Helpdesk Research Report: The World Bank in Fragile States
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Query: What (independent) knowledge/analysis exists on the performance of the World Bank in fragile and conflict-affected states, with a particular eye to World Bank-UN coordination?

Enquirer: DFID

Contents

1. Overview
2. The World Bank in fragile states
3. World Bank post-conflict assistance
4. World Bank – UN coordination
5. Additional resources
6. Further information

1. Overview

Since the late 1990s, the World Bank has implemented a number of incremental changes to its approach to conflict-affected and fragile states including, most notably, the establishment of the Conflict Prevention and Reconstruction Unit (CPRU), the adoption of an Operational Policy (OP) on Development Cooperation and Conflict and the establishment of the Low Income Countries Under Stress (LICUS) Initiative. Following a review of the LICUS Initiative (see World Bank, 2006), the Bank undertook further policy changes to build knowledge on state fragility, improve the flexibility, speed, and effectiveness of its engagement with fragile situations, and to enhance the links between its work and that of its key international partners in peace building, state building and governance agendas. These reforms include a recent policy on Rapid Response to Crises and Emergencies, and the creation of a Fragile and Conflict-Affected Countries Unit. The Bank has also developed numerous financing instruments to operationalise its policies including the LICUS Implementation Trust Fund (LICUS TF), the post-Conflict Fund (PCF), Multi-Donor Trust Funds (MDTFs) and debt relief. Along with the UN, it developed the Post-Conflict Needs Assessment (PCNA) and Transitional Results Framework (TRF) as an entry point for negotiating and financing a shared strategy for recovery and development in fragile, post-conflict settings.

There appears to be limited analysis of how effective these policy developments have been in practice, however. The small body of literature that does exist tends to emanate from the Bank itself and is comprised largely of country-level evaluations rather than evaluations of the organisation’s approach more broadly. Furthermore there appears to be a strong focus on lessons learned and recommendations for future work rather than comprehensive evaluations of impact. Notwithstanding, some of the recurring findings from the literature on the World Bank’s performance in fragile and conflict-affected states include:

- Despite efforts to become more conflict-sensitive, the Bank’s approach to conflict-affected and post-conflict states focuses more on ‘doing things differently’ than ‘doing
different things’. This is partly due to a continued reluctance to overtly work on political issues.

- Specifically, the Bank’s approach to state-building and economic reform in fragile states remains overly technical and pays insufficient attention to informal institutions, power relations and social dynamics.

- The integration of conflict concerns in its programmes and policies remains uneven across the organisation and limited in depth.

- The LICUS initiative has, at best, yielded mixed results. There has been little progress on increasing staffing numbers, improving staffing quality and providing incentives to undertake LICUS work within the Bank.

- The Bank’s results framework still measures success largely in technical terms and may act as a disincentive for staff to take risks which are likely to have positive long term impacts in complex situations.

World Bank-UN Coordination

The effectiveness of World Bank-UN co-ordination is generally assessed in the context of post-conflict reconstruction and peace-building – areas in which the UN is most active - as opposed to fragile states per se. Key findings include:

- Relations between World Bank and UN staff have largely been constructive, characterised by good communication and strong relationships.

- Nevertheless, coordination and division of labour between the World Bank and UN agencies is not always smooth. At times, competition for donors’ funds has prevailed over comparative advantages and competences. There is often a lack of clarity regarding formal relations between the parties, roles and mandates.

- Joint administration has often created administrative problems since internal procedures within the two organisations are quite different.

2. The World Bank in fragile states


The World Bank’s LICUS (Low Income Countries under Stress) initiative began in 2002. Its original rationale was to improve aid effectiveness by using other instruments, such as analytical work and knowledge transfers where necessary, supplemented by financial transfers to promote change. In 2005, the objectives and scope of the LICUS Initiative shifted from general aid effectiveness to state-building and peacebuilding objectives.

This review evaluates the effectiveness of the LICUS approach, including the usefulness of the Bank’s criteria for identifying and classifying LICUS, the usefulness of the aid-allocation system, and the appropriateness of internal support for LICUS work. The key messages which emerge are:

- Before the LICUS Initiative, outcomes of the Bank’s assistance programs in fragile states were mostly classed as ‘unsatisfactory’. The initiative has increased Bank attention to LICUS, but, at the time of writing, it was too early to assess outcomes. Implementation experience has been mixed, and outcomes of the few country strategies that have been
assessed by the Independent Evaluation Group (IEG) mostly indicate underachievement of objectives.

- By adopting state building as a central objective, the Bank has made an area of traditional weakness (capacity development and governance) a part of its main focus in LICUS. Focusing the LICUS Initiative on the complex state-building agenda requires that the Bank clarify its areas of comparative advantage and the scope and content of its agenda. The Bank also needs to identify innovative approaches to improve the weak capacity development and governance record, and performance indicators to measure state-building outcomes.
- Little progress has been made on critical human resource reforms relating to staffing numbers, staffing quality, and incentives to undertake LICUS work since the LICUS approach was implemented.
- Although the Bank has recently emphasized the need to increase its field presence in LICUS, that emphasis alone will be insufficient for the effective implementation of country strategies. Increased field presence needs to be complemented by stronger communication between the Bank’s field and headquarters staff. An adequate number of field staff with the appropriate authority and skills is also required.
- Donor reform agendas in LICUS could be more selective. In complex LICUS environments, where virtually every sector requires reform, appropriate sequencing of reforms and sufficient time to implement them are crucial for achieving results without overwhelming limited LICUS capacity.


Despite establishing specialist units on conflict and fragility and pushing for better institutional approaches and financing in fragile states, this paper argues that the World Bank’s approach in fragile contexts remains largely the same as in other contexts. This is in large part due to a continued reluctance to overtly work on political issues, which can severely hamper its efforts to reduce poverty. Indeed, the report argues that such an approach may actually exacerbate income disparities, exclusion and inequity. Furthermore, aid funds and donor-backed reforms can strengthen elite dominance and fuel resentment among certain groups, leading to the risk of violence.

Some of the key points raised in the report include:

- The Bank’s approach to economic reform and project activities in fragile states remains overly technical and pays insufficient attention to informal institutions and power relations. For example, the Bank’s main analytical tool (the Country Policy and Institutional Assessment—CPIA) centres primarily on formal institutions and policies. Political economy and social analysis are not yet systematically integrated into internal decision-making processes.
- The current results framework still measures success largely in technical terms and may incentivise staff to focus on ‘easy’ (and often unsustainable) risks rather than ‘difficult’ risks which are more likely to deliver real transformative impacts in the long term.
- The Bank has tended to place too much reliance on the capacity of governments. An emphasis on country ownership in fragile states can be counterproductive in situations where oversight, accountability and co-ordination are weak across government.
- The Bank’s ‘flat’ regional administrative budget allocation system (whereby one country office’s administrative budget fails if another office in the same region is allocated a rise) means that country teams are often under pressure to meet spending targets or face reductions in funding. This system fails to take into account the differential needs in the range of fragile country contexts, where change is often slow and incremental.
Given these challenges, the report makes the following recommendations:

- Ensure decision-making is based on political economy and social analysis
- Adapt the size and use of the administrative budget
- Change the way results are measured
- Improve internal and external accountability
- Improve collaboration between the Bank and bilateral partners


According to this paper, despite an increase in the World Bank’s work in fragile situations, experiences of international engagement in such contexts have been mixed, with resource flows and technical support often falling considerably short of stated intentions. Some of the strategic opportunities, challenges and questions facing the Bank identified in this paper include:

- **Political understanding and effective support for state-building.** To date, much of the focus on state building within the World Bank has been based on a technical and functionalist approach. Therefore, the Bank needs to:
  - sharpen its ‘political intelligence’ to engage in fragile situations more effectively and incorporate such analysis into its operational work
  - conduct more coordinated joint analysis and, at a minimum, make a concerted effort to share lessons emerging from such work
  - improve coordination with other donor efforts. (The joint UN-World Bank Post-Conflict Needs Assessments (PCNAs) and Transitional Results Framework (TRF) are deemed to represent an important initiative in this area. However, these need to be rolled out to other fragile settings beyond those affected by conflict)
  - develop stronger partnerships with organisations who may be better placed to engage politically.

- **The importance of local leadership.** State-building efforts need to be shaped and led from within if they are to be legitimate and sustainable over time. A key question is how comfortable donors, and the World Bank in particular, are with supporting local leadership and engaging more closely with national leaders.

- **Conflict prevention and social accountability.** World Bank initiatives to support what it calls ‘social accountability’ need to be carefully assessed, given that increasing citizens’ voice and expectations without a similar effort to ensure that state institutions can adequately manage and respond to such expectations may lead to increased tensions and conflict.

- **Building flexibility into aid delivery in fragile states:** Should there be greater flexibility in the use of IDA grants, such as to direct support to sub-national governments or to other institutions when governments lack national legitimacy? What is the experience of multi-donor trust funds and could they operate with greater flexibility? Are procurement and other safeguards policies too complicated for fragile situations?

- **Improved donor harmonisation and coordination.** The Bank needs to focus on better communication of clear and shared objectives for Bank instruments. Country-level coordination also needs to be improved. The World Bank and other donors need to identify more clearly their comparative advantage in relation to specific aspects of the state building agenda, agree on a suitable division of labour based on such advantage, and develop joint instruments and operational approaches. This should apply as much to analytical work and policy capacity development as to other areas of donor programmes.

- **Better congruence between ambitions and responses** There needs to be greater congruence between the Bank’s objectives and the resources it is willing/able to commit.
There needs to be some recognition that a state-centric approach also has its limitations. Time horizons and trade-offs between short and long-term goals as well as incentives facing recipients and development actors also need to be reconsidered.

3. World Bank post-conflict assistance

http://www.informaworld.com/smpp/content~content=a788063789&db=all

This article assesses the World Bank’s recent attempts to become more conflict-sensitive. It argues that, whilst this approach has had various positive aspects, the integration of conflict concerns in its programmes and policies remains uneven and somewhat limited. It further argues that integration should not be pursued beyond the point where the Bank’s comparative advantage is undermined and resources from its core mission of combating human poverty diverted.

Overall, the author finds that the Bank’s approach to conflict-affected and post-conflict states: “focuses more on ‘doing things differently’ (adapting its existing policies and programmes to the context) than ‘doing different things’ (creating new policies and engaging in new sectors), although funding demobilization programmes and security-sector reforms in some cases has exemplified the latter.” (p 651) Thus, he argues, the Bank’s approach can perhaps best be described as a ‘do no harm’ policy, rather than as a ‘policy on conflict’ (although in some cases, as in Bosnia, it has adopted a more explicit post-conflict reconstruction and conflict prevention agenda). It nevertheless differs from and improves on the traditional Bank approach, which avoids dealing with conflict-affected states or ignores the conflict context altogether.

A further finding of the paper is that the World Bank’s post-conflict agenda has been uneven across cases and incomplete within the organisation itself (pp651-653). The Bank has not fully integrated conflict concerns in numerous aspects of its operations and downplays potentially important dimensions of the conflicts it engages with. At an organisational level, the Bank has not managed to create strong links between its conflict-related or potentially conflict-relevant activities. Most obviously, the two units most directly linked to (post-)conflict analysis and operations, the Conflict Prevention and Reconstruction Unit (CPRU) and the Fragile States Unit, are located within different parts of the organisation, hindering coordination efforts.

Finally the paper makes the point that the Bank “remains an organization dominated by economists and economic thinking” (p 654) whose mandate has traditionally been to focus solely on economic policies, and not interfere in the domestic affairs of states. Thus, the overtly political nature of conflict prevention and post-conflict assistance is one of the underlying reasons for the Bank’s somewhat hesitant and limited engagement with these issues.


This paper aims to assess the World Bank's effects on economic recovery and conflict recurrence in post-conflict situations, based on a dataset of its programmes in post-conflict environments. It first finds that the Bank does not view all post-conflict countries equally; it is much more likely to assist countries that have suffered greater damage, and that have undergone democratic transitions. Accounting for these selection biases leads the authors to the conclusion that
World Bank programmes have no discernible effect on either a return to conflict or recovery. They also find preliminary evidence to suggest that the Bank’s post-1997 performance in fostering economic recovery has been worse than in the earlier period.

https://www.ciaonet.org/pbei/cic/cic9986/cic9986.pdf

This paper assesses the capacity of the international financial institutions – the World Bank, International Monetary Fund, and regional development banks – to respond effectively in the planning and implementation of the civilian components of post-conflict reconstruction and peace-building.

The first section of Chapter 2 (pp 1-5) offers a brief assessment of recent institutional innovations undertaken at the World Bank to build capacity for engagement in post-conflict reconstruction and peace-building. Key points include:

- The Conflict Prevention and Reconstruction Unit (CPRU), originally called the Post-Conflict Unit, was established in 1997. The CPRU’s work includes assistance in the design of Transitional Support Strategies, and training and capacity building within the Bank. However, the CPRU’s institutional location within the Bank’s Social Development Department limits its role in operational policy making.
- Trust fund administration: In the past decade the Bank has begun to administer trust funds that channel grants (as opposed to loans) for emergency projects and budget support in post-conflict environments. The first such arrangement was the Holst Fund for the West Bank and Gaza, created in 1994 Subsequent examples include funds for Bosnia, Kosovo, Timor-Leste, and Africa’s Greater Great Lakes Region (the latter being earmarked for demobilization and reintegration expenditures). The Bank also established a Post-Conflict Fund for small grants, and the IDA-12 and IDA-13 agreements included provisions for grants to post-conflict countries prior to the clearance of arrears on debt to the Bank.
- Demobilization and reintegration programmes: The Bank has funded 27 projects in 16 countries intended to assist in the reinsertion of former combatants into productive civilian life. These projects have become an important component of the Bank’s portfolio in post-conflict countries. A recent Bank report comments, however, that ‘there has been no comprehensive evaluation of lessons learned and development of best practice guidelines.’
- Conflict sensitivity assessment: Despite repeated calls for integrating conflict-sensitivity into Bank assistance, progress in this direction has been slow. For macro-level analysis the CPRU has developed a ‘Conflict Analysis Framework,’ but there is a long way to go before this is mainstreamed. At the micro (i.e., project appraisal) level, the CPRU was at the time of writing, developing a ‘Peace and Conflict Impact Assessment. Apart from specialised assessment tools there is scope to integrate conflict sensitivity into other activities such as the Poverty Reduction Strategy Paper (PRSP) process and Poverty and Social Impact Assessment (PSIA). However, at the time of writing this had yet to be done.
- The Low-Income Countries Under Stress (LICUS) initiative: The aim of the LICUS initiative is to undertake difficult partnerships in countries where national capacities are ‘participation and transparency-constrained.’ How, and how well, this initiative will address governance issues in these countries remains to be seen. It seems likely, however, that national capacity building will require complementary capacity building within the Bank itself.
This paper examines the World Bank’s experience in post–conflict reconstruction with the objective of extracting lessons for future assistance. Four key lessons emerge:

1. **The need for early engagement in post-conflict situations**: In general, the Bank has responded quickly and flexibly in initiating contact and preparing, or participating in the preparation of, a strategy and funding packages. However, a number of factors have constrained the Bank’s early engagement in post-conflict situations, including the presence of ‘stateless societies’ and arrears to the Bank. Furthermore, in a number of post-conflict countries (e.g Cambodia and Lebanon), support began with little or no sustained contact between the Bank and the country for critical or extended periods of time restricting its capacity to respond once the conflict had receded.

2. **The need for a strong field presence**: An expansion of field presence and the devolution of authority to managers in the field has proved to be a critical aspect of Bank programs in a number of countries (e.g. the West Bank, Gaza and Bosnia). By contrast the absence of such presence has reduced Bank effectiveness in other contexts (e.g Haiti).

3. **Adapting Bank services and products to post-conflict situations**: Whilst most of the Bank’s lending to post-conflict countries has been in rebuilding physical infrastructure, recent responses have included operations specifically designed to promote economic adjustment and recovery, social development, and, to a lesser extent, institution building. Nevertheless, in a number of cases (notably Haiti, and Rwanda), evaluations have concluded that the development impact of Bank assistance has been constrained by weak governance and public sector capacity and accountability. Therefore, the paper recommends that Bank assistance in post-conflict settings should give priority to governance and institutional issues in almost all sectors.

4. **Effective aid coordination and partnerships with other donors**: The Bank has played a catalytic role in supporting, mobilizing and coordinating aid for reconstruction efforts. However, partnerships with the UN and other donor agencies need to be stepped up, and respective roles agreed, as they play a critical role in delivering aid and services in post-conflict situations.

See also:


4. World Bank – UN coordination

http://www.norad.no/en/Tools+and+publications/Publications/Publication+Page?key=109604

This report reviews the performance of post-crisis Multi-donor Trust Funds (MDTFs), administered by the UN and the World Bank. The overall conclusion is that MDTFs in post-crisis situations have been important instruments for resource mobilization, policy dialogue, risk and information management and are appreciated by host governments. There is a growing consensus regarding what constitute best practice MDTF structures, which external factors need to be borne in mind, and which design elements need to be adjusted to address specific post-crisis contexts.

Specifically with regard to World Bank – UN coordination, the report finds that relations have largely been constructive, based on agreed roles, such as in Iraq, Timor Leste, Afghanistan.
However, when the UN has taken on the role of partner agency under a Bank-administered fund, this has required considerable work to address fiduciary responsibilities and clarity regarding formal relations between the parties – questions that are still not fully resolved and that at times have generated controversy. Furthermore, where questions of roles and in particular perceptions of mandates have not been to both parties’ satisfaction, relations have at times been complex and even contentious as in the case of the Greater Great Lakes Multi-donor Demobilization and Reintegration Program (MDRP/Great Lakes). Disagreements have also surfaced regarding UN project performance. Nevertheless, steps are now being taken to ensure better use of each agency’s skills and taking advantage of complementarities. (pp 70-72)


This paper traces the evolution of international peacebuilding and identifies its persistent weaknesses. It finds that the United Nations system and donor agencies have thus far failed to address three key gaps: political leadership, strategic coordination, and a comprehensive financial mechanism.

Chapter 2 (pp 19-32) looks at the challenges of coordination. Specifically with regard to the World Bank it finds that: “The coordination and division of labour between the IFIs and UN agencies (mainly between the World Bank and UNDP) is not always smooth. At times, competition for donors’ funds has prevailed over comparative advantages and competences. Occasionally, donors have pushed the Bank to take the lead in sectors such as DDR or the administration of trust funds, to the detriment of other agencies that were possibly better positioned, particularly in terms of having a longer experience in the country. One of the disadvantages of the Bank in post-conflict situations is that, unlike the UN, it normally withdraws completely during war and is rather slow in resuming its presence. On the other hand, the Bank is regarded at times as more suitable than UNDP for overall coordination tasks, since, unlike UNDP, it does not engage in direct implementation of programs and therefore is not in a potential conflict of interest position. Joint administration has been adopted on some occasions as a compromise solution, although this creates administrative problems since internal procedures are quite different, particularly in terms of management fees.” (p 28)


This report examines the UN-Bank relationship in ten countries where UN peace operations are deployed, drawing on interviews with 43 senior UN peacekeeping and World Bank officials in these countries.

The first conclusion emerging from interviews is that most UN and Bank officials are convinced of the importance of their relationship and communicate more frequently than initial assumptions would suggest. With rare exceptions, Bank officials see UN missions as a key source of information on political and security aspects potentially impacting Bank operations. Most UN officials, in turn, report that Bank personnel participate regularly in weekly UN coordination meetings, making a substantive contribution.

The second finding is that differences in expertise, mandate and culture contribute to conflicts over prioritization and approach, particularly in the critical start-up period. Bank officials criticize UN missions for failing to place an early priority on capacity-building and productive sectors and
failing to consult national stakeholders throughout the process. UN officials, for their part, often feel the Bank is slow to begin operations or expand them into conflicted areas and insufficiently concerned with securing “quick wins.” Finally, competition between the World Bank and UNDP over the allocation of key roles related to Disarmament, Demobilization and Reintegration (DDR) and multi-donor trust funds may create tensions in the Bank-UN mission relationship, frequently involving Member States and national authorities as well.

A third finding is that governance is an important theme in the UN mission-World Bank dialogue. Alternatively described as “economic governance,” “good governance,” “statebuilding,” “state administration,” and “capacity-building,” it emerged as a key issue in almost every country. Other recurring themes included security sector reform and DDR and “quick wins” in material conditions on the ground.

The study concludes that UN and Bank officials in the field do communicate regularly and, in most cases, develop strong relationships. Within these relationships, a degree of conflict is not only inevitable but healthy. Nonetheless, additional steps could help to anticipate recurring conflicts, support modalities to align respective approaches with each other and, more importantly, with realities on the ground, and broaden strategic cooperation in the early “crunch” period. These steps could improve the prospects for setting short- and medium-term priorities in motion simultaneously from the outset.

[Adapted from the executive summary]

5. Additional resources

Helpdesk Research Report: Post-Conflict Recovery
http://www.gsdrc.org/docs/open/HD475.pdf

This GSDRC helpdesk research report presents literature on financing and coordination instruments to support post-conflict recovery. It includes summaries of a number of documents on joint UN-World Bank Post-Conflict Needs Assessment (PCNA), pooled funds, peace conditionality and state building, microfinance, and sequencing

World Bank Country Assistance Evaluations:
http://lnweb90.worldbank.org/servlet/OEDSearchServlet?SearchType=byField&PerPage=20&DbURL=oed/oeddoclib.nsf&Form=OEDSearch&Series=Country%20Evaluation&SortBy=Date

The section of the World Bank’s Independent Evaluation Group’s (IEG) website provides access to Bank Country Assistance Evaluations (CAEs), and includes evaluations of programmes in a number of fragile and conflict-affected states.

6. Further information

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Websites visited:
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