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*Post-Conflict Recovery in Africa*  
*An Agenda for the Africa Region*

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*April 2002*



# **Post-Conflict Recovery in Africa: An Agenda for the Africa Region**

April 2002

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## **Abstract**

Understanding the causes of conflicts is critical to stopping and preventing war. The causes may be complex and country specific, and may involve long-term and short-term issues. The decision to intervene in a complex post-conflict situation raises difficult, sensitive questions for the Bank. The paper first outlines key features of African conflicts, and describes the Region's response to date. It then proposes a strategic framework for economic engagement in post-conflict situations and outlines an operational framework for the Bank to assist countries in the transition from war to peace. It finally discusses issues associated with the financing of post-conflict programs.

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Serge Michailof, Markus Kostner,  
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The World Bank

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# Preface

**T**his paper has been prepared in consultation with a broad range of bilateral and multi-lateral partners. It builds on the briefing note presented by the Africa Region to the World Bank Board of Directors in October 1999. A preliminary draft was discussed in Paris in March 2001 with a group of donors and African leaders experienced in these matters. In August 2001,

further consultations were held with various United Nations agencies. The Africa Region also consulted extensively within the Bank and with the IMF, and presented an earlier version of the paper during a technical briefing to the Board. The current paper reflects feedback received during this process.

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# Introduction

**T**he past two decades have seen violent conflicts take an increasing toll on the hopes for Africa's development.<sup>1</sup> Almost half of all African countries, and over one in three African people, are affected directly or indirectly by conflicts. Unless major progress is made to address conflict, Africa is unlikely to reach the International Development Goals by 2015.

The downward spiral can indeed be reversed. Countries like Mali and Mozambique demonstrate that, with political will and strong international support, internal conflicts can be resolved and sustainable peace restored.

But African leaders and the international community, including the World Bank, must recognize the magnitude of the challenge. The recently launched New Partnership for African Development and three recently published milestone documents by the UN on the causes of conflict in Africa, conflict prevention, and post-conflict recovery<sup>2</sup> offer a good strategic framework.

This paper hopes to stimulate discussion both within the Region and with key partners on post-conflict issues in Africa. It explores what the Bank might do to help post-conflict countries get on the road to peace and sustainable development. It proposes a conceptual framework based on specific operational guidance on practical issues. The paper does not intend to cover all conflict-related issues and, particularly, does not address the complex problem of conflict prevention.

In preparing this paper, the authors have consulted with a wide range of bilateral and multilateral partners, building on the briefing note presented by the Africa Region to the World Bank Board of Directors in October 1999. In Paris in March 2001, the authors discussed a preliminary draft with a group of donors and African leaders experienced in these matters, and in August 2001 further consultations were held with several United Nations agencies. The Africa Region also consulted extensively within the Bank and with the IMF, and presented an earlier version of the paper during a technical briefing to the Board. The current paper reflects feedback received during this process.

The paper first outlines key features of African conflicts, and describes the Region's response to date. It then proposes a strategic framework for economic engagement in post-conflict situations and outlines an operational framework for the Bank to help countries in the transition from war to peace. Finally, the paper discusses issues linked to the financing of post-conflict programs.

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1 The Bank's Africa Region covers Sub-Saharan Africa, excluding Djibouti. "Africa" refers to this part of the continent.

2 See "On the Causes of Conflict in Africa; Report of the Panel on United Nations Peace Operations." United Nations, August 21, 2000; "Secretary General's Report on the Prevention of Armed Conflict." United Nations, June 7, 2001.

## 2

# Historical Perspective of Conflicts in Africa

**U**nderstanding the causes, characteristics, and impact of conflicts in Africa is fundamental to resolving them. This section does not try to provide a detailed conflict analysis or to summarize the already abundant literature on this topic. Instead, it provides a general background to the reader by addressing key elements on which there is broad consensus.

### Historical perspective

Violent conflict is a worldwide and ancient phenomenon—and Africa is no exception. Over the past forty years, the continent has suffered a variety of conflicts:

- *Wars of independence*, particularly in lusophone countries, Namibia, and former Rhodesia; some of these wars have left deep scars on the social fabric, e.g., in Angola;
- *Secessionist conflicts*, such as in Senegal (Casamance since the mid-1980s), in the Democratic Republic of Congo (Katanga in 1960 and 1977–78), and particularly in Nigeria (Biafra 1967–70);
- *Rebellions*, which often start as local guerilla movements against central, often despotic, governments; in some cases the rebellions succeed in overthrowing the governments, as in Uganda, Chad, and Ethiopia;
- *Interstate disputes*, in spite of the efforts deployed by the Organization of African Unity following its 1964 resolution on the inviolability of existing borders—e.g., Burkina–Mali conflict (1986), Chad–Libya conflict over the Aouzou strip (1973–94), or Cameroon–Nigeria standoff on the Bakassi Island (since 1962).

During the Cold War, foreign intervention often fueled these conflicts. East and West competed for spheres of influence, waged war by proxy, and supported client states through financial, political, and military assistance, and sometimes with mercenary forces. These conflicts reflected global strategic concerns by non-African powers (particularly the control of the Horn of Africa and Cape maritime routes) much more than ideological considerations—as shown by the reversal of alliances of Ethiopia and Somalia in the 1970s. At times regional powers played a destabilizing role, as South Africa did in the “frontline states” and in Angola (where it tried to prevent a takeover by the Popular Movement for the Liberation of Angola in 1975). Foreign interventions brought a new level of sophistication in weaponry (including tanks and aircraft): in the late 1980s arms transfers to Africa had reached about \$4 billion a year.<sup>1</sup>

The end of the Cold War brought a general military disengagement of non-African powers in the early 1990s and, according to many observers, a considerable reduction (by a factor of 10 to 1) in arms transfers. Russia and Cuba could no longer afford African interventions. Western public opinion became reluctant to accept casualties in what were seen as postcolonial expeditions. Foreign military establishments recognized that guerilla warfare in a jungle, desert, or even an urban environment raised problems for modern forces, particularly within the context of instant media reporting. The experiences of the United States in Somalia and France’s withdrawal from Central African Republic were signals that the era of direct military engagement by non-African powers had ended.

In some cases, this disengagement helped to settle conflicts, as in Mozambique and Namibia. But the Cold War also left a bitter legacy that added to existing tensions and sources of conflict: deep internal divisions and sustained fighting (e.g., Angola); Cold War leaders with appalling governance and human rights records (e.g., Mobutu in Zaire, Mengistu in Ethiopia); large (and underpaid) standing armies ready for local or foreign adventures, much like the mercenary armies in medieval Europe; and considerable stocks of arms and ammunitions, as well as connections with potential arms suppliers (especially in former Soviet Union countries).

The 1990s saw the emergence and proliferation of a new type of war. Most African conflicts in the 1990s continued (Angola, Sudan) or started (Sierra Leone, Congo-Brazzaville) as *civil conflicts*, which increased in intensity, progressively involved neighboring countries and regional powers, and generally wrought havoc on the people. The recent war between Ethiopia and Eritrea, an interstate war waged by conventional forces along established frontlines, was an exception.

Today, civil conflicts continue in Angola, Burundi, the Democratic Republic of Congo (with substantial foreign involvement), Somalia, and Sudan. There are local rebellions or regional insecurity in Chad, Liberia, Rwanda, Senegal, and Uganda. Many other countries are indirectly affected: countries at risk of conflict (Nigeria); countries at risk of renewed conflict (Guinea Bissau, Central African Republic); countries economically, socially, or militarily affected by neighboring conflicts (Guinea, Tanzania); countries directly involved in neighboring conflicts (Angola, Rwanda, Uganda, Zimbabwe); and countries in transition from war to peace (Congo-Brazzaville, Eritrea, Ethiopia, Rwanda, Sierra Leone).

### Causes of African internal conflicts

Understanding the causes of conflicts is critical to stopping and preventing war. The causes may be complex and country specific, including long-term and short-term issues. And new factors tend to emerge during conflict (for example, grievances of those who have lost the most), adding to the initial causes. Each situation demands a detailed and specific conflict analysis. The following paragraphs outline some of the common risks across the continent.

#### *Long-term causes*

These factors usually cannot be substantially modified in the short to medium term, but they can be managed to transform risks into opportunities. Typically these factors include:

- *History.* A rich history dating back to pre-colonial times, or to the anticolonial struggle and the formation of states, sometimes underlies local antagonisms and may explain the lack of the state's legitimacy in several countries. There are also a number of deep fault lines (religious, cultural, or economic) that run across the continent, such as those between Muslim and Christian and animist societies and between coastal and hinterland populations. Still, it is often the interpretations of history rather than history itself which is at the base of the conflict (e.g., in Rwanda).
- *Demographic changes.* For the past forty years, many African societies have seen unprecedented demographic growth and large migrations to cities. In the process, traditional cultures and authority have been weakened, and the very young population has added to the instability. Although, until recently, population density was low in many parts of Africa, the demographic growth now puts unprecedented pressure on land and natural resources, in some cases causing a collapse of the demographic/natural resource balance. The degradation of fragile ecosystems is threatening the economic survival of local cultures (e.g., the Tuareg), and the perception of land scarcity—either because of a demographic increase in already highly populated areas (Burundi, Rwanda) or because of rapid and massive foreign immigration (Central and Western Côte d'Ivoire)—is fueling resentments and political violence. Finally, competition for scarce water resources is creating tension.
- *Poverty, illiteracy, and unemployment.* Widespread poverty and inequality fuel a broad range of social tensions. Large-scale unemployment, combined with rapid demographic growth, creates a large pool of idle young men with few prospects and little to lose. Illiterate, poor groups are easy targets for war recruiters and political extremists.
- *Feasibility of predation.* Recent research shows a close correlation between the risk of conflict and the predation of natural resources—that is, the possibility for rebel groups to either exploit natural resources or to easily tax their production and transport. Many Afri-

can economies depend on a few export commodities. Conflicts happen more frequently and last longer in countries rich in mineral resources, such as diamonds and oil, where greed may cause and fuel conflict.<sup>2</sup>

#### *Short-term causes*

Risk factors do not automatically translate into conflict—unless the political context aggravates them—and there are examples of successful management of tensions. Countries, particularly African countries, are not fated to go to war; but behaviors, deliberate actions, or policies may fuel tensions through, for instance:

- *Exclusionary policies and discrimination.* In many African countries, large groups are excluded from political and economic life on regional, ethnic, or social grounds. Within the context of high ethnic and linguistic fragmentation, such policies kindle deep frustrations, particularly when combined with inequalities. In countries where one group is dominant, there may be attempts to oppress minorities, or even to commit genocide. Contrary to common belief, formal democratic processes, including free and fair elections, may not be enough to address these issues. Deliberately inclusive policies (and in some cases shrewd maneuvering) have proved themselves key to successful management of these kinds of tensions.
- *Mismanagement of economic rents.* In some countries, a small minority that controls the state (so called “patrimonial states”) appropriates economic rents linked to specific exports (such as oil, cocoa, timber, diamonds, gold). Combined with poor governance, corruption, and widespread poverty, this results in profound inequalities that trigger resentment and political instability. And economic failure usually leads to a “shrinking pie” effect. In this process, foreign investment may have an ambiguous impact when it aggravates the unequal distribution of economic resources across groups. Gaining and maintaining control over economic rents is often at the heart of conflicts.
- *Erosion of the state.* Poor governance, endemic corruption, and economic failure can weaken the state to the point that it gradually loses control over large stretches of territory. The absence of public authority and the widespread insecurity in these areas can easily degenerate into conflict. Typical steps in the erosion process include fiscal collapse, degradation of basic social services, paralysis of the transport system, greater insecurity caused by the collapse or criminalization

of the security forces, and market and state fragmentation. In some cases, however, the presence of a strong and centralized security apparatus may prevent or delay the collapse of a state.

In addition to governance issues, other factors may increase the risk of conflict:

- *Subregional instability.* Recent research shows that on average there is a 0.55 probability that a country neighboring a conflict will also slide into war. Often, a large number of refugees in an area puts pressure on local natural resources, heightens social tensions, and creates instability in host communities. In addition, refugee camps may become havens for rebel movements, from where they launch attacks against government forces in their own country. This in turn may bring incursions of foreign troops into the host country, initiating a cycle of border incidents and fighting.
- *Easy access to small arms.* Since the end of the Cold War, small arms have become easily available at low cost from both regular army stocks and from the international market. This has dramatically increased the lethality of conflicts. Addressing this issue would require that the international community act forcefully in three main areas: First, access to armaments by non-conventional forces and oppressive or expansionist states should be restricted. Suppliers can often be identified, and the feasibility of applying diplomatic and economic sanctions should be explored. Second, the donor community should monitor the military expenditures of African states and interrupt subregional arms races through diplomatic and economic pressure. Third, the self-financing capacity of warring factions should be checked by controlling their trade of key commodities (e.g., oil, diamonds).

In an explosive environment, minor sparks can trigger chain reactions. These sparks can be small incidents, simple blunders, or symbolic decisions highlighting the exclusion of a specific group. For example, the Casamance rebellion in Senegal was probably triggered by a minor decision about an urban settlement in the early 1980s. In situations where the state is collapsing and can no longer provide basic services, some groups may want to organize their own security. The presence of refugee populations or foreign troops may also incite violence; or, conflicts may be set off by disgruntled soldiers from corrupt and undisciplined armies.

### Key features of African civil conflicts

Recent conflicts in Africa stand out from traditional interstate wars and even from “liberation” wars led by guerrilla movements. International public opinion often holds that many African countries are trapped in brutal, incomprehensible, and unpredictable wars—and indeed many of these conflicts are chaotic. However, Africa is not the only region affected by this new, more complex breed of conflict. Civil conflicts and long-lasting instability are a worldwide phenomenon.<sup>3</sup> They may take a particular form in highly fragmented societies, but they are by no means an unavoidable consequence of Africa’s distinctive features, and in particular not a result of its ethnic fragmentation.

Ethnic tensions are often a result rather than a cause of conflict. When public authority collapses and insecurity increases, social groups tend to fall back on their closest solidarity structure—whether this be in Africa, the Caucasus, or the Balkans. This dynamic reinforces ethnic bonds, weakens links across groups, and polarizes society. The conflict may then take an ethnic dimension, which is the result of the degradation of social capital.<sup>4</sup>

Civil conflicts in highly fragmented societies tend to share certain characteristics:

- *They are often fought by loose rebel and paramilitary groups with no clear line of command.* Leaders do not completely control their “constituencies,” discipline is often missing, and alliances are shifting. Armed groups may control relatively large areas, in which the state becomes irrelevant, but they usually have little, if any, capacity to administer these regions.
- *Usually, they are relatively unsophisticated.* Weapons are often simple (although modern, sophisticated equipment is sometimes used), combatants are poorly trained—some are children—and leaders are poorly educated, sometimes illiterate. Such conflicts can be waged at a relatively low cost, and thus can be easily initiated and sustained for a long time.
- *Civilians are often targeted.* Atrocities and sexual violence are common. The general insecurity causes large population movements—in some cases exceptional humanitarian dramas. Refugees and displaced persons flee to stable regions, often bringing social disruption and insecurity to host communities.
- *Violent fighting for the control of specific strategic points usually alternates with long periods of low-intensity warfare, guerrilla warfare, or even banditry, which bring*

insecurity and economic collapse to large areas. Violence may reach exceptional levels: destruction of villages and towns, ethnic cleansing, and even genocide, as in Rwanda.

- *Civil conflicts are often aimed at controlling economic rents and natural resources.* In many cases the warring factions are not trying to take over the state apparatus, or resolve political and social grievances—but trying to gain and later maintain control over export-based resources, such as diamonds (e.g., UNITA in Angola, RUF in Sierra Leone), drugs, and logging, and sometimes humanitarian aid. Conflicts and criminal activities are therefore closely linked. In some cases, such as in the Democratic Republic of Congo, the control of export resources by foreign armies is allegedly a major cause for the continuation of the conflict.
- *Civil conflicts usually become financially self-sustaining.* With the control of rents, and in some cases the support of a diaspora, warlords have the financial means to sustain low-cost and protracted fighting. Conflicts that have developed because of internal political rivalries may then gain a momentum of their own. Continuing economic plunder may become both a key military objective and a major source of resources to continue fighting (as in Sierra Leone). Criminal activities are at the core of the civil war economy in Africa—and parties to conflict are less sensitive to external economic pressure than they previously were.

Making peace in this context raises particular challenges. Clear-cut military victory is the exception not the norm, and even when most organized rebel forces are destroyed, controlling their former territory may be difficult. Peace negotiations are difficult to engage in the absence of interlocutors who can unequivocally commit their troops or constituencies. Military stalemates, often the best incentive for parties to reach an agreement, are unlikely in the absence of clear frontlines and well-organized armed forces. Even when a peace settlement is reached, implementation is difficult since leaders may have little authority over their troops.

Overall, the post-conflict concept is blurred. The political and social situation may remain fragile for a long time, with a high degree of polarization among groups and communities because of past brutality. Post-conflict public authorities are usually weak, both in technical capacity and effective control of their territory. Consequently, the former conflict area may remain a “gray” area for a long time.

## The impact of conflict in Africa

Conflicts bring appalling human suffering and distress. Reliable figures are unavailable, and usually quoted data must be viewed with caution. Accurate data are missing in many areas—such as rebel-controlled parts of Sierra Leone and the Eastern Democratic Republic of the Congo. The overall number of casualties over the last ten years is thought to be very high, particularly among the civilian population. But the death toll from conflict-induced economic dislocation, epidemics, and insecurity is even higher and largely unknown.

Over 350 million people live in African countries affected by conflict. Millions of them, the majority of which are women and children, are currently uprooted by conflict, whether internally displaced or forced into exile.<sup>5</sup> These people are among the most vulnerable in Africa and often live in terrible conditions. And their presence negatively affects living conditions and security in the host communities, even when substantial humanitarian assistance is provided.

Beyond the human tragedy, the economic impact of these civil conflicts is alarming:

- *Conflict's most visible impact is on physical infrastructure*—transport, energy, telecommunications, public buildings, and housing. Direct damage is often compounded by the lack of maintenance during years of war. Because of long-lasting conflicts, such vast regions as southern Sudan and Chad have almost no viable road network left. The Democratic Republic of the Congo and Angola, where land transport has almost collapsed, must rely on air transport.
- *The structure of the economy is usually deeply affected.* Agriculture and trade, crucial for most people's survival, decline rapidly with the onset of conflict: access to both land and markets is hampered by insecurity, the collapse of infrastructure and, in some cases, land mines. Therefore, markets may become highly fragmented and inefficient, and a large part of those who remain in rural areas turn to a subsistence economy.
- *Institutions often collapse.* In many cases, the civil service ceases to function, and social services can no longer be delivered effectively—a failure that has short-term and long-term consequences. The lack of educational opportunities jeopardizes a generation's prospects and lays the ground for further instability. The incidence of diseases and epidemics increases while social indicators deteriorate.

- *Wartime economic management has a long-term impact.* Public expenditure is reoriented toward the military effort, which may add to the debt. Insecurity brings investment to a halt, both foreign and local, with no possibility for quick recovery. National savings are depleted to finance the conflict, as are individual savings to fund survival strategies during periods of high inflation. Finally, the remaining state apparatus and economic assets may fall prey to criminal groups who have no interest in the well-being of the people.
- *Conflict is a vector of HIV/AIDS.* Risks are substantially increased because of population movements, sometimes across borders, to risky sexual behaviors by many combatants, to the interruption of prevention activities, and to the collapse of the health system.

## The consequences for Africa's economic development and future

Many of Africa's internal conflicts are no longer short-lived ways to settle a political dispute. They have become constant states of instability and an acceptable way of life for some warring factions, as was the case in the conflicts waged in the 14th century in France and in the 17th century in Germany. The impact of such situations on regional development prospects is dreadful.

Because of their very nature, African conflicts have become a development issue. They severely damage many countries' development prospects, setting them back years in their efforts. Achieving the International Development Goals by 2015 in Africa is conditional upon reducing the number and intensity of conflicts. Therefore, conflict has become a critical issue for the development community in Africa, and especially for the Bank for at least three reasons:

- *First, civil conflicts destroy social capital and institutions.* Traditional interstate wars usually affect, but do not destroy, institutional structures or social bonds, both within and across communities. But most civil conflicts in Africa transform and destroy social capital. In particular, they erode the "bridging" social capital (the links and connections across communities), leading to fear, mistrust, and a lack of capacity (organizational and otherwise). In the absence of trust, economic markets can no longer function effectively, and economic activity stalls. The breakdown of social capital may be an even bigger obstacle to post-conflict economic revival than infrastructure collapse.



- *Second, some conflicts tend to follow cyclical patterns.* They lock countries into destructive war-peace-war cycles, which must be broken for development to be successful. There is a 0.5 probability that countries return to war within five years of a peace agreement. And in many cases the situation remains highly unstable, with periods of relative quietness interrupted by bursts of violence that can degenerate into renewed full-scale war. The “lock-in process” is relatively clear. Many countries emerging from conflict are deeply divided and not equipped to deal with the broad range of issues confronting them. In this context, key policy measures, both to diffuse the risks of conflict and bring economic recovery, cannot be implemented without external assistance. Without financial resources, reconstruction cannot proceed quickly. Poverty then increases, governance stagnates, frustrations run high, and a new spark can restart the conflict. Good post-conflict recovery may go a long way towards preventing further conflicts from erupting.
- *Third, conflicts are increasingly taking a regional dimension, threatening neighboring countries’ development.* Indeed, civil conflicts often behave as cancers do in a human body, with conflict areas metastasizing (in the form of weapons, banditry, insecurity) to neighboring regions. Such metastases can multiply in a weak body—those countries caught in a no-growth vicious circle, where state authority and government legitimacy are weak, or when neighbors exploit ethnic links and religious networks that cut across borders. This process can destabilize a large group of countries and lock them into a complex set of cross-border interventions and conflicts that are very difficult to disentangle. The Great Lakes region has gone through such a process, and several West African countries could follow. Even when neighboring countries succeed in maintaining peace, the presence of a large number of refugees, the disruptions in trade, and the investors’ perceptions of risk take a heavy toll on the economy and political stability.

Taking a long-term perspective, peace and stability in most African countries may be at risk. These countries have almost no per capita growth against a background of poor governance, poor political management, and inadequate basic services. Neighboring states are already deeply involved in internal conflicts, and large-scale, protracted conflicts may threaten Western and Central Africa’s future.

The geographic expansion of conflicts might ultimately threaten global security. Some analysts predict that, unless current trends are reversed, insecurity could spill over and engulf large areas throughout the continent, where warlords would rule, criminal and terrorist activities would flourish, and epidemics, such as HIV/AIDS, would spread unchecked.<sup>6</sup> In a sea of anarchy, small islands of stability would remain, secured by mercenary services, to allow the extraction of key export commodities. Such an evolution would eventually represent a major security threat to the industrialized countries, particularly to neighboring Europe, as emigration accelerated and links developed between organized crime in Africa and the diasporas.

The international community must intensify its involvement. International support for resolving conflicts or for providing a security framework for recovery has been much less resolute in Africa than in other parts of the world (the Balkans, the Middle East, East Timor, Afghanistan). As a result, the situation in African post-conflict countries is more fragile, and donors are less inclined to finance recovery efforts. This in turn increases the risk of renewed conflict. In the face of the growing risk for the continent’s development, the international community cannot remain idle.

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1 Dollar figures are current U.S. Dollars.

2 The Africa Region recently published a paper on “Conflict Diamonds” (Africa Region Working Paper Series No. 13, by Louis Goreux, February 2001).

3 See Martin Van Creveld, “The Transformation of War.” 1991.

4 Social capital refers to systems that lead to or result from social and economic interactions, such as worldviews, trust, reciprocity, informational and exchange, and informal and formal groups and associations.

5 Source: *The Causes of Conflict in Africa*. Department for International Development. March 2001:

6 See for instance « *L’économie des guerres civiles* », Jean-Christophe Ruffin, 1996.

## 3

# The Bank's Response

**T**he Bank's role in addressing the ravages of war goes back to its original mandate of rebuilding European economies after World War II. Since the end of the Cold War the Bank has become more involved in international peace efforts and has gradually broadened its focus from the reconstruction of infrastructure to overall economic recovery.

### Moving the corporate agenda forward

The Bank's involvement in post-conflict situations took on a new dimension in the mid-1990s. In 1994 the Bank became the administrator of the multi-donor trust fund ("Holst Fund") for the West Bank and Gaza. In 1995 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, where through an unprecedented effort, sixteen Bank projects for more than \$350 million were approved in 1996. Institutional measures followed, with the establishment of the Bank's Post-Conflict Unit<sup>1</sup> in 1997 and the endorsement by the Board of a "Framework for World Bank Involvement in Post-Conflict Reconstruction" in May 1997, with an emphasis on "do no harm" policies.

Current activities are taking place within the context of an Operational Policy and Bank Procedures on "Development Cooperation and Conflict" (OP/BP2.30), discussed by the Board in October 2000. OP/BP 2.30 goes beyond the 1997 framework, opening the way for addressing conflict issues in all Bank activities, whether before, during, or after conflict—especially in (a) conflict analysis for conflict prevention; (b) watching briefs

during conflicts for all or part of a country in order to develop an understanding of the context, dynamics, needs, and institutions, and to prepare for later full-scale engagement; and (c) re-engagement after conflict, based on transitional support strategies.

The Bank is now involved in post-conflict activities in all Regions: Latin America and the Caribbean (Guatemala, Colombia), Middle East and North Africa (the West Bank and Gaza), East Asia and Pacific (Cambodia, East Timor), South Asia (Afghanistan, Sri Lanka), Europe and Central Asia (Bosnia and Herzegovina, Croatia, Kosovo, Armenia, Georgia), and Africa. Nowhere, however, has this engagement been as extensive and visible as in the West Bank and Gaza, Bosnia and Herzegovina, Kosovo, East Timor, and Afghanistan. In these countries, the Bank went beyond technical advice and project financing and, in cooperation with other donors, provided a framework for effective donor coordination.

### Efforts by the Africa Region

The Bank has been supplying financial aid to African countries emerging from conflict since the mid-1980s (Chad). But, rather than being part of a strategic vision, the assistance has often been ad hoc. The Bank initially focused on mitigating the social consequences of adjustment (Rwanda, Burundi), but then expanded its aid in the early 1990s, starting with the Uganda Veterans Assistance Program and the Northern Uganda Reconstruction Project. The Bank later prepared demobilization and reintegration programs for Rwanda—as part of the 1993 Arusha accord (aborted in 1994 because of the war and genocide)—and Mozambique (1994).

## A Case Study: Mozambique

### The Conflict

The *Frente de Libertação de Moçambique* (FRELIMO) led the Mozambican struggle for independence. After a military coup in Portugal in April 1974, FRELIMO and the new Portuguese authorities signed the Lusaka Accord, allowing for a transfer of power to FRELIMO without prior elections within nine months. Independence was achieved in July 1975, amid the abrupt exodus of Portuguese technical and managerial leaders and the formation of the *Resistência Nacional de Moçambique* (RENAMO) under Rhodesian patronage. Led by the charismatic Samora Machel, FRELIMO came to power without a mandate, inherited a dysfunctional economy and unskilled workforce, and chose an ill-fated economic system—central planning—as its model for national development. These were the seeds of the country's subsequent problems.

Civil war was largely the intentional product of outside interference. Responding to a breach in the "white laager" and pursuing a policy of regional destabilization, first Rhodesia and then apartheid South Africa made RENAMO a brutally effective counter-revolutionary force. By the mid-1980s, Mozambique had become a humanitarian disaster. Hundreds of thousands had died, either directly from the war, or indirectly from disease and malnutrition aggravated by war. Social and productive infrastructure had been destroyed, 1.5 million refugees had fled to neighboring countries, and about 3.0 million were internally displaced. Combined with the effects of poor policy choices and economic mismanagement, Mozambique rapidly became the world's poorest state.

Movement towards resolution of the crisis began with FRELIMO's decision in the mid-1980s to lessen its dependency on the Soviet bloc by seeking Western aid. In 1984, Mozambique joined the Lomé Convention, became a member of the IMF and the World Bank, and signed the Nkomati Accord with South Africa, with each country pledging not to support armed insurrection in the other. Bank lending started in June 1985, one year before the death of Machel in a plane crash and the ascendancy of his pragmatic successor, Joaquim Chissano. The first IMF Structural Adjustment Facility (SAF) agreement was entered into in 1987. These developments encouraged aid agencies to establish one of the world's largest relief operations in Mozambique. As aid levels grew, military assistance declined. With the end of apartheid in South Africa and the collapse of the Soviet Union, RENAMO and FRELIMO were each deprived of their key financial supporters, leading both to seek a negotiated peace. The war ended formally in October 1992, with the signature of a General Peace Agreement. In 1994 and again in 1999, Mozambique held multi-party elections, which each provided a mandate to Chissano and his FRELIMO party.

### The Bank's intervention

World Bank assistance since 1985 has involved 43 credits totaling \$2.1 billion in commitments. The Bank is active in all major sectors—agriculture, health, education, water, transportation, and the environment. During the 1985–92 period, net disbursements to Mozambique averaged about \$46 million per year, with a heavy concentration on adjustment (61 percent of the first \$330 million committed), urban infrastructure, basic education, and primary health care. In the post-war period (1993–2001), net disbursements rose sharply to \$133 million per year, and the scope of lending widened to include agriculture, transportation, and enterprise development in addition to the activities supported in the earlier phase.

Bank and Fund adjustment lending was critically important to transforming the economy from a centrally planned to a market-oriented one. Monetary control and the sale of two state-owned banks brought macroeconomic stability (inflation fell from 45 percent in 1992 to low single digits in the late 1990s). The exchange rate was liberalized, import licenses were abolished, and prices controls were removed except for a few consumer goods, creating one of the most open trade regimes in Africa. Over 1,200 companies were restructured or privatized. At the same time, the Government established a progressive investment regime, promoted free trade zones to encourage manufactured exports, and reduced administrative red tape for investors. More recently, it transferred customs management to a private company (1996) and introduced a value added tax (1999).

Throughout the entire period, gradual fiscal adjustment in a context of improving revenues and sustained aid enabled the Government to increase spending on roads, water supply, health and education. The Bank, working with Mozambique's other external partners, provided support in each of these critically important sectors. By 1998, after six years of peace, the Government had nearly doubled its share of current expenditure on health (from 10 to 18 percent) and education (from 5 to 10 percent). Health care improved as over 300 first-level facilities were rehabilitated or constructed, often in remote rural areas, and reliably supplied with essential drugs and medical supplies. In addition, over 3,000 primary schools were rehabilitated or constructed, doubling the number that existed at the end of the war. By 2000, 55 percent of the 27,000 km road network was in good or fair condition, with only 10 percent sometimes impassable.

### Lessons learned

The Bank learned seven key lessons from the Mozambique experience:

- Crisis can spur reform, provided there is strong leadership favoring reform.
- In the early phase of intervention, technical assistance and other soft support, even without large-scale financial support, may help build commitment to peace and good economic management. If it is provided early on, such assistance can yield substantial benefits.
- If political commitment exists, adjustment lending is vitally important to signal that aid is warranted, to indicate a new business-friendly policy direction, to support economic transformation, and to provide foreign exchange.
- Rapid rehabilitation of essential infrastructure (roads, schools, clinics) is needed to consolidate the peace and create a foundation for long-term sustainable development.
- Implementation capacity must drive project design for projects to have satisfactory outcomes. In particular, projects need to focus on a few high priority interventions that can be implemented through simplified institutional arrangements.
- Consultation and popular participation become increasingly important as the reform program moves forward. A small circle of reformers in the Ministry of Finance and the central bank may accomplish the first generation of reforms, but the second generation (privatization, civil service reform, judicial reform, decentralization) requires the involvement of line ministries and lower levels of government.
- To ensure lasting impact, both on stability and poverty reduction, assistance needs to be sustained over a prolonged period.

Over the past years the Bank has gradually expanded its post-conflict activities to more countries and across more sectors. Beyond demobilization and reintegration programs (such as in Chad, Sierra Leone), the Bank is focusing on community-based reconstruction (Burundi, Rwanda, Sierra Leone, Eritrea) and comprehensive economic recovery (Guinea-Bissau, Sierra Leone, Rwanda). Within a few months after the conclusion of the ceasefire accord in May 2000 between Ethiopia and Eritrea, the Bank prepared several multi-sector programs in both countries. There are now almost 74 projects amounting to approximately \$3.4 billion under implementation in conflict-affected countries in Africa<sup>2</sup> (see Mozambique case study).

Institutionally, the Africa Region has moved the issue of conflict and development to center stage, assigning responsibilities at the front office and technical levels. It has established an advisory group of senior regional managers and a cross-sectoral virtual team of experienced staff to augment the quality and appropriateness of in-

terventions. At the same time, it has intensified its collaboration with the Conflict Prevention and Reconstruction Unit and other Bank units, and is extending cooperation with bilateral and multilateral partners.

The time has come to step up this approach. African conflicts continue to receive less international attention than more "visible" conflicts in other regions, and the Bank has been facing great difficulties in properly helping the affected African countries. These situations demand a degree of flexibility not yet achieved. Arrears and unfavorable political environments continue to plague Bank engagement in the Democratic Republic of the Congo, Liberia, Sudan, and Somalia, and for many years have precluded adequate assistance to CAR and Congo-Brazzaville.

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1 Renamed Conflict Prevention and Reconstruction Unit in September 2001.

2 As included in the quarterly monitoring report on conflict-affected countries to the Board.

# 4

## A Framework for Economic Intervention in Post-Conflict Situations

Post-conflict situations are complex, and intervention cannot take place using standard approaches and instruments. Stakes, as well as risks, are high, needs are immense, and capacities are limited. And speed is key, since peace dividends are essential for conflict-affected groups to regain hope and work toward consolidating stability. International intervention in these situations is challenging and must be based on a broadly shared strategic framework. This section proposes a number of elements for such a framework.

### Peace and stability as the main objectives

Sustained peace and social stability are not a given in post-conflict situations. In many cases the political and social conditions remain fragile. Political disputes are not fully addressed, while warring factions are not always demilitarized. Authorities often lack the capacity, and sometimes the legitimacy, to revive the economy and address the most urgent needs. External intervention may be critical in preventing conflicts from re-igniting.

External intervention must be aimed primarily at consolidating peace and stability. While the ultimate objective is poverty reduction and sustained economic development, peace and stability are prerequisites for any other goals—and in the aftermath of a conflict their consolidation must be an objective in itself, rather than a positive by-product of other initiatives. This requires intervening across a broad range of activities—political, military, economic, humanitarian. For the development community, the focus should be twofold:

- *Address short-term issues* that may cause instability, often by strengthening governance mechanisms (both

by increasing capacity and ensuring inclusiveness) and revitalizing the economy.

- *Work on the causes* of the conflict, and in particular help improve living standards, with special attention to the specific political economy.

In some cases this objective may be at odds with traditional poverty alleviation approaches; but, without peace and stability, there can be no effective poverty reduction. For instance, reforms that are usually critical for reducing poverty (such as reducing the size of an overstuffed civil service) may jeopardize peace prospects, and hence may be inadvisable. Conditionality should be adjusted to the political economy of the post-conflict country.

Stability should be understood within its regional context. Civil conflicts tend to spill across borders, endangering growth prospects in neighboring countries. Addressing the regional dimension of conflict is therefore critical. When a conflict is at risk of spreading, a determined containment strategy may be called for, if feasible. Economic intervention alone, however, is not enough and must be part of a broader effort, including a strong political and possibly military commitment. In this regard, regional organizations (OAU, ECOWAS, SADC) can play a crucial role.

Expectations should be managed. Although economic assistance can contribute significantly to peace and stability, it cannot ensure it. Other factors will be critical, many of which are beyond the scope of aid agencies. Specific outcomes can be achieved, but reconciliation and the overall restoration of a solid social fabric will

require time and a number of inputs that economic assistance alone cannot provide. Aid can only be one element of a broader strategy.

### The importance of early and sustained engagement

Early engagement is key to success. In the uncertain and unstable period that characterizes most post-conflict situations, certain windows of opportunity arise. These may occur when a political or a military agreement has just been concluded, when a new leader emerges, when conflict fatigue is setting in, or when the military balance has decisively shifted. At these critical times, international efforts have a greater chance of paying off—but these windows may vanish if not exploited. If peace dividends are not seen then social stability may disappear, and a new round of conflict will begin.

Conditions must be met for economic intervention to be meaningful. Providing resources or even policy advice may be seen as taking sides in an internal conflict. And economic recovery cannot happen as long as peace is not restored, at least in large parts of the country. Effective intervention also requires that there be a reasonably functioning governance structure, accepted by a large part of the population and supported by the international community. When these conditions are not met, economic assistance can be counterproductive, and, given the fungibility of resources, may fuel the conflict.

Post-conflict countries are highly vulnerable, and there will be difficulties on the road to recovery. In severely traumatized societies, there are no quick fixes; taking post-conflict recovery seriously means being in for the long run. Violent outbreaks, temporary government paralysis, and social tensions may raise fears of renewed conflict. The decision to intervene should be reviewed regularly based on political and social developments—not only to decide whether support should be continued or suspended, but also to adjust the nature and level of assistance to changing situations.

Experience shows that the success of international efforts critically depends on continued support throughout a transition process that often takes years. Assistance should be delivered with a long-term perspective.

### The need for a comprehensive approach

Success of international efforts requires a comprehensive and coordinated treatment of all key problems—political, military, economic, humanitarian. Addressing some of the issues and not others may lead to undesir-

able outcomes. For example, providing humanitarian support without restoring security may result in warring factions gaining access to additional resources. Similarly, humanitarian and economic activities need to be closely coordinated; a gap between these efforts may increase social tensions and the risk of renewed conflict. An overlap may also create problems, say, when food aid becomes an impediment to restarting agricultural production. Other noneconomic issues, such as human rights, may also have to be addressed.

In such complex and multidimensional environments, no single agency can hope to provide support on its own. The relationship between the different actors, local and international, must be defined to maximize synergies and avoid duplication. This relationship has to be based on transparent and open interactions, and efforts should be made to bridge the cultural gaps between agencies involved in political, economic, humanitarian, or security activities.

### Priority interventions

There can be no blueprint approach to post-conflict intervention, since each crisis is specific and requires a different response, both to address the causes of the conflict and to mitigate its consequences. The approach must distinguish between different kinds of conflict:

- *Interstate wars (e.g., Eritrea, Ethiopia)*. Economic interventions must focus on demobilization and reintegration of combatants, reconstruction of war-torn areas, and macroeconomic stability. If the peace agreement holds, there can be a rapid transition to a traditional development agenda, aimed at reducing poverty, with a special focus on those groups made highly vulnerable by the conflict (communities in war-torn areas, displaced persons, returnees, widows, orphans, and invalids).
- *Local rebellions (e.g., Casamance in Senegal)*. Economic interventions should be fourfold. They should (a) pursue national development and poverty reduction objectives through a mix of technical advice and financial support; (b) focus on the areas directly affected by the conflict to raise living standards to the national average and diffuse local grievances; (c) promote decentralization of service delivery and inclusive, participatory mechanisms for decision-making (with strong involvement of the communities), especially in conflict-affected areas; and (d) demobilize and reintegrate former combatants.

- *Countries affected by a neighboring conflict (e.g., Guinea).* Economic interventions need to focus on containing the conflict. This will require (a) support for a broad-based, inclusive, and regionally balanced development agenda, with a special attention to the political economy of reforms; (b) support for the most affected areas (communities hosting refugees); and (c) regional mechanisms to stabilize the situation, such as peer pressure.
- *Collapsed states.* Collapse may be complete (as in Somalia in the late 1990s), or only partial (as in several countries affected by civil conflict). These situations raise specific problems, which are discussed below.

More important than *what* should be done is *how* it should be done. Post-conflict interventions need to deal with the legacy of war while addressing the war's underlying causes. Thus, all interventions need to (a) be sensitive to the political and social contexts; (b) strengthen social capital and cohesion; (c) foster political, economic, and social inclusion; (d) improve governance and transparency; (e) create employment opportunities; and (f) support indigenous African processes for reconciliation.

In particular, interventions should have a gender dimension. Gender roles often change during conflicts as women and children lose the support of male family members. Post-conflict assistance should reflect these changes and seize opportunities for more gender inclusive economic and social environments. Although there have been specific initiatives (often marginal) aimed at women, it is rare for a major project to have incorporated a gender analysis and then designed its activities and intended impacts accordingly. For example, when demobilization initiatives focus attention on male ex-combatants, female combatants will be overlooked, and the changed social and family structures may no longer be equipped to "welcome" back the soldier.<sup>1</sup> Gender analysis should highlight women and men's roles as actors, not just victims. Many visions of post-conflict situations have cast women as victims of physical and mental abuse and overwork. A more careful analysis can uncover how both women and men respond to difficult situations. By failing to consider gender relations and inequalities, aid organizations may overlook potential resources or tensions in reconstruction initiatives.

### The case of collapsed states

Civil conflicts that cause or follow a collapse of the state present unique challenges. These situations are especially complex because both the economy and the political system need to be revived. When conflicts have dragged on for years, the post-conflict situation is especially fragile, since most institutions are dysfunctional, and authorities, whether central or local, have at best a weak legitimacy. It is critical for Africa that these conflicts are resolved since (a) they affect several large countries that otherwise might boost the continent's economy, and (b) they tend to spread across borders and take on a regional dimension.

In these situations, three areas have proven essential for post-conflict stabilization, recovery, and development: (a) rebuilding the state and its key institutions, (b) jump-starting the economy, and (c) addressing urgent needs and reconstructing communities. Although the specific challenges in each of these areas will differ by country, they have to be addressed simultaneously.

#### *Rebuilding the state and its institutions*

Without a functioning state the risk of a relapse into civil conflict is great. Strengthening the legitimacy of national and local authorities (through inclusiveness and transparency), rebuilding the technical capacity of key institutions, and making them capable of managing tensions in a nonviolent manner should always be a priority. But since capacities will not increase overnight, alternative providers (including NGOs) will be asked to deliver essential services, such as basic health care. Rebuilding the state requires simultaneous action in a number of areas, including:

- *Reestablishing the state's control over the means of coercion* (security forces) throughout the territory to restore security. This implies both a thorough reform of the security sector (which can be supported by bilateral donors) and an urgent, although possibly phased, demobilization and reintegration program for former combatants. In this process, transparency over military expenditures should be increased.
- *Reestablishing the state's fiscal capacity* by rebuilding the customs and tax systems without overburdening a fledgling private sector. The ability to tax is key to obtaining the resources for revival—paying civil servants and delivering basic public services. The In-

ternational Monetary Fund (IMF) can offer unique expertise to restore or strengthen a fiscal authority. There may, however, be special challenges when rebel groups levy illicit taxes to sustain their war effort.

- *Restoring macroeconomic management capacity*, in particular for preparing and implementing a budget, for formulating and implementing key reforms, for analyzing investments, and for carrying out and monitoring the reconstruction/investment program.
- *Developing a functioning judiciary* and an effective penal system to reestablish the rule of law as a condition for security and economic restart.
- *Decentralizing decision-making and expenditure authority* to lower echelons of government, and strengthening capacity at these levels. This should be accompanied by the establishment of inclusive mechanisms for local decision-making.
- *Improving governance and transparency* in economic management, both centrally and locally. This sensitive area requires bringing transparency into opaque rent systems and dismantling outrageous monopolies. It is key for ensuring the proper use of donor assistance, as well as for addressing some of the key issues underlying the conflict.

In most of these areas the Bank, together with the IMF, has considerable advantages, and support should be provided through a mix of policy advice and technical assistance. Since success in these areas demands both technical capacity and political will, Bank and IMF leverage within a comprehensive program are often needed to complement any support provided by bilateral donors and United Nations agencies.

Many post-conflict governments are very weak. Short of fiscal capacity, civil servants cannot be paid—and short of civil servants, fiscal capacity cannot be reestablished. External technical assistance may be critical in the immediate aftermath of the conflict to restart essential government functions, and begin a sound political and social cycle. In some cases, a proactive, hands-on approach may be called for. But as soon as possible, foreign technical assistance should be redeployed in advisory positions, to support institution building and strengthening; and this transition should be rapid enough to avoid disempowering local authorities. Encouraging the return of qualified nationals living abroad may also help overcome capacity constraints.

In some situations bilateral donors may push for political and economic conditionality in exchange for financial support. The appropriateness of the conditionality should be assessed carefully, since experience shows that its eventual impact is often mixed. The designing of conditionality should also pay attention to the actual capacity of post-conflict governments.

#### *Jump-starting the economy*

Economic recovery is critical to stabilize fragile sociopolitical situations. Success requires a combination of financial resources, which often have to be provided externally, and policy reforms, which technical assistance may facilitate.

The agenda for successful recovery is usually broad, and prioritizing is essential: road networks must be reopened to traffic, energy must be supplied, food must be marketed, the rule of law must be restored, financial intermediation must be reestablished, the banking sector must be restructured, exports must be diversified, inefficient state monopolies must be dismantled, and the export of commodities must be transparent.

The nature of conflict determines the nature of post-conflict reconstruction. In general, transforming a war-driven economy into a peacetime economy calls for a phased agenda:

- In the immediate aftermath of the conflict there may have to be emphasis on re-linking fragmented markets and removing obstacles to agricultural activities. Significant reconstruction works may also be needed to reestablish basic infrastructure (roads, power, telecommunications, water).
- Structural reforms (privatization, revenue collection, civil service reform, trade and price liberalization) should be approached incrementally, although in some cases an overhaul of the economic structure may be required. Still, attention should be given to the political economy of conflict, and the potential social and political impact should be assessed and where appropriate mitigated. Reforms should be accompanied by efforts aimed at restoring key institutions, as well as development projects.

Conventional wisdom may have to be questioned. Because external interventions should focus on peace and stability, and not directly on poverty reduction, and because the political economy of post-conflict societies is so specific, traditional development approaches (and



conditionality) may have to be adjusted. For instance, reducing the size of the civil service and the armed forces may be necessary to reduce the fiscal deficit, yet incorporation of former opponents may be an important element of national reconciliation. Still, economic assistance should not be driven entirely by political agendas; resources are limited and trade-offs need to be made. This calls for careful economic analysis, and there can be no standard approach on how to manage competing priorities. There must be a pragmatic, case-by-case strategy, reflecting the specific local circumstances and aimed at consolidating peace and stability through a mix of traditional and innovative approaches.

#### *Addressing urgent needs*

Urgent needs cannot be met by humanitarian assistance alone. Infrastructure has to be repaired, and social services have to be reestablished, with a new focus on those who were most affected by the conflict (such as returning refugees, internally displaced persons, ex-combatants, widows, and orphans). The spread of HIV/AIDS has to be controlled. Humanitarian assistance delivered by the office of the United Nations High Commissioner for Refugees (UNHCR), the European Community Humanitarian Office (ECHO), and specialized NGOs should focus on emergency issues, such as temporary shelter and food or medical services. These efforts need to be accompanied by activities aimed at medium-term social and economic recovery, particularly in public health (including HIV/AIDS), education, nutrition, local infrastructure, agricultural extension, and private sector development.

Although needs vary across countries, a few principles should guide the selection of priorities and the definition of implementation mechanisms:

First, post-conflict recovery must address the needs of all population groups. Imbalances and exclusionary policies are often at the root of the conflict and need to be remedied (or at least not perpetuated). Inclusive de-

cision-making processes should be supported. Stakeholder analyses should be systematically undertaken to identify potential winners and losers of policies and projects and to design proper mitigation measures. Local dynamics should be taken into account, especially the rural-urban divide and the distribution of resources (water, land, oil revenues, mineral resources), and special attention should be given to the gender agenda.

Second, rehabilitation activities should maximize job creation. Communities can and should play an important role in the rehabilitation of local infrastructure and local social services. The activities should include, whenever relevant, labor-intensive components to generate employment. Options for effective community involvement cover a wide range, from community-based programs—where assistance is directed toward communities (assisted, as required, by NGOs, private contractors or independent agencies) for urgent activities (e.g., rehabilitation of feeder roads, schools and dispensaries reconstruction)—to delegated management approaches (e.g., *Agences d'Exécution des Travaux d'Intérêt Public*, AGETIP), where an agency is asked to implement larger public investments through small local contractors (selected through a competitive bidding process), and to provide training and technical support to the contractors.

Finally, community involvement should be pursued in a manner consistent with the overall stabilization agenda. The legitimacy of local-level public authorities should not be jeopardized (for example, bypassing them). Delivery mechanisms should aim to restore a “peacetime” functioning of the recipient communities, since their leadership and the decision-making mechanisms may have been substantially affected by the conflict. And vigorous efforts should be made to restore or strengthen links between (not only within) communities and to rebuild the social capital that will underpin and strengthen the recovery. Civil society involvement can and should play a critical role in the recovery process.

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<sup>1</sup> For a paper focusing on this problem, see Nathalie de Watteville, “Addressing Gender Issues in Demobilization and Reintegration Programs.” Africa Region Working Paper Series (forthcoming). The World Bank, Washington, D.C.

## An Operational Framework for the Bank

**T**he Africa Region can draw from a range of experience in Africa, and other parts of the world, to build an operational framework.

### The political dimension of engagement

The decision to intervene in a complex post-conflict situation raises difficult, sensitive questions for the Bank. Intervention may be risky, but returns could be high. Early Bank intervention can determine the framework for donor and the private sector engagement and for leveraging external resources. Intervention also helps determine a country's long-term development agenda, including governance and transparency issues. Delaying engagement may result in poorly mobilized international assistance and in a slow recovery, which in turn brings the risk of renewed conflict.

There is no simple technical criteria for the Bank to engage in a conflict-related situation. OP/BP 2.30 states that:

- Active conflict has diminished enough so that Bank staff can travel to the area to identify and supervise Bank-supported activities, and the country is able to prepare and carry out activities effectively.
- There is a reasonable expectation of continued stability or of a sustainable formal cease-fire.
- There is an effective counterpart for the Bank.
- There is evidence of strong international cooperation and the potential for a well-defined role for the Bank.<sup>1</sup>

Beyond these preconditions, several considerations may help inform the decision:

- *Political judgment*, based on consensus achieved within the international community and decisions by the United Nations Security Council. Other considerations are also important, especially the likelihoods that leaders will either move their country to peace and recovery or transform it into a pariah state. Because any regime emerging from civil conflict may have poor governance and human rights records, these considerations may be complicated.
- *The political and security framework*. Without such a framework economic assistance will not have a lasting impact. Assistance can be provided by the United Nations under a Security Council mandate, by regional institutions (such as the Economic Community of West African States in West Africa), by ad-hoc regional bodies (such as the *Mission Inter-Africaine de Supervision des Accords de Bangui*, MISAB in the very peculiar case of Central African Republic<sup>2</sup>), and by concerned international or regional powers (Nigeria, South Africa).
- *Ethical issues*. Whenever possible the Bank should help to restore peace and alleviate human suffering. It should also treat all affected countries fairly according to the governments' commitment to sustainable development.
- *Arrears to the Bank*. The Bank cannot initiate new lending in countries in arrears. But stabilizing a fragile post-conflict country may be crucial to regional stability and hence generate positive effects for neighboring countries that are Bank clients. Because sub-regional peace and stability are a public good, Bank assistance may be justified regardless of the level of

arrears. In this context, the assistance should consist of grants only, and its nature and level may have to be adjusted to reflect actual constraints (for example, technical assistance rather than direct financial support).

Engagement may be anywhere from incremental to full scale. When deciding on engagement, the Bank should define its role within the broader international effort, specify the expected results of its engagement, and identify which instruments to use, including attendant financial resources and field presence. If the risks of engagement are too high, or if the government is not committed to acceptable governance and sustainable development, the Bank may engage only incrementally and define criteria under which it would consider fuller engagement.

Before engagement the Bank should monitor the situation, develop or update its country knowledge, and initiate contacts with key players, both in the country and within the donor community. OP/BP 2.30 provides a formal framework for minimal engagement through a watching brief and other activities. When engagement seems imminent, the Bank should develop contingency plans so it can jump-start activities as soon as the decision to intervene is made.<sup>3</sup> Pre-engagement costs are usually low but have implications for the administrative budget. Leadership from senior management is essential for effective preparation.

The engagement strategy must be outlined in a Transitional Support Strategy (TSS), as per OP/BP 2.30, to specify the objectives and modalities of a Bank intervention within a 1–2 year timeframe. The TSS is discussed by the Board, and is the basis for budgetary resources to be allocated to work on a post-conflict country. It should specify strategies for entry and exit (and contingency responses to a reversal of progress), outline key activities, set monitorable targets and indicators, and include a clear assessment of risks.

### Working in partnership

Post-conflict situations need broad and effective partnerships. No single institution can address the magnitude of the problem on its own. The Bank can provide only part of the funds necessary for recovery; it needs to maintain its multilateralism and cannot engage in a political dialogue.

Partnerships fall into two categories:

- *Partnerships with other donors and agencies.* These partnerships are needed to (a) agree on the main components of an assistance strategy; (b) maximize the resources leveraged; (c) share country knowledge, including with those who have maintained a presence during the conflict; and (d) ensure coordination of donors and activities in the absence of a well-functioning government.
 

The Bank should assess its comparative advantage based on its capacities and on the role others play. The Bank does not need to be financially present in all areas; other donors may have a comparative advantage and more experience in addressing specific issues (for example, security sector reform). However, wherever the Bank has a comparative advantage, it should be ready to act as the donor of last resort.
- *Partnerships with non-developmental actors.* As mentioned, the smooth transition from war to peace requires coordinated actions on all fronts—political, military, economic, and humanitarian. Partnerships have to be developed to ensure that activities complement each other, with multilateral, regional, and bilateral organizations. The Brookings Process, aimed at strengthening cooperation between the Bank, UNHCR and UNDP, is a good example of such partnerships, and has resulted in a number of joint initiatives (e.g., Burundi and Sierra Leone).

Bank staff do not always have experience dealing with political or military organizations, so they must pay special attention to the political dimensions of their interventions. Technical staff have to see the broader picture while applying their expertise, and management needs to ensure consistent efforts across countries and across agencies.

The impact of these partnerships should be evaluated. The effectiveness of Bank activities may depend upon the efforts of others—including agencies responsible for political or humanitarian issues—and in some cases only the overall effort can be meaningfully evaluated. If each agency conducts independent evaluations, there may be significant variations among partners on “lessons learned,” which can lead to misunderstandings and inefficiency. Mechanisms must be developed to conduct comprehensive, results-based evaluations that serve as a common set of references.

Because of its mandate and experience, the United Nations Development Program (UNDP) is an important partner for the Bank. For instance, UNDP has an extensive network of field offices that can be critical conduits for Bank engagement where Bank offices have been closed because of conflict (such as in Congo-Brazzaville). UNDP can also address the political dimensions of post-conflict recovery more directly than the Bank. In addition, UNDP is involved in areas where coordination with the Bank is critical to avoid gaps, overlaps, or unnecessary competition. The Bank and UNDP should define on a case-by-case basis the ways they might best complement each other, and benefit from their comparative advantages and experience.

The Africa Region has already initiated partnerships with the African Development Bank, United Nations Economic Commission for Africa, the Global Coalition for Africa, UNDP, the UNHCR, the OECD/DAC, and key bilaterals. These partnerships should be strengthened through joint missions, coordination of interventions, information sharing, staff secondments, and joint training. Cooperation should also be extended to regional initiatives in the areas of security (ECOWAS) and development (Nile River Basin). Furthermore, the Bank should tap into the knowledge of NGOs that specialize in emergency and reconstruction activities.

### Team quality

The quality of country and task teams is critical. Emergency phases are especially demanding on staff because of heavy workloads and poor working conditions, including security conditions when traveling to or in conflict-affected countries. Experience provides some options for addressing these issues:

- *Attracting qualified staff is crucial.* This means that the efforts of those working in difficult circumstances be recognized, both within the Region and outside—such as by Networks. Career and other incentives should be adjusted accordingly.
- *There must be an adequate level of staffing for the start-up of operations.* But this requires significant budget resources. Substituting consultants paid by trust funds for Bank staff is not the best solution: in-depth knowledge of Bank programs and procedures is necessary to cut red tape, avoid bureaucratic hurdles, and jump-start activities.

- *Relevant analytical capacity should be available* to prepare conflict assessments, to raise awareness of the political dimension of Bank activities among staff, to monitor unstable contexts, and to regularly evaluate the political impact of the Bank's intervention.
- *Implementation advisory teams are useful mechanisms* for country teams to gather support within different Bank services and to coordinate efforts. This is especially useful during the first 6–12 months of operations. An implementation advisory team typically brings together the country team and staff from core services (procurement, financial management, disbursement, legal, Conflict Prevention and Reconstruction Unit, etc). In addition to the team's advisory role, it also prevents misunderstandings and fosters collaboration among other units to implement Bank operations. This could be contracted out to universities and think-tanks.

### Presence in the field

Once the decision to engage has been made, the Bank should establish a field presence as soon as security permits it. Field presence is essential to (a) develop or update country knowledge; (b) engage in an intensive, hands-on policy dialogue; (c) provide rapid responses for project preparation and implementation; (d) monitor and report on developments in order to ensure the relevance of the portfolio; (e) participate in donor coordination activities; (f) keep contact with bilaterals and United Nations agencies; (g) reach out to civil society; and (h) demonstrate the Bank's commitment. Successful Bank interventions in post-conflict situations, whether in Bosnia and Herzegovina, Kosovo, or East Timor, have all been made possible by the opening of a field office almost immediately after the end of hostilities.

The nature and level of staffing required in the field offices depend on the situation. There may be a need for a higher ratio of expatriates to high-level national staff than under normal conditions. In some cases, local staff may be at a higher risk than expatriates (especially when traveling), normally when former warring factions question their impartiality. In addition, when there is a large international presence the demand for qualified local staff may quickly exceed the supply.

Therefore, establishing a field presence may be expensive. To limit costs, attract qualified staff, and ensure security in a volatile environment, specific arrangements should be designed, such as sharing a location with other

organizations (typically United Nations agencies) or managing post-conflict countries from a regional hub.

### **The Bank' role in programming and coordinating support**

Setting priorities for a transition from war to peace is both essential and challenging—for donors, who are confronted with multiple requests and may have different agendas, and for government, which may not have much technical capacity. Aid coordination usually takes a significant amount of staff time, but without a broadly endorsed and consistent set of priorities, economic assistance to post-conflict countries is not likely to be successful.

The Bank can play an important role through assessment and programming. Such an effort should be carried out in partnership with all key donors and agencies so that it can become the basis for donor coordination. In particular, needs assessments should be multi-partner operations to ensure broad ownership of the results and to benefit from complementarities. Assessments should reflect the needs of the people and be comprehensive enough to include the costs of economic recovery, as well as peacekeeping, democratization, and humanitarian activities, where applicable, to ensure allocation across sectors and activities. Joint assessment missions and jointly organized donor meetings have been extremely useful. Whether the Bank should lead this effort, or only support it, depends on the situation; but the Bank should be ready to let others take the lead whenever it does not have a clear advantage.

Assessments should translate into a consistent and comprehensive recovery program, including priorities for donor support and government action. This program should include (a) an assessment of the social and economic situation; (b) an outline of recovery objectives; (c) key features and costs of a realistic recovery/investment program, including both financial and nonfinancial components; (d) potential implementation mechanisms; and (e) government policy measures that allow for economic recovery and maximize the impact of external assistance, including recommendations on the timing, mix, and sequencing of economic reforms.

A balance should be maintained between innovative approaches, which may be needed to reflect the special needs of post-conflict countries, and well-tested development concepts and instruments. In any event, the

impact of each activity should be monitored to determine which have the best cost-benefit ratio.

The recovery program should reflect lessons learned in poverty reduction strategies, and in particular should engage the authorities in a dialogue that ensures their full ownership of the recommended interventions. And, of course, it should focus on restoring and consolidating peace as a prerequisite for alleviating poverty.<sup>4</sup>

The recovery program can then be presented to consultative group meetings, which the Bank chairs, co-chairs with interested partners (e.g., UNDP, key bilaterals), or in which it participates. Meetings should aim at raising awareness for recovery needs, building a consensus around the proposed recovery strategy, and helping to mobilize financial and technical resources. The meetings are critical to match resources and needs, identify critical gaps, and help reprogram activities among donors to meet all priorities. They have also been essential in many post-conflict situations, both in Africa and in other regions, to set the ground for effective donor coordination.

### **A mix of standards and new instruments**

To intervene effectively, the Bank can combine a number of activities, ranging from knowledge sharing to providing financial assistance.<sup>5</sup> The mix of products used should be based on (a) a detailed conflict assessment; (b) needs and expectations in the country; (c) other donors' activities; (d) the Bank's comparative advantages; and (e) absorption capacity. Financial assistance should be conditional upon the government's commitment to building a viable and transparent state and its capacity to ensure that resources will be used transparently and responsibly. Non-lending services should be provided broadly, since the transfer of knowledge and experience is key to effective implementation of financial assistance. Engagement may be incremental based on progress in implementation.

#### *Policy dialogue*

The Bank should ensure that key policy issues are addressed early. Engaging in a frank and constructive country dialogue to create an enabling environment for stabilization and recovery is an immediate priority. The dialogue should cover all key areas where reforms are needed, including such sensitive issues as transparency and commitment. The dialogue should be supported by

consultations with a range of stakeholders, and be as broad and inclusive as conditions (particularly security conditions) permit. It should also promote transparency in information sharing.

Providing technical assistance early can be vital to consolidating peace and stability, avoiding policy reversals, and engaging the international community. The Bank can play an important role in (a) quickly identifying the most pressing needs (e.g., reestablishing fiscal capacity); (b) encouraging donors to provide the corresponding expertise; (c) ensuring proper coordination of technical assistance to avoid overburdening a weak government; and (d) providing financing for technical assistance where there are gaps. As soon as government structures are restored, the Bank should support the shift of technical assistance from hands-on interventions to advisory functions that leave full ownership of reforms to the government.

Close coordination with the IMF is essential. The strategies of the international institutions should be consistent with one another and based on a common understanding of the economic situation, the macroeconomic constraints, and the key priorities. To reach such an understanding and ensure proper coordination with local authorities, IMF staff should be closely linked to Bank activities from early on.

#### *Financial assistance*

Financial assistance is key to recovery, and activities should be initiated in areas where the Bank has a comparative advantage. Close coordination with other donors and UN agencies and pragmatism are essential—to take into account country specifics, to build on experience acquired elsewhere (whether in post-conflict operations or more traditional ones), and to avoid blueprints. Traditionally, in the immediate aftermath of a war the international community focuses on the short-term. In this case, the Bank may have a comparative advantage in promoting structural reforms and funding long-term activities.

The Bank can use a mix of two approaches:

- *Restructuring the existing portfolio* in countries where pre-conflict projects have not been completed (although disbursement may have been suspended). This can be done rapidly and may speed up the Bank's response considerably. Restructuring the pre-conflict portfolio is therefore a priority, and includes reviewing its relevance, assessing the adequacy of implemen-

tation arrangements in the new context, and proposing adjustments to meet new needs.

- *Developing emergency projects* (following OP8.50) to respond to needs that have emerged because of the conflict, or to provide support in situations where undisbursed amounts under the pre-conflict portfolio are insufficient to cover critical needs. A combination of Bank resources and Bank-administered trust funds can finance these projects.

Some bilaterals may push for applying political conditionality in exchange for program support. According to its Articles of Agreement, the Bank cannot impose political conditionality. However, it can draw attention to the economic dimension of certain political actions (or inactions), discuss with leaders, including the military, the social and economic dimensions of their decisions, and provide data to encourage an open and rational discussion on key policy issues.

#### *The challenges of implementation*

Intervening in a post-conflict situation may raise at least two challenges:

- The very nature of the situation in many post-conflict countries requires a rapid intervention. In fragile countries, support is urgent, and results have to be immediate.
- Local capacities are weak, often much weaker than in stable developing countries—on both the government and private sector sides. Support is needed to strengthen local and national institutions and capacities, but in the short term the lack of capacity may be more of an obstacle to implementing assistance than the lack of financial resources.

To address these challenges, the Bank should act in three areas:

- *Mitigating internal constraints.* Experience shows that careful streamlining of internal procedures improves the Bank's effectiveness substantially (as in Bosnia and Herzegovina) without jeopardizing its fiduciary responsibility.
- *Strengthening local capacities, particularly in procurement and disbursement.* The Bank can dedicate resources to staff, training, and equipment. Initial efforts to improve financial management systems and contracting capacities may reduce the risk of mismanagement and cor-

ruption. Wherever possible, efforts should also be made to attract back professional nationals who have fled their country.

- *Substituting weak local implementation capacities with external capacities in the short term.* These capacities may be used for policy design, project implementation, and other activities (procurement, financial management). NGOs, United Nations or donor agencies, and private contractors with a proven record may provide them. External implementation assistance should be used judiciously and be limited in time, and the Bank should help governments retain control and ownership over a process that must be driven locally.

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1 This implies that the Bank would not get involved in peace keeping or humanitarian operations.

2 MISAB was set up in 1997 as a coalition of African countries (including Gabon, Chad, and Senegal) and France. Its purpose was to engage in mediation efforts and provide military capacity to restore peace in the Central African Republic after several army mutinies had left the country on the brink of civil conflict.

3 In selected situations, the Bank has also provided technical advice to support peace negotiations, in particular by providing technical assessments of the economic impact as well as of implications for implementation of key provisions in the peace accords.

4 On the specific challenges of undertaking such processes in post-conflict countries, see Ana Paula Fialho Lopes, "Poverty Reduction Strategies in Conflict-affected Countries: Constraints and Opportunities." World Bank mimeo.

5 The Bank is not directly involved in promoting national reconciliation, although some of its activities may help movement in that direction.

## Enhanced Financing

In order to support economic and social recovery in countries, the Africa Region must address three distinct issues: (a) the choice of financial instrument; (b) the approach to debt and arrears clearance; and (c) the allocation of IDA resources.<sup>1</sup>

### Financial instruments for early support

The early transition period may require grant resources, especially to finance technical assistance and institution/capacity building while limiting the risk on IDA's portfolio and avoiding debt in highly uncertain situations. Experience in other regions shows that this grant funding can play a catalytic role, both in jump-starting Bank activities and in leveraging other donor resources.

The Bank has four kinds of grant instruments for post-conflict countries:

- Case-by-case grants from *IBRD net income or surplus*. These grants were critical in initiating activities in the West Bank and Gaza (\$380 million), in Bosnia and Herzegovina (\$150 million), in Kosovo (\$60 million), in East Timor (\$10 million), and more recently in the Federal Republic of Yugoslavia (\$30 million). However, this instrument has mostly been used for non-member countries, and particularly for high-profile, broadly supported interventions. In Africa, Rwanda is the only country that benefited from such a grant (a \$20 million operation in 1994).<sup>2</sup>
- Small grants from the *Post-Conflict Fund (PCF)*. Since its inception in 1997, the Africa Region has received 28 such grants for about \$15.3 million,<sup>3</sup> representing approximately 37 percent of total commitments under the PCF. These grants range from \$25,000 to \$2 million, and finance preparatory activities, analytical work,

and pilot interventions. Although they have been useful, the limited size of the grants, and of the fund as a whole, restricts the PCF's potential to respond to the varied post-conflict recovery challenges.

- Donor-supported, country-specific *trust funds*. Trust funds have been important in other regions (e.g., West Bank and Gaza, East Timor), but they require a strong donor commitment for significant contributions to be made available. In Africa, external commitment has been limited to some sector specific interventions (e.g., demobilization in Sierra Leone and Guinea Bissau) and therefore the amounts made available through trust funds have remained modest.
- *IDA-12 post-conflict grants*. For some cases, IDA recognized that lending would be inappropriate. In 1999, they authorized the limited use of grant financing to support recovery during the pre-arrears clearance phase in IDA-eligible post-conflict countries with large and protracted arrears. This grant facility supports recovery within an economic recovery program as soon as performance warrants—namely, when there has been real progress towards social and economic recovery; and as part of an international assistance effort—that is, other creditors not withdrawing financial resources from the country.<sup>4</sup> The recent Development Committee paper<sup>5</sup> on post-conflict countries also broached the idea of a modest expansion of this idea.

In 2001, there were five post-conflict countries in Africa with large and protracted arrears that might have qualified for IDA 12 grants. Of these, four did not meet other requirements (Congo-Brazzaville because of wind-fall oil revenues, Liberia because of the absence of a solid



economic recovery program, Somalia and Sudan because of continued political turmoil). Only the Democratic Republic of the Congo qualified, and the first ever IDA-12 post-conflict grant in the amount of \$50 million was approved by the Board in July 31, 2001.

#### *Broader access to grant resources*

IDA must be able to take part in the early recovery phase, through special grants, in a limited but systematic way, and in concert with the international community. IDA donors are now deciding whether to broaden the scope of IDA grants, including for post-conflict countries, during the IDA 13 replenishment period (FY02-FY05). The options include allowing IDA to provide grants of up to \$10 million to finance initial capacity building to reestablish core functions of governance and economic management. Since the fungibility of these grants would be limited, a smaller set of preconditions could be required. Grant availability would allow quicker response in post-conflict situations, and set the stage for comprehensive reconstruction. It would provide flexibility by reducing administrative burdens and preventing the allocation—and perhaps tie-up—of resources in a single-purpose trust fund. Donors are also weighing the idea of offering grants to territories of prior conflict that cannot be IDA borrowers because they are administered by the UN and not yet sovereign states. This option may have limited application within Africa.

One useful complement to enhancing IDA capacity for post-conflict grants might be a scaled-up PCF. The PCF has several advantages, including its ability to provide a rapid response, and its ability to work directly with NGOs and other community organizations, as well as in nonmember territories. The Development Grant Facility, or interested bilateral donors, could provide funding. Bilateral contributions could be earmarked for individual African countries, or be made available for general use in Africa according to the PCF guidelines. The current PCF governance structure (steering committee of senior managers) and streamlined procedures could apply, but the upper limit might be increased from \$2 million to \$10 million per grant.

#### **Assisting countries with arrears.**

Because many post-conflict countries interrupted payments during the war, they have built up sizeable arrears to the Bank. This issue needs to be resolved quickly,

so that the Bank can intervene early; and a tentative strategy for these countries has been laid out in several previous papers.<sup>6</sup> In general, the Bank is prepared to be flexible in clearing arrears, consistent with its financial policies. Although its current list of instruments can address most arrears problems, the Bank is seeking more options for helping borrowers with very large per capita arrears.

These countries could also benefit from the flexibility within the HIPC framework, as outlined in the Development Committee paper on assistance to post-conflict countries and the HIPC framework.<sup>7</sup> Four of the remaining eleven HIPC countries with large and protracted arrears to the Bank are affected by conflict (the Democratic Republic of the Congo, Liberia, Somalia, and Sudan). The paper proposes that, for post-conflict countries, the record prior to the decision point would emphasize institution building and governance, and in the interim period, the focus would be on developing mechanisms for tracking poverty-reducing resources. Assuming that there has been significant progress towards improving governance, capacity building and monitoring, and achieving macroeconomic stability, there could then be an early decision point for post-conflict countries, combined with a longer interim period. Earlier access to the decision point and debt-relief would ensure that there would be more resources for social and economic recovery.

#### **New methodology for IDA allocations**

IDA is considering a stronger methodology for allocating and monitoring resources in post-conflict countries. The new methodology would offer a systematic basis for allocating that responds directly to the specific country making the war-to-peace transition. By establishing eligibility criteria, allocation norms, and indicators for evaluating post-conflict country performance, the new approach would offer greater cross-country consistency. The indicators for tracking performance would be tailored to the circumstances of the country, and include indicators in public security, national reconciliation, basic economic management, governance, and the restoration of basic public services. The methodology has been tested in several pilot countries, including Eritrea and Congo-Brazzaville, and is being discussed with IDA donors during the IDA-13 replenishment process.

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1 See "Assistance to Post-Conflict Countries and the HIPC Framework," Development Committee paper DC2001-0014, April 20, 2001. This paper, prepared jointly by the Bank and the IMF for the 2001 Spring Meetings, discusses these issues at length. It outlines a potential role for the Bank and the IMF to facilitate debt relief for the remaining eleven countries eligible under the Heavily Indebted Poor Countries (HIPC) initiative—e.g., by providing early technical and capacity building assistance, and tailoring the application of the HIPC framework to the special circumstances of post-conflict countries.

2 Some assistance was also provided to Somalia in 1992 as a special budget supplement.

3 As of December 2001.

4 See "Additions to IDA Resources, Twelfth Replenishment" (IDA/R98-195, 12/23/98), paragraph 38.

5 "Assistance to Post-Conflict Countries and the HIPC Framework," DC2001-0014, April 20, 2001.

6 See "Assistance to Post-Conflict Countries: Update," Board Paper IDA/R98-146, September 24, 1998, and "Assistance to Post-Conflict Countries: Progress Report," Development Committee paper DC/99-9, April 21, 1999.

7 See "Assistance to Post-Conflict Countries and the HIPC Framework," Development Committee paper DC2001-0014, April 20, 2001.

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