

Post-Conflict Reconstruction

THE AFTERMATH OF GROWING CONFLICTS IN THE 1990s has tested the ability of the international community to address the devastation of economic, physical, human, and social capital. The World Bank has increased the volume of its lending to post-conflict countries by more than 800 percent since 1980, with reconstruction operations touching every region and economic sector. But the Bank currently lacks a clear Operational Policy for post-conflict reconstruction assistance, relying on Operational Policy (OP) 8.5, which applies mainly to reconstruction after natural disasters, and using the April 1997 *Framework for World Bank Involvement in Post-conflict Reconstruction* as a guideline.

In view of the high risk but potentially rich returns of the Bank's expanded role in post-conflict reconstruction, the Board of Executive Directors (EDs) called on OED to assess recent and ongoing Bank experience. OED's case studies* of nine countries—three field studies (Bosnia and Herzegovina, El Salvador, and Uganda) and six desk reviews (Cambodia, Eritrea, Haiti, Lebanon, Rwanda, and Sri Lanka)—examined recent experience in post-conflict reconstruction assistance with an eye toward improving ongoing and future Bank operations.

The main recommendation that emerged from the study is that the Bank should prepare a new policy statement to consolidate, clarify, and refine existing policies. It should revise and transform the Framework into an Operational Policy, with accompanying Bank Procedures and Good Practices to guide Bank staff in

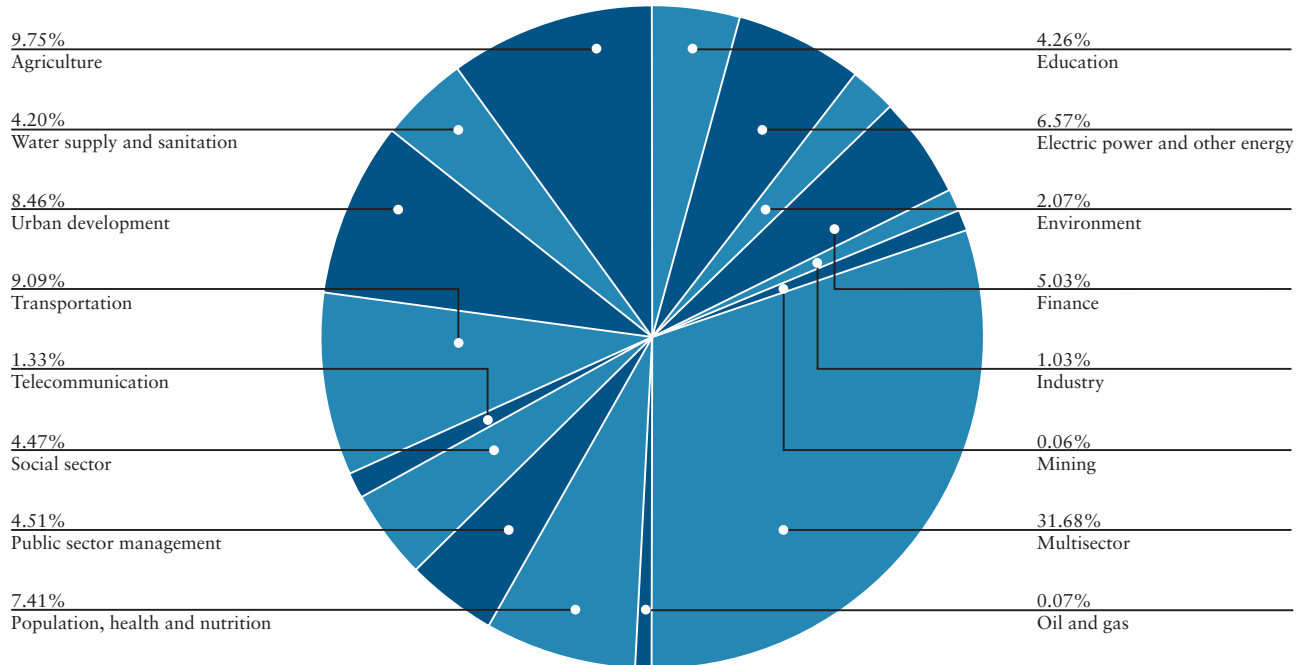
providing post-conflict reconstruction assistance.

Background

Of the 34 post-conflict countries identified by the study, 18 received Bank assistance for 157 reconstruction projects amounting to more than US\$6.2 billion



Figure 1: Post-Conflict Reconstruction Lending by Sector, 1977-97
(Total lending volume: US\$6.2 billion)



in the past 20 years. The Bank's reconstruction lending projects have covered every sector, with the largest portion, 33 percent, supporting "multisector" projects. These include central-balance transfers to assist with macroeconomic stability, technical assistance loans, and general emergency reconstruction or recovery projects (usually ERLs) with several economic and social components designed to provide rapid assistance for the most pressing needs. (See Figure 1.)

In 1989 the Bank approved Operational Directive (OD) 8.50, "Emergency Recovery Assistance," targeting emergency reconstruction *after natural disasters*. In August 1995 OD 8.50 became Operational Policy (OP) 8.5, refining the definition of emergency as "an extraordinary event of limited duration such as a war, civil disturbance, or natural disaster." Recent conflicts, however, have typically been protracted and more complex than described in the OP, and the Bank has addressed special post-conflict needs in an ad hoc manner.

In 1997 the Bank endorsed *A Framework for World Bank Involvement in Post-conflict Reconstruction* to guide work in post-conflict countries. The Bank subsequently set up the Post-conflict Unit (PCU), which serves as a focal point for policy development and cross-country learning. In addition, the Bank provided \$8 million to fund a Post-conflict Program to support and impart lessons from the Bank's consultative and technical work in the early, preparatory stages of post-conflict reconstruction.

The Bank's Current Experience

All Board members agree that the Bank should focus on activities in which it has displayed leadership and comparative advantage. Given its mandate to foster sustainable development built on broad-based growth, the Bank must also ensure that two conditions often at the root of civil conflict—a skewed distribution of resources and the exclusion of civil society from governance—are also addressed.

Defining the Bank's Role

The Bank's working presence can be critical in the early stages of post-conflict reconstruction. The Bank can be valuable in external *aid coordination*, which is important in the transition from war to peace. The Bank's use of consultative groups has been particularly effective for mobilizing resources, including facilitating the clearing of arrears; seeking a coordinated approach to macroeconomic issues; and providing information on recovery needs and assistance flows.

Similarly, if invited to participate, the Bank has the potential to make effective contributions to the peace negotiations. Bank advice on the economic development dimensions can help to improve economic governance components of peace accords and lay a foundation for more effective interpretation and implementation in the critical first months following agreement. The Bank's participation in the peace negotiations for Bosnia and

Herzegovina and in Guatemala are two examples of its potential to contribute to the peace process.

Rebuilding the Economy

The strongest area of Bank reconstruction support has been in *macroeconomic stabilization*. The Bank has typically been the only significant source of program funds to cover general import needs, and, in most of the case-study countries, the monetary and fiscal stabilization packages negotiated by the Bretton Woods institutions with governments have been essential to reducing inflation in the post-conflict period.

The Bank has also provided strong and effective support for *rebuilding physical infrastructure* (although it has applied such policy support less consistently than its macroeconomic policy). One area unique to post-conflict situations is *demining*. Despite strong economic and humanitarian reasons for demining, the OED study's main lesson is that the Bank's comparative advantage in stand-alone demining operations is *not* apparent. Adherence to the 1997 *Operational Guidelines on Demining* is critical. Bank involvement in such activities should focus primarily on indirect, *non-clearance* activities, such as coordination, location information, training, and institution building. Support for mine clearance should always be integrated with a specific development activity (for example, road construction).

Restoring Human and Social Capital

The Bank's experience in *restoring human and social capital* has been mixed. Social sector work has not been a priority in Bank post-conflict portfolios. In Bosnia and Herzegovina, the Bank supported early and balanced social sector work that produced some promising results; but this appears to be an exception. Uganda operations produced unsatisfactory results, and only modest results are evident so far in the restoration of social and human capital in Eritrea, Haiti, and Rwanda. The El Salvador Basic Education Modernization Project has been a rare exception producing encouraging results.

The Bank has recently expanded its support for *demobilization* and the *reintegration of ex-combatants* into the civilian economy and society, and provided policy support for *restoring social capital*—institutions of governance and trust and participation by civil society. It has linked formally corruption to conditionalities for continued lending, supported pilot projects to instill key components of good governance and civil society involvement, and directed its training facility, the Economic Development Institute (EDI), to undertake learning activities on civil service reform, institutional transparency and integrity, and the role of NGOs. Yet the Bank has overlooked *gender issues* in its post-conflict

portfolio. Only in BiH did the Bank make a specific operational effort to address the particular needs of women. Reconstruction efforts must consider the possible economic difficulties faced by women in post-conflict situations, and should also examine the role of *women* in rebuilding social capital. Analysis can also identify unequal power relations underlying social organizations to ensure that women are not further marginalized by reconstruction interventions.

Bank Institutional Arrangements and Practices Can Be Refined

The Bank's Post-Conflict Unit will apply Bank experience to strategic planning and operational support for reconstruction, and be a focal point for partnerships with other members of the international community. The Bank's country and resident teams have faced some challenges. Task managers have not always had easy access to multidisciplinary skills or possessed post-conflict experience themselves. Discontinuity in staffing has seriously impeded Bank performance in two case-study countries, and some country and resident teams have not been given adequate decisionmaking authority. In the case-study countries, a strong resident mission has facilitated relationships both with international and local NGOs and with civil society. The absence of (or delay in establishing) a resident mission has hindered the Bank's coordination.

The effectiveness of Bank *monitoring* in the nine case-study countries has varied, depending on the presence of a resident mission. Similarly, while the Bank's *evaluation process* has provided valuable lessons for designing and implementing post-conflict reconstruction operations, completion reports and audits have not always considered the post-conflict context when determining project performance ratings, and only 9 of the 65 completed post-conflict reconstruction operations

ONE DOES NOT HAVE TO SPEND LONG IN Bosnia, or Gaza or the lakes district in Africa to know that without economic hope we will not have peace. Without equity we will not have global stability. Without a better sense of social justice our cities will not be safe and our societies will not be stable. Without inclusion, too many of us will be condemned to live separate, armed and frightened lives.

—James D. Wolfensohn,
address to the 1997 World Bank Annual Meetings,
Hong Kong, September 23, 1997

identified by the assessment team issued completion reports within the required six-months. Similarly, standard Bank *procurement and disbursement processes* have created stumbling blocks to post-conflict recovery, despite the emphasis in OP8.50 on the need for streamlined procedures.

Recommendations

Clarify Bank Policy. The April 1997 *Framework for World Bank Involvement in Post-Conflict Reconstruction* does not constitute a firm policy statement. The OED study recommends that the Post-Conflict Unit revise the *Framework* and transform it into an Operational Policy, while developing statements of Bank Procedures (BPs) and Good Practices (GPs) to guide staff in providing reconstruction assistance.

Build on and Develop Comparative Strengths. The study recommends that the Bank continue to leverage its comparative advantage as an aid coordinator for post-conflict reconstruction, be more active in providing advice on the economic development implications of peace accord options when invited, and continue to promote reconstruction policy that supports macroeconomic stabilization and physical infrastructure (with adherence to the 1997 Operational Guidelines on Demining). But it should pursue policies clearly essential to sustainable development with greater balance, breadth, and depth—by helping post-conflict countries develop cost-effective strategies for education and health, using early ESW to improve social project design (which should provide for the participation of women, and ensure the integrity of governance mechanisms), and forging stronger partnerships with other agencies.

Refine Bank Practices. The new GPs should give high priority to the Bank's *institutional arrangements*—the staffing and structure of post-conflict country teams. Resident representatives must have sufficient authority to make programming and implementation decisions in the field. The Bank must be prepared to allocate sufficient administrative budget resources for adequate *monitoring and evaluation*. The Bank portfolio in a post-conflict country should be assessed at least every 12 months for relevance to sustainable peace and development, rather than the usual 12 to 18 months. Country departments should prepare and present

completion reports for post-conflict operations promptly. The new BPs should sharply reduce the interval between project closing and completion report delivery. OED and the PCU should jointly develop guidelines on how to apply evaluation criteria with greater sensitivity to the post-conflict political and economic environment.

Move Toward Greater Flexibility in Programming and Design. Projects in post-conflict countries must have a “fluid” rather than “blueprint” design, to remain adaptable to urgent needs and volatile circumstances. The creation of the Post-conflict Unit and the Post-conflict Program are significant steps in this direction. The study recommends that the Bank rely more on its new *Adaptable Program Loan*, to bridge the gaps between reconstruction loans, and on the new *Learning and Innovation Loan*, which provides up to \$5 million in quickly disbursed funding to target institutional capacity building, pilot projects, and technical expertise.

Often, “conventional wisdoms” of development practice require reconsideration in the post-conflict context. As the 1997 *World Development Report* stated:

Although the elements of a post-conflict stabilization and recovery program may differ little from programs applied elsewhere, there are grounds for caution and for examining the components of the standard policy package in light of the conditions and distortions peculiar to the post-conflict environment (World Bank, *World Development Report 1997* :161)

Such standard elements as tax policy, measures to liberalize and restructure economies, and privatization must be considered in tandem with the specific needs and capacities of each post-conflict country.

Promote Equitable Development. Although not the focus of the OED study, the study cited several pre-conflict case-study examples in which the Bank did not address emerging distributional imbalances or missed a significant opportunity to promote equitable development. The new Good Practices should help staff to recognize predatory and exclusionary behavior that adversely affects projects and shared development objectives, and to target these issues forcefully in their analytic and monitoring work.

In its response, Management was largely in agreement with OED recommendations for Bank post-conflict work and endorsed the study's main recommendation to revise and clarify Bank policy on post-conflict assistance. Management suggested the Bank focus more efforts on integrating displaced persons (including demobilized ex-combatants) into society and incorporating conflict analysis methodologies into development activities, adding that more social and economic analysis within the CAS and ESW on the interaction between conflict and development is required. While Management endorsed the role of the Bank in providing technical advice (when asked) to peace negotiations on the economic development implications of alterna-

tives being considered, it cautioned that questions regarding funding for post-conflict reconstruction remain.

While agreeing with most of the recommendations laid out vis-a-vis the Bank's comparative advantage and demining in the management response, the Committee on Development Effectiveness suggested that the Bank proceed with caution when working with peace accords, and steer clear of political matters. The Committee stressed the importance of setting an operational policy to guide staff in responding to post-conflict situations, and endorsed the recommendation of strong flexibility and monitoring, given the often weak government capacity in post-conflict environments.

Précis

* "The World Bank's Experience with Post-Conflict Reconstruction," by Alcira Kreimer et al., Report No. 17769, May 1998. Available to Bank Executive Directors and staff from the Internal Documents Unit and from regional information service centers, and to the public from the World Bank InfoShop:
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