

# The Role of the World Bank in Conflict and Development

## AN EVOLVING AGENDA

Conflict Prevention and Reconstruction Unit

Social Development Department

Environmentally and Socially Sustainable  
Development Network

## FOREWORD

This paper reviews the Bank's experience in conflict and development. It traces the evolution of thinking inside the Bank, how it has sought to adapt to more complex international challenges and how it is adapting instruments and approaches to better integrate a sensitivity to violent conflict into its projects, programs and strategies. The paper also identifies a number of cross-cutting themes where the Bank is working to better understand the drivers and impacts of conflict, and areas that will require further work over the coming years.

The paper is intended as a form of stock-taking almost three years after the Board of Executive Directors approved the Bank's Operational Policy on Development Cooperation and Conflict (OP/BP 2.30). The views and analysis presented here come largely from a global, corporate perspective, fully recognizing that much of the innovation and creativity in dealing with conflict and development is taking place in the Bank's regional and country units.

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## THE END AND THE BEGINNING

After every war  
Someone has to clean up.  
Things won't  
straighten themselves up, after all.

Someone has to push the rubble  
to the side of the road,  
so the corpse-filled wagons  
can pass.

Someone has to get mired  
in scum and ashes,  
sofa springs,  
splintered glass,  
and bloody rags.

Someone has to drag in a girder  
to prop up the wall,  
Someone has to glaze a window,  
rehang the door.

Photogenic it's not,  
and takes years.  
All the cameras have left  
for another war.

We'll need the bridges back,  
and new railway stations.  
Sleeves will go ragged  
From rolling them up.

Someone, broom in hand,  
still recalls the way it was.  
Someone else listens  
and nods with unsevered head.  
But already there are those nearby  
starting to mill about  
who will find it dull.

From out of the bushes  
sometimes someone still unearths  
rusted-out arguments  
and carries them to the garbage pile.

Those who knew  
what was going on here  
must make way for  
those who know little.  
And less than little.  
And finally as little as nothing

In the grass that has overgrown  
causes and effects,  
someone must be stretched out  
blade of grass in his mouth  
gazing at the clouds.

Wisława Szymborska

## ACRONYMS AND ABBREVIATIONS

ADB	Asian Development Bank
AfDB	African Development Bank
CAF	Conflict Analysis Framework
CAS	Country Assistance Strategy
CDD	Community-Driven Development
CDR	Community-Driven Reconstruction
CH	Collier-Hoeffler (model)
CPDC	Conflict, Peace and Development Cooperation (OECD/DAC Network)
CPIA	Country Policy and Institutional Analysis
CPR	Conflict Prevention and Reconstruction (Unit)
CSAT	Civil Society Assessment Tool
DDR	Disarmament, Demobilization and Reintegration
DECRG	Development Research Group
DFID	Department for International Development
DGF	Development Grant Facility
DRC	Democratic Republic of Congo
EFA	Education for All
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
HIPC	Highly Indebted Poor Country
IDA	International Development Agency
I-PRSP	Interim Poverty Reduction Strategy Paper
LICUS	Low-Income Countries Under Stress
IMF	International Monetary Fund
NGO	Non-Governmental Organization

OED	Operations Evaluation Department (World Bank)
OP/BP	Operational Policy/Bank Procedures
MDRP	Multi-country Demobilization and Reintegration Program (Great Lakes)
MDTF	Multi-Donor Trust Fund
OECD	Organisation for Economic Cooperation and Development
PCF	Post-Conflict Fund
PCIA	Peace and Conflict Impact Assessment
PCPI	Post-Conflict Progress Indicators
PRSP	Poverty Reduction Strategy Paper
SDR	Special Drawing Rights
TSS	Transitional Support Strategy
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees

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## EXECUTIVE SUMMARY

This paper reviews recent experience in implementing the Bank's agenda on conflict and development. Realizing it faced a more complex challenge in the 1990s in assisting conflict-affected countries and in line with evolving international practices, the Bank redefined its role more comprehensively—from an approach focused on post-conflict reconstruction to one that seeks to integrate a sensitivity to conflict throughout Bank strategies and activities. OP 2.30 sets the overall context and provides a flexible framework for Bank engagement with countries affected by conflict.

As the Bank has sought to implement OP 2.30, it has gained experience with a number of policies, instruments and approaches used in conflict-affected clients. The operational policy has allowed a clearer definition of the levels of engagement depending on the conflict phases and encouraged the integration of sensitivity to conflict in Bank assistance. It has prompted a sharper focus on the need to adapt PRSP processes and best practices to take account of the special circumstances of countries where conflict is a key development issue.

To carry out its new policy, the Bank has also been working to gain a better understanding of conflict drivers, especially the economics of conflict and the links between dependence on natural resources, poor governance and conflict. The Bank is also making a concerted effort to fill knowledge gaps and develop new insights into conflict and development. These include, a better understanding of gender and conflict, the role of education, conflict as a vector for the transmission of HIV/AIDS and malaria, mental health in populations traumatized by war, and the pattern of aid and policy reform priorities in post-conflict reconstruction.

A number of approaches and Bank interventions in conflict settings are becoming established practice, including community-driven approaches in war-torn societies, demobilization and reintegration programs, and demining. Areas where additional work is needed include public sector reform and capacity building, and governance and the rule of law.

The Bank has also created new financing tools and revised existing instruments in order to provide more effective and timely financial support for reconstruction. This includes working with the IMF to help countries emerging from conflict access debt relief, provision of pre-arrears clearance grants to post-conflict countries with large and protracted arrears, a new methodology to calibrate IDA's response to post-conflict phases and the authorization in IDA13 for exceptional grant allocations to post-conflict

countries. These tools are complemented by the Bank's Post-Conflict Fund and an increasing reliance on multi-donor trust funds which are used to mobilize resources and provide flexible financing mechanisms.

The Conflict Prevention and Reconstruction Unit, in collaboration with external and internal partners, plays a key role in the development and diffusion of innovative research on the root causes of conflict, the aggregation and synthesis of good practices and lessons learned, provision of training for Bank staff and management of a number of important external partnerships.

Looking ahead, we expect to continue to draw lessons from the Bank's involvement in conflict-affected countries, fine tuning tools and instruments and deepening understanding of the interrelationships between conflict and development. An ongoing challenge remains to more fully integrate a sensitivity to conflict in Bank assistance, while recognizing that this is an extremely delicate and complex task, and the need to ensure we remain consistent with the Bank's mandate and its Articles of Agreement.

THE WORLD BANK'S ROLE IN ADDRESSING THE RAVAGES caused by violent conflict is historical—its first loans were made to support the reconstruction of Western European countries devastated by World War II.<sup>1</sup> Despite this initial focus on post-conflict reconstruction, putting the 'R' back in the International Bank for Reconstruction and Development—the full title of the World Bank—has been a case study in institutional change, as the Bank has sought to respond to a more complex international environment and to reconcile a sensitivity to conflict with its overriding mission of poverty reduction. This paper examines the evolution of the Bank's approach to conflict and development, how it has sought to respond to an evolving mandate and an increasingly complex agenda, and some of the challenges it faces. It is intended very much as a view from the center of the institution, while acknowledging that much of the innovative and path-breaking work is taking place in the regions and operational units of the Bank.

## AN EVOLVING APPROACH

### OVERVIEW

At the time of the creation of the UN Department of Humanitarian Affairs (UNDHA)—now the Office for Coordination of Humanitarian Affairs (OCHA)—no one working in the relief and rehabilitation programs of Liberia, Kurdistan or the former Yugoslavia could be heard to question “where is the Bank?” As the premier, wholesaler of development assistance, better known for the controversy over structural adjustment, its absence was taken for granted. Yet, by the time that East Timor's struggle for independence burst into the world scene, a World Bank team was in the vanguard of the rehabilitation and reconstruction wave. Today, the Bank is fully engaged in a wide range of conflict-affected countries and is looking at ways to reengage in a number of very poor performers, who are often beset by conflict or have never recovered from its after-effects.

As the international community raised concerns over the relief to development gap and the need to ensure a continuum as post-conflict countries transitioned from humanitarian emergency to reconstruction to longer-term development, some staff at senior UN and World Bank levels saw that the Bank not only could, but also should, try to fill the gap between emergency aid and the onset of reconstruction and development assistance. At the ground level, some Bank staff argued for and were prepared to demonstrate

that Bank projects could start to operate to good effect in the wake of humanitarian aid without waiting for peace to be fully consolidated and reconstruction programs comprehensively articulated.

Two events in the mid-1990s brought about a major turning point in the Bank's approach to conflict. The first came in 1994 when the Bank was asked to administer the multi-donor Holst Fund for the West Bank and Gaza. The second came in 1995, when the Bank was asked to take the lead with the European Commission in planning and coordinating international assistance for post-conflict recovery in Bosnia and Herzegovina. A trust fund was established upstream of Bank lending, followed by emergency lending mobilized more rapidly and across a wider range of activities than previously undertaken. The Bosnia program in particular, broke the mold, and formed the basis for a new post-conflict framework which was to become within three years a Bank operational policy. Following Bosnia were a series of programs in Rwanda, Kosovo, Sierra Leone, other Balkan states, East Timor, the Democratic Republic of Congo (DRC) and the Great Lakes Region in Africa, and most recently Afghanistan. At the time of writing, the Bank is considering its role and engagement modality in the rebuilding of Iraq.

In 1998, mindful that this new direction was not without its problems or detractors, the Bank's independent evaluation arm, the Operations Evaluation Department (OED), took a long hard look at the institution's post-conflict performance (World Bank 1998). Although it found many unanswered questions in the transition from conflict to development, and judged the Bank's performance could be improved in a number of respects (e.g., greater efforts to rebuild human and social capital), it concluded that the institution had a definite comparative advantage in supporting the special needs of countries emerging from conflict, at least where certain pre-requisites and other actors were in place. The links between sustainable post-conflict reconstruction and development—economic stability, good governance, growth and employment generation, access to social services and so on—were compelling. In addition, the Bank was in a prime position to support donor coordination and mobilize substantial reconstruction funds. OED's main concern was that the Bank had addressed the special needs posed by civil conflict on an ad hoc basis.

Few in the humanitarian and donor community disagreed in principle or argued for the Bank to withdraw. The Brahimi report was equally positive about the Bank's contribution.<sup>2</sup> But was the Bank equipped to do the job, and what about preventing conflict rather than helping with the clean up? Looking back over a decade, the OED review noted that 16 percent of Bank lending was already tied up in post conflict settings and thus affecting its core activities. The institution was in too deep to withdraw—now it had to get it right.

While a small, post-conflict unit located in the center and comprised mainly of ex UN and NGO staff advanced the agenda as far as it could, the real changes became apparent in the Bank's Regions, where operations and country relations are managed. Funding, analysis and expertise started moving away from a narrow focus on rebuilding infrastructure, flowing instead toward demobilization and reintegration programs, land mine clearance, community-based rehabilitation, the special needs of child soldiers, and a broader approach to good governance. As one NGO commentator dryly put it, "so the Bank has discovered peace". What the Bank had really discovered was that in practice post-conflict was where we all wanted to get to, but not always the starting point.

Five years on from the OED study it is neither rhetoric nor an exaggeration to say that post-conflict reconstruction has been mainstreamed in Bank operations. The Bank still has much to learn about rebuilding war-torn countries and it could always do with greater speed and nimbleness in environments that cry out for a quick response, but the processes and mind sets to learn from post-conflict experience and to try to respond more quickly are in place and well established within the institution.

## **CONFLICT PREVENTION AND A CHANGING INTERNATIONAL ENVIRONMENT**

As the Bank's post-conflict reconstruction agenda took hold, and with the costs, complexity, risks and visibility of recovery operations running so high, attention then turned to prevention. Here, research and events had an unexpected convergence. The operational policy of 2001, Development Cooperation and Conflict defined the Bank's approach to conflict-affected countries, not just post conflict. The new policy recognized that the Bank's role might extend beyond post-conflict reconstruction to a more proactive role in conflict-affected and vulnerable countries. It called for Bank assistance to minimize potential causes and be sensitive to conflict, while acknowledging there was much to learn in this area.

Then, findings from the Bank's research arm (DECRG), under Paul Collier, opened up the global debate on the economic causes and consequences of conflict. For an institution well stocked with economists, there had been surprisingly scant economic analysis or explanations of conflict in the Bank. Bank economists were inclined to think of conflict as an exogenous shock, akin to a natural disaster or an adverse swing in the terms of trade—something bad and unfortunate that happened from time to time and which was either 'not our problem' or in any case 'there was not much we could do about it'.

The Bank's research re-affirmed the links between conflict and poverty, confirming the everyday observations of other agencies and NGOs, but also added new insights, new at least to some—for example that the temptation from having 'lootable' natural resources (alluvial diamonds for example) and swelling numbers of unemployed youth, greatly heightens the risks of conflict. Other findings were more controversial and sparked a lively debate which came to be known as the 'greed versus grievance' debate. The main point of contention centered around whether this was too focused on economic explanations of conflict and thus ignored genuine grievances, and the broader discourse on causation, a discourse that tended to be dominated by political scientists. Irrespective of the outcome of the debate, it is clear that Collier's work changed the nature of the discussion on conflict and forced most to at least question or cast a wary eye on the prevailing discourse on grievance as the sole driver for civil wars.

The events of September 11, 2001 also prompted the Bank to look anew at its mission and mandate. The proximity of the attacks had a palpable personal effect on Bank staff and led to a genuine soul-searching and re-examination of the core Bank mission. President Wolfensohn was quick to articulate what most staff felt—that the poverty reduction mission was more important than ever. It wasn't that poverty led to terrorism—the poor are not the enemy—but a sense that 'failed states' offered fertile soil on which terrorism could thrive. Although small scale terrorists can lurk in the shadows of any society, September 11 showed that large scale terrorism needs territory outside the control of a recognized and reputable government. Staff in the Bank wondered aloud, "should we have been absent from Afghanistan for so long, was there anything we could have done differently?"

September 11 also roughly coincided with another important round of research and ensuing policy discussion, which came to be known as the 'aid effectiveness' debate. In a nutshell, it argued based on careful research, that aid was effective in spurring development but only when recipient countries adopted sound policies and nurtured effective institutions. When they did not, aid was a waste of tax payers' money. This debate carried important policy implications for the donor community. It implied that donors should be more selective in allocating aid, rewarding the good performers and, in the extreme, totally cutting off the bad performers—a 'tough love' approach. Although the case for stricter allocations of aid based on performance was persuasive and becoming accepted, there was also a sense of unease about setting the bad performers completely adrift. A large number of poor people live in these countries and, through no fault of their own, suffer the consequences of incompetent and kleptocratic governments. September 11 added a new dimension by painfully showing that the problems of poor performing countries would not be contained within their own borders.

The Bank's considered response to the convergence of September 11 and the outcome of the 'aid effectiveness' debate was to set up a task force to take a fresh look at its approach to countries across a broad spectrum of poor performance and vulnerability, now known as the 'low-income countries under stress' (LICUS) initiative. In a relatively short time, and without creating new instruments or bureaucratic responses, the work of the task force brought a more nuanced approach to the focus on good governance, policy reform and service provision in circumstances of chronic instability, or 'zero-generation' reforms. In essence, it articulated the need for some form of engagement, even if at a very low and modest level, that could offer some, even dim, possibility of policy reforms and change.<sup>3</sup> This, some humanitarian workers and analysts had been seeking for years as a complement to their work.

As the complexities of conflict prevention and its causes unfold, new issues emerge for the Bank to ponder. What should be the type and level of assistance in poor performing or conflict-vulnerable countries? How to deal with moral hazard questions in these cases? What should be the Bank's level of engagement when the conflict is taking place? Is the 'do no harm' approach enough, or should the Bank be far more proactive in conflict prevention? And what do we mean by conflict prevention anyway? How should the Bank align its operations and performance-based lending to human rights considerations and what definition of human rights should it use? How do we distinguish bad performers from those that are merely suffering from the aftershocks of the conflict and will likely make a full recovery? Since aid is a zero-sum game, how do we provide extra assistance to those recovering from conflict without punishing those that through a combination of good policies, institutions and sheer good luck, managed to steer clear of conflict? Who takes over financing when emergency funds run out? How does the Bank work with donors, or partner with smaller humanitarian and development agencies, without crowding them out or impeding their speed and flexibility? Like Tolstoy's unhappy families, does the uniqueness of each conflict and its attendant emergency, preclude a preplanned division of labor or does it boil down to committed and dogged implementation on a case-by-case approach?

The remainder of this paper explores the Bank's rules of engagement in conflict-affected countries and some of the challenges and themes it is seeking to address. The paper first sketches the operational implications of the Bank's evolving approach to conflict and development in light of its new policy. It then reviews recent experience with a number of key Bank policies, instruments and approaches commonly used in work with conflict-affected countries, including engagement modalities, poverty strategies, and LICUS. The third section looks at new approaches and tools that are being developed to better address the development challenges posed by violent conflict, including a better understanding of the economics of conflict, knowledge gaps and new insights

in areas such as gender, HIV/AIDS, community-driven development, and governance and the rule of law. The paper then briefly describes recent developments with respect to Bank financing of post-conflict recovery efforts. Section V reviews the growing importance of knowledge management and key partnerships. A concluding section underlines remaining challenges.

## FACING MORE COMPLEX CHALLENGES

The Bank's early involvement in post-conflict reconstruction focused on providing financial capital and rebuilding physical infrastructure. However, in a post-Cold War era marked by an increase in the number and severity of civil conflicts, the Bank found it had to adapt to different and more complex challenges. As discussed earlier, the Bank's role in West Bank and Gaza, and in Bosnia and Herzegovina prompted a reexamination of the Bank's broader engagement in post-conflict reconstruction. Realizing that it faced a far more difficult post-conflict environment and growing expectations on the part of the international community, the Bank decided to create a locus of expertise in post-conflict reconstruction and to examine the framework under which it operated. To this end, in 1997 the Bank created the Post-Conflict Unit in the Social Development Department, and in February 1997 the Executive Directors endorsed the paper *A Framework for World Bank Involvement in Post-Conflict Reconstruction* (World Bank 1997). The new framework provided a rationale and guidelines for Bank involvement in countries in transition from conflict, but as conveyed in the paper's title, the focus remained firmly on reconstruction after the conflict ended.

With poverty both a cause and a consequence of conflict, and in line with evolving international initiatives to explore the potential role of development assistance in preventing conflict, toward the late 1990s the Bank sought to redefine its reconstruction role more broadly in the context of a more comprehensive approach to development—from an approach focused on rebuilding infrastructure to one that seeks to understand the root causes of conflict, to integrate a sensitivity to conflict in Bank activities and to promote assistance that minimizes the potential causes of conflict. The Bank's research findings—notably that post-conflict countries face a 44 percent chance of reverting to conflict during the first five years after the onset of peace—reinforced the need to adopt a broader approach to conflict, even during the post-conflict reconstruction phase. In line with this shift in focus, and following an extensive process of discussion inside and outside the institution, in January 2001 the Executive Directors approved Operational Policy/Bank Procedures 2.30 (OP/BP2.30), *Development Cooperation and Conflict*, which provides a strategic framework and sets the parameters for Bank engagement in countries affected by conflict. To signal this shift in

emphasis toward a broader approach to conflict, the Post Conflict Unit was renamed the Conflict Prevention and Reconstruction (CPR) Unit and, in collaboration with the Bank's Regions and Networks, set about the task of translating the reality of 'no development without peace' into operational guidance for Bank assistance and partnerships.

## **REDEFINING CONFLICT—FROM POST-CONFLICT RECONSTRUCTION TO A SENSITIVITY TO CONFLICT**

OP/BP 2.30 goes beyond the 1997 framework by requiring the active consideration of conflict issues in all Bank activities—in countries that are vulnerable to conflict, in countries affected by conflict, and in countries in transition from conflict (post-conflict). Adoption of OP/BP 2.30 has enhanced the Bank's capacity to respond rapidly and flexibly, further defining the rules for its involvement, Bank objectives in relation to the conflict phases countries typically go through, and reasserting guiding principles for Bank engagement. The main features of OP 2.30 include: (i) definition of the different levels of Bank engagement in different conflict settings; (ii) integration of sensitivity to conflict in Bank assistance through conflict analysis; (iii) the importance of working in partnership; and (iv) demarcation of Bank activities in conflict situations in line with its mandate and Articles of Agreement. BP 2.30 determines: (i) the procedures that apply in deciding the type and level of Bank engagement in a country affected by conflict; (ii) the guidance that staff may receive; and (iii) how conflicts and Bank operational responses are reported to the Board.

While overall responsibility for Bank work in conflict-affected countries lies with the Bank's Regions and country teams, the CPR Unit in the Social Development Department, within the Environmentally and Socially Sustainable Development (ESSD) Network, provides a Bank focal point for policy advice, operational support, knowledge management, training and external partnerships. In addition, the CPR Unit manages the Post Conflict Fund. With respect to financial issues, the Resource Mobilization Department (FRM) is responsible for policy related to the allocation and use of IDA resources in post-conflict countries, and Credit Risk (FINCR) in cases involving IBRD countries, general financial policy and arrears.

While OP/BP 2.30 sets the overall context and provides a flexible framework for Bank engagement with countries affected by conflict, it also makes it clear that, in line with the mandate specified in its Articles of Agreement, the Bank does not engage in peacemaking or peacekeeping, does not provide direct support for disarming combatants, and does not provide humanitarian relief, all of which are functions assumed by the United Nations and other agencies or donors.



## POLICIES AND INSTRUMENTS

This section briefly reviews experience with a number of key Bank policies, instruments and approaches used in conflict-affected countries. These include the different levels of engagement linked to the different phases of conflict, conflict analysis as an input into strategies and programs, the special circumstances of Poverty Reduction Strategy processes in conflict-affected countries, and new approaches under the LICUS initiative.

### LEVELS OF BANK ENGAGEMENT

OP/BP 2.30 sets out three stages of Bank engagement in conflict affected countries depending on the stage of the conflict and the Bank's ability to deploy its normal array of assistance instruments:

- **Watching Brief.** The Bank may initiate a Watching Brief where normal Bank assistance is no longer possible due to conflict or its aftermath (e.g., Haiti, Somalia, Sudan). The Watching Brief allows the Bank to maintain a minimum level of engagement, monitoring evolving socio-economic conditions and prospects for change, and to thus be in a better position to re-engage when conditions permit. As part of the Watching Brief, the Bank may support additional activities at the country's request.
- **Transitional Support Strategy (TSS).** The TSS is a short- to medium-term Bank assistance strategy for a country in transition from conflict that does not have a Country Assistance Strategy (CAS) or where conditions are not yet appropriate to prepare a full fledged CAS (e.g., Afghanistan, Sierra Leone, Timor-Leste). The TSS may be in place for up to 24 months and may be renewed for additional periods with the endorsement of the Executive Directors.<sup>4</sup> A TSS is typically closely aligned with the objectives and sequencing of priorities in peace accords and recovery plans; its assistance priorities will most likely differ from those under a CAS.<sup>5</sup>
- **Country Assistance Strategy (CAS).** As a post-conflict country successfully transitions out of conflict, the Bank can revert to a normal CAS. In some instances of overt conflict, continued assistance may still be possible under a full fledged CAS, without recourse to the Watching Brief and TSS stages, if the Bank determines it can still assist the country meet its development objectives (e.g., Colombia, Sri Lanka, Nepal).

The CPR Unit periodically reports to the Bank's Board of Directors on developments in conflict-affected countries. The last report covers 40 countries and areas that are considered conflict-affected.<sup>6</sup> Of these, 6 are in non-accrual status, 3 have a Watching Brief, 13 have a TSS, and 20 are under a CAS. Over three quarters of the conflict-affected countries are low-income, of which 28 are IDA and 4 are blend countries.

The three levels of engagement set out in OP/BP 2.30 provide considerable flexibility to tailor Bank involvement and assistance depending on the stage of the conflict. The small number of Watching Briefs likely reflects the difficulties the Bank has faced in maintaining even a limited or passive monitoring effort in countries where there are little prospects for a turnaround, either in the conflict or in improved policies and governance, that would justify moving to a TSS. Implementation of the Low-Income Countries Under Stress (LICUS) Task Force recommendations aims to address these difficulties by proposing different modes of engagement for this group of countries. As strategic approaches to LICUS are developed and tested, we would expect to see a greater use of the Watching Brief mode as well as a more proactive and strategic design of Watching Briefs, in line with the approach proposed for LICUS.

## CONFLICT ANALYSIS AND SENSITIVITY TO CONFLICT

OP 2.30 calls for the integration of sensitivity to conflict in Bank assistance through analytical work, including conflict analysis. The CPR Unit has developed a Conflict Analysis Framework (CAF) to help Bank teams analyze more systematically the links between development and conflict when preparing strategies, policies and programs (CPR 2002e). Conflict sensitive approaches that take into account factors that can trigger or affect vulnerability to conflict may help to prevent the onset, exacerbation, or resurgence of violent conflict. As pointed out by a recent OED project assessment for Sri Lanka, a lack of sensitivity to conflict may also constrain project design and implementation. OED notes that project performance may be vulnerable to the impact of conflict, even when the project itself is not located in the conflict area, and cautions that war-weary governments are unlikely to have strong ownership of reforms that are unrelated to the causes of conflict (World Bank 2003b). The CAF builds on the results of the Bank's research on the economic causes of conflict, the CPR Unit's work in conflict-affected countries, and international best practice and experience in conflict analysis and methodologies on early-warning systems. The CAF has been developed as part of the Bank's social analysis methodology,<sup>7</sup> which allows its use as stand-alone analysis or as part of an upstream country social analysis.

A conflict analysis framework can be a useful tool when applied carefully and sensitively. It can play a valuable role in assisting country teams gain a better

and more systematic understanding of conflict drivers and how development interventions may mitigate or worsen conflict risks—or as a minimum, ensure that Bank activities do no harm.<sup>8</sup> Where there is receptivity by client governments, partners and stakeholders, conflict analysis can be incorporated in the preparation of post-conflict needs assessments, poverty reduction processes and country assistance strategies in conflict-affected countries, and re-engagement strategies in LICUS countries. Although a number of donors have also developed and applied conflict analysis frameworks, the results tend to remain confidential and thus rarely serve to ensure a more coordinated response by the international community to a country's conflict dynamics. However, as is emerging in the case of Nigeria, when conflict analysis is carried out jointly—with other donors and stakeholders, including the government—the results and recommendations can provide a common base for improved donor coordination and more coherent approaches in conflict-affected countries.<sup>9</sup>

The Bank's initial experience with conflict assessments suggests two areas for further analysis and extension of the framework. First, while CAF-type instruments necessarily focus on conflict and the underlying conditions that affect the risk of violence outbreaks, there is also the need to look more systematically at why and how conflict does not erupt—the countervailing factors or causes of peace. As pointed out by Lund, most researchers and conflict analysis frameworks do not assess a society's capacity to deal with emerging tensions and cleavages, and which may determine whether it can sustain challenges to the *status quo* without erupting into widespread violence (Lund 2003).

Second, a CAF can provide a systematic assessment of conflict risks at the macro or national level, but there is also growing interest and demand from country teams for more micro-level analysis that can evaluate the impact on peace and conflict of interventions (projects, programs, policies) in conflict-affected areas and sectors. To meet this demand, the CPR Unit is developing a Peace and Conflict Impact Assessment (PCIA) tool. The PCIA would rely on a CAF to provide a context summary but focus on the specific intervention and its likely impact on peace and conflict. While ideally a PCIA should be carried out *ex ante*, so that potential challenges and opportunities can be managed from the start, it can also be carried out during implementation to monitor effects that need to be addressed or mitigated, or as an *ex post* assessment to evaluate the actual peace and conflict impact.

## POVERTY REDUCTION STRATEGIES IN CONFLICT-AFFECTED COUNTRIES

The Poverty Reduction Strategy Paper (PRSP) process had not been fully developed at the time that OP/BP 2.30 was discussed with the Board. Reducing poverty is clearly a more complex and difficult task in countries

affected by conflict than in peaceful ones. To date, 30 countries have completed their PRSP, an additional 22 have finalized their Interim-PRSP (I-PRSP), and a further group of countries are at the beginning of the poverty reduction strategy process. Of the countries engaged in the PRSP process, 25 are considered conflict-affected by the Bank, while many others have social and economic conditions that put them at risk of conflicts escalating into large-scale violence. Thus, over the coming years there will be a considerable number of countries that will have to wrestle with the design and implementation of poverty reduction strategies in environments made substantially more complicated by the presence of conflict, either overt or as a high risk factor.

Countries affected by conflict face a two-way relationship between conflict and poverty—pervasive poverty makes societies more vulnerable to violent conflict, while conflict itself creates more poverty. At the same time, conflict has a negative effect on the ability of countries to formulate poverty reduction strategies. Countries emerging from violent conflict are markedly different from peaceful countries, where the challenge is to promote higher sustained growth and design effective poverty reduction policies. First and foremost, post-conflict countries face a high risk of reverting to conflict, especially during the first five years. In addition, post-conflict countries often confront massive human, physical, economic, social and institutional dislocation, and the choices they must make are correspondingly more difficult. Countries facing a high risk of conflict must also look at the development challenge through a different lens, paying particular attention to their vulnerability to conflict and the impact that strategies and policies may have in mitigating or aggravating the risk of conflict.

Although there is recognition that PRSPs for conflict-affected countries should differ from those of more peaceful ones, there is no consensus, let alone best practices, on how to integrate the conflict nexus or the key elements of conflict-affected PRSP processes. The recent report *Review of the Poverty Reduction Strategy Paper (PRSP) Approach—Main Findings*, concluded that the PRSP framework should be sufficiently flexible for the special needs of conflict-affected countries. While this is indeed the case, the report recognizes that special guidance and the development of best practices are required—for staff, governments and stakeholders—on how to support and adapt the PRSP processes in countries where conflict is an important development issue. The main objective over the short to medium term must be to consolidate peace—poverty strategies and policies cannot succeed without it. PRSPs in conflict-affected countries therefore should look and feel very different from other countries. For example, it will be important to focus on the factors that affect the risk of conflict. The quality and reliability of poverty data are likely lower, and so too will be the poverty diagnosis. Outcome

indicators may specifically address targets and agreements in peace accords. Participatory processes and the role of civil society are likely to be very different in cases where territorial security may not be fully restored, where there are deep social, political, ethnic or religious cleavages in society, and where there is little experience with participatory processes after years of violence and mistrust. Poverty strategies will need to pay special attention to issues generated by the conflict itself, such as the removal of land mines, the special needs of refugees, male, female and child ex-combatants, war-wounded and widows. Economic policies also need to be more flexible, taking into account the specific constraints resulting from the conflict and the primary objective of ensuring peace and political stability. Although the formulation of the full PRSP can take several years, it is nevertheless important that the process provides input at an early stage into the reconstruction program for which the broad objectives typically need to be laid out soon after the end of the conflict.

To address these issues, the CPR Unit and the Poverty Reduction Group in PREM (PRMPR), in collaboration with the IMF, have launched a 3-year program to evaluate PRSP processes in conflict-affected countries, develop specific guidance and best practices, disseminate lessons learned and provide targeted support to countries and Bank country teams that request assistance in addressing conflict and development issues in the PRSP process. The program consists of three key components: (i) a retrospective study which will examine how PRSPs have taken conflict factors into account; (ii) monitoring of selected countries as they develop and implement their PRSP to assess the extent to which they draw conflict analysis into their strategies; and (iii) support for selected countries, including development and testing of tools, to facilitate a better integration of conflict-related issues into PRSP processes. The program is supported by DFID and includes collaboration with UNDP and the Government of Germany.

## **LOW-INCOME COUNTRIES UNDER STRESS (LICUS) AND CONFLICT**

There is substantial overlap between countries classified as Low-Income Countries Under Stress (LICUS) and conflict-affected countries.<sup>10</sup> LICUS are significantly more prone to large-scale and violent conflict than other low-income countries. Hence policies and strategies that can mitigate the effects and reduce the risk of conflict are a greater priority in LICUS than elsewhere (World Bank 2002). Poor economic performance, manifested in low growth and pervasive poverty, is itself a strong risk factor. In general terms, all LICUS are conflict-prone, although not all conflict-affected countries are LICUS.

Given the considerable overlap between LICUS and conflict-affected countries, the LICUS Unit in OPCS and the CPR Unit are developing a joint work program to support implementation of the LICUS Task Force recommendations and to assist and guide preparation of LICUS pilot strategies (e.g., Angola, Central African Republic, Haiti, Somalia and Sudan). Since poor policies and governance failures are the defining characteristics of LICUS, bringing together conflict and governance issues has added value to the Bank's approach in conflict-affected countries. While each post-conflict situation is different, countries emerging from conflict tend to confront many of the same underlying problems of governance that affect LICUS, including: lack of confidence by economic actors; weak state capacity, especially in judicial, financial, fiscal, administrative and regulatory functions; a large informal economy and parallel markets; poor economic policies; widespread unemployment, especially among the young; lack of skilled labor and low secondary school enrollment; and damaged or obsolete physical capital. These governance and institutional weaknesses markedly increase the risk that violent conflict will re-ignite. Given these risk factors, we expect that the combined LICUS and CPR perspectives will enrich the Bank's approach to conflict prevention and sustainable post-conflict reconstruction.

## ANALYSIS, TOOLS AND INTERVENTIONS

To complement its new policy on conflict, the Bank has been developing a set of analytical tools and interventions to better address the challenges of conflict prevention and reconstruction. Key among these has been the path-breaking research on the economics of conflict, as well as capacity and experience in a number of areas relevant for conflict-affected settings.

### UNDERSTANDING CONFLICT TRIGGERS

#### THE ECONOMICS OF CONFLICT

In 1999, the Bank's Development Economics Research Group (DECRG) began a major research effort to study the economics of conflict and violence. As a result of its findings and the debate it has sparked, policymakers have gained considerable insight into the factors that affect the risk of violent internal conflict and its duration, including a practical agenda to reduce the incidence of conflicts. The results and major implications of this research have been recently published in a World Bank Policy Research Report, *Breaking the Conflict Trap: Civil War and Development Policy* (World Bank 2003a).<sup>11</sup> The research yields three main findings. First, civil wars produce major ripple effects, not only within the country, but also among neighboring countries and more broadly in the international arena. Many of these adverse effects persist long after conflicts have ended. Second, the risks of conflict differ greatly depending on country characteristics, including its economic structure. Two groups of countries face especially high risks. One is referred to as the marginalized developing countries—low-income countries that have failed to sustain the policies, governance and institutions that would allow them to sustain growth and diversify out of a dependence on primary commodities. The other high-risk group is countries caught in the conflict trap—once a country has had a major conflict it is in great danger of further conflict. Third, international actions can substantially reduce the global incidence of violent conflict. The report makes a number of recommendations on a wide range of policies and interventions, with a particular focus on the international governance of natural resources.

#### USING CASE STUDIES TO EXPAND THE THEORY OF CIVIL WAR

A second and complementary phase of this research, carried out in partnership with Yale University,<sup>12</sup> adopts a comparative case study approach to refine and expand the economics of conflict model (also known as the Collier-Hoeffler or CH model). While Collier and Hoeffler test their

model using statistical methods on a dataset of 160 countries, the Yale project draws on 20 case studies that apply the CH model to explain over 30 civil wars (Sambanis 2003). A key conclusion is that while the CH model accurately describes some associations that appear significant in explaining many civil conflicts, the causal mechanisms implicit in the CH analysis may be incorrect or limited. Through the case studies, a more nuanced approach is developed on the conditions under which different variables influence the outbreak of conflict, and suggests a number of improvements and additions to the CH model. The research also makes it clear that it is difficult to consider greed and grievance as competing explanations for conflict—they are often shades of the same problem.<sup>13</sup> We often see more political greed and economic grievance than the other way around. Civil wars may be a response to greed or grievance but most often they will be the result of both.

#### THE GLOBAL GOVERNANCE OF NATURAL RESOURCES AND CONFLICT

Recent research undertaken by the Bank and others suggests a strong linkage between rents from natural resource extraction and violent conflict. Such revenues have fueled and financed devastating conflicts in a large number of countries and regions.<sup>14</sup> With support from the Norwegian Trust Fund for Environmentally and Socially Sustainable Development, the Bank has recently completed the first phase of a Project on the Governance of Natural Resources. It aimed to build a solid body of theoretical and applied research on the links between natural resource extraction and violent conflict, review interventions that can be effective in enhancing the global governance of trade in these resources, suggest practical approaches to improve the transparency of resource revenues (e.g., oil and gas) and reduce rents from the illegal trade in commodities with strong links to conflict (e.g., conflict diamonds, tropical timber, coltan and other precious metals). The Project was a combined effort between the CPR Unit and DECRG. Following a workshop in December 2002, hosted by Agence Française de Développement, the Project produced a set of concrete policy recommendations and suggestions for global action emerging from the research (Bannon and Collier 2003).

The policy recommendations, also taken up in the *Breaking the Conflict Trap* report, focus on steps to improve the international governance of natural resources. Recent initiatives such as the Kimberley process for tracking diamonds to curtail financing of rebels and the “publish-what-you-pay” campaign launched by Global Witness and other NGOs aim to increase the transparency of natural resource revenues to governments. Transparency, in turn, is an input into greater domestic scrutiny of how revenues are used. If rebel finances can be curtailed and citizens come to believe that resources are being well used, civil conflict will be less likely. An additional element that

would contribute to improved governance of natural resources would be to cushion the price shocks that exporters commonly face. Negative price shocks have been associated with severe recessions that directly increase the risk of civil conflict and have sometimes led to prolonged periods of economic destabilization.

## CONFLICT AND DEVELOPMENT: FILLING GAPS AND NEW INSIGHTS

As the Bank gains experience and carries out additional research on conflict and development issues, it is identifying gaps that need to be filled and developing new insights that can help improve development effectiveness. Some recent examples include: the gender dimensions of conflict, a better understanding of the links between education and conflict, patterns of post-conflict aid and absorptive capacity, and policy reform priorities in post-conflict reconstruction.

### GENDER AND CONFLICT: NOT JUST ABOUT WOMEN—NOT JUST ABOUT VICTIMS

Women and men experience violent conflict in very different ways. As the Bank broadened its approach to conflict and in line with its continuing efforts to mainstream gender throughout its development work, it became clear that while the gender dimensions of conflict require special attention, the links are complex and not easy to disentangle, especially from unhelpful stereotypes. For example, it can be argued that many international actors or gender and conflict advocates are prone to oversimplify reality by describing men in a stereotypical way as aggressors and women as peacemakers. Similarly the role of women as victims of conflict tends to be overemphasized at the expense of other roles they may play (Bouta and Frerks 2003). The challenge is not only to respond to the special but often neglected needs of women resulting from the conflict, but also to better understand the role that gender equity plays before a conflict; build on the positive, often temporary, changes in social structures and norms brought about by the conflict; support more equal gender relations in reconstruction and longer-term development processes; and widen the gender net to more systematically analyze the role of men.

The Bank's recent research examined the various factors that can affect conflict risk in a typical developing country, but did not incorporate a gender dimension. In order to complement and extend the Bank's research on conflict, and to move beyond easy male-female stereotypes, the CPR Unit commissioned a quantitative analysis of the relationship between gender equality—proxied by the fertility rate—and the risk of intrastate conflict. It finds that states with high fertility are twice as likely to experience internal conflict than states with low fertility rates, while controlling for other possible

causes of conflict (Caprioli 2003). These results suggest that investing in greater gender equality is not only good for development, but it is also an investment in more peaceful societies.

Experience in post-conflict reconstruction suggests that the demobilization and reintegration phase poses particular difficulties for women and girl soldiers. Demobilization programs almost exclusively focus on male ex-combatants, overlooking female combatants. When a conflict ends, female ex-combatants may suddenly become invisible—even in Angola where 30 percent of the armed forces were female or in Sierra Leone where females accounted for up to 30 percent of the RUF (Michelle n.d.). In addition to the female ex-combatants, there are other affected groups also neglected when peace and demobilization arrive. These include abducted girls, ex-combatants' families, war widows and women in the host community. As the Bank has built up greater experience in demobilization and reintegration programs, it is increasingly focusing on the special needs of female ex-combatants and other affected groups. A recent study, *Addressing Gender Issues in Demobilization and Reintegration Programs* (de Watteville 2002) distills key lessons.

Social structures and norms are severely disrupted during conflicts. Traditionally defined roles and responsibilities are transformed as people develop survival strategies to cope with the new realities that emerge from conflict. Gender relations, in particular, are affected by conflict as women and men assume new roles and responsibilities during and after the conflict.<sup>15</sup> However, once the conflict ends women and girls are generally expected to quietly revert back to their pre-conflict roles, giving up freedoms, social capital, labor market participation, political influence or networking capabilities they may have gained as a result of the conflict. Their leadership skills and experience are often downplayed. The design of post-conflict reconstruction programs needs to adopt an explicit gender focus, especially to understand these dynamics and respond to them.

Women are not solely victims of conflict, but can also make tremendous contributions to conflict resolution, management and peace building processes. Introducing a gender sensitive lens to conflict analysis frameworks and post-conflict reconstruction strategies can help in understanding both women's and men's roles as actors, not just victims. In many post-conflict situations, women are cast purely as overburdened victims of physical and mental abuse. A more careful gender analysis can bring out how women respond to difficult situations—their coping and survival strategies, their marshalling of scarce resources and the means by which they generate social capital to cope with the effects of the conflict—and how to tap these potentials during the reconstruction phase and beyond.

In most discussions of gender and conflict, gender tends to be equated with women, but we know little about male gender roles in relation to violent conflict. Male identities, the link between masculinity and violence, and the particular situation of young males has received very little attention. To begin addressing this gap, ongoing research carried out in partnership with the Africa Region is looking at young men at risk from a gender perspective, with a specific focus on violence/conflict and HIV/AIDS.

The Post Conflict Fund has played an important role in supporting innovative approaches to gender in conflict-affected countries. Activities funded by the PCF include:

- The UNDP-executed “Community Action for the Reintegration and Recovery of Youth and Women” in the Democratic Republic of Congo, to address the particular challenges women face when attempting to reintegrate into their communities and gain sustainable livelihoods;
- The “Knitting Together Nations” project in Bosnia, to create sustainable employment opportunities for Bosnian women in inter-ethnic activities such as the production, marketing and sale of traditional knitwear;
- The “Women Reconstructing Southern Africa” program, implemented by African Women’s Alliance for Mobilizing Action, to finance capacity-building activities for emerging women leaders in rural villages;
- The “War Widows and Welfare” project in Indonesia with the National Commission on Violence Against Women, to help poor widows recover their economic capacities in areas of Indonesia and Timor-Leste affected by violence; and

In Afghanistan prior to the fall of the Taliban regime, short-term job-related training for Afghan women’s NGOs, and the “Afghan Female Teachers In-Service Training” project in Peshawar (Pakistan), implemented by Save the Children USA and the Swedish Committee for Afghanistan, were designed to train female Afghan teachers to educate girls in the camps but also to provide the trained female teachers that Afghanistan would need during the reconstruction phase.

Although there has been considerable progress in recent years in understanding the complex interactions between gender and conflict, it has proven far more difficult to translate these insights into policy implications and interventions that agencies such as the World Bank can support. Three areas appear to require increased attention. First, while it is generally acknowledged that

women and men experience and respond to conflict differently, and that gender dynamics can change substantially as a result of conflict, the challenge remains to define development policies and project interventions in post-conflict settings that can sustain and build on some of the positive changes in gender relations. Second, while there has been increasing emphasis on understanding gender relations in post-conflict (even while we still search for the right policy and project levers), there is comparatively less attention to gender relations before and during conflict. Third, because much of the discourse on gender and conflict in effect primarily focuses on the role of women, there has been relatively little attention devoted to understanding the role of men, especially young men at risk.

### **EDUCATION AND CONFLICT: PART OF THE SOLUTION AND THE PROBLEM?**

The impact of conflict on education systems is profound and lasting, resulting in a shortage of resources, a reduction in access and coverage, lower teaching and learning quality, the collapse of management structures and capacity, and the undermining of core values. Education systems and teachers are often deliberately targeted in conflicts. In Colombia, one teacher has been assassinated every week during the past five years and every four days a teacher has been displaced (Laverde, Posso and Maldonado 2003). As one emergency education expert noted: “There’s hardly a war that doesn’t involve shooting at schools.”<sup>16</sup> Conflict’s path of devastation and disruption dramatically slows the ability of war-torn countries to reach the Education for All (EFA) goals. A DFID study points out that at the turn of the century 82 percent of the reported 113 million children out of school were living in crisis and post-crisis countries, underscoring the devastating impact of conflict on access to education (Smith and Vaux 2003). The Bank’s commitment to accelerate progress toward EFA prompted the Education Team in the Human Development Network to look more closely at country progress toward meeting EFA targets. The results indicated that 89 countries were not on track to achieve universal primary education by 2015, of which 29 were seriously off track. One quarter of the 60 countries not on track are conflict affected, as are over one-third of the 29 countries that are seriously off-track (Education Team 2003). Reaching, much less approaching, EFA targets will require the donor community to aggressively support education in advance of, during, and immediately after wars (Sommers 2002).

Although the rebuilding of education systems devastated by war figures prominently in most post-conflict reconstruction programs supported by the Bank and other donors, there is a need for a more comprehensive and systematic approach to education and conflict—one that recognizes that education is not only part of the solution but can also be part of the problem.<sup>17</sup> Post-conflict reconstruction too can provide a window of opportunity to

undertake comprehensive education sector reforms, especially before vested interests have a chance to get re-established. As part of a more comprehensive approach to conflict and education, there is also a need to take a closer look at education responses and approaches during conflict and during the emergency phase of post-conflict. These themes are explored below.

Because education, especially primary, is seen as an unambiguous public good, development agencies tend to focus on increasing coverage and/or quality without considering that education may exacerbate conflict. The education sector is rarely an innocent bystander in societies undergoing wrenching political and social turmoil—it is often an active player in the conflict, manipulated by the state or grievance-driven groups around issues such as the language of instruction, the content of curriculum and textbooks, and ethnic or geographic access. But education alone is rarely the driver for conflict and instead interacts with other contextual and country-specific factors. Efforts to support better education access should also aim to develop conflict-sensitive education systems. Applying a conflict assessment framework that carefully looks at the role of the education system as part of the problem as well as the solution would better inform donor interventions in support of education access in conflict-affected countries.<sup>18</sup>

Education, often at the center of peace and post-conflict reconstruction programs, too often becomes the poor relative during conflict and emergency situations. Yet it is most often the case that most primary school-age children in war-affected areas are not in school and have no realistic hope of enrolling in one. Education for children whose lives have been affected by war is a vital protection measure, especially for girls. Education responses in emergencies have not received much attention and can often slip through the relief-development gap.<sup>19</sup> Support for refugee schooling is usually far greater than anything available for internally displaced children. Hardest to reach are children not living in camps, whether in their country of origin or in an asylum country. Educating children during emergencies requires supporting innovative approaches and, for a development agency such as the World Bank, better coordination and collaboration with emergency and humanitarian partners to link emergency education with longer term strategic responses and planning. A PCF three-grant package addressing the education needs of Afghan refugees prior to the fall of the Taliban regime is a good example of trying to strengthen this link. The package supported: (i) a training center for female teachers set up in Peshawar (Pakistan), which in late 2002 was moved to Jalalabad (Afghanistan), implemented by the Swedish Committee for Afghanistan; (ii) training of male and female teachers in the refugee camps in the Peshawar area, implemented by GTZ; and (iii) training of female teachers in the refugee camps in Balochistan (Pakistan), implemented by Save the Children.

Past experience suggests that learning to prepare, adapt to, and respond to crises that can render education systems dysfunctional requires a proactive response. Accordingly, development actors should not wait for crises to end—they should work with ministries to grapple with education in crisis situations, establish an active and supportive presence during crises, and commence planning for post-war situations before they arrive.

Given the large physical devastation wrought by conflict, reconstruction of education systems is generally a high priority in post-conflict societies. Less attention, however, has been paid to the opportunities for transformation and fundamental reforms of education systems after conflict. A recent study (Marques and Bannon 2003) looked at the experience of education reform in three post-conflict Central American countries (El Salvador, Guatemala and Nicaragua). The study found that the advent of peace provides a window of opportunity for wide-ranging education reforms and to undo the errors of the past. Success depends critically on: building a national consensus and vision for the reforms, as an integral part of the reconciliation process; effective decentralization, especially including the transfer of resources and responsibilities to schools, parents and communities; early preparation of the technical aspects of the reform, even before a formal end to the conflict; moving quickly to secure the support of key stakeholders, including teachers and parents; and, modernization and effective de-concentration of the Ministry of Education—often the forgotten ingredient of education reforms—as essential to complement the transfer of responsibilities to schools and parents.

At the same time, although there has been considerable progress in thinking through the Bank's role in post-conflict reconstruction generally, this has not been matched by much comprehensive and systematic analysis focusing on education. To fill this vacuum, the Education Team has launched a comprehensive study on Education and Post-Conflict Reconstruction (Education Team 2003). Building on work already undertaken within the Bank, and in consultation with the CPR Unit, the study draws on a review of the literature, on a database of 52 countries affected by conflict since 1990 and on a set of 12 country studies.<sup>20</sup> The main objective of the study is to review experience of education system reconstruction in post-conflict countries and to identify lessons that can assist in the achievement of EFA goals. The study, covers three broad themes: (i) the impact of conflict on education systems; (ii) strategies for system reconstruction; and (iii) the contribution of education to rebuilding social cohesion and social capital.

#### **CONFLICT AS A VECTOR: HIV/AIDS AND MALARIA**

**HIV/AIDS.** War and disease have been grim partners throughout history, but HIV/AIDS and its lethal nexus with conflict now poses a new and more

daunting threat.<sup>21</sup> Conflict is an important vector of HIV/AIDS, a virus responsible for killing more than ten times as many people in Africa as the conflicts themselves (Elbe 2002). Although there are a number of factors affecting the interplay of HIV/AIDS and conflict, there is also an important gender dimension. A striking aspect of recent conflicts is the deliberate targeting of civilians and the widespread use of rape as a systematic tool of warfare. Although not a new phenomenon, the systematic use of sexual violence against women is an important manifestation of how recent conflicts have been waged and how indirect effects can rapidly spread to civilians. The likelihood of contracting HIV during rape is very high due to the violent nature of the act, often resulting in wounds which facilitate infection, and the fact that in conflict settings victims are often raped repeatedly, substantially increasing the risk of transmission. At times of conflict, civilians, particularly women and girls, are often left in conditions of extreme poverty as economic and social structures fray. As a result they may be forced to rely on commercial sex to survive.

In many low-income countries, prevalence rates of sexually transmitted diseases among military personnel usually exceed those of the civilian population by a factor of two to five, and this is also true with regard to HIV. Prevalence rates tend to be higher in conflict countries due to the more risky sexual behavior of combatants, coupled with their living conditions, mobility, age and removal from families and communities for long periods. As a result of large and often massive population movements induced by armed conflict, civilians are at greater risk of becoming infected. Displacement by conflict is often associated with undermining of social cohesion and relationships, promiscuity, inadequate shelter and commercial sex (UNAIDS 2002). In addition, conflicts lead to the virtual collapse of health systems, often where peacetime access was already low to begin with. In conflict-affected countries there is also an increased need for transfusions and blood is less likely to be screened, increasing the risk of HIV transmission. Civilians who manage to survive an armed conflict may still face the prospect of slow, painful deaths years after peace has been secured. Of the 17 countries which each have over 100,000 children orphaned by AIDS, 13 are in conflict or are highly vulnerable to conflict (UNAIDS 2002).

As the Bank and the international community set about addressing the HIV/AIDS pandemic, there is a need to explicitly confront the devastating interplay with conflict.<sup>22</sup> In addition to presenting an additional and powerful reason to invest more heavily in preventing conflicts from erupting in the first place, there are some emerging lessons on additional steps that can be taken. These include the allocation of funds to fight the spread of HIV/AIDS in refugee camps and the provision of testing and counseling services in demobilization camps for ex-combatants. Another important emerging lesson

is the need to engage directly with the armed forces and police leaderships, Ministries of Defense and other relevant line ministries, since uniformed services represent both a high-risk group and a major HIV/AIDS vector. This is, of course, an extremely difficult and delicate task and may not necessarily be a Bank comparative advantage, but international experience suggests it can be done, as in the cases of Thailand and Uganda, where substantial decreases were achieved in HIV prevalence rates in the armed forces.

**Malaria.** Conflict has been a basic reason behind the observed increase in the incidence of malaria (World Bank 2003). Conflict affects the spread of malaria directly, when refugees become infected as they flee through rural and rainforest areas and then come into contact with non-infected individuals, and indirectly when the disruptions caused by conflict reduces the effectiveness of malaria eradication programs. Research covering the period 1960–99 that studied the effects of refugee movements between tropical countries found that for each 1,000 refugees the asylum countries experience 1,406 new cases of malaria (Montalvo and Reynal-Querol 2002). Preventing conflict, especially in tropical countries, is thus key to the control of malaria.

#### **SILENT WOUNDS: CONFLICT AND MENTAL HEALTH**

Although in recent years mental health issues have received increased attention in post-conflict settings, there remains an implicit tendency to assume that conflict-induced trauma is transitory, non-disabling or when recognized, that interventions in the emergency phase may be sufficient. Mental and psychosocial disorders may also be easier to ignore in societies where there are especially strong cultural barriers to the expressions of mental suffering. A growing body of research, however, shows that mental disorders in displaced populations are prevalent and chronic—the incidence of acute clinical depression and post-traumatic stress disorders range between 40–70 percent among refugees (CPR 2003c). Failure to address mental health issues in post-conflict recovery may leave societies vulnerable to a recurrence of violence, and may constrain efforts to rebuild social capital and promote social and economic development.<sup>23</sup> Although more detailed analysis and evaluation are required, some preliminary evidence for West Bank and Gaza, Bosnia, Burundi and Uganda suggests that it is possible to implement cost-effective mental health and psychosocial programs in very different post-conflict settings. A study by the Transcultural Psychological Organization supported by the PCF is examining the cost and effectiveness of a range of psychosocial interventions in 12 countries, from the use of local traditional healers to formal mental health programs.

#### **POST-CONFLICT AID AND ABSORPTIVE CAPACITY**

As pointed out in a recent IMF paper, aid to post-conflict countries is typically abundant and can reach extraordinarily high levels—both in per capita

terms and relative to the size of the economy—when the country is at the center of international attention, but tends to decline very rapidly as attention fades (Demekas, et al. 2002). Ongoing and preliminary research by DECRG (CPR 2002b, Collier and Hoeffler 2002) on the role of aid in stimulating growth in post-conflict countries, suggests that: (i) increased aid is indeed effective in augmenting post-conflict growth; (ii) it needs to approximately double; and (iii) the pattern of aid disbursements should probably rise gradually during the first four years<sup>24</sup> and then taper back to normal levels by the end of the first post-conflict decade. Using aid effectively during the early post-conflict years is extremely difficult. Capacity to absorb aid productively is limited in the four to five years after a conflict, but then improves—in fact, there is a transitional phase during which absorptive capacity itself is recovering. Thus, aid absorption capacity during the middle phase of the post-conflict decade is approximately double normal (World Bank 2003a).

Although further disaggregated analysis is required to confirm these results, they do call attention to the need to match disbursement patterns with the absorptive capacity in post-conflict countries, the need for all donors to pay increased attention to the timing, not just the level, of financial support in post-conflict countries and the design of such support. There is a strong *a priori* case to focus most initial post-conflict assistance on building absorptive capacity, which by its very nature will not involve large disbursements, and budget support especially to meet the recurrent costs of new administrations while they build up their revenue generating capacity, rather than more complex and ambitious projects that will burden absorptive capacity.

#### **POLICY REFORM PRIORITIES**

Recent research in DECRG also looked at whether policy priorities for growth, as measured by the Bank's Country Policy and Institutional Analysis (CPIA) ratings, should be distinctive in post-conflict settings (CPR 2002b). Using the broad policy categories of macroeconomic, sectoral and social in the CPIA ratings, findings suggest that social policy is relatively more important and macro policy relatively less important in post-conflict countries than in otherwise similar countries without a recent history of conflict. The effect appears quite large and would suggest that if opportunities exist for modest trade-offs that improve social policies at the expense of a small deterioration in macro balances, growth is, on average, augmented. The results in no way imply that macro balances are unimportant, or less important than social policies—they simply suggest that relative to the normal post-conflict strategies adopted, social policy should be assigned somewhat higher priority.

A key question would then be, why should social policies have a somewhat higher impact in stimulating economic growth in post-conflict countries, especially since by their nature social interventions tend to produce results in

terms of higher growth only in the long term? A possible explanation is that an emphasis on social policies, and thus social inclusion, has a powerful effect in signaling the government's commitment to peace and reconciliation. This is likely to not only improve the prospects for peace but can also reassure the private sector and reduce its risk perceptions, thus encouraging investment and the repatriation of capital—both of which matter for growth. Because the risk of a return to conflict is so high in post-conflict countries, this signaling effect is likely very powerful (World Bank 2003a).

#### **CLOSING THE RELIEF-TO-DEVELOPMENT GAP**

Although the Bank does not provide humanitarian relief it is working actively to help bridge the gap between the humanitarian and development phases in post-conflict reconstruction—the 'relief to development gap.' It is attempting to do this in three major ways. First, the '4Rs' initiative, an innovative collaboration between UNHCR, UNDP, and the Bank (launched in mid 2002 at the behest of High Commissioner Ruud Lubbers) aims at bridging repatriation, reintegration, rehabilitation and reconstruction processes to promote durable solutions for refugees and displaced populations, and thus contribute to poverty reduction. Unlike previous efforts to bridge the gap that involved high-level committees and extensive reports, the 4Rs approach involves selecting three pilot countries in a process that is country owned and bottoms up, and with strong engagement of UN country teams and other development agencies. By being country-focused and country-owned, the approach is designed to allow maximum flexibility and innovation for field staff to pursue country specific approaches. The three pilot countries are Eritrea, Sierra Leone and Sri Lanka. Important lessons are being learned through active and engaged multilateral cooperation in support of transition strategies. Over the coming year these lessons will be translated into field guidelines for use by country teams and adapted to different country circumstances.

Second, assisting in the resettlement and reintegration of war-displaced populations has been a priority theme for the PCF, having funded 16 grants for a total of \$19 million (30 percent of all PCF approvals to date) since its inception. These grants have tried to get an early start in the transition phase, build capacity and test new approaches to better handle displaced and other vulnerable populations. Activities supported under these grants include: support for Albanian communities hosting refugees from Kosovo, implemented by the *Comunita' di Sant' Egidio*; rehabilitation activities in communities in Burundi affected by the return of refugees, implemented by UNHCR; facilitating the return of Croatian Serbs to Croatia, implemented through a number of agencies including Catholic Relief Services; a social assessment and a pilot project to test community approaches to facilitate the integration of returnees in Mindanao; reintegration

of street children in the Democratic Republic of Congo, implemented by Oxfam Quebec; and implementation of an approach and system to protect the assets of internally displaced populations in Colombia, implemented by the UN International Organization for Migration and the Government of Colombia.

Third, the Bank is increasingly finding that community-driven reconstruction (CDR) not only makes reconstruction more effective and demand-driven, but also that communities are far better at identifying and prioritizing their reconstruction needs and they do have the necessary capacity if given the resources and management support. As the Bank's recent experience in Timor-Leste and Rwanda shows, a focus on community-driven approaches contributes to bridging the humanitarian-development gap—communities themselves define and prioritize their needs, irrespective of whether they are classified as humanitarian or development (Cliffe, Guggenheim and Kostner 2003).

## **APPROACHES AND INTERVENTIONS**

A number of approaches and Bank interventions in conflict settings have proven effective over the years. These include increasing emphasis on community-driven development and social capital, demobilization and reintegration programs, support for the removal of land mines, public sector reform and capacity building, and role of governance and the rule of law in conflict prevention.

### **REWEAVING THE SOCIAL FABRIC: SOCIAL CAPITAL, COMMUNITY-DRIVEN DEVELOPMENT AND CONFLICT**

In addition to physical destruction, societies emerging from conflict face an erosion of bridging or horizontal social capital (between different groups) and linking or vertical social capital (relations between government and communities), high levels of mistrust, deep social cleavages, and often increased ethnic or religious polarization. These conditions undermine the basis for joint community actions and the social cohesion that needs to underpin a country-owned development effort (Colletta and Cullen 2000). At the same time, intrastate conflicts are fought within a country's borders, so that when peace breaks out citizens often return to their communities to live side by side with former adversaries. Emerging from an increasing focus on participatory and community-based approaches to development, the Bank has sought to apply and adapt these principles to the particular case of post-conflict and conflict-affected countries, focusing on the need to rebuild communities and their social capital from the bottom up by adopting a community-driven development (CDD) approach.

One area of particular emphasis has been the application of CDD methodologies to post-conflict settings. The evolving approach, community-driven reconstruction (CDR), differs from CDD not in methodology but in terms of the setting to which it must adapt. CDD typically tries to improve a low level, stable equilibrium of service provision and community infrastructure, while CDR generally aims to support reconstruction following large devastation caused by conflict, and in situations of great economic, institutional and communal flux. The basic premise is that local communities are in a better position to identify their needs and how to address them, than higher administrative layers or external partners. But CDR goes one step further—it also posits that for a large number of shorter-term reconstruction needs, local communities possess the core skills, incentives and organizational capacity to decide on and implement a large number of projects, provided they are supplied with the resources and management support systems. By emphasizing a demand-led approach, CDR can make an important contribution to bridging the emergency-development gap—communities drive the reconstruction process without the need to label activities emergency or developmental.

A recent review of CDR projects concludes it is the instrument of choice for post-conflict reconstruction but also cautions that the approach is not always appropriate in all circumstances, design needs to be adapted to each setting and there are a number of risks involved (Cliffe, Guggenheim and Kostner 2003). It also finds that the process of making decisions is as important as the decisions and outcomes, transparency and accountability are important given the need to rebuild vertical and horizontal capital, and points to some preliminary evidence suggesting that a CDR approach leads to greater cost efficiency.

A number of ongoing Bank projects are applying CDR and CDD approaches in conflict-affected countries. The Community Reintegration and Development Project in Rwanda relies on a CDD approach to support the reintegration of returning refugees, social rehabilitation and increased decentralization. In Colombia, the Program for Development and Peace in Magdalena Medio, supported by a Bank project, promotes a community-based participatory approach to development and peace in one of the country's most conflictive regions (CPR 2002f). Indonesia's Kecamatan Development Project, launched in 1998, is based on CDD principles and operates throughout the country including areas with overt conflict or which are conflict vulnerable. In Timor-Leste, the Community Empowerment Project was the first project to start operations under the East Timor Multi Donor Trust Fund, supporting the creation of democratically elected village development councils and the provision of funds to the councils to undertake local reconstruction projects (Rohland and Cliffe 2002).

Rebuilding bridging and linking social capital is essential for sustainable reconstruction and development. The Bank's growing emphasis on, and emerging lessons from, the application of a CDD approach in conflict settings suggests that it has considerable potential to rebuild the social fabric of communities and perhaps to make communities more resilient to conflict. What has been lacking so far is systematic evaluation of CDD approaches in conflict, an organizing conceptual framework to evaluate lessons and adaptations to different types of conflicts and country settings, quantification of its impact on social capital, interaction with different governance levels, and whether CDD approaches in conflict settings are ultimately more developmentally efficient and cost-effective. In order to begin addressing these questions, the CDD and Social Capital Group in the Social Development Department, in collaboration with the CPR Unit and WBI, are starting a 2-year research effort on CDD and conflict, supported by the Norwegian Trust Fund for Environmentally and Socially Sustainable Development. As part of this effort, and in collaboration with DECRG a research project in Indonesia is attempting to measure the impact of a CDD approach on social capital in conflict-affected areas. The study is innovative in terms of using quantitative and qualitative measures of social capital, using a control group to contrast similar communities that have not used a CDD approach, and extensive training of local researchers, thus building domestic analytical capacity in this field.

#### **DEMOBILIZATION AND REINTEGRATION PROGRAMS**

The Bank has provided assistance to 16 countries (27 projects) in the design and financing of demobilization and reintegration programs aimed at the reinsertion of former combatants into productive civilian life. Working in close partnership with the United Nations and national development agencies, who typically handle the security side during the post-conflict phase (i.e., disarmament, weapons destruction and reform of the armed forces and police), the Bank supports assistance to ex-combatants as they transition out of conflict and into productive civilian life, including, where appropriate, the financing of transitional safety nets. This includes facilitating access to productive assets, credit and training. In societies that have been torn by conflict, reintegration is not only an economic problem, but must also involve rebuilding social capital and the ability of societies and communities to manage and become more resilient to conflict. In addition to working with ex-combatants to heal the psychological wounds of war through counseling and group support, the Bank also works with communities to rebuild the social relations and trust necessary for successful social reintegration. The special needs of child soldiers and women affected by conflict also receive special attention (de Watteville 2002, CPR 2002c, and Verthey 2001).

A recent initiative adopts a regional approach to demobilization and reintegration in the greater Great Lakes Region of Africa. The cross-border nature

of conflicts in this region has led affected-countries, regional and multilateral organizations as well as bilateral donors, to develop a comprehensive regional approach supported by coordinated international assistance.<sup>25</sup> The Multi-Country Demobilization and Reintegration Program (MDRP) was designed based on the premises that no single country or donor agency can address the complexity of disarmament, demobilization and reintegration (DDR) issues in the region, and that the effective DDR of ex-combatants is essential to establishing peace and restoring security, themselves prerequisites for sustainable growth and poverty reduction. It aims to complement national and regional peace initiatives by providing support for the social and economic reintegration of ex-combatants—it cannot, however, substitute for political solutions to the conflicts in the region. The World Bank is charged with managing the MDRP Secretariat, administering the MDRP Multi-Donor Trust Fund, and cofinances national programs in the region. Although it is too early to draw lessons from this type of regional effort and there are clearly other conflict settings that cry out for a regional approach (e.g., West Africa, the Horn of Africa), the challenges are formidable, especially considering the need to manage a partnership of over 40 entities.

Looking ahead, while the Bank has been actively involved in a wide range of DDR programs in many different post-conflict settings, there has been no comprehensive evaluation of lessons learned and development of best practice guidelines. What there is constitutes scattered and largely anecdotal evidence and lessons but little systematic analysis and distillation of practice.

#### **DEMINING**

Bank Operational Guidelines for Financing Land Mine Clearance were issued in February 1997, although mine clearance operations were already underway in Bosnia and Croatia, and under preparation in Angola, Azerbaijan and Cambodia. The Guidelines broke new ground, not only in establishing criteria for Bank financing of demining activities but also in emphasizing the need for a commitment by recipient governments not to lay new land mines anywhere in the country that would in any way undermine the execution or development objectives of the project. The World Bank was represented at a senior level at the 1997 Ottawa Conference to Ban Landmines and since issuing its Operational Guidelines has pursued partnerships with key actors involved in demining, including the International Committee of the Red Cross and the United Nations Mine Action Service. The CPR Unit has developed a staff guide for the preparation and design of landmine projects (Bure and Pont 2003).

#### **PUBLIC SECTOR REFORM AND CAPACITY BUILDING**

One of the immediate and more complex challenges faced early in the post-conflict reconstruction period is the rebuilding of public sector institutions

and capacity to manage the reconstruction and the transition to development. As in other sectors there is a need to balance the need to quickly reestablish capacity and administrative systems, while not creating a bloated and inefficient state that will spell fiscal trouble further down the road. How far to push public sector reforms, what to privatize (and when) and what to keep, what is the appropriate size of the civil service, how to gain control of security sector spending and ensure it follows sound public sector management practices, how to quickly establish transparency and accountability throughout the state, how to reestablish service delivery while leaving enough room to crowd in the private sector, and how to develop policy design and implementation capacity while institutions are being rebuilt, are some of the key questions confronting governments and donors in the immediate post-conflict phase. Although some lessons can be gleaned from scattered reports, reviews and internal evaluations, there has been no comprehensive analysis of public sector reform and capacity building in post-conflict settings—this is urgently needed.<sup>26</sup>

#### **GOVERNANCE AND THE RULE OF LAW**

Weak and collapsed states have also been a central part of the story of spiraling conflict. In many war-torn countries, as the state weakens the struggle for power and control over resources leads to predation and an unending cycle of violent conflict and suffering. In many cases, the illicit control and trade of natural resources allows easy access to arms and the financing of conflict. Combine this situation with a post-Cold War world of cheap and accessible weapons and there is a ready formula for civil war. With the weakening of the state's ability to provide security and the incipient privatization of violence, the rule of law often crumbles, with the greatest impact on poor and vulnerable populations, especially on their physical security, livelihoods, property and human rights.

The Bank's effort in recent years to strengthen its support for good governance, anti-corruption and the rule of law is an additional and important element in mitigating conflict risks. Fighting corruption, improving the rule of law and increasing transparency and accountability, can substantially reduce the sources of conflict. The rule of law, coupled with a functional, accessible and independent judicial system, not only serves as a disincentive to criminality and the resolution of conflict through violent means, but is also an essential element of the enabling environment to attract foreign and domestic investment. But it is also important to address legal gender disparities that may impose severe restrictions on rights and access to economic empowerment. For example, inequities in laws and regulations can be important obstacles to the successful reintegration of female ex-combatants into civilian life. Women may be legally deprived of the right to own land, women and widows may not be allowed to rent, and a combination of legal

restrictions and social custom may impede women's access to the formal credit system. The law can be an important tool for empowerment and inclusion, can play a major role in making societies less vulnerable to violent conflict, and can contribute to effective reconstruction and development programs in post-conflict countries. Continued analytical work on the role of legal systems in conflict-affected countries can add considerable value to the Bank's work.

## FINANCING SOCIAL AND ECONOMIC RECOVERY: RECENT DEVELOPMENTS

As a critical part of its broadened approach to conflict and development, the Bank has created new financing tools and revised existing instruments in order to provide more effective and timely financial support during the post-conflict reconstruction phase. This section reviews key financing sources and modalities applied in conflict-affected countries.

### DEALING WITH DEBT AND ARREARS IN POST-CONFLICT COUNTRIES

Countries emerging from conflict have sizeable needs for financial assistance, and the Bank has worked with the International Monetary Fund (IMF) to help ensure that these countries have early access to financial resources once conditions warrant. Many countries emerging from conflict also have high external debt levels that can be a serious, and frequently unsustainable, drain on their resources. The Bank has worked with the IMF to help these countries access debt relief, especially under the Heavily Indebted Poor Countries (HIPC) Initiative, as soon as the necessary conditions are in place to assure that the freed resources will be appropriately used. A joint Bank-Fund paper on this issue (*Assistance to Post-conflict Countries and the HIPC Initiative*) was considered by the Boards in April 2001. That paper also described the two institutions' efforts to help resolve the difficulties of post-conflict countries with large protracted arrears.

The Bank has also worked to improve its ability to provide early support for reconstruction in countries that are showing a strong commitment to re-establishing peace. As authorized in the IDA12 agreement, FRM developed a framework for the provision of pre-arrears clearance grants to post-conflict countries with large and protracted arrears. This framework was approved by the Board on July 31st 2001. Previously, IDA resources could not be used to support the early recovery efforts of countries in arrears, thus delaying at a critical time IDA's support for peace processes and immediate post-conflict recovery efforts. The Democratic Republic of Congo and Afghanistan have so far benefited from pre-arrears clearance grants. IDA has also helped the recovery efforts in Timor-Leste and Kosovo, which were not members of IDA.

### INCREASING FINANCIAL FLOWS: IDA MODIFICATIONS

In response to the challenges posed by the special circumstances of post-conflict countries, the IDA13 agreement endorses a new methodology to enable the

Bank to more systematically calibrate IDA's response to the different post-conflict phases. While this methodology sharpens the focus on performance—in line with the stronger emphasis on performance based allocations in all IDA countries—it also emphasizes the need for judgment in taking account of the complexities and heterogeneity of post-conflict settings. Performance is measured by a set of indicators designed specifically for post-conflict countries, Post-Conflict Progress Indicators (PCPI), and allows for the provision of exceptional levels of IDA resources to eligible countries for up to three years, after which they phase down during years four and five to their regular performance-based norm, followed by a return to IDA's regular allocation process. The precise level of resources is determined on the basis of 12 PCPI ratings, grouped into three clusters—security and reconciliation; economic recovery; and social inclusion and social development—all of which are critical factors for assessing the stability and readiness of a country to use additional resources effectively. Countries currently classified as post-conflict under IDA guidelines are: Afghanistan, Angola, Burundi, Democratic Republic of Congo, Republic of Congo, Cote d'Ivoire, Eritrea, Sierra Leone and Timor-Leste.<sup>27</sup>

As discussed earlier, recent research by DECRG on the pattern of aid and absorptive capacity in post-conflict countries, suggests that it may be desirable to have somewhat lower early allocations, but phase special post-conflict assistance over a longer period of time. In response to these findings, during the IDA13 Mid-term Review, IDA Deputies supported further modifications that reduce initial allocations but stretch out the IDA post-conflict allocation over seven years, leaving the overall amount of extra post-conflict allocations unchanged. The seven year allocation would include four years of post-conflict allocations instead of the previous three, plus three years of phase down to the performance-based norm instead of the previous two (IDA 2003).

Another key change in IDA13 is the authorization of an expanded use of IDA grants during the IDA13 period, in the range of 18 to 21 percent of overall IDA13 resources. Post-conflict countries, eligible for exceptional IDA allocations based on PCPI ratings, may receive up to 40 percent of their IDA allocation as grants for a limited period, once their arrears have been cleared.<sup>28</sup> Furthermore, in special cases, grants could be made available to territories within member countries that are under UN administration on an interim basis. Within this allocation and grants envelope, post-conflict countries with large and protracted arrears will continue to also be eligible for limited grant financing prior to arrears clearance under the same provisions as in IDA12.

## RESPONDING TO CRISES AND SUPPORTING INNOVATIONS: THE POST-CONFLICT FUND

The Post-Conflict Fund (PCF), part of the Bank's Development Grant Facility (DGF), was set up in August 1997 to support countries in transition from conflict to sustainable peace and economic development. The aim of the PCF is to position the Bank through constructive engagement in countries where normal instruments cannot be used or may not be appropriate. PCF grants place a premium on: (i) innovative approaches to conflict and development; (ii) partnerships with donors, the UN system and NGOs; (iii) appropriate exit strategies, especially in terms of potential for replicability and scaling up; and (iv) scope for using grants to leverage additional funding and thus enhance impact. The PCF Secretariat in the CPR Unit coordinates, reviews and screens proposals, and monitors existing grants. Proposals are approved by the PCF Committee, a Director-level committee including representatives from the Social Development Department, CPR Unit, Regional Vice-Presidencies, DGF and the Legal Department. Grants can range from \$25,000 to \$1 million, which can be exceeded for multi-year programs.

As with the Bank's evolving approach to conflict, the PCF has also evolved and adapted to new demands. In June 1999, the Executive Directors endorsed trust fund status for the PCF to enable donor contributions and more efficient management of funds in the 'stop-start' environment of operations in conflict-affected countries.<sup>29</sup> The range of grant proposals that could be considered was also broadened, in line with the broadened mandate provided by OP/BP 2.30, including for example conflict analysis, capacity building, community development, youth-at-risk, psychosocial and mental health in post-conflict populations, and focused research on the causes of conflict. With the demand for support exceeding the availability of funds, PCF is currently exploring collaboration with the LICUS Unit to harmonize work programs and help enhance the PCF funding base.

The PCF was subject to an independent external evaluation completed in February 2002 (Muscat and Morfit 2002), which found that the Fund had broken new ground and generated new partnerships. The evaluation noted the relatively high performance of PCF grants, despite the high-risk and unstable settings in which most grants in conflict-affected countries must operate. It concluded that the PCF now needed to enhance its knowledge management and dissemination role by feeding the experience gained from its grants back into mainstream Bank operations. The PCF Secretariat has developed and begun implementing a three-year knowledge management and dissemination strategy consistent with the recommendations of the external evaluation.

Grant approvals since the PCF's inception total \$63.5 million for 126 projects across 37 countries/territories, with commitments running at 81 percent and disbursements at 75 percent. The Africa and ECA regions have received the highest share of approved grants (42 percent and 27 percent, respectively). Partners have included governments, transitional authorities, UN agencies and a variety of NGOs.<sup>30</sup> Examples of PCF grants include:

- In Afghanistan, prior to the fall of the Taliban regime, a watching brief to support economic and sectoral analyses, and a teacher training program for Afghan refugees in Pakistan, targeting women and girls;
- In Somalia, a grant to support delivery of health services through the International Federation of Red Cross and Red Crescent Societies; and, with UN agencies, a watching brief focusing on economic and social data collection and analysis, improving the enabling environment for the live-stock sector, and an action plan on HIV/AIDS;
- In Tajikistan, a project to empower women through socioeconomic development;
- A grant for capacity building and development in Timor-Leste;
- The Travnik Mental Health Program in Bosnia addressing the psychosocial legacies of conflict;
- An institutional capacity-building program for demobilization and reintegration in Eritrea;
- A program for the reintegration of vulnerable street children in urban areas of the Democratic Republic of Congo;
- A grant to support local capacity building in demining in Sri Lanka;
- In Yugoslavia, the Southern Serbia Municipal Improvement and Recovery Program to reinforce inclusive local development efforts in the Presevo Valley;
- In Colombia a grant for the protection of the patrimonial assets of Colombia's internally displaced populations; and
- Three grants in Iraq to build the knowledge base in the key sectors of human development, macroeconomic data base, water and power.

## LEVERAGING RESOURCES: MULTI-DONOR TRUST FUNDS

Multi-Donor Trust Funds (MDTFs) are often used to mobilize resources and provide flexible financing mechanisms in conflict environments, especially to fund activities considered essential or urgent by the recipient government and donor community, and which are not easily covered through normal Bank or donor funding mechanisms. In some instances and on a case-by-case basis, the Bank has utilized its net income to make grants to post-conflict countries before a normal lending relationship can resume and has leveraged these resources by establishing multi-donor trust funds. The Holst Fund in West Bank Gaza was a pioneering example of this financing formula for conflict countries.

A recent study reviewed the Bank's experience with MDTFs, based on detailed assessments for West Bank/Gaza, Bosnia-Herzegovina, Timor-Leste and Afghanistan (Schiavo-Campo 2003). The study concludes that MDTFs are effective in coordinating post-conflict reconstruction programs and draws a number of important lessons, including the need to ensure that the MDTF performs both a fiduciary and an executive function; is linked with a realistic and comprehensive government budget; provides incentives for donors to join while avoiding earmarking; provides for systematic consultations with contributing donors; can start early, not waiting for all contributions to be in; includes an agreed set of priorities and closest possible involvement of local counterparts; avoids fragmentation of funding vehicles, especially between financing of recurrent needs and investments; includes strong safeguards to guard against corruption and leakages; and, has well-functioning payments mechanisms.

Examples of such funding arrangements include:

- West Bank Gaza: the \$269 million Holst Fund (with 27 donors) coupled with a \$380 million trust fund from Bank net income;
- Bosnia: \$150 million trust fund for emergency projects (\$25 million in grants, \$125 million in concessional loans);
- Kosovo: \$60 million two-year trust fund financed from Bank net income, following initial PCF funding for priority community-driven projects and recurrent education and health expenditures;
- Timor-Leste: \$80 million multi-donor trust fund started with \$10 million of Bank net income, and initial PCF funding following a joint assessment mission;

- Sierra Leone: administration of a \$12 million multi-donor trust fund for disarmament, demobilization and reintegration, in tandem with a \$25 million IDA credit for the reintegration of war-affected populations; and
- Greater Great Lakes Region: \$350 million trust fund for demobilization and reintegration.

## KNOWLEDGE MANAGEMENT AND PARTNERSHIPS

The CPR Unit, in collaboration with internal and external partners, plays a key role in the development and diffusion of innovative research on the root causes of conflict, the aggregation and synthesis of good practices and lessons learned, provision of training for Bank staff and management of a number of important external partnerships related to conflict and development.

### BEST PRACTICES AND LESSONS LEARNED

Over recent years, the Bank has gained considerable knowledge based on its operational experience and analytical work on conflict-affected countries. The challenge is to process, distill and make available this knowledge to staff who have to address the special developmental challenges posed by violent conflict. This process of accumulating knowledge and good practices is being strengthened in the Bank. In some areas, such as the demobilization and reintegration of ex-combatants, the design of post-conflict reconstruction programs, or the removal of land mines, the Bank already has considerable experience and its best practice lessons are helping in the design and implementation of assistance strategies in a number of countries. A CPR good practice guide is being compiled and developed by the CPR Unit to further strengthen Bank knowledge and capacity in responding to the needs of conflict-affected countries.<sup>31</sup>

### STAFF DEVELOPMENT AND CAPACITY BUILDING

Continuous staff training and development is an important part of building Bank capacity to assist conflict-affected countries. To ensure that Bank staff are better equipped to respond to the more complex development challenges posed by countries emerging from conflict, the Bank first developed its own training module on war to peace transition. More recently and in line with the broadened mandate on conflict provided by OP/BP 2.30, the CPR Unit in collaboration with DECRG, developed a consolidated three-day training course, *Development and Conflict: Operational Agenda*, last offered in March 2003 in Washington DC. Although mainly directed at Bank staff, the course reserved a few places for interested external partners. This training course will be offered annually and periodically updated as the Bank builds its store of knowledge and operational experience on conflict and development. In addition, the CPR Unit in collaboration with internal and external partners regularly sponsors workshops, seminars and

publications on conflict-related issues, aimed at keeping staff updated on evolving issues and practices.

## EXTERNAL PARTNERSHIPS

Probably more than in other settings, cooperation and partnerships with other stakeholders is critical in conflict settings. The increasingly complex political, social, economic and international dimensions of conflict require that the Bank work in close partnership with other key actors and stakeholders. This includes the UN system, regional banks and organizations, as well as NGOs and civil society organizations.

### WORKING WITH THE UN AT THE INSTITUTIONAL AND COUNTRY LEVEL

UN Secretary General Kofi Annan has made the challenges of the prevention of armed conflict one of the top priorities of his second term. In 2000, the Secretary General released his *Report on the Prevention of Armed Conflict*, calling for a paradigm shift from a culture of reaction to a culture of prevention and setting a vision to develop the conflict prevention capacity of the UN. The prevention of armed conflict was a prominent theme during the Millennium Summit, when world leaders supported the Secretary-General's call to move from a culture of reaction to a culture of prevention. Building on the Secretary-General's *Report on the Prevention of Armed Conflict* and his report on the follow-up to the Millennium Declaration, the Heads of all UN Agencies (UN System Chief Executives Board) last year agreed that the conflict prevention and the development agendas should be mutually reinforcing, stressing the drain in resources brought about by conflict—resources that could otherwise be devoted to development.

The Bank, while fully respecting its apolitical approach, has joined several UN standing bodies with observer status: the Executive Committee on Peace and Security, a high-level advisory and coordinating body; the Framework Team for Coordination, a mechanism for early warning and preventive action among 14 UN participating departments, program and agencies; and the UN Development Group. While the Bank does not provide humanitarian relief, it participates selectively in the Inter-Agency Standing Committee and seeks to strengthen coordination with UNHCR and UNDP during conflict emergencies and the humanitarian and relief phases of post-conflict reconstruction. The Bank also takes part selectively in the Mine Action Advisory Group.

From an operational perspective, the Bank has either co-led or joined needs assessment missions to countries emerging from conflict, such as Timor-Leste, Eritrea, the Republic of Congo, Afghanistan and Iraq. Together with the UN

Secretariat and agencies, the Bank is exploring possible collaboration on strategies for conflict-affected regions, in Central Asia and West Africa.

Three important collaborative efforts have been recently agreed with the UN. The first, and as discussed earlier, is the partnership with UNHCR and UNDP to promote a more integrated approach to address the repatriation, reintegration, rehabilitation and reconstruction needs (the “4Rs” approach) of refugees and internally displaced populations in countries emerging from conflict. Following consultations with respective country teams, Eritrea, Sierra Leone and Sri Lanka were selected as pilot countries. The second axis of collaboration is around the LICUS partnership with UNDP, where four pilots are also underway (Angola, Central African Republic, Somalia and Sudan) to develop and implement LICUS country strategies in line with the recommendations of the LICUS Task Force. The third is the joint review with UNDP of recent experiences in the preparation of Needs Assessments in Post-Conflict Reconstruction. The study, funded jointly by the CPR Unit, UNDP’s Bureau of Crisis Prevention and Recovery, and the Government of Germany, is being carried out by GTZ.

#### **WORKING WITH THE IMF**

The IMF provides assistance to countries emerging from conflict in three ways: technical assistance with a focus on rebuilding capacity to formulate and implement economic policies; economic policy advice; and financial assistance, including through the IMF’s emergency post-conflict assistance facility which can be accessed at a relatively early post-conflict stage. Emergency post-conflict assistance can be provided in those situations where: (i) there is an urgent balance of payments need to help rebuild reserves; (ii) the country’s institutional and administrative capacity is disrupted as a result of the conflict so that the member country is not yet able to develop and implement a comprehensive economic program that could be supported by a Fund arrangement; (iii) there is nonetheless sufficient capacity for policy planning and implementation, and demonstrated commitment on the part of the authorities (to provide adequate safeguards for the use of Fund resources); and (iv) Fund support would be part of a concerted international effort to address the aftermath of the conflict in a comprehensive way. IMF staff are in the process of reviewing the Fund’s experience in assisting post-conflict countries, with a focus on its economic policy advice, to see if there are lessons to be learned and ways to make the assistance more effective.

As discussed throughout this paper, the Bank will continue to work closely with the Fund in a number of key areas in support of conflict-affected countries. These include the need to apply the PRSP framework flexibly in conflict-affected countries, the clearance of arrears and early access to HIPC in post-conflict countries, and close collaboration among country teams in

the design of post-conflict reconstruction programs and capacity building in economic policy and public administration.

#### **PARTNERING WITH CONFLICT NETWORKS**

The Bank has played an active role in contributing to policy formulation, and in disseminating and facilitating the exchange of knowledge among key players working on conflict-related issues. This is a critical two-way street, as the Bank also gains tremendously from the knowledge and experience of external partners. The Bank is an active member of two key international conflict networks designed to exchange knowledge and experiences in the conflict field. The first is the OECD/DAC Network on Conflict, Peace and Development Cooperation (CPDC). The Bank participated actively in CPDC's extensive work to develop guidance on conflict prevention for OECD members, issued in 2001 as *The DAC Guidelines: Helping Prevent Violent Conflict* (OECD 2001). The second is the Conflict Prevention and Post-Conflict Reconstruction Network (CPRN), which the Bank helped to establish and is a more informal network of agencies, governments, NGOs and think tanks involved in conflict-related work. CPRN has a rotating chair and a focus on implementation issues as a complement to OECD/DAC's focus on policy development.

#### **REGIONAL BANKS AND BODIES**

Over the past decade, regional banks have become important actors in international efforts to assist conflict-affected countries and they have been strengthening their capacities in conflict mitigation and post-conflict reconstruction. For example, in post-conflict countries or regions, such as Cambodia, Timor-Leste, and Mindanao in the Philippines, the Bank and the Asian Development Bank (ADB) are closely coordinating their activities. Collaboration with ADB, as well as with the Islamic Development Bank, is also being strengthened in the reconstruction of Afghanistan. A Memorandum of Understanding between the African Development Bank (AfDB) and the World Bank, including post-conflict collaboration, is being operationalized. As part of this agreement, the Bank is discussing extending Bank training in conflict and development to staff from AfDB. In Latin America, the Bank has worked closely with the Inter-American Development Bank supporting donor coordination and reconstruction programs in Central America, and more recently in formulating an approach to Haiti, also in collaboration with the Organization of American States and the Pan-American Health Organization.

#### **WORKING WITH NGOS AND CIVIL SOCIETY**

NGOs and other civil society organizations participate actively in many Bank programs in conflict-affected countries. At a broader level, the Bank held consultations and discussions with key international NGOs in preparing

OP/BP 2.30 and has since maintained an active dialogue with interested NGOs on its implementation. In addition, NGOs are major recipients of PCF grants. Over 30 non-governmental entities have received PCF grants, including: Save the Children, Catholic Relief Services, CARE, the International Federation of Red Cross and Red Crescent Societies, International Committee of the Red Cross and ACTIONAID, as well as a number of local NGOs.

Working with and understanding the dynamics of civil society in countries affected by conflict or where there has been a breakdown in governance and policy performance (i.e., LICUS status) poses a particular challenge. In order to better understand not only the challenge but also the potential for working with civil society organizations in these difficult environments, the Participation and Civic Engagement Group and the CPR Unit are piloting a Civil Society Assessment Tool (CSAT). The CSAT, which will be initially piloted in Guinea-Bissau and Angola, comprises two separate but related assessments. One is a bottom-up review of people's experience with civil society, using a beneficiary assessment (conversational interviews, focus groups and participant observation in a representative number of communities). The second is a top-down review involving interviews with civil society leaders, political actors, media and public personalities to assess the scope, structure, potential and linkages between civil society, government and communities. It is expected that the CSAT will better inform strategies and programs in conflict and LICUS countries.



## CONCLUSIONS

Although the World Bank has come a long way in recent years in addressing the nexus between conflict and development, it cannot yet claim to be smoothly operating as a vital cog in the much-sought humanitarian-development continuum. But, the process of institutional adaptation inside the organization, the Bank's willingness to learn from its own experience and the convergence of external factors, have greatly contributed to a narrowing of the gap. At the same time, as the World Bank continuously adapts and evolves, the process is generating new questions and issues, which will pose additional challenges in the years to come.

Adoption of OP/BP 2.30 has made a major contribution to the Bank's ability to address issues of conflict and development. It provides a comprehensive and flexible framework within which to frame Bank assistance to countries affected by conflict. Since the adoption of the new policy, the Bank has made considerable progress, building on strong internal and external partnerships, in developing the tools and the analytical and operational underpinnings needed to implement its new policy. As a result of the impetus provided by OP/BP 2.30, concerted effort across Bank networks and the dedication and commitment of country teams working in difficult conflict environments, the Bank has been able to build considerable knowledge and expertise in a very challenging area, and as a result is now seen as making a major and leading contribution to the efforts by the international community to build a safer world and thus more effectively contribute to a world free of poverty.

Looking ahead, we expect to continue to focus on drawing lessons from the Bank's involvement in a wide range of conflict-affected countries. The fact that every conflict is different requires us to constantly evaluate and assess our various approaches and interventions, and, with our partners in the international community, continue to develop and fine-tune our tools and instruments. In parallel, we need to deepen the Bank's path-breaking work on understanding the root causes of conflict and extract from it policy recommendations.

Looking inside the Bank, we face an important but complex challenge in more fully integrating a sensitivity to conflict in Bank assistance, including more targeted and tailor-made advice on PRSP processes in conflict-prone settings. In addition, there are a number of areas that intersect with conflict and where we need to deepen our understanding of complex interactions or fill important knowledge gaps. These include the links between HIV/AIDS and conflict, the design and role of mental health care interventions in post-conflict

reconstruction, the role of education systems in creating greater resilience to or exacerbating the risks of conflict, mainstreaming and a more systematic consideration of gender and conflict, improving absorptive capacity and public sector reform in post-conflict reconstruction, and the role that community-driven development approaches can play in re-weaving the social fabric of war-torn societies. An important area requiring greater attention is the rule of law, and how to ensure that it contributes to empowerment and inclusion, and ultimately to making societies less prone to violent conflict. Discussions are underway across networks to better define the issues and develop work programs across Bank units that can deepen our knowledge and improve our operational practices.

## ENDNOTES

1. The World Bank officially opened for business on June 25, 1946. France received the first Bank loan for \$250 million, signed on May 1947. In real terms it is still the Bank's largest single loan. Further reconstruction loans to the Netherlands, Denmark and Luxembourg soon followed. The Bank loaned almost \$500 million to support Europe's post-war reconstruction. Although the Bank's efforts were later dwarfed by the Marshall Plan, it played an important role in kick-starting the post-conflict recovery of Western Europe.

2. Lakhdar Brahimi, former Foreign Minister of Algeria, chaired a high-level Panel convened by UN Secretary General Kofi Annan in March 2000 to undertake a review of UN peace and security activities. The Panel's report with a set of detailed recommendations, and which came to be known as the Brahimi Report, was presented to the Secretary General on August 2000 (UN 2000).

3. The main focus of the Task Force's recommendations was on improving analytical work, enhancing the selectivity and realism of reform programs, increasing capacity-building efforts and improving internal support through human resources and procedural reforms.

4. The final TSS is made available to the public in the same manner, and subject to the same conditions, as a CAS.

5. Priorities may include the reintegration of refugees or internally displaced populations, demining operations, demobilization and reintegration of ex-combatants, psychosocial support for traumatized populations, and targeted programs for the demobilization of child soldiers and women combatants.

6. Countries/areas are included in the report at the discretion of the Bank's Regional Offices, using a broad definition of conflict-affected, including spillover effects from neighboring countries in active conflict.

7. See the World Bank Social Analysis Sourcebook (August 2002): [www.worldbank.org/socialanalysisourcebook](http://www.worldbank.org/socialanalysisourcebook)

8. The aim of conflict analysis is not to predict exactly when violence will erupt, but rather to identify conflict risks. While the violent manifestations of conflict may erupt suddenly and are not predictable with certainty, the underlying conditions and antecedents that increase their probability are better known and documented (Lund 2003).

9. In December 2001, donors agreed to carry out a Strategic Conflict Assessment in Nigeria. The decision was supported by President Obasanjo and the process was led by Nigeria's Institute for Peace and Conflict Resolution. Technical and financial support was provided by DFID, UNDP, USAID and the World Bank (CPR 2003b). The results were published in March 2003 (Institute for Peace and Conflict Resolution 2003).

10. OECD/DAC uses the term 'difficult partnerships' to describe LICUS countries. In the DAC definition, difficult partnerships are countries characterized by weak governance, possible violent conflict and an inability, lack of capacity or willingness to develop a partnership process with a donor country government. Others also refer to these as countries where there has been state failure or a collapsed state. Countries included under each of these definitions may also vary.

11. Information on DECRG research on conflict and the Policy Research Report can be found in <http://www.worldbank.org/research/conflict/>. The Report Team was led by Paul Collier and consisted of V. L. Elliot, Havard Hegre, Anke Hoeffler, Marta Reynal-Querol, and Nicholas Sambanis.

12. The study is part of the "Political Economy of Civil Wars" project, a collaborative research undertaking between the World Bank and Yale University. The project was funded by the Post-Conflict Fund of the CPR Unit.

13. The Bank's Policy Research Report, *Breaking the Conflict Trap*, argues against a greed-based interpretation of rebellion. Greed "...is not usually the root motivation for conflict, but it may become critical to its perpetuation, giving rise to the conflict trap." (World Bank 2003a: p.79)

14. The G8 Africa Action Plan issued during the G8 Kananaskis Summit in June 2002 states the commitment to work with African governments, civil society and others to address the linkages between armed conflict and the exploitation of natural resources.

15. A recent assessment of social change in conflict areas in Nepal points out that as girls and young women have joined the Maoist rebels, they are full of a liberation vocabulary and newfound confidence that makes ordinary village men and women rethink traditional gender norms and values. Although women's burden has increased dramatically in conflict zones as many males have voluntarily or involuntarily left, villagers reported that there had been a considerable decrease in polygamy, alcoholism, gambling, and domestic abuse (Lama-Tamang, et al. 2003)

16. Quoted in Sommers (2002: p. 19).

17. A comprehensive review of education and conflict issues can be found in Smith and Vaux (2003).

18. See World Bank, 2002 for a recent example of integrating education in conflict analysis.

19. Governments are often reluctant to support education programs for displaced communities for fear that it will deter refugees from returning home, and relief agencies may consider it not their mandate. Yet many conflicts (e.g., Angola, Colombia, Sri Lanka, Sudan) and the displacements they cause can drag on for decades, effectively blurring the operational distinctions between relief vs. development, and short-term vs. long-term interventions.

20. The 12 countries include three that are emerging from conflict (Angola, Burundi and Sri Lanka), four countries/territories that have recently emerged from conflict (Bosnia-Herzegovina, Kosovo, Sierra Leone and Timor-Leste), and five countries that have a longer history of post-conflict reconstruction (Cambodia, El Salvador, Guatemala, Lebanon and Nicaragua).

21. There is some evidence to support the hypothesis that a particular conflict played a pivotal role in the development of a low-level of endemic HIV into the current pandemic. While this notion is far from proven, it does point to the crucial role played by conflict in HIV/AIDS transmission.

22. While conflict is clearly an important vector in HIV/AIDS transmission, it is also argued that the spread of HIV/AIDS in turn can contribute to conflict by undermining institutions charged with maintaining peace and security. See for example Gebre-Tinsae and de Waal, 2003.

23. Ongoing Bank research is exploring the economic costs of mental health in post-conflict Bosnia-Herzegovina using the 2001 Living Standards Measurement Survey.

24. Given the five- to eight-year disbursement profiles of most IDA grants and credits to countries recovering from conflict, IDA disbursements typically show such a gradual rise.

25. Countries involved or affected by conflict in the greater Great Lakes Region are: Angola, Burundi, Central African Republic, Congo, DRC, Rwanda, Uganda and Zimbabwe.

26. For some initial country lessons on Afghanistan and Timor-Leste see McKechnie (2003); and Rohland and Cliffe (2002), respectively; for some generic lessons on rebuilding the civil service see CPR Unit (2002); on aid

management by the recipient government see Schiavo-Campo (2003); on options for creating capacity in post-conflict countries see CPR Unit (2003d); and on Bank support for civil service reconstruction in post-conflict countries see PREM (2003).

27. The nine countries currently eligible for post-conflict allocations are projected to receive in FY04 close to SDR 500 million in allocations above their regular performance-based norms (IDA 2003).

28. The precise percentage varies annually depending on the number of eligible post-conflict countries, and on other claims on the overall amount of IDA13 grant resources. For FY04 the percentage is set at 34 percent.

29. To date the PCF has received contributions from the Netherlands, Belgium, Switzerland, UNDP and UNHCR accounting for 10 percent of total funds, with the remainder coming from the Bank's net income through DGE.

30. Information on PCF grants approved in FY03 and the activities undertaken by the PCF Secretariat is presented in *Post-Conflict Fund Annual Report—Fiscal Year 2003* (PCF 2003). The report and other information on the PCF can be found at: [www.worldbank.org/pcf](http://www.worldbank.org/pcf)

31. The CPR Good Practice Database, which is still under development, can be accessed at:

<http://lnweb18.worldbank.org/ESSD/essd.nsf/CPR/GPHomePage>

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