CONFLICT AND RECONSTRUCTION

Roles for The World Bank

by

Robert J. Muscat

November 27, 1995
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My appreciation goes to the many Bank staff members who gave me the benefit of their experience and ideas, and to Robert Picciotto for his close readings and suggestions on the work in progress. I am especially grateful for having had Farah Ebrahimi assigned to the project. Her knowledge of the Bank and ability to extract its information and her help in interviews and critical text review were invaluable.
Executive Summary

1. In recent years a growing number of states have experienced erosion or collapse of governance, extended civil war, even genocide. These societies face problems of rehabilitation and reconstruction far more complex than repair and replacement of physical capital. The crises they produce create humanitarian disasters that often spill over into neighboring states, undo years of investment, send countries into arrears, destroy infrastructure (including some previously financed by the Bank), and later in the reconstruction period claim large international assistance.

2. To help order a consideration of their implications for the Bank, the paper suggests a typology to distinguish among various types of internal conflict and state failure. The consequences and the problems posed for reconstruction differ significantly among states that dissolve peacefully, that fail because of predatory or ineffectual governance, that fail because of ethnic or regional conflict, or that fail because of ideological conflict. Failing states typically go through a sequence of events—from preconflict vulnerability, to governance failure, civil strife, or violent conflict, to resolution, resettlement, and rehabilitation, and to postconflict reconstruction. Each stage in the sequence poses different problems to the international community, including the Bank.

3. The Bank's normal activities on development policy, sectoral investment, institution building, and governance can have important effects on the factors that generate or sustain social capital. They may also affect the dynamics of intergroup or interethnic relations. At a minimum the Bank should ensure that its financial assistance and its advisory services do not result in unintended consequences that exacerbate social divisions. Further, the Bank should seek to enrich its approach and strengthen activities that have the potential of reducing social tensions and ameliorating conflict, for example, by broadening its policy and project analysis to take specific account of interethnic and intergroup distributive consequences.

4. The Bank has been responding to the special requirements of postconflict reconstruction in many countries, but ad hoc and on a case by case basis, without a general policy frame. This has led to delays, tensions, and uncertainties in facing extraordinarily tough operational challenges. Originally, the Bank was conceived as the preeminent international institution for reconstruction. Its credibility and comparative advantages argue for it having a lead reconstruction role. A clear proactive policy would enable the Bank to capitalize on these advantages and to deal with operational aspects of reconstruction in an enhancing framework. Thus, the Bank should adopt a forward policy position which would recognize that the states involved are relatively high-risk clients, with potentially lower success rates than normal.

5. To promote implementation of this policy the Bank should establish a special unit devoted to the problems of failing states and postconflict recovery. The unit would undertake analysis, information gathering, staff orientation, project support, and coordination with other agencies. It would undertake to clarify, evaluate, and assist in the development of an expanded and regularized Bank role with respect to failing, failed, or recovering states. The regions would continue to have primary responsibility for pre- and postconflict operational activities.

6. The Bank faces legal and operational obstacles that pose problems for sustaining or resuming activities in states still in conflict or in disarray. It needs to strengthen its ability to,
operate in situations where there is some degree of ongoing conflict, where there is no legitimate authority or where civil authority is ineffective, where there is a large debt overhang, or where international interest does not go beyond provision of humanitarian aid to encompass a sustained effort at conflict resolution. Where all these factors are unfavorable, the obstacles in some cases may be insuperable.

7. The Bank should continue to monitor developments in countries where lending is not possible in order to be able to move swiftly when reentry occurs. While such monitoring might appear to be a low-yielding allocation of staff during periods of loan inactivity, the payoff can be high when operations resume, which can sometimes happen quickly in the transition from war to peace. Resident missions are especially valuable in post-conflict environments. Resident platforms should be maintained in failing states within constraints of security considerations. When the Bank conducts high-stake negotiations during crisis periods or with fragile postconflict governments, it should be represented by persons of suitably elevated rank or eminence. It would also be useful to develop a cadre of personnel who specialize in the problems of postconflict states. The subject has drawn scholars, but lacks practitioners.

8. The Bank should strengthen its contribution to refugee resettlement and to demining. Recognizing that population displacement, encampment, and repatriation affect subsequent rehabilitation and reconstruction, the Bank should maintain a watching brief on relief operations. The Bank is in a good position to develop a new model for handling the resettlement and renormalization process, based on its recent innovative work on demobilization. Especially in cases where demining of large areas is a sine qua non for resettlement and recovery, the Bank should provide financial assistance and encourage the search for less costly and better technical solutions. The commonly quoted estimates of the cost of mine removal ($500 to $1,000) may be misleadingly high, giving an unfortunate impression of financial infeasibility.

9. The Bank has a strong comparative advantage to undertake research to better inform the international community about the particularities of conflict and postconflict reconstruction. Economic, sectoral, and institutional analysis models the Bank has drawn from, and applied to, in its work in developing countries must be significantly adjusted for a proper understanding and diagnosis of the problems of failed states.

10. Rebuilding governance capacity is a critical postconflict task. At times the Bank and other donors have delayed capacity building by attempting to launch reconstruction on all fronts at once. An effective strategy for institution rebuilding is needed. In some cases a powerful diaspora mobilization program, now lacking, could make a substantial contribution to jump-starting capacity rebuilding. The Bank should consider a small internal scheme in which staff from countries with severely depleted human resources could be seconded back home for medium-term tours in government. The Bank should also consider reinstating its former service of providing seconded staff to fill civil service positions in countries open to such arrangements.

11. The Bank's usual focus on capacity building in the finance ministry and central bank should be broadened to include other ministries, for example, commerce, that have important roles in recovery and rule setting. The Bank should consider resuming work in tourism, a major potential foreign exchange earner in several of the countries emerging from conflict. The Bank should also reexamine its reluctance to finance advanced overseas training, especially in cases of massive human capital loss, and should reevaluate its assumptions regarding relative rates of
return to different levels of educational attainment in cases where intellectual capital has been
decimated.

12. Economic policy and sectoral projects need to be tailored to take account of the special
problems of traumatized populations and societies with heavily damaged social capital. The
sequencing of standard economic policy reform and of governance redevelopment also needs to
be tailored to avoid negative effects on the sustainability of peace agreements and to take
account of the typically severe distortions in economic conditions. Research and evaluation
should be undertaken to fill the need for better understanding of postconflict dynamics and for a
more nuanced sense of timing of interventions. Development of local think tanks could
contribute to generating such knowledge. They could also help cultivate professional ethos in
public affairs and a sense of local policy "ownership" where policy is being heavily influenced
by advisory expertise. The Bank could also promote a learning process among countries
emerging from conflict, along the lines of a seminar the Economic Development Institute is
planning on population displacement in Angola.

13. Gender considerations are particularly important and complex in the postconflict
environment, especially in cases where noncombatants have been targeted, where populations
have suffered unusual trauma, and where there is a large legacy of widow-headed households.
The economic, health, institutional, and intergenerational implications of this legacy should be
examined, and guidance on gender implications developed for staff responsible for relevant
projects or policy analysis. Further, increasing the role of women in governance could be one of
the most powerful contributions development can make toward strengthening peaceful dispute
settlement. Where populations have suffered unusual trauma, health projects should include
mental health components.

14. Clarification and reestablishment of property rights can play a major role in political
reconciliation. Development of short-circuit methods for rapid implementation of property rights
programs could make an important contribution. In the many cases where cultural destruction
has been extensive, the Bank should take advantage of opportunities to encourage cultural
rehabilitation that arise in its normal scope of work, for example, in helping determine budget
allocations, or in establishing criteria for eligibility under social action fund projects.

15. To facilitate rapid response, especially where states are in transition from arrears or have
not yet become Bank members, the Bank should have available a dedicated grant-making
facility, based substantially on donor contributions, but also including some contribution from
the Bank's surplus. Based on specific criteria of eligibility the facility could provide funds for
such activities as rapid start-up of rehabilitation planning, seed money for demining, jump-
starting a demobilization program, and financing of emergency imports where a country is still
in process of reestablishing its status with the Bank. The facility would be replenished out of the
proceeds of regular assistance programs once normal activities are restored.
### Glossary

<table>
<thead>
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<th>Acronym</th>
<th>Description</th>
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<tr>
<td>CG</td>
<td>Consultative Group</td>
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<tr>
<td>EDI</td>
<td>Economic Development Institute</td>
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<td>IDA</td>
<td>International Development Association</td>
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<tr>
<td>IMF</td>
<td>The International Monetary Fund</td>
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<tr>
<td>ODA</td>
<td>Official development assistance</td>
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<tr>
<td>NGO</td>
<td>Nongovernmental organization</td>
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<td>TA</td>
<td>Technical assistance</td>
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<td>UNDP</td>
<td>United Nations Development Programme</td>
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<td>UNHCR</td>
<td>United Nations High Commissioner for Refugees</td>
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<td>UNICEF</td>
<td>United Nations Children's Fund</td>
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<td>USAID</td>
<td>US Agency for International Development</td>
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1. Introduction

1.1 For only the first few years after the establishment of the World Bank, the institution's lending and analytic activities concentrated on post-World War II reconstruction rather than development. After several decades of dedication to development, reconstruction after conflict or state collapse has reemerged as an important area of Bank operations.

1.2 In its recent guise, reconstruction refers not to the rehabilitation of physical infrastructure damaged by natural disasters, such as earthquakes or droughts (rehabilitation that the Bank has had to address over the years), but to the rehabilitation and rebuilding of institutions in countries that have experienced some combination of erosion, if not total collapse, of state legitimacy and authority; breakdown of social consensus; and extensive destruction of social, in addition to physical, capital. In the Bank's initial reconstruction lending period, the borrowing countries were societies that, while defeated on the battlefield, had retained their basic political and social institutions (or could quickly reconstitute them) as well as large surviving stocks of human and social capital. Consequently, the beneficiary states experienced rapid recovery by effectively absorbing large-scale financial transfers, supplemented by sharply focused technical assistance.

1.3 The current reconstruction context is very different. The economies are low or middle income, their stocks of human capital are depleted and may have been small to begin with, while institutional development is still in an early stage. In a number of cases, the state had been undermined or eroded before the society had time to develop the attributes (e.g., social consensus, national identity, distributive pacts) of a stable polity. In other words, the state, while a full-fledged legal entity, enjoyed tenuous state-binding characteristics. The destruction of capital that such states have endured extends beyond the physical, to include the often deliberate dismantling of civil society institutions, the undermining of cultural and religious institutions, the exploitation and deepening of fissiparous ethnic or cultural differences, the deliberate generation of refugee displacement, and in some dreadful instances the large-scale terrorization or genocidal killing of noncombatants. As the conflicts (or other causes) subside, these societies face problems of rehabilitation and reconstruction that are far more complex than mere repair and replacement of physical capital.

1.4 These cases are important for the World Bank, as they are for the international community in general, for a number of reasons. First, the phenomenon of failed states appears to be spreading. Some recent humanitarian crises have emerged as a consequence of Cold War proxy struggles (e.g., Cambodia), or they reflect old colonial rivalries (Rwanda). Others (e.g., in the Caucasus) have been explained by the ending of the Cold War, the break-up of the Soviet Union, the demise of communism that had long controlled or suppressed underlying ethnonational divisions (e.g., Yugoslavia), or the decline of external power interest that had previously enabled one faction or segment to hold authority in an inherently unstable polity (e.g., Somalia).

1.5 Second, these crises tend to flow over national boundaries. They typically generate large flows of refugees. The number of cross-border refugees and internally displaced people is currently estimated at about 40 million. Refugee generation creates major humanitarian, financial, and political problems for the international community. Cross-border refugee flows also create economic and social burdens for neighboring states. Spillover effects can be
politically destabilizing and deleterious to the development efforts of neighboring states. Although divisions of labor among the international agencies are essential to minimize coordination costs and to ensure specialization, the boundaries between emergency problems of survival, protection, and repatriation are not easily disentangled from those of reconstruction and development, which are of direct concern to the World Bank.

1.6 Third, in many cases the attendant armed conflicts have induced arrears to the Bank and damaged economic and social infrastructure initially installed with World Bank and other external assistance. The international community has an obvious stake in preventing, if possible, such losses to previous development investment, and in helping to reconstitute such assets in a postconflict environment that restores welfare- and growth-enhancing conditions for the affected populations.

1.7 Fourth, human-caused disasters are absorbing increasing fractions of total available official development assistance (ODA) that might otherwise be allocated to investment in development in orderly states governed by stable, growth-enhancing governments. Aid "fatigue" and the weakening of parliamentary support for aid funding are fed by the perception that substantial aid funds are spent year after year in countries that are internally generating their own disorder and impoverishment. The sense that these societies (or the regions in which they tend to be numerous) are areas of low return to development efforts has tended to reduce the pool of bilateral resources available to complement the efforts of the World Bank. In a number of cases, the additional funds provided by bilateral donors for humanitarian relief fall far short of the amounts for which the United Nations High Commissioner for Refugees (UNHCR) has made special appeals.

1.8 Fifth, the international community has demonstrated a capacity for workouts where a critical mass of political support has generated sufficient resources to help negotiate peace settlements and initiate reconstruction and economic recovery. Outstanding examples have been Cambodia, El Salvador, Israel/Egypt, Lebanon, Nicaragua, and the West Bank. However, in several of these instances, the annual per capita aid levels have far exceeded the averages for developing countries as a whole, not to mention the per capita levels these countries themselves were receiving prior to the conflict. Thus, a cure being more costly than prevention, the alleviation of humanitarian crises has tended to preempt available ODA and to introduce extreme inequalities in aid allocation. Indirectly competitive with ODA are the costs of peacekeeping once the parties to a conflict have agreed to end hostilities and embark on creating a new political framework. (The UN operation in Cambodia leading up to the May 1993 elections cost roughly $2 billion. The cost of the US military presence in Haiti has reportedly reached $1.5 billion.)

1.9 While most of the Bank's recurrent assistance for reconstruction after natural disasters has not been complicated by simultaneous conflict or state failure, there have been a few cases where natural disasters have exacerbated the erosion of governance or extended the challenge to state legitimacy. The reverse has also occurred, where conflict has turned drought into famine, especially in sub-Saharan Africa.

1.10 The last dimension that needs to be introduced is scale. Are the refugees and demobilized so numerous that their reintegration would have substantial impact on the budget or in the labor market, or are their numbers small enough to enable micro considerations (e.g., limited numbers of receiving local communities; relatively small and short-term training
modules) to adequately process a smooth reintegration? The conflicts have varied in duration, casualties, ferocity, the numbers and proportions of population displaced, and the extent of economic dislocation and loss of social and physical capital. At one end are cases like Cambodia where, on all counts, the country underwent almost unimaginable destruction. In other cases, the damage and displacement have been relatively confined, for example, in Tajikistan. Scale has obvious implications for the cost, extent, complexity, and, ultimately, the feasibility of postconflict resettlement and reconstruction.

1.11 Needless to say, the happiest outcome is conflict prevention, where preconditions are addressed in ways that reduce tensions and avoid a slide into conflict in the first place. In such situations (Malaysia is a good example), loss of life is avoided, the polity remains stable, and economic development can proceed. Many of the activities the international community undertakes to help cement postconflict peace might usefully be applied to preconflict situations.

1.12 Thus, a reconsideration of the Bank's conflict alleviation and reconstruction role is timely and warranted since the current challenge differs in important respects from "ordinary" development or from natural disaster reconstruction. Recognition of the need for such reconsideration has been reflected in the establishment of a steering committee to define the role of the Bank and to help formulate relevant policy. The committee commissioned the present study as a complement to other work and discussions underway in the Bank, from which this study has drawn. There is also a growing academic and evaluative literature on ethnonationalism, conflict resolution, the management of humanitarian emergencies, individual crisis studies, donor response, and so on. Included is a bibliography of sources used in this study.

1.13 This study attempts to cull from 13 country experiences, ranging from some (e.g., Uganda) that have been undergoing reconstruction for some years already, to others barely emergent from destructive crisis (Angola, Mozambique), to others still in the midst of civil deterioration (Burundi, Sierra Leone). Given the brief time available for its preparation, the study should be read as a prologue to further in-depth examination of the various problems faced in these and other countries and the implications for the Bank's new reconstruction role.

1.14 Moreover, while this study was being prepared, the Social Policy and Resettlement Division of the Bank issued a draft paper on postconflict reconstruction, authored by Steven Holtzman. The paper was very helpful as a source of information on Bank activities and in its discussion of Bank constraints. In general, the recommendations proposed in this study are consistent with (but go beyond) those suggested by Holtzman. Both reviews reach the same core conclusion: the Bank should adopt a lead role in postconflict reconstruction and in its normal work act on the potentialities for contributing to conflict avoidance and conflict resolution.

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1 The country experiences reviewed were Angola, Burundi, Bosnia, Cambodia, El Salvador, Eritrea, Haiti, Lebanon, Mozambique, Rwanda, Sierra Leone, Sri Lanka, and Uganda.
2. The New Crisis of Governance

2.1 To what extent, and exactly in what manner, do the countries under consideration, and the experiences they have undergone, comprise a comparable and analytic subset of states? What is it about these experiences that defines these states as substantially different from other Bank member countries? Is it possible to describe these differences clearly enough to provide a basis for drawing programmatic conclusions for the role of the Bank?

2.2 Before examining some specific cases, and the Bank's experience thus far, it may be helpful to set out some definitions and typologies. The differences among these cases has led to some understandable terminological confusion. One finds several terms in common usage and in political science literature, each of which might be helpful in capturing the character of some, but not all, of the states in this heterogeneous group.

2.3 "State collapse" suggests the total breakdown of central governance, where authority, legitimacy, power, and the ability to sustain law, order, and the ordinary functions of administration have all ceased. State collapse may result, at least initially, in anarchy (Liberia), which might be followed by assumption of power and restoration of order by local groups, without legitimacy or ability to restore rule over the rest of the preexisting state (Somalia).

2.4 The term "failed state" is broader, or less precise. Some Bank staff apply this term to countries where stable governments have persisted over long periods, during which the regimes have pursued economic and other policies that have stymied growth. The state maintained its legitimacy and authority, but failed to create a growth- and welfare-enhancing policy environment (Tanzania). As cases requiring "ordinary" policy reform, such countries are excluded from the groups under consideration here.

2.5 More accurately, the term "failed states" has been applied to countries that have experienced various forms of partial or total collapse of central legitimacy or authority. Failure may be partial, taking the form of a loss of authority over a rebelling region (Sudan, Ethiopia). The term failure should not be misapplied, however, to include states that may have lost control of a geographic area, and erosion of governance in the areas remaining under central government authority. For example, governmental legitimacy has been challenged, and its authority substantially reduced for some time, in a relatively small area of Sri Lanka. Nevertheless, Sri Lanka does not belong on a list of failed or failing states. A failure of legitimacy may be resolved through peaceful negotiation and separation into successor states (Czechoslovakia), an outcome that substitutes new jurisdictions, but avoids any failure of general governance. In some cases the course of regime collapse and state failure has been heavily influenced by external forces (Cambodia). In other cases, state failure has resulted from a long process of internal kleptocratic erosion or state predation (Haiti, Zaire).

2.6 A more inclusive (and cumbersome) term, gaining usage in academic and nongovernmental organization (NGO) circles, is "complex humanitarian emergencies." From the perspective of the medical, relief, human rights, and related communities, a complex humanitarian emergency is any situation where substantial numbers of noncombatants (often but not necessarily refugee or internally displaced populations) are exposed to severe deprivation and physical harm due to human-made, rather than natural, disasters. The term is meant to
indicate that, in contrast with natural disaster situations, international agencies attempting to cope with emergency needs of at-risk populations face additional contextual difficulties resulting from civil strife, war in contiguous states, governance collapse or even regime complicity in creating the disaster. These surrounding problems create the "complex" element that differentiates these cases from natural disasters. Thus, one list of such countries includes Sri Lanka and Albania, where some fractions of the population are "at risk" but where the central governments are otherwise stable (see Table 1).

Table 1: Populations at risk in countries undergoing or in danger of severe political crises, selected countries

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<tr>
<td>Afghanistan</td>
<td>4.2</td>
<td>Haiti</td>
<td>1.3</td>
</tr>
<tr>
<td>Albania</td>
<td>0.2</td>
<td>Iraq</td>
<td>1.3</td>
</tr>
<tr>
<td>Angola</td>
<td>3.7</td>
<td>Liberia</td>
<td>2.1</td>
</tr>
<tr>
<td>Armenia</td>
<td>0.3</td>
<td>Mozambique</td>
<td>1.0</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>1.0</td>
<td>Russia (North Caucasus)</td>
<td>NA</td>
</tr>
<tr>
<td>Bosnia</td>
<td>2.5</td>
<td>Rwanda</td>
<td>4.0</td>
</tr>
<tr>
<td>Burma</td>
<td>0.2</td>
<td>Serbia and Montenegro</td>
<td>0.4</td>
</tr>
<tr>
<td>Burundi</td>
<td>0.9</td>
<td>Sierra Leone</td>
<td>1.5</td>
</tr>
<tr>
<td>Cambodia</td>
<td>0.3</td>
<td>Somalia</td>
<td>1.1</td>
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<tr>
<td>Croatia</td>
<td>0.5</td>
<td>Sri Lanka</td>
<td>0.7</td>
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<td>Ethiopia</td>
<td>4.3</td>
<td>Sudan</td>
<td>3.0</td>
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<td>Eritrea</td>
<td>1.6</td>
<td>Tajikistan</td>
<td>1.0</td>
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<tr>
<td>Georgia</td>
<td>1.0</td>
<td>Zaire</td>
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2.7 As a descriptor, the word emergency appears inapt in many instances; while the affected populations may need international interventions for their sustenance and safety every day while the crisis lasts, "complex" civil conflicts and state failures that extend for years go beyond the short-term overtones of "emergency" and call for different agencies and types of intervention, should the international community be motivated to attempt fundamental resolution.

2.8 The widest concept we have encountered would divide all the world's states into three categories. North America, Western Europe, and East Asia would make up a zone of relative stability. Most of Eurasia, the Middle East, and Africa would fall into a "zone of turbulence" where states are unstable or being undermined. The third zone would include China, South Asia, and much of Latin America, viewed as dynamic; that is, states potentially moving either way, toward stability or turbulence, in the near or medium term. While this broad framework is not intended to differentiate among the types and causes of state failures or complex emergencies, it has been used to differentiate between expectations and to suggest different roles for diplomatic and international development efforts.
2.9 We may circumvent an academic search for generally applicable terminology by suggesting a classification that attempts to capture the essential character of the sociopolitical erosions or failures at issue. The first two categories of state dissolution or recurrent regime instability are listed only to make the contrast between types of governance change or collapse that do and do not represent underlying social or economic failure.


3. State failure due to:

   (a) predatory and/or ineffectual governance (e.g., Haiti, Liberia, Sierra Leone, Somalia, Uganda, Zaire)

   (b) ethnic/regional conflict (e.g., Afghanistan, Azerbaijan, Burma, Congo, Ethiopia, Georgia, Lebanon, Rwanda, Sudan, Yugoslavia, and new states in Central Asia and the Caucasus)

   (c) ideological conflict (e.g., Angola, Cambodia, El Salvador, and Nicaragua)

2.10 This listing is obviously neither complete nor watertight. The conflicts in many cases have resulted from divisions that were based on a mix of ethnic, ideological, or other dimensions. For convenience, we use the word ethnic to refer to subpopulation differentiations that may be linguistic, religious, racial or otherwise cultural, or some combination. Ethnic differentiations are often found to be of recent origin; and to be based at least partly on deliberate mythologizing (i.e., what one anthropologist, B. Andersen, has termed "imagined communities"). In many cases, these divisions long preexisted the crises without causing state breakdown or civil conflict, until leadership rivals, unwilling to accommodate, deliberately exacerbated intergroup tensions in order to achieve ethnic mobilization. It should also be noted that a number of these countries have passed through extensive crisis some time in the past and are now undergoing political reconciliation and economic reconstruction in a climate of relative interethnic stability.

2.11 It is important for external agencies to understand the varying histories and natures of these failure processes for two reasons. First, it may be possible to draw lessons that may be helpful in situations where the preconditions exist for potential state failures, but where preventive policies are still possible. Second, the requirements for effective postconflict rehabilitation may vary significantly between categories.

2.12 Tolstoy's famous observation—"All happy families are alike; every unhappy family is unhappy in its own way"—applies to failed states. Each is unhappy in its own way. No effort to categorize their experience for analytic convenience should obscure their many sui generis characteristics. In contrast to the dominant pattern of ethnic conflict, Cambodia saw massive killing of Khmer by fellow ethnic Khmer Rouge. Some conflicts (e.g., Uganda) have ended with clear winners and losers; others (e.g., Mozambique, Nicaragua,) with coalitions of previous combatants who were exhausted or forced to the bargaining table by external powers. Still others (e.g., Eritrea/Ethiopia) were external from the point of view of the ethnic challengers to the
polity and ended with separation (self-determination) of a new polity not needing internal reconciliation. Physical destruction was extensive in most, but minor in some (e.g., Rwanda).

2.13 These differences have important implications for postconflict rehabilitation. The nature and extent of infrastructure damage is an obvious one. Where there are clear winners and losers, the losers need to be compensated and/or coopted to sustain the peace. Where there are successor coalitions, power-sharing, public sector employment, and rent-sharing must be expected. To be realistic, and to make positive contributions to reconciliation and governance, policies and programs over which donors have influence should take such factors into account, for example, the differential effects on groups or factions of structural adjustment and policy reforms; the selection of sectors and responsible ministries to be favored with the first round of external resource allocation; the design, timing, or even advisability of civil service downsizing.

2.14 Many observers have noted that societies experiencing the greatest extremes of violence, extending to genocide, emerge profoundly changed. Postconflict politics is highly charged with suspicions of complicity and desire for justice or vengeance. Destruction of trust is widespread in the population, making economic and other cooperator behavior difficult to restore. People's time discount rate is very high, reflecting lack of confidence (that peace will be sustained, that any policy stance of the successor government will be maintained, that newly created assets will not be destroyed or forfeited again). Investment in illiquid assets or long-gestating forms may be depressed. In Cambodia, Rwanda, and (to a lesser extent) Bosnia, the demographics are changed, with substantial fractions of surviving households left to be headed by widows. Several of these societies must reabsorb large numbers of young men who have been socialized into pathological killers. The problems these legacies create for social and economic recovery are not well researched or understood.

2.15 The most violent or genocidal conflicts destroy social capital from bottom to top. Individuals are traumatized; families decimated; communities erased or left polarized; traditional norms, dispute settlement mechanisms, and civil society networks discredited; religious forms and sanctions undermined; and political institutions de-legitimized. Only the discrediting of failed preconflict political forms and economic ideologies can be seen as a positive outcome, opening the way to substitution of superior arrangements and policies. In effect, the society is left in a conceptual vacuum. Stepping into this vacuum, the international community's peacemaking and legitimizing intervention, as in Cambodia, Mozambique, and elsewhere, cannot avoid inserting its own vision of what constitutes an acceptable political culture, an approach to reconciliation, and a set of effective economic rules of the game and institutions.

2.16 The Bank has recognized the importance of the sense of domestic "ownership" for the sustainability of policies and projects. However, the problem of ownership in these cases extends beyond particular policies or projects, into the basic concepts and values that underlie the flood of programs and objectives the donors unleash in order to generate rapid rehabilitation. One of the most difficult legacies of governance breakdowns in the wake of conflict is the fact that the destruction and outmigration of human capital leaves failed states without (or with greatly weakened) capacity to undertake the kind of actions and intellectual activities that could help to invest new economic and political concepts with a valid sense of domestic ownership.
3. Conflict Prevention

3.1 The happiest outcome is conflict prevention, where preconditions are addressed in ways that reduce the tensions leading to conflict. In some respects the prevention of internal conflict is even more difficult for the international community than the prevention of conflict between states. Students of conflict and international law have pointed out unresolved inconsistencies in the UN charter between the rights of self-determination and of sovereign integrity and nonintervention.

3.2 Conflict avoidance has drawn considerable attention in response to the rising number of state failures and humanitarian crises. A number of academic institutions and NGOs have developed programs that focus on increasing understanding of conflict avoidance and on techniques for mediation. Some donors are working on indicators and early warning signs to alert the international community to impending problems. While the benefits of such schemes are still unproven and the Bank has no unique comparative advantage in this area, it may make a significant contribution to collaborative programs of preconflict monitoring, given its unique information processing capacity with respect to socioeconomic indicators.

3.3 In Cambodia, Mozambique, and other countries, the international community entered into detailed negotiations on postconflict arrangements and accommodations designed to make and cement a peace. Mutually acceptable accommodations must employ principles and trade-offs that make for trust and intergroup equilibrium in a stable polity. If international good offices can be brought to bear long before preconflict tensions become nonnegotiable, application of the same principles may help avoid a slide into conflict in the first place.

3.4 By the time early warning signs emerge or mediation agencies come into play, the underlying problems have already deteriorated to dangerous levels. The Bank and other international development institutions have the comparative advantage of working much earlier on the fundamental long-term problems of poverty, governance, and institutional development—problems that have major effects on the evolution of intergroup relations in plural states. Obviously, the Bank should not adopt unrealistic assumptions regarding the potential for changing intergroup dynamics in deeply divided societies. Nevertheless, there are times and circumstances in which Bank policy and project work have important effects on the factors underlying instability, such as the distributional and other issues that are viewed by contending ethnicities (or regions) as important win-lose problems. At a minimum, the Bank should take care to ensure that its activities do not result in unintended consequences that exacerbate social divisions.

3.5 The enormous difference between the human and resource costs of prevention versus postconflict restoration argues strongly for the Bank to direct activities that have potential for ameliorating preconflict tensions toward prevention. The Bank's focus on participation and transparency in governance points in this direction. The emphasis on these objectives should be adapted for postconflict situations. While there is a wealth of experience (Bank and otherwise) to draw on at the project or local governance levels, the problems further up the governance and political structure, especially at the critical level of top leadership, are less well understood. As noted below, the "minimalists" we interviewed believe that the Bank has neither the comparative
advantage, nor the mandate, to pursue conflict avoidance (pre or post), and that the state of the art of political science has too little to offer of practical value. This pessimistic view does not conform to historical precedent; for example, the Bank has played a useful role in conflict resolution with respect to international waters. Looking ahead, there may well be circumstances where incipient conflicts over natural resources are resolved with Bank support.
4. International Challenge and Response

4.1 Before considering the challenges faced by the Bank in its new reconstruction role, it is helpful to set out a stylized sequence of the course of events from pre- to postconflict. The sequence identifies the common periods of vulnerability, collapse and recovery, and the categories of events and governmental actions that tend to occur in each stage (see figure).

4.2 Precrisis vulnerability:
1. Preconditions exist for state erosion or collapse: ethnic/social/class/regional/cultural divisions in nonhomogeneous states
2. Triggers and early warning signs: ethnic mobilization, rising tensions, erosion of trust, breakdown of social consensus and pacts, international conflict-avoidance effort.

4.3 Crisis:
3. Hostilities: military mobilization, central state erosion of authority/area, state collapse, internally displaced/cross-border refugees, war trauma, atrocities, genocide
4. Refugees: encampment in countries of first refuge, partial resettlement in third countries
5. Conflict resolution: international peacemaking and legitimation of successor government, peacekeeping

4.4 Postconflict:
6. Refugee repatriation
7. Resettlement of refugees and internally displaced
8. Demobilization
9. Initiation of rehabilitation/reconstruction, economic stabilization, demining; infrastructure rehabilitation
10. Initiation of process of political reconciliation: creation of successor political, legislative, and judicial institutions and norms
11. Combatant and noncombatant rehabilitation: physical, economic, psychological
12. Civil society and social reconstitution, cultural rehabilitation

4.5 The initial postconflict agenda for a successor government, and for assisting agencies, typically has (or should have) seven components that tie in with the postconflict sequence listed above (again allowing for the particulars of each case, for example, whether or not the warring groups laid extensive minefields). International agencies have different mandates to address these components and may have major or minor roles to play. The Bank faces legal and operational obstacles that pose problems for sustaining or resuming activities in states still in conflict or in disarray. It needs to strengthen its ability to operate in situations where there is some degree of ongoing conflict, where there is no legitimate authority or where civil authority is ineffective, where there is a large debt overhang, or where international interest does not go beyond provision of humanitarian aid to encompass a sustained effort at conflict resolution. Where all these factors are unfavorable, the obstacles in some cases may be insuperable. (See Annex.)
Repatriation of refugees, resettlement, and the internally displaced

4.6 Refugee repatriation is normally an integral part of conflict resolution. As long as large numbers of refugees remain in other countries of refuge, no peacemaking solution can be considered complete or stable. UNHCR is the principal agency responsible for refugee protection and survival and normally works with several large and small NGOs, and with supporting international agencies like UNICEF. A strategic partnership between UNHCR and the Bank is in the making.

4.7 Until recently, UNHCR made a sharp distinction between repatriation and resettlement. Thus in Cambodia, the returning refugees from the Thai border camps passed out of UNHCR's monitoring oversight once they departed from the transit camps inside Cambodia. Responsibility for planning a resettlement process was given to the office of a "special representative" of the UN Secretary General. The initial ideas, calling for settlement on individual family farm sites on unoccupied land, had to be dropped, mainly because of the widespread presence of mines and the absence of any machinery for administering such a program for a population of 350,000. Some refugees agreed to settle in groups in new villages, assisted by a UNDP program and by NGOs. This was unsuccessful as well, because the sites were remote, the land was poor, and services lacking. In effect, the special site program was another demonstration of the lesson the Bank drew from the evaluation of its reconstruction financing projects in Guatemala, Nicaragua, and Mexico—that it is wrong to assume that dislocated people will accept new residential facilities constructed for their benefit in places chosen by government, far from their original homes (OED 1993).

4.8 The bulk of the Khmer returnees chose the one option that was easiest for UNHCR to administer—a package of money, food, and agricultural start-up inputs—and then left the
repatriation net to make their way. Most returned to their villages; many of them apparently moved again, in a second round of resettlement, after finding that only the poorest land was unoccupied or that their former land was occupied by others. In short, the resettlement assistance in practice was limited to (minor) training in employable skills that some received in the camps, and the exit package distributed in the transition facilities.

4.9 The internally displaced are generally at a greater disadvantage, in important respects, than the refugees. For example, refugees who have lived in UNHCR-run camps for long periods of time have normally had their nutrition and health needs adequately met. Refugees also have the benefits of human rights and other protections mandated under international convention. The internally displaced have no such rights, and may even be among groups victimized, rather than assisted, by a government that represents the interests of only one among the internally warring groups.

4.10 It has been recognized that the legal distinction between refugee return and refugee resettlement is artificial and harmful, both to the refugees and to the country involved. This has led to a call to view the whole process of protection, repatriation, and resettlement as a continuum. The size of the refugee population, their demographics, the length of time in refugee status, the nature and extent of their human capital, and the degree of deprivation or trauma the refugees have undergone, are the main variables determining whether the resettlement is a micro or macro problem.

4.11 When the refugees are numerous in relation to the size of the population in the areas of resettlement, the returnees become a significant factor in the general economic recovery and in the magnitude of the problems facing social services recovery. They may face such problems as loss of seed stocks; resettlement in new areas requiring cultivation technologies different from those they were using in their original environments; large numbers of widow-headed households likely to be economically marginal because of their manpower deficit; youths with no previous agriculture experience and few skills, especially if formal schooling in the camps is inadequate. Adults may have become "deskilled" through years of inactivity. All of these problems were evident in the decade of Cambodian refugee encampment along the Thai border. The present situation of the Rwandan refugees is much worse, with no prospect of a quick resolution.

4.12 In several of the conflicts, combatants have deliberately generated refugee flows while inflicting extreme violence on noncombatants. Uproar, loss of homes, terror, rape, and witnessing the killing of family members have become common experiences of refugees and displaced persons caught in internal conflicts. In encampments that are not controlled by UNHCR and international NGOs (as in Bosnia or Zaire), refugees are often subjected to further deprivation and violence. The idleness and dependency of long encampment, even under fairly safe conditions, can also have unhealthy consequences. These conditions can result in high incidence of mental health problems and a range of reschooling and resocialization problems, and they can limit the effectiveness of absorption and economic reintegration activities.

4.13 In sum, sizable resettlement populations, reentering the mainstream of rehabilitation and reconstruction, pose complex problems that must be taken into account if programs in which they are beneficiaries, or economic actors, are to be effective. The working assumption in the past — that the bulk of refugee populations will simply return to where they came from, thus merely reconstituting the labor force and communities they originally fled and can thus be left to
their own devices and their own family and community networks — is faulty. Realization of this is beginning to draw the agencies at the relief end of the continuum into training and psychosocial services intended to project forward into the resettlement/reconstruction end. For example, the US Agency for International Development (USAID) is funding a project (centered around a Croatian refugee camp) that will combine training of health providers in therapeutic techniques for dealing with refugee trauma with skills training and other practical preparation for the refugees' resettlement and reentry into the labor force. For such efforts to be effective, there needs to be some articulation backwards, so to speak, by agencies involved in planning and investing in the economic and social services framework within which the refugees/displaced will form a significant population.

4.14 The logic of this new perspective leads to a blurring of the lines between agency mandates, and a need for developing a new model for international handling of the resettlement and renormalization process. The model would center around the preparation for reentry, the development of assistance and program components dovetailing with the general country rehabilitation activities of the first two to three years, and a process involving refugee participation that would ensure the realism of the programs to be developed. The provision of education during encampment, vocational and microenterprise training, the design of the exit packages, orientation on the peace arrangements and economic circumstances to which they will be returning could be tailored to the postconflict economic and programmatic framework. An argument can be made that the Bank is in a good position to take a lead role in this area, analogous to the role Bank staff have developed in the management of demobilization, to which we return below.

Alleviation of suffering

4.15 In the first postconflict year there is likely to be an extraordinary need for humanitarian assistance. For example, if conflict has run through a planting season and many people have no purchasing power, emergency food aid may be required to avert famine. If the international system is given sufficient budget, and if local forces do not impede the process, the emergency relief system is generally effective.

4.16 The Bank has no comparative advantage in emergency relief and is generally not called on to extend itself into this area. But there have been exceptional instances, as in Bosnia and Somalia, where a grant (from the Bank’s surplus) has enabled agencies like UNICEF to carry out rapid response programs (which had the character of relief cum rehabilitation) for which ready funds were not otherwise available. For various reasons, Bank financing of this type has been exceptional.

4.17 Keeping in mind the perspective of the relief-reconstruction continuum, the Bank should have an interest (a watching brief) in activities at the relief end that may have lasting effects on the reconstruction process.

Sustaining the arrangements/components of the conflict resolution process

4.18 Once formal agreement has been brokered among the parties, the diplomatic stage must be followed by adherence and by implementation. Follow through on the political arrangements, elections, the drafting of a constitution, and so on, falls into the realm of diplomatic
responsibility on the part of the relevant UN offices and bilateral signatories to any conflict-resolving accords.

4.19 Some components of resolution accords cross the line between the political and the economic or rehabilitative. The prime example is the problem of dealing with rival armed forces. The accords may call for integration into a unified structure (Cambodia), disbanding of the irregular faction (El Salvador), or mutual disbanding and creation of a new national military (Mozambique). Whatever the agreement, some demobilization of troops is commonly called for. Where demobilization has been poorly conducted, unpaid or undisciplined troops have become renegade bandits, preying on villagers and road traffic, or have been remobilized to form insurgencies challenging the successor regime. Insecurity in the countryside can have depressing effects on economic activity, quite apart from the effects on political stability. Typically, demobilization is also important for reducing the military budget. As Paul Collier (in Azam et al. 1994) points out, the policy problem is to define a cost-effective program deemed satisfactory by the demobilized themselves. Costing (especially if substantial cash mustering out payments are involved) must take account of macroeconomic effects.

4.20 Demobilization is a notable example of a post-conflict transition problem in which the Bank has been able to perform a very useful entrepreneurial function, precisely because of the Bank's revealed comparative advantage in developing a systematic assessment, planning, and financing approach well tailored to the peculiarities of the problem. The Bank's work on demobilization started in 1992, with a desk study (World Bank 1993) that broke new ground and won a wide audience. The Bank then developed field experience through financial and technical assistance for demobilization in Mozambique, Rwanda (which was overtaken by events), and Uganda.

4.21 The latest work, soon to be published, is a comparative study of the demobilization experience in Angola, Namibia, and Uganda. The study reviews these experiences from all sides: political, social reintegration, demobilization planning and implementation, and the role and impact of external assistance. It draws best practice lessons from the three country experiences.

4.22 With suitable adaptation, the systematic attention of this work to reinsertion and reintegration of a population cohort that has been withdrawn from the society for some time might serve as a program development tool for refugee resettlement. The lead role that Bank staff have been taking in demobilization has arisen from initiative within the ranks, based on originality and a conceptual advance, in a subject where there has been no "lead agency" in the international system. In performing a comparable service to fill the hiatus in resettlement, the Bank would have the advantage that the subject is very much a recognized international responsibility and that dialogue on closer cooperation between the Bank and the lead agency, UNHCR, is already underway.

**Restoration of macroeconomic stability**

4.23 Restoring macroeconomic stability (essentially, establishing a realistic exchange rate and controlling inflation) has proven to be a "high return" postconflict task for the Bank in a number

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of cases. Successor regimes have normally put the ministry of finance and the central bank into the hands of one of the (often few) senior figures who understands financial policy and can speak the same language as the International Monetary Fund (IMF) and the Bank. Where stabilization has been delayed, the problem appears to have stemmed from the unwillingness of the political masters to permit the monetary authorities to implement a stabilization program (e.g., Uganda, initially, under Museveni). The technical components of postconflict stabilization programs are similar to those of stabilization programs in nonconflict situations.

4.24 The desire for fast action and the sense that rehabilitation demands maintenance and investment along a broad front of infrastructure, sectors at once may result in efforts to launch a large array of projects. Depending on the supply response of nontradable, such a surge could work counter to restoration of macroeconomic stability. On the other hand, postconflict constraints on public sector implementation capabilities have, in the event, acted as a brake on disbursement rates. The circumstances have varied from case to case, but point to the need for careful attention to short-run demand-supply imbalances as the population shifts activities and expectations from conflict to peacetime conditions.

**Economic recovery and sociopolitical reconciliation**

4.25 The last three components—initiating recovery of economic activity, building core governance capacity, and promoting fundamental sociopolitical reconciliation/accommodation—are closely related to each other.

4.26 It has been assumed in every case that recovery of economic activity and investment is desired by all parties and will make powerful positive contributions to postconflict political stability and long-run fundamental reconciliation and accommodation. Conversely, it is assumed that political stability is essential for restoring investor confidence, especially in private projects that are long-gestating or require very illiquid commitments. Another common assumption is that rapid rebuilding of government capabilities is critical for raising the capacity to absorb external resources and manage essential governance functions, and that institution building thereby correlates with promotion of a growth-enhancing political reconciliation.

4.27 While these generalities, on which the international development assistance system rests, are broadly true, the relationships can be complex, and there is much experience of counterproductive effects. There is not much research literature or ready policy guidance on these relationships in the wake of deep internal conflict. This is reflected in the current flurry of activity among donors to study postconflict environments, for example, the recently established Development Assistance Committee Task Force on Conflict, Peace, and Development Cooperation, which plans to produce a manual on the subject.

**Capacity building**

4.28 One illustrative counterproductive effect was described to us by Bank staff who have worked on Uganda. It is nine years since the current government took power and began an ethnically inclusive policy that has largely restored political stability and that has won high marks internationally. It is eight years since this government embarked on a macroeconomic and market-friendly reform program. Nevertheless the recovery is seen as fragile, resting on a bureaucracy that has made little progress, sector by sector, toward restoring its former governance capacities. This failure is attributed, in good part, to the excessive implementation
load placed on the government by the Bank and other donors in their desire to push economic recovery on many fronts at once. In effect, the capacity to build capacity has been the ultimate limitation, and the development assistance system has not produced an effective strategy that takes this limitation into account.

4.29 Faced with a greater than usual urgency for capacity building, donors have tried various options to jump-start the process. In several cases (e.g., Cambodia, Haiti, Lebanon) there is a diaspora from which substantial numbers of professionals could be drawn. Aid agencies have various schemes, each of which has limitations. Some bring expatriates back only for short periods. Expatriates hired for two to three years into civil service positions, or as advisers, vary in their ability to adjust to life in a changed country and to develop working relationships in an environment in which their local associates are earning a small fraction of the expatriate's salary. Some agencies hire expatriates at international salaries, others at salary levels in-between local and international. There are differences among agencies in the wages offered to expatriates who have returned home and are then hired locally. Some programs try to orient toward encouraging permanent return. In the case of Cambodia, many more expatriots actually registered to return in some capacity (and willing to do so at some personal financial sacrifice) than have been mobilized through expat schemes. Some Khmer returnees who do not come under international auspices have sufficient personal financial resources to work in government positions as volunteers. Since government wages are only nominal, others who cannot self-finance must rely on one of the political factions for housing and transport; in policy occupations, such dependence can result in cooption.

4.30 Even allowing for the inevitable failures due to individual idiosyncrasies, a powerful diaspora mobilization program could make a substantial contribution to the reconstruction of countries like Cambodia that have such communities of overseas compatriots. The importance of the Khmer returnees extends beyond their contribution to capacity building. After years of residence in France, the United States, and other democratic countries, they have become strong supporters of pluralism, human rights, compromise politics, representative government, and other values and institutions the Cambodian factions formally adopted when they accepted the terms of the Paris peace accords. The more numerous the returnees, the more government and civil society positions they occupy, the greater is the contribution they can make to a healthy, nonviolent political evolution. If other diasporas have become similarly socialized, solution of financial and other problems limiting the numbers of returnees could open the way for a powerful progressive factor in postconflict reconstruction in its widest sense.

4.31 Even in the many countries that do not have diasporas, there are many professionals who have emigrated for long-term residence and work abroad. Reversing brain-drain is an old problem. We cannot presume to review it here with the hope of coming up with new solutions. For the Bank's own institution-building projects, or for the areas of economic policy in which the Bank has a strong interest, it might be interesting to consider a small internal scheme in which staff from the countries in question are seconded back home for medium-term tours during the jump-starting period. Any such workable arrangements might also apply to IMF staff.

4.32 The second principal instrument for jump-starting capacity building has been the provision of cadres of foreign experts, sometimes in the form of operating personnel ("substitution" technical assistance [TA]), most often as advisers to local counterparts. There is a long history of problems with advisory assistance, especially in the training of counterparts. (In Rwanda the Bank had to send its own staff to process the procurement paperwork for its
emergency rehabilitation credit after the people it had trained in the ministry of finance and central bank were arrested by the government.) While there certainly have been many successful experiences, the typical outcome has been disappointing as far as capacity-building is concerned. Especially in the postconflict environment, the incentives weigh heavily on the very tangible objectives of getting programs, and donor-funded projects, moving. Success in upgrading counterpart capabilities is less tangible. Again as in the case of Uganda, counterparts may turn out to be only notional. The upshot may not be known until after the adviser has left.

4.33 In the extensive critical literature on the role of external aid; and of TA in particular, it is usually overlooked that the same international system producing weak capacity-building outcomes in many countries also produced (or was at least partly instrumental in producing) successful outcomes in other countries. Given the extreme needs of the postconflict societies, it is worth reexamining the TA instruments and techniques with a view to adjusting them to the peculiar requirements of postconflict situations.

4.34 In the 1950s and the 1960s, the Bank had a TA window that provided seconded staff who could fill civil service positions in countries open to such arrangements. Malaysia was a country that used substitution TA extensively (including from the Bank) without the dependency aftereffects usually cited by critics of this type of assistance. Just as the requirements of the relief and resettlement end of the spectrum have been found to warrant development of specific institutional expertise, so it might be useful to develop a cadre of field personnel who specialize in the problems of post conflict states. The subject has drawn many scholars in political science and a handful of economists. It lacks specialized practitioners.

Economic recovery and sociopolitical reconciliation

4.35 The impact of external assistance on fundamental political and social conditions is a large subject. A technical/neutral pursuit of economic growth, even undistorted by local political considerations, will have political consequences nonetheless. Unintended sociopolitical consequences may be positive or negative. In the typically fragile political conditions of the postconflict period, it is risky to assume that the desired technical and economic outcomes of a project or a policy change will in turn have positive or neutral unintended consequences, without deliberate analysis of the potential interactions with underlying sociopolitical conditions.

4.36 Some aspects of the Rwandan tragedy illustrate several dimensions of economic/sociopolitical interface, and of the roles of donors and the Bank. Looking first to the past, it is striking, in hindsight, how reluctant the international community was during the 1980s to raise the ethnic dimension in its relations with the government. Drawing on material of the multidonor evaluation of the Rwandan crisis that has been in preparation for the past year, it is clear that the donors (with occasional exceptions) did not want to press hard on this issue, despite the gathering evidence of hard-line discrimination. It was also apparently the case that the

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2 More recently the Bank set up the Institutional Development Fund (or IDF, using about $25 million a year) to provide a quick-response instrument for funding capacity-building activities identified during the Bank's economic sector work and policy dialogue. The IDF is beginning to be used in postconflict situations as well.

3 The study draws from two of the four volumes, "Rebuilding Post-war Rwanda: Evaluating the Impact of International Assistance, USAID, 1995, draft, and "Early Warning and Conflict Management: Genocide in Rwanda," Study II, prepared by Howard Adelman and Astri Suhrke, 1995, draft. Box 1 highlights some of the important conclusions and lessons from the Rwanda evaluation.
corruption and erosion of transparency that set in as a new phenomenon at senior levels of the
government during the mid-to-late 1980s was made possible by the very large increases in rent-
enabling aid flows.

4.37 Bank documentation on Rwanda, as in most of the (limited) documentation we have
been able to sample, contains only very spare references to sociopolitical problems. One internal
Bank study brought to our attention was striking in this respect. Done in 1987, it examines local
civil society in Rwanda, especially the communes, the lowest level of governance. It was
considered a path-breaking study that led to the design of an agricultural services project under
which the communes played a major role. Despite the thoroughness of this piece of social
science analysis, and its examination of gender and other social issues, it contains no reference to
ethnicity. The population does not appear in its Hutu or Tutsi aspect, even though the communes
by then are said to have become discriminatory against the Tutsi. The staff was well aware of the
ethnic problem but would not mention it for two reasons: government sensitivity, and
understanding within the Bank that such issues were outside its purview.

Box 1: Lessons from Rwanda for future postconflict reconstruction

A year-long multidonor evaluation has produced a four-volume study of the international
response to the Rwandan crisis. A synthesis of the four studies is being prepared. Among the
lessons highlighted in the evaluation, two stand out: (1) Lack of in-depth knowledge of the
historical, political, social, and economic context of the crisis in Rwanda undermined the
effectiveness of international intervention. And (2) conditionality on economic restructuring
exacerbated social tensions and undermined efforts to improve human rights through political
conditionality.

Selected recommendations from the evaluation follow:

1. Develop rapid, flexible procedures for disbursing reconstruction funds along the same lines as
procedures for emergency assistance.

2. Delegate more authority and resources to field level operations to design and fund quick
impact projects.

3. Channel a greater proportion of resources to local and central government agencies.

4. Assist NGOs to develop and adopt a comprehensive code of conduct addressing a wide range
of policy and operational issues, including coordination and division of labor among NGOs,
qualifications for relief workers, local capacity building, and appropriate exit strategies. Require
NGOs to establish a consortium.

5. Integrate psychosocial healing components into education and health programs. Fund quick
impact projects for victims of violence, particularly women and children.

6. Integrate human rights monitoring with related economic development planning, diplomacy
and peacekeeping operations, and humanitarian policies to aid refugees and displaced persons.

Sources: Adelman and Surke (1995, draft) and USAID (1995, draft)
4.38 Rwanda may have been an exceptional case, with donors unwilling to upset relationships with a government that was considered, in other respects, to have been a good performer. The evaluation notes that the donors had considerable potential leverage in Rwanda, but chose to use it on programmatic problems rather than violations of human rights. It is interesting to note that in Kenya, by contrast, the Bank and other agencies have pressed hard on a number of policy fronts (budgeting, investment planning, privatization) where the reforms, fully warranted and formally justified on efficiency grounds, would have substantially reduced the scope for the government continuing to allocate resources along ethnically discriminatory lines.

4.39 Interviews with Bank staff produced some interesting additional illustrations of socioeconomic interface and the kinds of issues they present to the Bank. The new government of Rwanda is filling positions largely with Tutsi from the returned refugee population that long resided in Uganda. Should donors undertaking TA projects to strengthen government capacity ignore this fact, despite its potential for contributing to some later Hutu reaction? In such a situation, one might plausibly argue that such capacity building is not sustainable. At the same time, the new government is reported to be irritated that the donors have poured greater resources into the refugee camps and have been pressuring the government to adopt immediately a reconciliation stance with the community that includes large numbers of people who have recently perpetrated massacres.

4.40 The USAID (1995) contribution to the multidonor evaluation is sympathetic to the government's reaction against the donors' stance on starting reconciliation policies at once. It notes that the extremes of genocide have deeper effects on survivors than do nongenocidal, or less barbaric, conflicts. The recommendations of a Bank mission, that the unit costs of the proposed housing settlement program for Tutsi returnees from Uganda could be lowered, thereby freeing money for rural resettlement, met with a hostile government response apparently for these reasons. In the charged postconflict atmosphere there is a heightened need for detailed understanding of the dynamics, a nuanced sense of timing, and a fine sense of economic diplomacy (all of which USAID concludes have been deficient among the donors).

4.41 Lebanon provides an illustration of potential inconsistency between good policy practice and sociopolitical stability. In a draft paper on aid and sectarian politics in Lebanon (one of a set of papers on aid and ethnic politics written for a forthcoming publication by Cornell University), Barry Preisler (1995) considers the possible systemic effects of current Bank projects. He notes that in the stable years 1943-74, sectarian-based patronage in the filling of civil service positions contributed to the balance that maintained Lebanon's political stability until its destruction in the 1975-76 civil war. Rehabilitation of the civil service under efficiency rather than ascriptive criteria, now being supported by a Bank project, will eschew one of the major accommodation mechanisms of the past.

4.42 Preisler also cautions that the Bank's Revenue Enhancement and Fiscal Management project should not aim at restoring effective taxation much beyond levels during the stable years; to do so would imply development of a strong central government in a society that knew stability in its (independent) past only when the state was weak. Although he sees no immediate problem.

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4 This experience, project by project, is described by a participant-observer John M. Cohen (Harvard Institute for International Development) in a draft paper, "Foreign Aid and Tribal Issues in Kenya," September 1995.
in the apparently modest governance goals of the Bank's projects, he notes the possibility of unintended negative consequences: "International advice and assistance will undoubtedly stress efficiency and training, classic 'technical/neutral' criteria. Potentially, all sectarian hell may break loose if their advice is followed in any strict sense" (p. 18).

4.43 A problem such as ascriptive hiring is relatively straightforward. More problematic for sorting out are the relationships between economic revival and the political stability on which sustainable economic recovery depends. A principal reason for the difficulty of this subject is the disjuncture between the relatively high confidence the Bank and other institutions have, based on a large body of experience and research, in the general applicability of the standard economic policy reform package, and the uniqueness of local cultures and politics, and the limited general guidance on these interactions available from political science.

4.44 Lebanon again illustrates the point. Lebanon is one of the postconflict cases where government has not readily adopted some of the most important of the Bank's economic policy reform recommendations. The Bank's recent efforts to prepare the ground for a Consultative Group (CG) meeting were frustrated by the government's resistance to privatization and other components of a policy package the Bank had proposed as a basis for such a meeting. The government was able to resist adopting what it viewed as politically undesirable because it expected that a CG meeting in the event would not yield much in the way of new concessional resource commitments. In effect, the government does not share the Bank's view that public sector reform and improved economic policies would be consistent with good political outcomes. In addition, very slow progress is being made on a number of loans under review within the government and parliament.

The economic recovery policy package

4.45 Other postconflict governments appear to have readily adopted the recommended policies. One staff member noted that the speed and willingness of the government to adopt Bank recommendations provided a marked contrast with his experience in other nonconflicted countries. While hardly an argument in favor of an episode of chaos, it is noteworthy that one result of such conflicts in a number of cases has been to wipe the policy slate clean, even to discredit the failed economic policies of the past. As a result, the establishment of growth-enabling rules of the game, respecting fiscal management, price policies, financial system reform, privatization, and so on, appears off to a good start.

4.46 Nevertheless, there are grounds for caution and for examining the components of the standard policy package in light of the conditions and distortions peculiar to a postconflict environment. One might illustrate this point with a brief comparison of Uganda and Cambodia. Collier (in Azam et al. 1994) has suggested some adaptations that may be in order in an economy like Uganda's that "typically" becomes heavily regulated during a civil war. While endorsing a broad deregulation and privatization policy, he suggests that an initial period of deliberate exchange rate overvaluation might be optimal for encouraging the return of flight capital. Potential (domestic) investors holding foreign assets might be justifiably hesitant to gamble on the policy continuity of a new regime, but might be encouraged by a conversion incentive.

4.47 The Cambodian experience raises a larger issue. Several years before the settlement the regime began to privatize and carry out other measures designed to back off its unworkable command economy system. In the period during and after the negotiations, economic controls
collapsed. Cambodia was left without any economic legal framework and virtually no regulation. The country was at once bereft of Soviet aid and ineligible for Western aid until a legitimated government was installed. Bankrupt ministries found themselves in a pure laissez-faire world and began to sell their land and buildings (the health ministry's headquarters were up for sale at one point) in order to raise cash. Absent any transparency or rules, rent-seeking proliferated as speculators from surrounding countries rushed in to acquire cheap assets. Based on his analysis of Uganda's experience, Collier suggests that governments facing postconflict revenue collapse might meet their medium-term financial needs by selling land and property rather than by selling government liabilities in the domestic capital market. In most postconflict situations, it is more likely that sale of government obligations is infeasible. In the Cambodian case, property sale proceeds were not remitted to the ministry of finance, and the whole episode was interpreted by donors and the public as a sign of impending state failure.

4.48 Following the settlement and the passage of a liberal foreign investment law, some large private projects have been approved in Cambodia that appear to lack transparency and are alleged (by government critics) to have introduced cronyism and natural resource stripping. The inrush of investors seeking project approvals in the first year after passage of the investment law (the extent of actual commitment of resources remains to be seen) contrasts sharply with the lack of foreign investor response in some African cases (e.g., Mozambique, where an inrush was expected from South Africa).

4.49 Collier argues that civil conflict erodes social capital that has been developed to facilitate trust and investment. He sees private agent fear of the (successor) government as perhaps a greater obstacle to private investment revival than the physical damage to infrastructure. He concludes that a policy environment conducive to private recovery should avoid "aggressive" increases in taxation and should stress (inter alia) the early sequencing of investment-sensitive reforms, including tax incentives for investment. In the Cambodian case, one might reach rather different conclusions: the tax incentives for private foreign investment are probably excessive, potentially depriving the government of substantial revenue for many years; the main foreign and (handful of) domestic investors seem quite confident over their relations with the government; too little is known about domestic microenterprise to draw firm conclusions about the policy framework.

4.50 We cite these contrasts to make two points. First, while private trade and investment revival is essential, it warrants a kind of monitoring and analysis that is not normally (other than in the prudential functions of the banking system) included as part of the standard reform package. The postconflict environment is often wide open for carpetbagging and corruption. The prospects for professional, undistorted policymaking with respect to economic matters may be compromised by an early onset, in an unregulated environment, of a particularistic pattern of business-government relations. The reviving business culture, public-private sector relations, and private allocation patterns may take shape very quickly and may have important consequences for intercommunal relations and for the nature of successor governance, quite apart from their implications for economic efficiency and distribution. While such problems have received much attention in Eastern Europe and Russia, they appear (as in Cambodia) to have been overlooked elsewhere.

5 A normalization of Burmese relations with the outside world is also likely to produce an inrush there. It pays to emerge from chaos in eastern Asia, surrounded by countries with high risk-taking entrepreneurs, rather than in Africa.
4.51 Second, the sequencing of policy reform or policy reconstruction, after deeply divisive conflict and the collapse of legal, even moral norms, presents problems different from those of "ordinary" transition. Enough experience has been accumulated over the past decade to support some comparative empirical research. A start has been made with the study by Azam et al. (1994). To be useful, such work needs to be interdisciplinary, taking account of the kind of interactions between the economic and the sociopolitical suggested above. In sum, a postconflict economic policy agenda must be designed, in its content and sequencing, to take account of the unusual distortions in economic circumstances that are typically present, and of the interactions it may have on the prospects for sustaining the resolution accords in the typically fragile political environment of countries emerging from strife.

4.52 Another dimension is the fact that the postconflict economic policy packages are typically drafted with major inputs from the Bank and the IMF, even written initially by resident foreign advisers, raising problems of policy "ownership." In the first year or two, a successor government is likely to be preoccupied with power and politics, unable to focus on long-term development issues. In both Rwanda and Cambodia the first finance minister was from a minority coalition party. Economic policy backsliding was attributable to the fact that the policies were identified with people on the political outside.

4.53 The experience of Cambodia, Lebanon, and Uganda suggests a possible generalization about the effect of different forms of conflict resolution on subsequent economic policy constraints. Postconflict coalition governments composed of former rivals perform less well in policy reform than do unitary regimes. For example, in Cambodia, which was among the countries readily accepting outside ideas, implementation of some key reforms that would have hindered the delicate coalition balance has not occurred. To begin a civil service reform, the government agreed to a hiring freeze recommended by the Bank and the IMF. Within weeks the government hired (in May 1995) several thousand people, partly to accommodate coalition member parties pressing for more positions, and partly (to avoid student unrest) to continue the annual practice of hiring the latest university graduating class. In both Cambodia and Lebanon, the politics of coalition read: reconciliation, a fundamental objective after conflict resolution, dominate over many other considerations. While donors support both reconciliation and sustainable economic recovery, measures that support one objective may be harmful for the other. In Uganda, by contrast, the president is powerful enough to have made major changes in policy direction in a government that is inclusive but unitary.
5. The Role of the World Bank

5.1 In this section we attempt a closer look at aspects of Bank activities in postconflict reconstruction, and draw some conclusions.

5.2 Our interviews give the strong impression that interest in postconflict reconstruction and the role of the World Bank is running very high. Many problems, and many examples of good and poor response or results, were cited: speed of response, procedural constraints, funding limitations, extent of Bank mandate, nature of the Bank's comparative advantage, substantive priorities, and legal considerations.

5.3 The Bank was established at a time when reconstruction was its main near-term objective. Although development eclipsed reconstruction for many years, the former has returned. It appears headed upward in its claim on resources and in the number of clients undergoing the destruction of years of development investment. All along, of course, the Bank has had recurrent responsibility for reconstruction financing following natural disasters (see Box 2).

Box 2: Lessons from Bank projects in postdisaster reconstruction

Since its origin at the end of World War II, the Bank has been involved in both natural disaster and postconflict reconstruction. It has financed well over a hundred reconstruction efforts following natural disasters (e.g., in Bangladesh, Brazil, China, Colombia, Honduras, Mexico, Nepal, Nicaragua, Peru, Romania, Sudan, and Yemen) and following conflicts (e.g., Angola, Ghana, Lebanon, Mozambique, Nigeria, Rwanda, Sri Lanka, Sudan, West Bank/Gaza, Yugoslavia, and Zimbabwe). The Bank has learned some valuable lessons in its 50 years of supporting reconstruction, among them are the following: (1) Borrower commitment is critical to the success of a reconstruction project; (2) Efficient coordination of reconstruction efforts at all levels—local, national, and international—is important; (3) Procurement and disbursement procedures are facilitated when a single institution is responsible for them; (4) The simpler the immediate reconstruction project design, the better; (5) An appropriate institutional framework is crucial for project success; and (6) Bank procedures and requirements have to be adapted to the emergency.

Following natural disasters, the devil is in the details. Many disaster professionals dismiss the notion that there is an emergency period following crises when it does not matter how humanitarian needs are attended to. The details in provision of emergency relief can actually contribute to the speed of recovery and the reestablishment of a workable governance structure. In this context, perhaps the most important single type of action is getting survivors back into a social and organizational structure in which they know how to function. No matter the size of the disaster, people need to be returned to their familiar social units: blocks, neighborhoods, towns, counties, regions. Finally, the leadership structure needs to participate in the establishment of temporary and permanent settlements, provision of relief, and the planning of reconstruction.

5.4 Staff views about the role the Bank should play in postconflict reconstruction range from maximalist to minimalist. The maximalist view holds that the Bank should take a lead
international position, using its strengths to develop new sources of funds, take intellectual leadership, expand the range of its activities, and if necessary reexamine the Articles of Agreement if they appear to pose constraints that are no longer apt. The minimalist view holds that the Bank should not veer away from its current criteria, basic methods of business and instruments, or demonstrated comparative advantage. Moreover, it should avoid the conceptual and administrative contentions that would be generated by an effort to enter (rather than coordinate with) the host of agencies with varying mandates that deal with the problems of refugees and relief.

5.5 In our view, the balance of argument is on the side of a significantly expanded Bank role, though not a major leadership role in all cases. The Bank was conceived as the preeminent international institution for reconstruction. Despite the constraints discussed here, the Bank's credibility and comparative advantage, appropriately strengthened, argue for it having a major reconstruction role. As suggested above, the same assets argue for the Bank having a stronger role in conflict prevention and resolution.

5.6 There is a natural tension in the Bank between the incentives to focus on good-performing countries, where the return to Bank investment (measured by aggregate growth and percentage of successful projects) is likely to be high, and the urgent needs and higher risk of failure in conflict-ridden or postconflict clients. As discussed below, the expanded role recommended in this study has implications for the type of instruments and the mix of financial resources the Bank uses in high-risk situations, for the allocation of Bank staff, for adjustment of relevant operational directives, and for Bank organization and research which might help reduce the risks and raise the success rate of efforts in high-risk situations.

5.7 In what follows, we point to some practical issues and suggest steps that follow from adopting the proposed policy stance to move from policy to implementation. Several of these steps are already foreshadowed in actions Bank staff have taken in response to failed state or reconstruction situations. Finally, we are focusing on the group of countries of which some are among the least (or non) creditworthy clients. The essential objective can be described as putting them back on a recovery track that (inter alia) returns them to the ranks of the creditworthy. Thus, the priority given to these countries is consistent with the financial nature of the Bank. The creation of a dedicated, grant-extending trust fund would help maintain the distinction between creditworthy and potentially creditworthy states, where necessary, without reflection on the Bank's essential character.

Conflict and the economic/sociopolitical interface

5.8 It is interesting to recall that the Bank was drawn into a dispute settlement role early in its history. In the case of the vast Indus basin development program, the Bank took the initiative (after the idea had been put forward by David Lilienthal) of proposing its good offices for developing and helping to finance a joint Indian/Pakistani scheme. After years of negotiation an acceptable scheme emerged and a potential casus belli was averted. The Indus example has some pertinence to the present study: the Bank was strongly motivated to enter the dispute over water control and division because it wanted to help avoid a conflict between two of the Bank's major borrowers. It is equally to the interest of the Bank to do what it can to help borrowing countries avoid a resumption of internal conflict, or to avoid falling into conflict in the first place, where projects or policies that the Bank is involved in as a normal course appear also to bear some relationship to underlying causes of instability.
5.9 It is only elementary to note that the Bank's activities in borrowing countries do have internal political consequences. Any significant economic activity, policy change, or investment allocation is likely to affect income and asset distribution, often generating winners and (hopefully only temporary) losers. The expectation that such changes will have positive sum effects in the longer run is often frustrated by short run political spillover effects from groups who do not share the economists' perspectives or patience.

5.10 For many years, the Bank has been increasing its research work and project concern with issues of distribution, marginalized or excluded groups, and governance. It has expanded the anthropological dimensions of its project analysis where relevant and has developed policy to include affected populations in the project design and implementation process to ensure "participation." The driving force has not been a political agenda, but rather the recognition that project success and sustainability often hang on effective inclusion and on the governance framework.

5.11 Among most of the countries being examined here, the conflicting groups have comprised major fractions of the society. Policy change or large-scale projects having differential effects on major groups (or perceived as having such effects) can exacerbate deep sociopolitical antagonisms or can even destabilize a polity that has been based on a fragile equilibrium among the competing subpopulations. Thus, as noted earlier, unintended consequences of Bank activities in deeply fissiparous societies could have positive or negative effects on underlying conditions determining the course of governance and thereby the sustainability of development.

5.12 Without exception, the Bank staff interviewed were sensitive to these wider dimensions. There were differences of view over the extent to which Bank operations, in different countries or time periods, had in fact taken sufficient account of the sociopolitical context and the interactions between that context and Bank activity. In the case of ethnic exclusion, as noted above, current policy and project work would not overlook such dimensions if it were to follow the Bank's guidance on participation and governance. However, staff was not unanimous on whether the Bank makes adequate use of the kind of noneconomic social science analysis required to take account of social interactions, or whether the quality of the analysis that is done is uniformly high.

5.13 We have learned of numerous instances in which Bank staff have used their good offices, or conducted their technical work in countries, in ways that promote the bridging of divisions and the widening of participation. An illustration of this is the way in which TA advisers (from several agencies) have helped the new Cambodian government to prepare for the annual donor pledging conferences. For the government officials, the first round was mainly a learning exercise. The advisers elicited their views and then wrote the document. What is interesting is the deliberate manner in which the advisers structured and orchestrated the working group meetings. As part of the postconflict coalition arrangements, the government, which was composed of the three previously warring political parties, had allocated senior positions in all the ministries to each party. In practice this created considerable double incumbency. While these arrangements have had their downside, they enabled the advisers to require members of the three factions to sit around the same table and to communicate and exchange ideas for the first time. Although a concomitant of a sensible administrative arrangement for eliciting government views, the approach contributed to the process of political reconciliation and was understood by
the advisers in just those terms. In the case of Burundi, Bank advisers with substantial credibility were able to discuss the underlying ethnic problems and give their views advocating ameliorating policies.

5.14 In these examples, as is often the case, the line between the economic/technical and the sociopolitical is blurred, if not artificial. The activities of the Bank (along with, but more than, those of the IMF) have significant consequences for a broad range of postconflict processes. Attention to such consequences can decrease the likelihood of adverse effects and increase the possibility of impacts enhancing both economic growth and sociopolitical reconciliation.

5.15 If the Bank places high priority on reconstruction, then maintenance of stability, that is, conflict avoidance, whether its repetition or its avoidance, must be included as a critical requirement. Orientation of Bank staff in the role of participation as key to accommodational policy outcomes might be helpful to ensure that opportunities in the normal course of staff work with governments in at-risk societies are not missed.

Generating and mobilizing relevant knowledge

5.16 The Bank does not appear to follow a practice of allocating staff time to inactive clients. In some cases (East Pakistan, the former Soviet Union, West Bank/Gaza), Bank management had the foresight to protect budget allocations in inactive countries with the specific purpose of paving the way for a Bank reconstruction and development role. In other cases, conflict (and non-accrual status) interrupted the Bank's work for years. During the hiatus, staff time was not allocated to monitoring events or to tentative design of reentry strategies. Or, as in the case of Somalia, time has been allocated in fits and starts as the prospects for conflict resolution have risen and fallen. In the case of Bosnia intense preparatory work is underway. On resumption, some Bank documents stress the tentative nature of the analyses on which the first round of renewed assistance will be based. Returning to operate in a distorted and transformed context, the Bank (and all donors, as well as the successor governments) have a great need for social and economic information and monitoring, close evaluation, and basic social science research. While time allocated to countries that remain inactive for long periods may appear to represent a misallocation of resources, the payoff can be high in cases where reentry occurs and the Bank is ready to move swiftly.

5.17 Several options come to mind that might contribute substantially to generating and mobilizing the particular knowledge needed in this area. First, as suggested by Steven Holtzman, it would be useful to set up a special focal point or unit in the Bank to address the particularities of failing states and of postconflict reconstruction. Appropriately named, such a unit would signal to the international community that the Bank recognizes the distinctive nature of these problems and is gearing up to play a role appropriate to its mandate. The unit could perform several functions that would address problems identified in this study:

1 In passing, one cannot help but be struck by a disconnect between the breadth of knowledge and perspective of Bank staff on the one hand, and the absence of nuance and detail in the coverage of the sociopolitical context in the formal documentation that rises to senior management levels, on the other. Everything bearing on conflict has its "sensitivities." If analysis and exchange on sensitivities within the Bank are restricted to informal channels, due in part to inadequate arrangements securing the confidentiality of sensitive Bank documents, a serious constraint will be posed on the institution's work on these problems.

(a) Develop a central data bank on relevant experience, evaluation, and scholarly work.

(b) Promote exchange and orientation among Bank staff working on these situations.

(c) Organize training programs; for example, field resident staff might benefit from orientation in negotiation and consensus-building techniques to deal with policy or project situations that must bring together former belligerents.

(d) Serve as a ready resource for staff responsible for countries that may fall into conflict in the future; assist in the preparation of special internal analyses of countries "at risk."

(e) Define a research and evaluation program to advance the state of the art in the understanding of these problems.

(f) Act as a center for coordination with other offices/machinery now emerging in the international community to address the same range of issues.

(g) Develop a roster of outside specialists.

(h) Evaluate the Bank's postconflict experience, assemble that experience in a systematic manner, and draw lessons for future work.

(i) Explore with UNHCR and others the development of joint or coordinated policies and improved modalities for coordination and collaboration. This should be done in a manner that does not create new bureaucracy or add to the transaction costs of the international system; that is, it should be based on decentralized arrangements, on a case-by-case basis, under broad enabling arrangements at policy levels.

5.18 Second, close knowledge and monitoring of conflict environments can be much more effective if conducted by a resident mission. A resident representative is also in a position to respond quickly in the typically very fluid postconflict circumstances. The Bank is moving forward strengthening its own decentralization. While the priority of failed states may not be high for setting up large missions, there is a case for maintaining platforms in periods of unrest to minimize the cost of reentry when normalcy returns.

5.19 Third, we have come across no instance in which postconflict Bank TA has gone beyond the core economic ministries to include development of an independent local policy research institution. A local think-tank, perhaps staffed with nationals drawn back from overseas employment, strongly supported by donors and the Bank, perhaps assisted by a twinning relationship with a prestigious foreign research institution or university, can contribute to the development of new knowledge, to public debate, and to the cultivation of a professional ethos in public affairs. The usual financial problems arise. But such an institution might approach self-sufficiency relatively quickly by becoming a local contractor for donor evaluation work. Most important, such institutions might serve to meet the problem of policy ownership discussed above.

5.20 Fourth, the problems and issues raised in this study warrant much more extensive study. While some lessons learned from the evaluation of postnatural disaster reconstruction are
pertinent, postconflict reconstruction obviously faces a host of different issues. One staff member made an intriguing suggestion for further study. With the Bank now less constrained than it was in the 1980s (when analyses, such as the Rwanda commune study, could not address some critical dimensions of the problem), it would be instructive to reassemble the Rwanda team to reconsider what they would have written, and what operational follow-up they would have pursued, if today's rules applied instead of those of the 1980s, and what lessons might be drawn.

5.21 Fifth, take up Holtzman's suggestion that the Bank promote a learning process among countries emerging from conflicts, along the lines of a seminar the Economic Development Institute (EDI) is planning on population displacement in Angola. The notion of learning from comparable situations could be carried a step further, perhaps by EDI in conjunction with the Bank's research program, into the area of conflict avoidance. There are many plural societies that have managed to keep sharp ethnic and regional divisions from deteriorating into conflict. An examination of the experience of countries like Canada, Malaysia, Switzerland, and Zimbabwe, especially in comparison with the experience of a number of failed multiethnic situations, could be fruitful. Interactive learning among people from both successful and failed cases might be useful for the latter, and for leaders from societies that have fissiparous conflict potential but have not developed mutually accommodating pacts.

5.22 There is considerable political science literature on ethnic politics, and many organizations are experienced in conflict mediation techniques. There is, however, a major gap in the scholarship and among the practitioners of mediation that the Bank could fill. We refer to the weakness of research into interactions between the economic and the sociopolitical dimensions of these divisions. Most instructive would be interdisciplinary research into cases like that of Malaysia. Malaysian economic policy has been an integral part of the complex set of political, social, commercial, educational and other policies designed with interethnic equilibrium and economic growth as the principal, mutually supportive, objectives. Some of the policy components have deviated from the conventional wisdom on nonintervention in the operation of markets. Such experience in successful plural states might yield lessons more pertinent to their problematique than the debate over the kinds of interventionism employed by some of the Asian Miracles.

Sensitive policy dialogue and the Bank's good offices

5.23 Some of the dialogue with client governments in postconflict situations is highly sensitive because of the fragility of the cooperation, or even accommodation, among former belligerents. Skill in conflict-resolution techniques will not always be enough to reach a desired outcome. In the Indus, High Dam, and Iranian oil episodes, the Bank's good offices role was performed by very senior Bank members together with eminent persons. In dealing with today's postconflict successor governments, or in conflict avoidance attempts, the Bank should similarly ensure that the rank or eminence of the persons representing the Bank is suitably elevated when there are high stakes at risk.

Building capacity

5.24 As noted earlier, the development community lacks a strategic approach to capacity building that draws on the successful experiences and adapts them to these more difficult environments. The Bank's standard vertical approach of focusing on the ministry of finance and central bank should be broadened. We referred above to the diaspora and substitution TA
options, the problems of special implementation units, and to the need to coordinate with other donors to rationalize the market for local hires.

5.25 The Asian Miracles study contains an important lesson that could serve as a strategic objective. Each of the Miracle countries had a cadre of economic policy managers with advanced degrees from good foreign universities (local universities in the 1950s-60s had not reached international standards); and the political power holders (military or civilian) gave their technocrats great leeway for professional management of economic affairs. Replication of this model requires acceptance at the political level, a long-term commitment to education in development management skills, and an incentive structure that holds the technocrats in public service. Recognition by the Bank and the IMF contributed to the ability of the technocrats in many countries to maintain their prestige and position.

5.26 In the present context, the Bank should reexamine its apparent reluctance to finance advanced overseas training and its assumptions regarding relative rates of return to different levels of educational attainment. A former head of the Harvard Institute for International Development has noted that the highest (astronomical) rate of return ever experienced in Indonesia was generated by the investment in advanced degrees for the country's "Berkeley mafia." Without the policy management capabilities of this group, billions of dollars of Indonesian GDP growth would not have materialized. The same conclusion applies to the (few) local higher secondary schools that produced the students able to gain entry into top universities, students who later became the technocratic cadres.

5.27 The Bank's usual focus on finance ministries and the central bank might be broadened. It is unfortunate that the Bank does not work in tourism, a major potential foreign exchange earning sector in Uganda, as in other African countries. In Cambodia's case, one of the most powerful factors affecting the country's growth prospects (tourism aside) will be its accession to Asean full membership. To become a member, Cambodia must be able to undertake technical negotiations and legal steps of daunting complexity for the country's weak administrative capabilities and for the ministry of commerce in particular, which bears much of the responsibility. No donor has offered TA to the commerce ministry, nor does the Bank's TA project, which is confined to finance and the central bank. UNDP's wholesale government restructuring program has started with four pilot ministries selected for their size. Tourism and commerce are not among the four, despite their relative economic importance. It would be helpful to develop criteria for economizing on administrative capability and ranking the capacity-building targets.

Rapid response capability

5.28 Studies of postconflict experience stress the importance of rapid international action. Populations in the process of resettlement, perhaps at risk of food and health deprivation, require immediate attention. Other segments of the population may be at risk due to poorly functioning transport and other infrastructure. In the usual atmosphere of high expectations from peace, it is important to get activities moving and to control urban inflation. In recognition of these resource urgencies, Bank lending in the immediate postconflict period is typically fast-disbursing (Table 2). The overarching urgency is to start without delay activities directly tied to preventing

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resurgent conflict (such as demobilization) and activities that can contribute to acceptance and habits of accommodation (such as rehabilitation planning). The conclusion of studies of several countries (e.g., Cambodia, El Salvador, Mozambique, and Nicaragua by the Overseas Development Council) is that many important opportunities along the relief-to-reconstruction continuum were lost due to slow implementation of donor assistance activities.

5.29 Rapid-responding programs, with limited knowledge and weak absorptive capacity, are obviously at greater risk to errors, leakage, and other problems. In this uncertain but urgent context, Bank staff appear to have taken the sensible approach of identifying rehabilitation needs that can be financed with a high degree of commonsense confidence without waiting for extensive feasibility studies. In some cases, rehabilitation of facilities of less obvious economic merit was recommended for postponement. For example, highway rehabilitation typically falls into the first category, with railroads and major irrigation facilities consigned to the second.

5.30 The Bank has responded to pressures for rapid action by reducing the processing requirements for emergency rehabilitation loans and by resorting to ad hoc devices. One example is the provision of grants from Bank profits, such as, the one for Rwanda. The grant (for $20 million) was given to four UN agencies (principally UNICEF) experienced in rapid response programs to alleviate population distress. Another example is the restructuring of outstanding loan projects with undisbursed funds.

Table 2: World Bank lending in immediate postconflict years, selected countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Conflict years</th>
<th>Post-conflict years</th>
<th>Fast disbursing loans ($million)</th>
<th>Lending ($million)</th>
<th>Fast disbursing as % of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Angola</td>
<td>1975-94</td>
<td>1991-95</td>
<td>133</td>
<td>692</td>
<td>19</td>
</tr>
<tr>
<td>Cambodia</td>
<td>1970-93</td>
<td>1994-95</td>
<td>63</td>
<td>180</td>
<td>35</td>
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<tr>
<td>El Salvador</td>
<td>1981-92</td>
<td>1992-95</td>
<td>0</td>
<td>104</td>
<td>0</td>
</tr>
<tr>
<td>Eritrea</td>
<td>1972-91</td>
<td>1993-95</td>
<td>25</td>
<td>25</td>
<td>100</td>
</tr>
<tr>
<td>Haiti</td>
<td>1991-94</td>
<td>1995-96</td>
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<td>1991-93</td>
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<td>1993-95</td>
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<td>1994</td>
<td>1994-96</td>
<td>220</td>
<td>439</td>
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<td>1971-79</td>
<td>1980-81</td>
<td>73</td>
<td>91</td>
<td>80</td>
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<tr>
<td>Uganda (86-87)</td>
<td>1980-85</td>
<td>1986-87</td>
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<td>14</td>
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a The first peace accord in Angola was signed in 1991 but was never implemented. Peace finally came to Angola in 1994, with a UN-brokered agreement. Since Bank assistance to Angola continued during the period of resumed fighting, the study uses the years 1991-95 to show Bank lending in the immediate post-conflict years.

b The fall of Idi Amin ended one period of conflict only to begin another with the regime of Obote. Peace came in 1985, when Yoweri Museveni came to power.

Source: Data from World Bank MIS

5.31 There are constraints on these instruments: We are told that the Bank had recently increased the processing time (by around one month) for restructuring amendments to existing loans, following a decision requiring all such amendments to be submitted up the ladder to the Board. In a number of cases, of course, there were no such open loans and there may have been no previous lending history.

4 See Bell and Halevy (1995).
5.32 There are cases where Bank action is blocked by the existence of arrears that must be cleared before the Bank can extend any new credits. The problems of arrears clearance and of options for reducing debt burdens of a number of least developed countries are now being studied by the Bank.

5.33 The allocation of grants, in amounts large enough to be pertinent, would raise problems since Bank profits have been the source of needed increases in the Bank's reserves and of Bank contributions to IDA. Yet, it is tempting to look for a deus ex machina by proposing the Bank establish a special trust fund for postconflict interventions. While the outlook for attracting substantial incremental funds from many donor countries at this time is poor, some donors might be tempted by a proposal for a relatively "small" fund that aimed at giving the Bank the ability to respond quickly and flexibly. The fund could operate on a high-gearing basis, putting up some modest percentage of the requirements for a particular response, to be leveraged by bilateral contributions, say on a five to one basis. An earmarking of say $25 million a year from Bank surplus would generate a significant fund, which could greatly enhance the flexibility of Bank intervention. The fund might focus on countries where the Bank has no portfolio restructuring option. The applications might include jump-starting a demobilization program, seed money for a demining program, immediate provision of technical assistance in rehabilitation planning, grants for special situations like the Gaza and Rwanda instances, emergency import financing for entities where rehabilitation is feasible but state reformation, or state membership, remains to be accomplished. The fund might be replenished through regular lending and concessional assistance once normalcy returns.

Nonmember successor states

5.34 To initiate recovery work in some areas or successor states that are not formal members, the Bank has been able to develop ad hoc loan or grant arrangements. The examples of the grants to the former Soviet Union and the Gaza/West Bank, and the credit to Eritrea, initially assumed by Ethiopia and then transferred to Eritrea when it became a member, illustrate flexibility. They also are exceptional cases not likely to serve as models. In the interest of prepositioning itself for rapid response in cases where a successor state is obviously gaining international recognition but has yet to achieve membership, the Bank could explore possible willingness of bilateral donors, or countries with special relationships to the country in question, to extend interim guarantees. Options for the modalities for such arrangements might be worked out as models, with the particulars to be defined on a case by case basis, assuming there is a willing guarantor.

Reestablishing property rights

5.35 The legacy of conflicting claims to land and structures is one of the thorniest economic cum political problems in postconflict situations and deserves special mention. The Bank has considerable experience with the design and financing of programs for clarifying and issuing land titles. Normally, such programs extend for many years, even where there is no fundamental cleavage in the society pitting groups of land claimants against each other. Clarification and reestablishment of property rights, and settlement of disputes, can play a major role in political reconciliation, quite apart from its importance as collateral for farm credit programs. If it were feasible to develop short-circuit methods for rapid implementation of property rights programs, assistance in this area could make important contributions.
Demining

5.36 Holtzman has proposed an active Bank role in demining. A reexamination of the problem of demining as a subject for Bank attention is underway. In cases such as Angola, there can be no doubting that demining of large areas is a sine quo non for the country's recovery and long-term economic development. Without any special knowledge on this subject, we can do little more than endorse Holtzman's proposal for searching for better technical solutions and for undertaking other measures to attack this serious humanitarian and developmental problem. Continuing personal injuries aside (especially poignant in the case of countries like Cambodia where many of the weekly injured are children), demining of unusable areas is equivalent to desalination, or the clearance of malarial swamp, as requirements for opening arable land to production.

5.37 The main difference or stumbling block appears to be in the cost. We would add one suggestion to Holtzman's ideas. The oft-quoted UN figure of $500-$1,000 for the removal of one mine appears to put the mine removal problem beyond any conceivable accomplishment. The numbers should be challenged. The cost of mine removal apparently varies greatly depending on the kinds of mines in place, the terrain, the effectiveness of current technology in identifying location, and the effectiveness of the planning and execution of removal programs. Any average over the wide range of costs masks the high feasibility of removal programs in many "easier" areas. Mine removal is apparently mostly a labor-intensive activity, although it requires very careful training and supervision. Up-front costs may be high, but marginal costs probably low in most of the countries at risk. A better fix on financial feasibility might put the demining problem in a different light.

Establishing a formal Bank policy

5.38 The Bank's formal policy on reconstruction, OD 8.50, pertains to natural, not manmade disasters. Although it mentions civil war in passing, the OD contains little that relates to the consequences of armed conflict, state failure, or genocide. Several staff members thought that the Bank would benefit if the response pattern of personal initiative, ad hoc solutions, and informal exchange were sanctioned and strengthened by a formal policy, especially if the policy defines and widens the Bank's role in this area. Defining a clear policy stance would complement the establishment of a dedicated unit within the Bank and help make staff effort more productive in the difficult environment of postconflict operations. In due course, a handbook might be helpful to facilitate Bank work in the new reconstruction era.

The role of women

5.39 We have stressed the particular legacies these conflicts, especially the most drawn-out and vicious, have left for the surviving women of the societies. Widow-headed households form an especially disadvantaged and very numerous class. Besides their manpower deficit, they may be further disadvantaged by traditional legal norms that limit their property rights, and by the extremes of trauma to which they are often subjected in these conflicts. All rural reconstruction activity, agriculture extension, rural credit, irrigated cultivation, health and education, safety net services, and so on, must be designed to take these major demographic and psychosocial changes into account. The importance and complexity of "women in development" in the postconflict environment exceeds its importance as a dimension of development in relatively stable societies. It does not appear that the Bank (or most development institutions) has focused its WID resources on
the special requirements of these situations. A thorough examination should be undertaken of the
lessons learned (or lessons that should be learned) from the experience of international agencies and
NGOs working with women's problems postconflict. Guidance should be developed for staff
responsible for projects, or policy analysis, respecting reconstruction activities, such as those listed.
Finally, there is a reasonable presumption that empowerment of women in civil society will usually
strengthen the pressures for conflict avoidance. In some societies, increasing the role of women in
governance could be one of the most powerful contributions development could make toward
peaceful dispute resolution.

Social reconstitution and cultural rehabilitation

5.40 The importance of this last category in the postconflict sequence cannot be exaggerated in
cases where the social fabric has been shredded. In the worst cases, cultural and religious structures
may be destroyed; intellectuals and people especially skilled in the arts greatly reduced in number;
libraries, schools and universities ruined, and so on. As stressed above, the networks of civil society
structures may have been torn apart, and preconflict norms and patterns of social relationships
discredited. All rehabilitation activities that create new institutions, new local NGOs, participatory
processes that did not exist traditionally, are engaged, perforce, in social reengineering. We have
already stressed the responsibility that places on the Bank and others to ensure that domestic policy
ownership is pursued and that appropriate social science analysis be used in designing such
activities.

5.41 We have suggested that the Bank consider providing support to "think tanks," in the
interest of encouraging local policy ownership. Such institutions might also address cultural
problems. Cultural rehabilitation otherwise involves subjects in which the Bank normally does
not work. Nevertheless, the Bank should be alive to opportunities that may arise in the context of
its normal scope. For example, rebuilding of cultural institutions should get adequate priority as
a claim on recurrent budgets. They should be eligible for assistance from social action fund
projects, if local communities give them a high priority.

Procurement

5.42 In postconflict situations, control over procurement can become a new source of division
and can change the relative financial positions of rival factions in the successor government. In
the interests of speed and control, the Bank at least in some cases (e.g., Lebanon) has set up a
separate procurement unit dedicated to purchases under the Bank's loans. Rent-seeking or
factional favoritism attached to general government procurement might be reduced if such
procurement (above de minimis amounts) were reserved to a centralized unit, which was then
authorized to handle Bank-financed procurement, following procedures that would have to be
applied commonly to all its procurement, Bank and otherwise.
6. **Conclusions and Recommendations**

6.1 The Bank was conceived as the preeminent international institution for reconstruction. Its credibility and comparative advantages argue for it having a lead reconstruction role. A clear proactive policy would enable the Bank to capitalize on its comparative advantages, and to deal with operational aspects of reconstruction in an enhancing framework. The following recommendations provide a road map toward such a role. The study concludes that this role should be focused on the postconflict phase. However, this requires a presence over the entire conflict cycle and has implications for the Bank's normal development role.

6.2 *Assign high priority*

- Based on this study and other Bank and non-Bank material, the Bank should define and adopt a formal policy on its role in pre- and postconflict situations. (Para 5.38)

- In the light of this policy, the Bank should reexamine relevant operational directives that impinge on the implementation of its activities in such situations. (Para 5.7)

- To set the policy in motion, and to undertake specific recommendations that the Bank decides to adopt, it is essential to set up a focal point or unit to address the particularities of failing states and postconflict reconstruction. Such a unit would signal to the international community that the Bank recognizes the distinctive nature of these problems and is gearing up to play a role appropriate to its mandate. (Para 5.17)

- The unit would perform several functions to address problems identified in this study:
  
  (a) Develop a central data bank on relevant experience, evaluation, and scholarly work.

  (b) Promote exchange and orientation among Bank staff working on these situations.

  (c) Organize training programs; for example, field resident staff might benefit from orientation in negotiation and consensus-building techniques to deal with policy or project situations that must bring together former belligerents.

  (d) Serve as a ready resource for staff responsible for countries that may fall into conflict in the future; assist in preparation of special internal analyses of countries "at risk."

  (e) Define a research and evaluation program to advance the state of the art in the understanding of these problems.

  (f) Act as a center for coordination with other offices/machinery now emerging in the international community to address the same range of issues.

  (g) Develop a roster of outside specialists.

  (h) Evaluate the Bank's postconflict experience, assemble that experience in a systematic manner, and draw lessons for future work.
(i) Explore with UNHCR and others the development of joint or coordinated policies and improved modalities for coordination and collaboration. This should be done in a manner that does not create new bureaucracy or add to the transaction costs of the international system; that is, it should be based on decentralized arrangements, on a case-by-case basis, under broad enabling arrangements at policy levels.

6.3 Allocate resources

- Staff resources should be allocated to countries in which Bank lending is not possible, since the payoff can be high when reentry occurs, allowing the Bank to move swiftly.

- The advantages of resident missions (as set forth in "The Location of Bank Work: Background Materials," August 1995) are especially valuable in postconflict environments. Close knowledge and monitoring of conflict environments can be much more effective if conducted by resident staff (para 5.18). Hence, resident mission platforms should be maintained in failing states within constraints of security considerations. (Para 5.16)

- The rank or eminence of persons representing the Bank should be suitably elevated when there are high stakes in negotiations with governments during crisis periods. (Para 5.23)

- Just as the requirements of the relief/resettlement end of the spectrum warrant the development of specific institutional expertise, so it might be useful to develop a cadre of field personnel who specialize in the problems of postconflict states. The subject has drawn many scholars in political science and a handful of economists. It lacks specialized practitioners. (Para 4.33)

- The Bank should consider setting up a trust fund for postconflict interventions based on contributions from surplus funds, plus high-gear donor contributions (para 5.7). A grant instrument would provide the added flexibility and fast response capability that is essential in the immediate postconflict period. The fund might focus on countries where the Bank has no portfolio restructuring option. The applications might include jump-starting a demobilization program; seed money for a demining program; immediate provision of technical assistance in rehabilitation planning; grants for special situations; emergency import financing for entities where rehabilitation is feasible but state reformation, or Bank membership, remains to be accomplished.

6.4 Preconflict role

- Bank policy and projects have important effects on the underlying causes of instability. Attention to such consequences can decrease the likelihood of adverse effects and increase the possibility of impacts enhancing both economic growth and sociopolitical reconciliation. At a minimum, the Bank should take care to ensure that its activities do not result in unintended consequences that exacerbate social divisions. (Paras 3.4 and 5.14)

- The role of the international system in conflict avoidance is complex, involving diplomacy and concerted political action. However, social division is often fed by economic policies, resource scarcities, and other underlying factors that fall within the Bank's normal scope. To the extent that Bank activities in countries "at risk" of ethnic conflict can help ameliorate
such problems, through attention to distributive policies, participation of excluded groups, and the like, the Bank should place high priority on taking such problems into account. (Para 3.5)

6.5 Assist in resettlement

• Although the Bank has no mandate for emergency relief, it should keep a watching brief on activities at the relief end since the design and implementation of relief work can have lasting impact on the reconstruction process. (Para 4.16)

• The Bank is in a good position to take a lead in developing a new model for handling the resettlement and renormalization process (para 4.13). The model would center around the preparation for reentry, the development of assistance and program components dovetailing with the general country rehabilitation activities of the first two to three years, and a process of refugee participation in program development. The Bank's recent work on demobilization uses an innovative approach to address the reinsertion and reintegration of a population cohort that has been withdrawn from society for some time. With suitable adaptation, the work might also serve as a planning tool for collaboration with UNHCR. (Para 4.21)

6.6 Assist in demining

• In cases such as Angola, there can be no doubt that demining of large areas is a *sine qua non* for the country's recovery and long-term economic development. The Bank cannot ignore this economic and social problem. It should provide financial assistance and encourage the search for better technical solutions. UNDP's cost estimate may be misleadingly high, giving an unfortunate impression of infeasibility. (Para 5.36)

6.7 Strengthen the knowledge base

• In its content and sequencing, a postconflict economic policy agenda must be designed to take account of the unusual distortions in economic circumstances that are typically present, and of the interactions it may have on the prospects for sustaining the resolution accords. (Paras 4.45 and 4.49)

• Local think tanks, perhaps staffed with nationals drawn back from overseas employment, strongly supported by the Bank, and perhaps assisted by a twinning relationship with a prestigious foreign research institution, can contribute to the development of new knowledge, to public debate and a sense of local policy "ownership," and to the cultivation of a professional ethos in public affairs. Such an institution might approach self-sufficiency relatively quickly by becoming a local contractor for donor evaluation work. (Paras 5.19 and 5.31)

• The Bank should promote a learning process among countries emerging from conflict, along the lines of a seminar the EDI is planning on population displacement in Angola. The notion of learning from comparable situations could be carried a step further, perhaps by EDI in conjunction with the Bank's research program, into the area of conflict avoidance. There are
a number of plural societies that have managed to keep sharp ethnic and regional divisions from deteriorating into conflict. An examination of those experiences, especially in comparison with the experience of numbers of failed multiethnic situations, could be fruitful. (Para 5.21)

- The Bank should examine lessons that can be learned from the experience of international agencies and NGOs working with the extraordinary nature of women's problems post conflict. Guidance should be developed for staff responsible for projects, or policy analysis, respecting reconstruction activities related to women. (Para 5.39)

6.8 Promote capacity building

- In their desire to push economic recovery on many fronts at once, the Bank and other donors have at times placed too great an implementation load on the government. In effect, the capacity to build capacity has been the ultimate limitation; and the development assistance system has not produced an effective strategy that takes this limitation into account. (Para 5.27)

- A powerful diaspora mobilization program could make a substantial contribution to the reconstruction of countries that have such communities of overseas compatriots (para 4.29). For the Bank's own institution-building projects, or for the areas of economic policy in which the Bank has a strong interest, it might be interesting to consider a small internal scheme in which staff from the countries in question are seconded back home for medium-term tours during the jump-starting period. (4.30)

- Given the extreme needs of the postconflict societies, it is worth reexamining TA instruments and techniques used in the past with a view to adjusting them to the peculiar requirements of postconflict situations, for example, the practice of providing seconded staff to fill civil service positions in countries open to such arrangements. (Para 4.32)

- The Bank's usual focus on the finance ministry and the central bank should be broadened to include other ministries, for example, commerce, that have important roles in recovery and rule setting. (para 5.24). It is unfortunate that the Bank does not work in tourism, a major potential foreign exchange earning sector in several countries at issue. (Para 5.27)

- The Bank should reexamine its apparent reluctance to finance advanced overseas training, especially in cases of massive human capital loss, and its assumptions regarding relative rates of return to different levels of educational attainment in cases where intellectual capital has been decimated. (Para 5.26)

6.9 Other priorities

- Clarification and reestablishment of property rights, and settlement of disputes, can play a major role in political reconciliation. Assistance for developing short-circuit methods for rapid implementation of property rights programs could make an important contribution toward reconciliation. (Para 5.35)

- Where noncombatants have been targeted and where populations have suffered unusual trauma, health projects should include mental health components. (Para 4.12)
In cases where cultural destruction has been extensive, the Bank should take advantage of opportunities to encourage cultural rehabilitation, for example, in helping determine budget allocations or establish criteria for eligibility under social action fund projects. (Para 5.42)
**Annex: Factors Determining the Scope for Continuing or Resuming Lending to Countries Emerging from Conflict**

The text contains two typologies designed to provide frameworks for distinguishing among crisis and postconflict states for analytic purposes. Another categorization could be made to indicate the degree of difficulty the Bank would face in efforts to sustain or resume rehabilitation and reconstruction programs. The Bank needs special flexibilities and instruments to be able to operate in situations where there is some degree of ongoing conflict, where there is no legitimate authority or where civil authority is ineffective, where there is a large debt overhang, or where international interest does not go beyond the provision of humanitarian aid to encompass a sustained effort at conflict resolution or debt clearance. Where all these factors are unfavorable, the obstacles may in some cases be insuperable.

The following illustrative scheme places countries or jurisdictions in a matrix of four factors that (inter alia) determine the legal and effective scope for continuing or resuming lending activity. The categorization serves to illustrate the relative status of the states involved. Some refinement of terms would obviously be necessary. For example, there are significant differences of degree and geographic scope in ongoing conflicts. Conflict which is low-level or confined to small or remote areas may not pose dangers to Bank staff or otherwise inhibit Bank activities and projects. Civil authority may be fully legitimate, have only partial capability to maintain law and order, but be effective enough to allow some Bank activity to proceed.

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<th>Free of large debt?</th>
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Bibliography


Bank Staff Interviewed

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