Lanka, Rwanda or Uganda) is not on the PCPI list. Given the significance of cross-border dynamics, both frameworks should also systematise a regional perspective.

- *Integrating analysis of formal and informal institutions, power relations and psycho-social issues* as mandatory internal processes in formulating and updating projects and country strategies (in the relevant regional context).

- *Ensuring a greater balance of disciplines* in country-, research- as well as results-assessment teams. In addition, political economy and social development expertise in project review processes (such as by the Bank's QER and QAG) should be available on a systematic basis.

- *Deepen incentives for staff to be located in-country* so that they have a closer view of the power dynamics and psycho-social issues that affect Bank operations. The 'mission culture', whereby DC staff (infrequently) travel to the field for a few days, remains problematic.

b) ***Adapt the use of the administrative budget to ensure a multidisciplinary approach***

While the Bank's economists have made a lot of progress in recent years integrating key issues like institutions, collective action and politics into their thinking, they still need to be incentivised to pay more attention to such factors as well as psycho-social ones. These keep people poor and in distressed circumstances, and perpetuate 'closed access' economies.

i) The Bank should increase the number and quality of staff in the DRG with substantial interest and training in the non-economic social sciences. It must also ensure that the system of quality control ensures that such staff are not marginalised once they are nominally included.
ii) Recruitment processes should prioritise this expansion of multidisciplinary expertise as a human resource in the Bank as a whole, including in review and quality control teams.
iii) Social/governance experts could be given more time in the appraisal review 'window' of strategies and projects to review the projects being formulated and all TTLs, sector managers and country heads be incentivised to call on that expertise. Headquarters must, however, be careful not simply to add further layers of evaluation to an already heavy set of processes. The key will be 'streamlining' those processes while getting the balance right.
iv) The Bank must not rely (or be allowed to rely) on discrete trust funds in order to fund positions for social development (including gender) experts. This discipline needs to be mainstreamed across the institution using the proper proportion of the IDA administrative budget. As this goes against the long-standing grain of the institution, it needs an enhanced effort and scrutiny.

Senior Bank management and bilateral Board members must both be prepared to take on, and accept, the administrative costs that would flow from these shifts in approach and should build their own capacity to monitor how changes are leading to more effective and principled engagement. This also suggests a role for Bank staff in sharing candidly their operational experiences in order to convince the Board *as a whole* of this need. At the same time, leading Board members with programmes on the ground must convince their colleagues and the institution as a whole that this is an organisational strategy that must be pursued in order to achieve the Bank's mission. There can be no shying away from the fact that development in conflict or otherwise fragile settings is an *expert labour intensive* endeavour.

c) ***Amend the definition of 'results'***

Improving the distribution and sustainability of outcomes (and thus performance) is not primarily about adapting financing instruments so that money can flow faster. It is about a fundamental reassessment of what constitutes 'results' or development outcomes in the countries in which the Bank is engaging, and how 'results' (in terms of social inclusion, 'voice' and empowerment) could be better prioritised, assessed, monitored and embedded in the Bank's work. Incentive systems for staff to actively pursue such goals can be formal and informal. The latter ultimately flows from the working culture or 'personality' of the institution. In the Bank, this will take some time to shift. In terms of the former, changes can be made in the more immediate term, notably in the appraisal processes for project formulation, supervision as well as ex-post evaluation by the IEG.

The starting point for all performance assessments of strategy and project performance should be the multidisciplinary analysis of the context and whether, regardless of actual disbursement rates, the activities are addressing the core issues identified. Such assessments should also pay close attention to staff collaboration with donor partners to help deal with emerging challenges and overcome blockages. This system needs to incentivise different kinds of risk-taking in the selection and implementation modalities of operations. It does not imply taking security risks or not having robust fiduciary requirements. It should, however, encourage more imaginative processes for improving development *outcomes* that focus on *people* and their inter-relations with those that govern them. The primary goal must be to drive 'turn-around' in fragile contexts.

Adapting performance criteria

There is increasing recognition that fragile and conflict-affected contexts pose particular challenges and the standard approaches are not appropriate in those settings. There is an urgent need for the Bank to change performance measurement for both country-level outcomes and Bank performance outcomes, and ensure those changes are implemented by properly staffing the review panels with multidisciplinary representatives. This means:

- Adapting the 14 country outcome indicators in the IDA14 Results Measurement System (RMS) to integrate political economy considerations, paying greater attention to social cohesion and empowering people to engage in the processes through which they are governed. Governance and social development experts should join the experts in Development Economics (DEC) in compiling and appraising the data; and

- Reassessing Bank performance outcomes: The nine indicators of the IDA RMS which help the Bank to monitor IDA's contribution to country outcomes should be widened to include the same political economy concerns and social factors. For example, rather than limiting 'outputs' measurement for completed projects to four sectors (health, education, water supply, and rural transport), there should be an assessment of levels of increased participation, information flow and accountability to the ultimate beneficiaries (well beyond client governments).

d) ***Improve internal accountability***

TTLs: To systematise a different approach to 'results', there needs to be a shift in the internal accountability within the Bank. The Bank has robust systems of project review and staff assessment. However, accountability for staff involved in designing projects and for those who did not design them but take on their implementation must be commensurate with the operating environment. It should be applied and run for the full length of a project and even beyond in order for there to be a proper assessment of its effectiveness in the given context. Programme and project accountability should be applied in terms of progress towards the context-specific strategic goals, rather than volume of funds expended.

Country Directors: Ultimately, the quality of the Bank's strategy and projects in 40–50 countries will depend on the degree to which the country director is held to account for the full range of country operations (in the regional context). This would include the extent to which operations are genuinely responsive to what is needed, in a *qualitative* sense, in that setting. The increase in number of Managing Directors in the Bank is one welcome step towards greater country director accountability (although the managing directors have not yet been given a oversight role specifically regarding fragility or conflict).

Better adapted process for quality review for fragile country operations could help improve the level of scrutiny and incentives for operations to be mutually reinforcing with other Bank and bilateral activities. The inclusion of political economy and social development experts in the QAG review teams, for example, could help to ensure that operations are assessed in the light of the lessons of operating in the most complex (and insecure) environments. Although it remains important that these processes do not ‘overburden’ the operations team, an atmosphere of increased scrutiny by multidisciplinary teams could improve activities—helping ensure adaptation to constantly evolving contexts and to ensure that lessons are learnt across different countries. To reinforce the effort to break out of country (or regional) silos, such processes could also be structured so as to involve external expert inputs.

e) ***Ensure a step-change in external accountability***

Having been the target of civil society advocacy for many years, the World Bank has made significant steps in increasing its external accountability capabilities. The creation of an information disclosure policy, and the complaints mechanism for external stakeholders are key improvements.[73] Moreover, the Bank compares very favourably to most bilateral donors in the degree to which it makes project documents, progress reports, policy papers and evaluations available to the public via its website and information centres. Technological obstacles in the field, however, make systematic research or detailed enquiry extremely difficult to initiate and sustain. Even where the connectivity exists, power shortages, load shedding, computer viruses and so on make systematic research or detailed enquiry extremely difficult to initiate and sustain. Moreover, outside an elite in the capital, people largely have little conception of the processes that determine how much money will be received from external sources and how those funds will be allocated and used.

Despite its commendable degree of transparency, the Bank needs to dedicate more time and effort to ensuring (i) two-way communication with communities beyond the elite or those with superior ICT connectivity, and (ii) greater involvement of developing country parliamentarians in discussing and monitoring Bank-funded activities. (The Vice President for External Relations has recently promised to the Parliamentary Network on the World Bank—PnoWB—further thought on the latter point.) There are, of course, delicate issues of capacity and vested interest which have to be managed, but the fundamental need remains the same (and PnoWB is one emerging avenue with which to pursue it). If the Bank is to contribute to the emergence and entrenchment of *expectations* of accountability and responsiveness as between populations, parliamentarians and officials of the executive, it must wholeheartedly invest its time and resources in order to do so.

f) ***Improve collaboration between the Bank and bilateral partners***

Bilateral donors need to invest sufficiently in their own staff numbers, capacity and skills in order to engage in a proper appraisal of the Bank’s conflict-sensitivity. Given that there will always be constraints on the human resources available to them to review the numerous documents produced by the Bank, it may be useful for bilaterals to agree on ‘focus’ countries. This might involve a pre-identified representative of an Executive Director team picking up the fact that a strategy or major project relating to an unstable, weakly governed country is upcoming for appraisal by the Board. He/she would then activate his/her own system of officials in order to gather together comments from colleagues in HQ and field mission. For example, this function could be performed by Switzerland on, perhaps, Nepal and Sri Lanka; Netherlands on Burundi and Sudan; or the UK on South Caucasus and the DRC.

As Executive Director teams constitute a considerable cost on the Bank’s administrative budget, leading IDA donors should find additional resources in their own budgets to ensure that there is sufficient scrutiny in DC, headquarter capitals and the field to provide greater scrutiny of Bank projects. It would, of course, be far preferable that the Bank itself, as a corporate entity, has the systemic capacity and incentives to ensure the requisite quality of work. In the short to medium term, however, the investment in greater bilateral scrutiny remains vital. The benefits of such pressure for *mutually reinforcing* work (in line with bilateral government commitments to taxpayers) outweigh the costs of heavier strategy and project processes in the Bank. Over time, the emergence of improved staff incentives will allow bilaterals to cut back on those costs.

73 One World Trust, the Bretton Wood Project and the Bank Information Centre are among a number of organisations that monitor and assess the accountability of the World Bank.

Conclusion

The Bank's role and influence is thought by many experts to be likely to increase further in the coming years. Influential voices in the donor community are currently arguing the need to 'multilateralise' development assistance. Bilateral finance ministers have an interest in pushing for this in order to reduce the high transaction costs of aid that are incurred by their development agencies. Notwithstanding recent ructions over its president and its approach to the thorny issue of corruption, the Bank's MDG focus, professionalism and tight procedures on financial management make it likely that it will be the preferred recipient of this 'multilateralised' aid. Indeed, some bilaterals such as DFID and the Netherlands may indeed have no choice but to spend their money through multilaterals, given the size of their spending promises as against their operational capacity.

As for all donors, therefore, the injection of ever larger amounts of aid by the Bank into fragile and conflict-affected contexts involves inherent risks. Unlike bilaterals who can freely adopt a political 'lens', Bank staff are able to argue that the institution cannot overtly work on political issues, but must come at them in other ways that are within its mandate. The problem here is threefold:

1. Adherence to government-defined development priorities may actually exacerbate the problems of income disparities, exclusion and inequity that drive instability. Factional politics may severely curtail the delivery of concrete outcomes to the poor.
2. Aid funds and donor-sponsored policy reforms can inadvertently fuel resentment among certain groups, strengthening elite dominance and patronage, increasing exclusion, and thus the risk that excluded groups will resort to violence in addressing their grievances.
3. Access to aid resources can become as much worth fighting for as valuable mineral resources or customs revenue.

As a result, the old orthodoxy that ignores power dynamics and too often only applies the principles of economics can actually severely diminish the Bank's effectiveness in delivering on its core mission to reduce poverty. Bilateral board members and the Bank's senior management must reflect more candidly about how budget support, infrastructure, education and other 'standard' Bank activities affect power dynamics and social relations. The dialogue must be more open about how to ensure that these impacts are positive.

The most pressing need is for the mainstream in its staff to be incentivised to consider what power relations and social dynamics really mean to their institution's pursuit of 'development *results*'. Gender, caste and tribal systems that favour a small elite group and allow them to control government expenditure and policy formulation are immense obstacles to the kind of 'open access' political, social and economic systems that need to be put in place for the global poverty reduction agenda to progress. It is vital to bring out and better understand the nature of these systems, how they are justified and reinforced, and to identify the links between them in order to overcome the obstacles to economic development, and try to work out what might work in the given context.

Until the Bank (and its bilateral donor partners) understands the dynamics of conflict and fragility as **the** operating context, with impacts on everything within a society, it will continue to play around the edges. It will continue to fall short in delivering sustainable *outcomes* in conflict-affected and fragile countries, undermining not only its own performance as a financial institution but its mission to eliminate poverty. Moreover, attention to issues of power, to social relations, to the attitudinal obstacles to the inclusion of all population groups, whether defined by religion, ethnicity, caste, clan or gender, would allow the Bank to engage more effectively in the poverty reduction agenda which it has set itself. The Bank is certainly improving its discourse on these issues, but it still has a long way to go in applying the hard lessons of experience to its overall approach.

Annex 1

Financial Allocations and Monitoring

The Bank's 'Regular Performance Based Allocation system' (PBA) is 80 percent based on 'IDA country performance' and 20 percent on Bank's rating of performance on portfolio of outstanding loans. This is then multiplied by the 'governance factor'. While in earlier years assessments focused mainly on macroeconomic policies, there is now a welcome commitment to include other factors relevant to poverty reduction, such as social inclusion, equity and governance. The tool used to bring these points together is the Country Policy and Institutional Assessment.[74]

Country Policy and Institutional Assessment (CPIA)

The aim of the CPIA is to assess 'how conducive [a country's policy and institutional] framework is to fostering poverty reduction, sustainable growth and the effective use of development assistance'.[75] 16 performance criteria are grouped into four clusters.

- Cluster A, ***Economic Management***, covers economic policies.
- Cluster B, ***Structural Policies***, covers a broad range of structural policies: trade policies, financial depth, market competition, and environmental sustainability.
- Cluster C, ***Policies for Social Inclusion and Equity***, focuses on social equity and broad-based growth, and aims to capture the extent to which a country's policies and institutions ensure that the benefits of growth are widespread, contribute to the accumulation of social capital, and direct public programmes to poor people and reduce their vulnerability to various kinds of shocks.
- Cluster D, ***Public Sector Management and Institutions***, aims to capture key aspects of good governance, a vital element in both sustained growth and poverty alleviation. Clearly, since governance concerns the conduct of economic management, it is present in one way or another in all the criteria.

Each criterion is given a score on a scale from one ('unsatisfactory for an extended period') to six ('good for an extended period'). The ratings, undertaken since 1997, are prepared annually in all countries by Bank country teams. Scores are then subjected to a process of internal review and sent back to the country team if it is felt that the ratings have been inflated. The final rating is set by the internal review panel.

Since 2000, World Bank country managers are required to share the 16 item ratings and overall index with their respective developing country counterparts. Each country's results are compared in a table to regional averages and to their own performance in the previous year. On the recommendation of the IEG, the assessing staff produce supporting narratives (which provide a written commentary to explain staffs' thinking in assigning the scores) which are also shared. Developing country officials cannot challenge the scores.

In some situations, IDA has deviated from the PBA system to provide what it calls 'exceptional allocations' to post-conflict and re-engaging fragile states.[76] For example, where countries are not paying debt service to the Bank, they cannot borrow while they remain in non-accrual status and before they have an agreed arrears clearance plan. There is, however, an IDA special post-conflict

74 16 performance criteria are grouped into four clusters. See http://siteresources.worldbank.org/IDA/Resources/CPIA2004questionnaire.pdf

75 World Bank (2003). *Country Policy and Institutional Assessment 2003: Assessment questionnaire*. Available at https://siteresources.worldbank.org/IDA/Resources/CPIA2003.pdf

76 Of the 34 fragile states in FY07, seven were in arrears and 27 received IDA support. Seventeen of them received regular PBA allocations. As a group, fragile states received 57 percent of their assistance in the form of grants compared to 8 percent for non-fragile states. In addition, a majority of fragile states have benefited significantly from debt relief under Heavily Indebted Poor Country (HIPC) and Multilateral Debt Relief Initiative (MDRI) initiatives.

window, using Post-Conflict Progress Indicators (see box), through which the Bank had committed over $3 billion by the end of 2004. In addition, the LICUS Trust Fund was established in 2004 to help finance early reforms where countries are unable obtain regular IDA funding. The Bank plans to seek agreement for IDA financing to be amended under IDA15 to cover the exceptional needs of failed states such as Haiti which do not qualify for the regular IDA post-conflict allocation but which, it argues, require frontloaded assistance to restart state services.[77] Supplementing the core lending and advisory services business of the Bank is a growing agenda in the poorest IDA countries to provide grants rather than loans.[78]

Post-Conflict Performance Indicators (PCPI)

The Post-Conflict Performance Indicators apply to the 9 countries currently eligible to receive special post-conflict IDA allocations: Afghanistan, Angola, Burundi, Democratic Republic of Congo, Eritrea, Cote d'Ivoire, Republic of Congo, Sierra Leone and Timor-Leste.[79] Modelled on the Bank's broader CPIA but adapted to the particular circumstances faced by post-conflict countries, they are used to determine the size of the 'exceptional' allocation for these countries. They have come into existence distinct from the CPIA because for the normal assessment process, the Bank needs ILO trade and balance of payments data which is often not available from war-torn countries. The information from the PCPI process is not disclosed to the public.

In many instances the PCPIs are similar to, or cover the same areas as the CPIA (e.g., transparency and corruption in the public sector, or revenue mobilisation). However, in these areas, performance and the results that can be expected in an early post-conflict setting may be different or less ambitious than in non-conflict situations. In addition to indicators that overlap with the CPIA, the PCPIs measure progress in areas that are critical for fragile transition processes, but are not captured in the CPIA—security; demobilisation and reintegration of ex-combatants; political and reconciliation processes that are normally enshrined in post-conflict agreements; and reintegration of displaced populations. They are divided into four categories (security and reconciliation, economic recovery, social exclusion and social sector development, and public sector management and institutions).

The exceptional allocation has, under IDA14, been provided for a period of up to seven years with a three-year phase-out period. This allocation is provided for 're-engaging' states, and there is a separate one for the clearance of arrears. The eligibility for these allocations is not clear, though the Bank plans to improve it. Certain conflict-affected states can receive it but others are either not included or are treated under the 'normal' PBA system. Rwanda, for example, which recently graduated to CPIA from PCPI, and Sri Lanka and Uganda are included under the former (notwithstanding problems with, or the impossibility of, data collection in much of the territory of these countries). Guinea is not on the PCPI list, as it has not had a problem of accruing arrears.

77 World Bank (June 2007). *IDA 15 Second Replenishment Meeting: Key issues*, Concessional Finance and Global Partnerships Vice Presidency (CFPVP).

78 The Development Grant Facility (DGF), set up in 1997, establishes grant-making as an integral part of the Bank's development work. It aims to integrate the overall strategy, allocations, and management of Bank grant-making activities funded from the Administrative Budget under a single umbrella mechanism. The DGF includes many long-standing programmes such as the Consultative Group on International Agricultural Research (CGIAR), the African Programme for Onchocerciasis Control (APOC), the Institutional Development Fund (IDF), the Consultative Group to Assist the Poorest (CGAP), the Post-Conflict Fund (PCF) and, starting FY01, the Partnership for African Capacity Building Program (PACT). The FY05 DGF budget was $174.2 million, covering 58 grant programmes.

79 See http://go.worldbank.org/51Y64D5PD0

With respect to **post-conflict allocations**, changes would be proposed that would:

(i) Establish guidelines for determining the size of exceptional allocations and linking them to changes in the overall size of the IDA envelope;
(ii) Strengthen the review process of the Post-Conflict Performance Indicators (PCPI) rating exercise and prepare for eventual disclosure of these ratings; and
(iii) Lengthen the phase-out period of post-conflict allocations to regular PBA allocations from three to six years, bringing the total period of post-conflict allocation to a maximum of ten years.[80]

The finalisation of IDA15 modalities will reveal how the Bank will take forward the PCPI system and the financial allocations that flow from it. Meanwhile, OPCS staff have begun a study on PCPI indicators and how to assess performance across the variables, such as 'DDR and Reconciliation'.

The Bank also manages a number of Multi-donor Trust Funds in post-conflict situations to mobilise resources and coordinate reconstruction efforts—a small proportion of a vast array of other discrete, non-IDA funding sources for global, regional, national and sub-national activities.[81] Most are country-specific,[82] although the Multi-country Demobilisation and Reintegration Program was set up to cover a number of contexts within a wider region. Most MDTFs see all donor resources pooled in a single Trust Fund account with no earmarking of funds permitted for specific recipients, programme activities, or cost categories. In some cases, such as the MDRP or the Sudan MDTF, a Trust Fund committee composed of representatives of all contributing donors oversees the utilisation of the MDTF resources. All interest and investment income earned on contributions to the MDTF are added to the principal balance. Independent management reviews specifically of the MDTFs are undertaken periodically and external auditors carry out an annual audit of the Bank's overall management of trust funds.

Framing and monitoring the Bank's operations

Each country team creates a strategy document that both proposes and limits the Bank's work in a given country.[83] The strategy must be approved by the Board of Directors and, having been agreed, Bank lending and grants flow behind it. Where there is a government-agreed poverty reduction plan—often called a PRSP (or an interim one—an I-PRSP), the Bank strategy is expected to align and feed into it. If there are no Bank operations in a country (such as in Burma), the Bank will maintain a Watching Brief. Every country has a 'base case' scenario which is business as usual. A 'lower case' or 'higher case' scenario are possible and give the Bank some flexibility in its engagement. Each scenario has selected triggers, usually in terms of governance and growth targets. The high case will involve additional lending while the low case will involve less lending. In the back of the CAS document where a list of projects is laid out, an indication is given of which ones are provisional for the high case and which ones are tagged to drop out in a low case. This is open to debate, and linked to the 'aid dependency' of the context, whether the high, base or low status provides any incentive for governments to 'behave' differently or not.

80 World Bank (June 2007). *IDA 15 Second Replenishment Meeting: Key issues*.
81 Some trust funds support the Bank's own development operations and work programmes. Others support broad global initiatives, such as the Global Fund to Combat AIDS, Tuberculosis and Malaria (GFATM); the Global Environment Facility (GEF); and the HIPC Initiative—for which the Bank manages resources on behalf of the international community. DFID, for example, contributes to dozens of these funds, contributing a total of £357 million in 2006 (the second largest contributor) and £721 million in 2007 (the largest contributor). For an indication of the range of the funds, see http://www.dfid.gov.uk/aboutdfid/dfidwork/uk-trust-fund.pdf
82 For example, at a pledging conference held in Oslo, Norway, in April 2005, donors pledged over $500 million for two Sudan MDTFs. The donors include The Netherlands, Norway, United Kingdom, European Commission, Sweden, Germany, Denmark, Finland, Italy, Iceland, and Greece. Canada and Saudi Arabia also then contributed money. The World Bank itself made a historic contribution of $10 million from its net income. (See 'About' the Sudan Multi-donor Trust Funds on http://www.worldbank.org)
83 The types of document are a '*Watching Brief*' for countries in conflict where normal Bank operations are not possible or there is no active loan portfolio, a '*Transitional Support Strategy*' which sets out needs, priorities and risks once interventions start, an *Interim Strategy Note*, and the full-blown *Country Assistance Strategy* (CAS).

The only times the Bank will adopt an Interim Strategy Note (ISN) is in exceptional circumstances where there is some big non-linear disconnect, such as an (aggravated) civil war situation or some other great uncertainty which might render the CAS obsolete.[84] In Sri Lanka in 2007, with the arrival of a new country director who did not have experience of Bank policies and procedures, there was an idea to switch to an ISN, perhaps also implying a political signal and thus carrying the potential to prompt disagreement between Board members from the North and South. By the end of the year, despite the worsening of the conflict-affected context and a governance setting (as well as relations with traditional donors), the Bank had decided to prepare another full CAS.

While monitoring of activities is stated to be a joint responsibility of the country and the Bank at the project and country levels, the CAS provides the basis for monitoring implementation of operations at the country level. The Results-Based CAS (RBCAS) approach, which was started on a pilot basis in 2003, has been Bank policy since June 2005. Within this framework, and for each project, country teams are required to define the expected outcomes and identify monitoring indicators for final and intermediate outcomes, as well as outputs that contribute to achieving the outcomes. They are also expected to ensure that baseline data are available and targets are set to assess progress and make sure a system is in place to analyse and report the data, and monitor progress.

Project formulation and review

Formulated by a Task Team led by a TTL, a project is initiated with a project concept note review (PCN) and then goes through a pre-appraisal process involving a number of other Bank staff members (in related disciplines but with different types of experience) who give their thoughts on project design. Two subsequent reviews are then held: the first is a Quality Enhancement Review that is provided by a panel of members agreed on by management and chaired by Sector Manager or Director and then a decision meeting chaired by the country Director. For large operations a Regional Operations Committee (ROC) or Operations Committee (OC) is, depending on the project parameters, chaired by the relevant regional Vice President or Managing Director. Some projects have several decision meetings and other virtual reviews. Each time one to two weeks are given to receive comments. There are also internal reviews before the papers go out to the country teams.

In addition, a specialised ‘Quality Assurance Group’ (QAG) conducts a number of different types of project reviews each year covering ‘quality at inception’, ‘quality of supervision’ and ‘quality of analysis’. These projects are selected at random. QAG establishes panels for the review, sometimes chaired by external consultants (often ex-staff members) and brings technical specialists into the process, as it considers appropriate. Each leads to the production of a ‘score card’ for the project. With a view to his/her career prospects and the extra work involved, no TTL leader on a project would want to receive a poor review.

A third level of review is provided by the Independent Evaluations Group (IEG) which evaluates programmes and activities ‘in relation to institutional policies, Bank-wide programme objectives, and the goals set out for each operation.’ Depending on what is being evaluated, assessments of performance and quality will consider the relevance and implementation of the strategy, the quality and follow-up of lending operations and analytical and advisory activities (AAA); as well as the consistency of Bank’s lending with its non-lending work and with its safeguard policies.[85] In addition, the country programmes are rated on their impact on institutional development and sustainability. IEG reports directly to the Board of Directors.

84 For the Bank to switch to an ISN implies the exceptional nature of the circumstances, as even following the political turmoil in Nepal in 2005–2006, the Bank maintained the use of a CAS.

85 See *Guide to IEG's country evaluation rating methodology* made available by the Independent Evaluations Group on the World Bank website. Available at http://www.worldbank.org/ieg/countries/cae/cae_methodology.html

Annex 2

The MDRP in Burundi: Technical yet Political

Demobilisation

In Burundi, the Bank began to explore the possibility for addressing critical needs and dilemmas involving ex-combatants with the allocation of a PCF grant following the signing of the Arusha Accords in August 2000. Phase II of this effort began with preparations under the MDRP which were initiated by the World Bank in February 2003. The government formally established a National Commission for Demobilization, Reinsertion and Reintegration (CNDRR) on August 28, 2003 with an Executive Secretariat to lead the national programme and to coordinate the contributions of international partners.[86] The programme aimed to contribute to the reallocation of government expenditure from defence to social and economic sectors over a period of five years. The formal programme aims to target 55,000 ex-combatants.[87] It got under way in September 2004.

There has been progress with, and through, the national partnership model in which the Burundian authorities put in place a National Commission (the *Commission National de Démobilisation, Réinsertion et Réintegration*—CNDRR) to define and lead the process. The programme has also benefited from its project design. This not only brings bilateral actors closer to the operational issues through regular joint missions and review meetings, but works through 'focal point' ex-combatants elected by their peers in each commune, though this path has not been smooth. During the complex peace process which saw separate peace agreements (Arusha and Pretoria) among the conflict parties, the Bank and its partners worked through the painstaking technical *and* political aspects of the process.

Key conditions were required to be met by the Transitional Government including the promulgation of a presidential decree defining the status of a combatant; and a ministerial ordinance defining the status of the *Gardiens de la Paix*. The wrangling over the terms for military integration (particularly rank harmonisation and numbers) delayed the start of the programme. The MDRP joint partners mission (JPM) of 2004 was a key factor in breaking the deadlock, helping to provide a solid foundation for the demobilisation phase to get under way and achieve important progress. Demobilisation began at scale in December 2004 and as at end December 2007 a total of 24,504 ex-combatants had been demobilised (506 women and 20,957 men—45 percent of the total projected figure).[88] Of these, over 7,000 ex-Burundian Armed Forces (FAB) and ex-Gendarmes have been demobilised since the inception of the programme, with important and positive consequences on the defence wage bill.

Reintegration

As is too often the case with DDR programmes, the reintegration component of the process was much slower to get under way.[89] Under the MDRP, the reintegration assistance is provided for a specified, limited time to ex-combatants only, although some agencies (including MDRP partners) have argued for more community-based activities, to provide communities with the means to absorb ex-combatants and more equitable financing between ex-combatants and those that had suffered from the violence, etc. For the most part this is considered outside the short-

86 The National Programme on Demobilisation, Reinsertion and Reintegration (NPDRR) was launched to implement the demobilisation process and facilitate the reintegration of the ex-combatants. It had four objectives: (i) to assist the voluntary demobilisation of members of the FAB and ex-combatants from the APPMs; (ii) to facilitate the reinsertion of those demobilised into civilian life; (iii) to promote the socioeconomic reintegration of former armed fighters; and (iv) to lobby for the reallocation of national resources from the defence to the social and economic sectors.

87 All data on numbers of ex-combatants provided by the CNDRR.

88 See *MDRP Secretariat Monthly Statistical Progress Report*, World Bank, December 2007.

89 International Alert (2006). *DDR: Supporting security and development: The EU's added value*, London: International Alert.

term remit of the MDRP, and rather a responsibility to be dealt with in the country's medium-term overall growth strategy.

In Burundi, the MDRP agreed with the national power-holders (in the transitional government at that time) to fund a 'reinsertion' payment equivalent to nine months of military salary ($300 total) in one payment on exit from the demobilisation camp (after 8-10 days there), to be followed by reintegration payments in two tranches (at least US$300) over the following 10 months. These payments are made through the banking system and local cooperatives with a view to encouraging ex-combatants to engage with banking and savings organisations. Ex-combatants are free to draw upon this transitional safety net as they see fit. Programme evaluations indicate that the resources have been helpful for many in establishing their household and livelihoods.

With respect to the reintegration elements of the MDRP, the national programme is providing ex-combatants with a reintegration option either in the form of a micro-project, access to vocational training or access to formal education. The process is being assisted by implementation teams (after prolonged negotiations, three contracts were initially awarded: one each for the north, centre and southern sectors) and an elected ex-combatant representative in each commune. On the basis of the choice made by the listed ex-combatant as an individual or, in some cases, combined in an 'association', these payments secure the purchase of a cow, a few bags of rice, flour or beans, or perhaps some basic equipment to run a business (e.g. showing videos to the village for 10 cents a person)—for a time, at least. While transitional safety net payments have proceeded as planned, implementation of the vocational training and micro-projects activities in particular has lagged behind schedule.

On-the-ground realities

As ever, in Burundi, the Bank and donor and national stakeholders have had to negotiate an immensely difficult trade-off between (i) spending money to try to persuade ex-combatants not to go back to the lives that they knew in conflict and (ii) avoiding the distribution of a de facto reward for those who have fought in the conflict, violating people and property. Agreement on programme design was eventually reached in 2004, but political realities have often underlain the 'technical' delays in project implementation that have risked local-level violence and worrying spillovers into wider instability, and continue still. These delays have repeatedly emerged as the Executive Secretariat of the National Commission has refrained from being clear in writing, and to the eligible recipients, about what procedures (previously agreed by/with the MDRP Secretariat in the Bank) have to be rigidly adhered to. Delays have also come about due to the downsizing of the Executive Secretariat in late 2007 as staff began manoeuvring to avoid the cut (from about 150 to 50). The pursuit of self interest has meant that many programme decisions have not been taken in a timely fashion.

Looking after your own?

One of the biggest issues constraining equitable outcomes in the project has been the vertical hierarchies of patronage and influence that characterise Burundian society as a whole, and along which lines competition for power and influence continues to be played out. The categorisation and 'eligibility' of combatants sheds some light on the impact of power relations on the pace and outcomes of the process. During the most recent period of conflict, there were at least four categories of combatants. Aside from formal combatants, there are various types of '*militants combatants*'—individuals assigned to each *colline* by rebel factions (previously CNDD-FDD, now also the remaining rebel group, the FNL) to instil the ideology of the cause, collect money from the population, and entrench political activities of the movement. There were also '*Gardiens de la Paix*' mobilised at the communal level and who acted as a local defence force on what was the governmental side. Former youth gangs, such as *Sans Echec* and *Sans Défaite* can be classified in this category. Finally there are the self-demobilised who fought alongside the official ex-combatants, but abandoned their faction prior to the cease-fire agreement, and returned to their communities or to other areas where they might scrape a living.

The Bank agreed to provide financial support for the disbanding of a maximum of 30,000 members of the *Gardiens de la Paix* and militants combatants, while the responsibility for payments to any additional such fighters would fall to the Government. However, more funds (or a diminution of payments) would have been needed if the government accepted more ex-combatants onto the eligible list. The political importance of the 'eligibility' criteria as commanders on all sides sought to maintain lines of authority over their fighters meant that there was a long delay in finalising the list of the *Gardiens de la Paix* and the process threatened to break down. Several lists of *Gardiens*, which set the numbers at between 11,700 and more than 35,000 were submitted. The National Commission for Disarmament of the Civilian Population having failed to resolve the eligibility issues, it required a Ministerial Commission, appointed in late 2005, to get over this hurdle.

Neglected groups

The current ex-combatant reintegration programme deals with 'formal' combatants, as negotiated by the Arusha Accord signed in 2000. It also encompasses combatants coming under the peace agreements of 2003 with CNDD-FDD. It is open to combatants of the FNL armed group, which while currently fracturing, is continuing its rebellion. The first phase of the programme engaged with ex-combatants who were registered in the demobilisation camps at some point between Dec 2004 and July 2005. Ex-combatants have become agitated as the first phase of the MDRP-funded programme came to an end in September 2007 (the end date for the contracts with the implementing partners). As of February 2008, new contracts have still not been put in place to continue 'reintegrating' with the next group of 'listed' ex-combatants. Although a distinction needs to be made between *non*-eligible groups (e.g., deserters, youth gangs) and ex-combatants who are eligible but have not yet received assistance, the reality on the ground is that some fighters (particularly eligible ones demobilised after August 2005) perceive themselves to be losing out on the benefits given to their peers and may begin to apply pressure and perhaps, at times, intimidation to receive benefits to which they feel entitled. Another source of potential tension has lain in the financial benefits seen to be being offered to the National Defence Forces, again to the exclusion of many fighters who have been on the margins of or outside vertical patronage structures or military hierarchies.

With regards to very distinct gender dimensions of the D and R challenge, only a very small number of girls were listed as combatants and included in the formal demobilisation process. Yet several thousand others, many of whom were kidnapped by the army and rebel groups, were not brought into the process and acknowledged as being combatants—as they should have been had the Cape Town principles[90] been followed. There is a long-standing and widespread tendency to ignore these non-binding Principles and to fail to address specific gender issues in post-conflict early enough or effectively. The MDRP moved very late to ensure these issues were discussed by national commissions and has not yet deployed sufficient resources (human and financial) to ensure that they are addressed. Moreover, the CNDRR is expected to take the lead in this gender 'sensitising' of the national programme despite major attitudinal, cultural and funding obstacles to their ability to effect such change. With only one Bank gender expert in post, and expected to cover all seven MDRP countries, meaningful progress seems unlikely.

90 *The Cape Town Principles and Best Practices* were adopted by the participants in the Symposium on the Prevention of Recruitment of Children into the Armed Forces and Demobilization and Social Reintegration of Child Soldiers in Africa, organized by UNICEF in cooperation with the NGO Sub-group of the NGO Working Group on the Convention on the Rights of the Child, Cape Town, 30 April 1997.

Neglected areas

The formal MDRP-financed national programme is intended to provide reintegration assistance wherever there are ex-combatants. Thus it does not seek to specifically target the heavily occupied FNL area of Bujumbura Rurale or the heavily war-affected communes in the periphery of Bujumbura town and other urban centres in Burundi. On the one hand, this is because, in 2005, the south and east were the hardest hit parts of the county. On the other hand, constraints have arisen from ongoing security problems in Bujumbura Rurale and Bubanza. There are also inherent limitations arising from the central premise of the programme—that it targets individual ex-combatants. Improvements in the security and economic situation of urban and peri-urban neighbourhoods are therefore hardest to achieve. These areas contain a high concentration of ex-combatants, in close proximity, with the *quartiers* where political activity is most divided along ethnic and factional lines (and youth are quite regularly mobilised on those bases).

Ultimately, an ex-combatant-focused programme cannot substitute for overall recovery programmes. Although some IFAD agriculture-focused programmes have been initiated in the unstable communes of Bururi and Bujumbura Rurale provinces, there is still an enormous need for job creation and community reconciliation interventions in these areas. The 'PRADECS' World Bank-funded community development project has not, for example, prioritised them and nor have other donors. Implemented in isolation, the MDRP's peacebuilding impacts will inherently be limited. (See the report: *DDR: Supporting Security and Development: the EU's Added Value*, International Alert, 2006.)

The Bank's response

The Bank's MDRP team have shared the concern expressed by non-governmental organisations (such as International Alert) that the CNDRR Secretariat is not implementing the reintegration component of the National Programme at the required and expected pace. This concern was expressed following a joint MDRP mission in June 2005. An MDRP-funded institutional capacity assessment of the Secretariat of the CNDRR was conducted in July and August of 2005. As mentioned above, a new gender-focused initiative is (belatedly) seeking to improve the gender sensitivity of the reintegration assistance.

Technical assistance inputs, which have been in place since 2005, are planned to increase with the appointment of a senior advisor on reintegration issues; a consultant on implementation procedures; and the solicitation of additional international technical assistance for reintegration projects, notably procurement. In addition, a review of the Information and Sensitisation activities is getting under way. The World Bank has agreed to work with the CNDRR Secretariat to:

- Devise an action plan for the implementation of the national reintegration strategy that follows a strict timing schedule;
- Adopt a number of measures to strengthen the Secretariat's Reinsertion and Reintegration Unit, both in terms of staffing and equipment;
- Recruit international technical assistance; and
- Fund operational implementing partners as a matter of urgency.

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