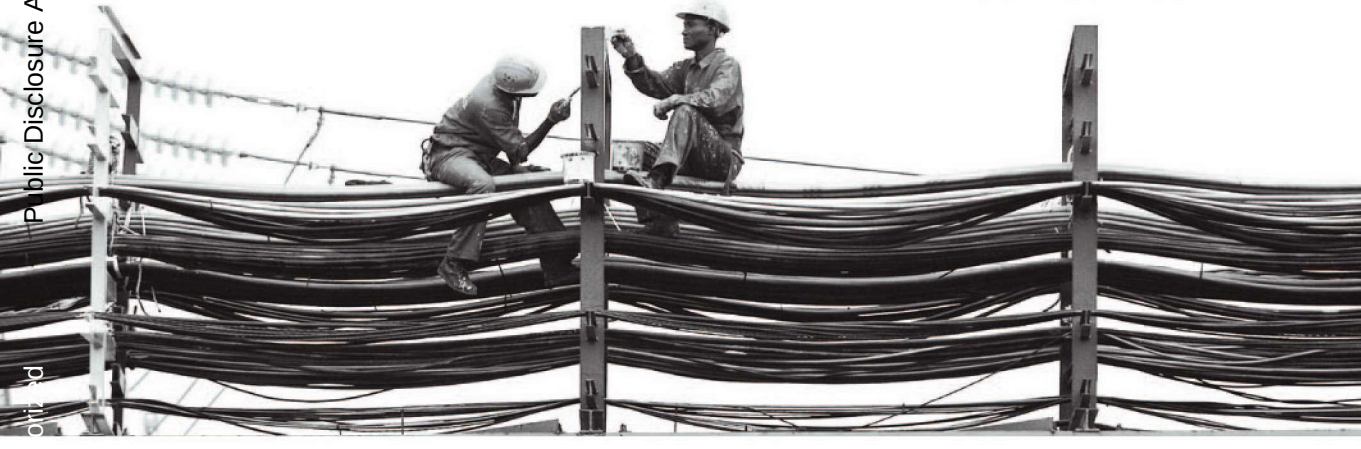
Issue #9

handshake

IFC's quarterly journal on public-private partnerships

In this issue

RECONSTRUCTION + PPPs



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IFC Advisory Services in Public-Private Partnerships
2121 Pennsylvania Avenue, NW • Washington, D.C. 20433, USA
+1 (202) 458 5326/7 • ifc.org/ppp • handshake@ifc.org

Editorial
Tanya Scobie Oliveira • Alison Buckholtz

Art & Design
Jeanine Delay • Victoria Adams-Kotsch

Disclaimer

Letter from IFC

In countries undergoing reconstruction, "Humanitarian goals are important; relief is important—but it's the economic piece that matters," as Melanne Verveer, former U.S. Ambassador-at-Large for Global Women's Issues, told *Handshake* editors. "You've got to start reconstruction by creating the mechanisms to have sustainable economic opportunity."

But what to fix first? How to avoid "navigating by need," as economist Paul Collier says, or by idealism? Which regulatory issues demand priority? Are there proven methods to ensure money is spent as its intended? By what process can offers of support be coordinated? Is it possible to avoid the relapse into violence?

For countries rebuilding after turmoil, there may always be more questions than answers. This issue of *Handshake* offers lessons from countries that have successfully coordinated the agendas of early relief, economic recovery and reconstruction, and longer-term development. Experts from international organizations, government, academe, and the World Bank Group talk about the importance of early investment in critical infrastructure and the growing role of public-private partnerships. *Handshake* authors and interviewees also consider the practical steps needed to create the right environment for investment and growth, the importance of donor coordination, job training, and education, and the role of women in creating the social contract between a state and its people.

We welcome your own answers to the difficult questions posed in the following pages. Write to us at handshake@ifc.org.

Laurence Carter, Director

Tanya Scobie Oliveira, Editor

IFC Advisory Services in Public-Private Partnerships

Features

Investment Climate

Economics

Infrastructure

In this issue

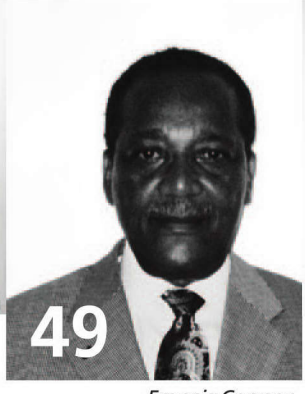
Columns

Reintegration

Interviews

Contributors

Melina Heinrich



Francis Cooper

Anke Hoeffler

Pierre Guislain

Gonzalo Araya
is an economist in the Sustainable Development Department of the World Bank, based in Washington, D.C.

Pierre Bernheim
is an associate in the international law firm of Gide Loyrette Nouel, specializing in PPPs and project finance.

Peter Buckland
is an education consultant on education policy in fragile and conflict affected societies.

Ananda Covindassamy
is Managing Director of Sequoia Energy Markets Finance.

John D. Crothers
is a partner in the international law firm of Gide Loyrette Nouel, specializing in PPPs and project finance.

Jeff Delmon
is a Senior PPP Specialist for East Africa Finance and Private Sector Development, based in Dar es Salaam, and on the Global Expert Team on PPPs at the World Bank.

Carrie Farley
is a Senior Investment Officer for IFC Advisory Services in Public-Private Partnerships, based in Dubai, UAE.

Pierre Guislain
is Director of the Investment Climate Department of the World Bank Group, and co-leads IFC's Fragile and Conflict Situations program.

Melina Heinrich
is Assistant Coordinator of the Donor Committee for Enterprise Development, based in Cambridge, U.K.

Jane Jamieson
is a Senior Water Specialist for IFC Advisory Services in Public-Private Partnerships, based in Washington, D.C.

Andrew Jones
is an Operations Analyst for IFC Advisory Services in Public-Private Partnerships, based in Dubai, UAE.

Ryan T. Ketchum
is a Partner in the Energy and Infrastructure team at Hunton & Williams LLP, based in London.

Marie Marconnet
is a manager at Castalia Strategic Advisors in Washington, D.C.

Mike Mundy
is President of Mike Mundy Associates, a management consulting firm for senior port executives, based in London.

Carmen Niethammer
is responsible for Strategy and Knowledge in IFC's Women in Business Program.

Mary Porter Peschka
is IFC's Senior Manager for Advisory Services in Latin America and the Caribbean.

Jordan Schwartz
is Manager for Infrastructure Policy at the World Bank.

INTERVIEWEES

Francis Cooper
is Chairman of the Board of Directors of the Liberia Electricity Corporation.

Anke Hoeffler
is a research officer at the Centre for the Study of African Economies and a research fellow at St. Antony's College, University of Oxford.

Claude Kayitenkore
is Energy Director of CEPGL Organization for Energy in the Great Lakes Countries, based in Burundi.

Melanne Verveer
is Director of Georgetown University's Georgetown Institute for Women, Peace and Security, and was the U.S. Ambassador-at-Large for Global Women's Issues until early 2013.

Partnerships for peace

In his March 1996 inauguration speech in Freetown, Sierra Leone, President Ahmad Tejan Kabbah acknowledged the challenge of spurring economic growth in a country afflicted by conflict: "The tasks ahead are monumental… our country stands virtually in ruins, with thousands slaughtered, soldiers and civilians alike, tens of thousands maimed and mutilated, and hundreds of thousands displaced, traumatized, living in poverty, diminished in spirit and body, and the country's moral, physical, and social infrastructure destroyed."

Beyond the horrors of conflict itself, its lingering impact on economic growth is unsurprisingly and overwhelmingly negative. The 2011 World Development Report highlights that no conflict-affected state has achieved a single Millennium Development Goal, while Paul Collier's analysis indicates that states suffering from conflict experience a reduction in economic growth of 2 to 3 percent per year of conflict.

In addition, the link between conflict and poverty is growing more pronounced, demonstrating that poverty is both a symptom and a cause of

By Carrie Farley & Andrew Jones

Photo © Graham Crouch/World Bank

conflict & growth

The relationship between conflict and economic growth is not a one-way street. According to research from Paul Collier and Anke Hoeffler, low-income states at the tenth percentile of per capita income are approximately twice as likely to suffer conflict as those at the fiftieth percentile. In addition, states that have experienced conflict, and its associated economic impacts, are nearly three times more likely to return to conflict within five years than states previously unaffected by conflict. This cyclical relationship can trap states in a vicious spiral of economic regression and further conflict.

national fragility. While states that successfully break the conflict cycle grow quickly, those that do not are mired in increasingly bleak circumstances. In 1990, 20 percent of the global poor lived in conflict-affected states. By 2011, it rose to 50 percent. By 2025, the Overseas Development Institute expects that over 80 percent of the global poor will live in conflict-affected states. As a result, conflict-affected states have become a key focus for international donors, consuming more than one-third of total development aid.

Creating economic opportunity after conflict reduces the risk of resurgent conflict and promotes state-building. However, selecting and implementing the right policies to enable economic growth is a task that has eluded most developed countries for the last several years. After months, years, or decades of inter- or intrastate violence and conflict, creating such conditions is even more challenging—yet it is all the more vital, given the far-reaching repercussions of being trapped in the conflict cycle.

Conflict-affected states have become a key focus for international donors, consuming more than one-third of total development aid.

THE NEED FOR AN INFRA-VENTION

Basic infrastructure services create opportunity and spur economic development. But conflict-affected states are often hindered by damaged and destroyed infrastructure, and a lack of capital funding, technology, and skilled management to turn plans and strategies into power plants and roads. Increasing access and transforming infrastructure service delivery amid fiscal and capacity constraints can lead states to move beyond traditional public provision of infrastructure to consider other service delivery models.

Many developed and developing countries have leveraged private sector expertise in the provision of infrastructure services through public-private partnerships (PPPs). Appropriately designed PPPs can help governments in conflict-affected states increase the availability and efficiency of service delivery, and in some cases mobilize private capital for infrastructure investment. By capturing the innovation and efficiency that private sector involvement can bring, PPPs can help overcome the cycle of low investment and low productivity that may contribute to resurgent conflict. Most critically, PPPs focus on providing access to basic services (power and water), access to markets (transport and logistics), and access to finance (telecommunications), all essential elements in helping post-conflict economies to start moving again.

Sustainable PPPs, however, require careful structuring to delicately balance national development and infrastructure needs with the ability to attract and incentivize experienced private sector partners. Such PPPs recognize the need for flexibility in rapidly changing circumstances and focus on the unique challenges that different states face. One particular PPP model that has demonstrated replicable success in post-conflict environments involves an innovative use of donor funds to develop projects that can be attractive to the private sector, as with Liberia's

quest to restore power to its citizens. By leveraging donor funding to enhance transaction viability in challenging circumstances, PPPs can provide an output-based mechanism for donors to support infrastructure development and the broader state-building process.

An efficient public sector is a prerequisite for a well-functioning state. However, developed country experience has shown that the private sector is sometimes better positioned to deliver necessary infrastructure services. In addition, the expertise and innovation that can be gained from well-designed private sector participation is perhaps even more valuable in a fiscally and capacity-constrained post-conflict environment.

Working together, the public and private sectors can deliver basic infrastructure services to meet critical public needs, resulting in increased opportunities for economic growth. By assisting conflict-affected states in delivering on their promises, the private sector can play a leading role in helping states remain on the road to peace.

where do I sign?

REVIEWING THE SOCIAL CONTRACT

Underlying any possibility for economic growth is a well-functioning state that, at its most basic level, safeguards its citizens' well-being. The Organization for Economic Cooperation and Development outlines four interrelated objectives of a functioning state:

- Providing security and justice.
- Raising and managing revenues effectively.
- Encouraging economic development and employment.
- Delivering basic services such as health and education.

The tacit agreement to deliver upon these expectations forms the basis for a social contract between the state (the government) and society (the people) that underlies stable institutions. In conflict-affected states, the government's repeated failure to deliver on these expectations may erode society's belief that the state will ever be willing or able to fulfill its side of the bargain. When the social contract is broken, there are broad implications for a state's economic performance and stability. Disaffected citizens may choose to relocate for better employment opportunities ("brain drain"), while businesses may choose to invest elsewhere, causing capital flight. Those who stay may feel less bound by laws and societal conventions, potentially resorting to activities ranging from tax evasion to violence to provide for themselves or their families.

Reestablishing the social contract requires a state to deliver upon the expectations of its citizens. The provision of basic infrastructure services, including through PPPs, is a key condition for economic development, and a critical step towards mending the social contract and promoting stability and growth in post-conflict states.

Which post-conflict ppp?

By Jeff Delmon

"The test of success is not what you do when you are on top," as U.S. Army General George S. Patton Jr. famously said. "Success is how high you bounce when you hit the bottom."

In the context of countries that need rebuilding, public-private partnerships (PPPs) can lend extra oomph to the bounce, boosting post-conflict countries in cases where:

- Government doesn't have the money, skills, or people to deliver good services; or
- Even if it had the money, it couldn't spend it well or fast enough, and/or
- Even if it could invest the money, any follow-up would be insufficient (see first bullet).

But once investors come to the table, operating in post-conflict countries still poses unique challenges. For example, laws and regulations are often weak or not enforced, leaving investors unprotected; and in most cases, if government can't afford to pay for services, neither can the people.

WANTED: CRYSTAL BALL

Investors and lenders assess projects based on the current condition of the country in question. We all want those investors and lenders to believe in the prospects of the country, to bring skills and money to add bounce—that is, unless we are shareholders in the investor or lender companies, or if they are using our pensions or savings to make these investments. In that case, we want them to be conservative, cautious investors.

> The perfect may be the enemy of the good; the long-term may be the enemy of the now.

Classic approaches to PPPs result in investors pricing risk over the 20 to 30 year life of the project. Wishful thinking aside, the current condition of the country is the only real basis for such long-term analysis and the price of the risk will be accordingly high. But does anyone really want to lock a post-conflict nation into a 30-year PPP project that is priced based on its current troubles?

WALK FIRST, THEN RUN

In most cases it is prudent for the post-conflict country to achieve stability before entering into the sort of long-term arrangement embodied in classic approaches to PPP. There are exceptions, however. Telecommunications, natural resource concessions, ports, and airports may provide foreign currency revenues and present business models that are either lucrative enough or insulated enough from the government and the domestic economy to justify long-term PPP investments. They may also facilitate revenue/refinancing gain sharing structures that will help tilt the benefits in the direction of the government later, when the country is no longer such a risky place to do business.

Another approach is shorter-term PPP arrangements that are focused on improving capacity. For example, private expertise can be brought in through management contracts, to reinforce domestic utility capacity. Then, once the utility is in a stronger position, a more comprehensive PPP can be considered. There are a variety of such PPP structures focused on capacity development, but without much private investment.

When a post-conflict country needs large capital investments, PPPs can be viable in cases where revenues are based on availability payments (bulk payments for services from—or guaranteed by—a creditworthy entity). For example, payments might come from a company that receives

foreign currency revenues from natural resource exploitation; from the government (backed by a guarantee from a donor or IFI); or from a creditworthy foreign government (that promises to pay for the services for a period of time until the country gets back on its feet). After all, wouldn't aid be better spent through PPP structures where the recipient government would be assured of service delivery and not just aid spent?

P(NGO)Ps?

NGOs will often agree to provide services to the government under a form of PPP. I say "a form" since NGOs are rarely run like private companies. If they are not run like private companies, then they may look for much lower rates of return and may provide grant funding. This can be an attractive option, and in many cases the NGO has the technical and social skills needed to deliver services in a post-conflict country—skills that the private sector might not have.

However, sustainability may be an issue. NGOs, like development partners, tend to focus on a problem, then move to the next problem when constituents' attention shifts (when CNN broadcasts the next big issue). Also, NGOs may not have the skills to enter into a PPP arrangement, to understand the obligations, or negotiate the details. While they may have technical skills, their commercial/financial credentials may be lacking.

If an NGO is run commercially, and can approach a problem with the right technical skills and a focus on efficiency and sustainability, then other complaints will be raised—namely, that the NGO is squeezing out private competition.

THAT'S ALL, FOLKS

It's important not to get tangled up in definitions of what is PPP and what is not, especially in post-conflict countries. It may be more effective to use short term or more market responsive PPP structures, rather than a classic long-term PPP. Big may not be better; instead, create legal and regulatory space and provide seed funding for small scale solutions provided by the private sector. A good example would be mini-electricity grids funded by communities or linked to large off-takers, such as in Cambodia, which allows tariffs based on local cost of delivery rather than a national fixed rate.

Community water schemes are another good model, such as those in Tanzania, which empower local communities when negotiating with private companies providing boreholes, pumps, and pipes. The perfect may be the enemy of the good; and the long-term may be the enemy of the now. It's all about the bounce.

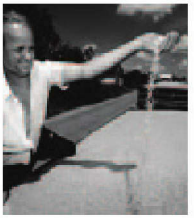
CODE OF CONDUCT

Principles for responsible investment

Donors aren't the only international players who can help post-conflict countries recover—there's plenty of room for the private sector. Beside providing financing, technology, and skills, businesses can help protect human rights, labor standards, and the environment while reducing corruption through responsible business practices. The United Nations Global Compact, a strategic policy initiative that provides a voluntary code of conduct for businesses, provides a framework for supporting socially responsible business practices.

A recent meeting on the UN Global Compact, produced in partnership with Principles for Responsible Investment, focused specifically on the challenges of implementing responsible business practices in fragile environments. One of the outcomes was agreement that the private sector will be formally included in the development agenda after 2015, when the Millennium Development Goals expire. This will help business play a more active role in sustainable development in post-conflict settings, not only in terms of trade or job creation but also in promoting transparency and good governance.

OPEN FOR BUSINESS



A favorable investment climate speeds post-conflict recovery

By Pierre Guislain

One of the key challenges for governments in post-conflict countries is to provide employment opportunities to establish stability and lift people out of poverty. As the private sector is the key engine of job creation, accounting for 90 percent of all jobs in the developing world, it is critical for policymakers in these countries to encourage entrepreneurship. The best way to do this is through a regulatory environment conducive to the growth of businesses and employment creation—an environment that promotes the rule of law, competition, predictability, and transparency.

The urgent needs and competing priorities of a post-conflict period present major challenges to governments. But this phase also offers unique opportunities for broad, fundamental reform because the threat of relapse into conflict creates a sense of urgency requiring critical economic decisions. Typically there is also broad consensus in society that "things are broken."

This creates a political environment favorable to change—allowing governments a window of opportunity for implementing important investment climate reforms. Such reforms—if accompanied by broader policies that promote good governance and security—can bring large pay-offs in terms of economic growth and stability. They can encourage businesses to transition from the informal to the formal sector, generating additional tax revenues and reducing opportunities for corruption.

Supporting reconstruction of infrastructure

The physical destruction of infrastructure is one of the most visible effects of conflict. But to grow, the private sector needs a minimum level of infrastructure. Access to power is the number one obstacle for firms in most post-conflict countries, according to Enterprise Surveys conducted by the World Bank Group. Without reliable sources of energy, along with essential trade-related infrastructure such as roads and ports, economic growth potential will be stifled.

The private sector also fills in the gap by suppling basic infrastructure such as power generation capacity or operating a port terminal. To facilitate this, governments should create a conducive legal and regulatory framework for private participation in provision of infrastructure and help eliminate constraints to the development of private service providers. These can play a key role in the absence of fully functioning states, established public utilities, and major private investments.

Economy-wide investment climate reforms

Following a period of conflict, the legal and regulatory framework for business operation typically becomes outdated, requiring a complete overhaul. The needs range from creating or improving investment laws, re-establishing or improving business registration process, addressing excessive licensing requirements, and simplifying tax codes and tax collection, to reducing access to finance constraints through the creation of property and collateral registries and credit bureaus, restoring commercial justice, and improving trade logistics. Because the ways of the pre-conflict regime have become obsolete and a new framework must be articulated, there is potential for a less corrupt and more private sector-friendly regime.

For each country the priorities will be different, and governments need to face tradeoffs between what is desirable and what is absolutely necessary. To judge what is most critical, governments should examine the constraints on restoring investments and production, rather than attempt to replicate institutions from the past or from best practice economies. In addition, an early emphasis on simplification of business regulation has proved effective in post-conflict environments (characterized by weak government capacity) and can help create investor confidence. Finally, some areas—such as commercial justice—will inevitably require longer-term, comprehensive reforms, but alternative methods of dispute resolution, such as arbitration or mediation, can play an important role in the interim.

Doing Business indicators

For many post-conflict states, the Doing Business (DB) indicators have proven a particularly powerful reform tool. The DB indicators provide a broad overview of business regulations and help governments identify reform opportunities, some of which can be implemented quickly. The report is updated annually, allowing progress to

be monitored. Successful early reforms can set the stage for longer-term, broader reforms.

Enabling investment in key sectors

Governments in post-conflict countries need to find the right balance between economy-wide and sector-specific reforms. They need to focus on enabling the sectors that tend to attract early investment in post-conflict countries, such as telecommunications, construction (including the cement industry and business hotels), banking, and agribusiness. To attract investments in these sectors, the government may need to adopt conducive sectoral policies, laws, and regulations, and an interim framework may be the best way to combine legal security with speed of reform. This was the experience of the telecommunications sector in Afghanistan (see following page).

Foreign investors typically value stable policies and clarity of laws and regulations—and their consistent implementation—over tax incentives or special privileges.

Generating reform ownership

Business owners are typically best suited to identify what investment climate reforms are most needed. Public-private dialogue helps these voices translate into policies. This dialogue is also particularly relevant in post-conflict states, where it can help to rebuild trust between government and the private sector. Bringing the issues for discussion in a public forum also increases transparency, limits the potential of back room deals that benefit a select few and erode public confidence, and helps identify constraints to private investment.

Attracting reputable investors

Post-conflict countries often have a poor image with investors. It is therefore essential to signal to them—through business-friendly and transparent regulation—that the country is open for business. Foreign investors typically value stable policies and clarity of laws and regulations—and their consistent implementation—over tax incentives or special privileges.

Attracting one reputable investor sends a signal to the broader investor community, increasing business confidence and generating further investment, ultimately creating a virtuous cycle of new private sector investment and activity. The presence of new investors also can enhance confidence in regulatory institutions and processes, resulting in greater legitimacy, confidence, and trust.

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POST-CONFLICT
PRAGMATISM

In 2002, Afghanistan's telecommunications system was fragmented, dilapidated, and small: the five major cities had a mere 57,000 fixed lines, and the fixed line operator was not really functional. Recognizing that telecommunications would be critical to rebuilding the country, the government prioritized development of the sector. In 2003, the government approved a Telecommunications and Internet Policy, focused on accelerating sector development. It strongly endorsed private sector participation and transparent, market-based competition. Soon afterwards, the government began awarding private sector mobile licenses, without waiting for the adoption of a comprehensive telecommunication sector reform law. IFC and MIGA supported one of the new mobile operators, Areeba Afghanistan (now part of the MTN Group). A Telecommunications Regulatory Board (TRB) was then established within the Ministry of Communications—a pragmatic first step toward more independent hands-off regulation of the sector. The TRB awarded additional licenses to new mobile and local fixed service providers and facilitated interconnection agreements. It also established regulatory procedures and processes, including stakeholder consultation on all important decisions.

These reforms resulted in increased competition in the sector. As of 2012, there were five licensed cellular network operators at the national level and 23 internet service provider licenses—bringing around $1 billion in private investment into the sector since 2006. As a result, the tariffs have fallen by 95 percent since 2002, and around 80 percent of Afghanistan's people now have access to telecommunication services. The sector employs more than 20,000 people.

Source: Adapted from "Transforming telecoms in Afghanistan," *by Bhavna Bhatia and Neeraj Gupta; Gridlines, PPIAF; and* "PPIAF Assistance in Afghanistan," *August 2012. Additional context provided by author.*

Political risk insurance

INSURING PROGRESS

Photo © epsos.de

By Mary Porter Peschka

Political risk insurance is designed to protect investors and lenders against a range of risks they may encounter, including war, civil unrest, political violence, expropriation, and other circumstances. Having insurance against these risks makes it possible for more investors to venture into markets where the perceptions of political risk are elevated and to secure funding from commercial banks at better rates and for longer tenors. Typically, this insurance is offered for both export credit/trade transactions as well as longer-term investments. In the wake of the global financial crisis and the political events in the Middle East and North Africa, investors are increasingly turning to this risk-mitigation instrument. Between 2008 and 2011, issuance of political risk insurance by Berne Union members (the leading international organization and community for the export credit and investment insurance industry) increased 29 percent.

Political risk insurance can play a particularly important role in economies recovering from conflict. Governments in these countries are often vulnerable to political risks, and because it takes time for the judicial system to rebuild itself, it may be perceived to too dependent on the government and subject to political influence. These and other factors may convince an investor that there is an enhanced risk, or that breaches of contract will not be adjudicated in favor of the investor. Private sector providers of political risk and export credit insurance typically limit their exposure in such environments, since their mandate is to maximize their profits and minimize their losses. However, public providers—including the U.S. Overseas Private Investment Corporation, France's COFACE, and China's Sinosure, as well as multilateral organizations such as MIGA, have a developmental mandate placing them in a better position to offer longer-term protection.

THE CASE FOR EXPANDING COVERAGE

However, even these public providers face constraints in mobilizing investment in countries that need it most. There are several reasons for this. First, the rules and eligibility requirements for coverage eliminate one of the most important target groups: local investors. MIGA and other public and private providers generally only cover cross-border investments and loans. For inconvertibility, expropriation, and breach of contract, local investors cannot step outside the bounds of their own country to protect themselves from actions of their own government; if an event of this type arises, those investors can and should take recourse in the local courts.

But acts of political violence (and resulting loss of income) should fall in a different category covered by insurance. In fact, since political violence is often such an urgent concern of local investors in the reconstruction period, this could be critical for them—and to those financing these investments.

The presence of political risk insurance coverage might assuage the concerns of existing investors and ultimately contribute to economic stability.

Other constraints also make it difficult or impossible to cover existing investments. While the logic against covering existing investments is the lack of development benefit from such coverage (since the investment has already taken place), there is a strong argument for the other side. In pre-conflict situations in particular, there is a serious risk of disinvestment, as investors become increasingly nervous. Such disinvestment may add fuel to the fire by increasing unemployment and harming the country's fiscal base, among other destabilizing effects. The presence of political risk insurance coverage might assuage the concerns of existing investors and ultimately contribute to economic stability.

The potential benefits of expanding political risk insurance are illustrated on the following pages.

COTE D'IVOIRE (MIGA)

After a prolonged civil crisis, economic activity in Côte d'Ivoire is on the upswing and investors are returning to help the country address its vast reconstruction needs. As evidence of this renewed but cautious interest, MIGA's exposure in the country has risen from $1.8 million in 2011 to $706 million in 2013.

The Henri Konan Bedié Toll Bridge

One of the investments being covered by MIGA is the construction and operation of a toll bridge over Abidjan's Ebrié Lagoon. This planned public-private partnership had been shelved for over 10 years, but construction is now underway, backed by equity sponsors and private and public lenders. MIGA is providing $145 million in cover against the risks of transfer restriction, expropriation, war and civil disturbance, and breach of contract for a period of 15 years. This coverage is for the equity investor and all of the project's private sector lenders as well as FMO, the development finance institution of the Netherlands. The African Development Bank is also a lender to the project.

The construction of the bridge is a high priority for the government, as Abidjan's existing bridges and infrastructure are under severe strain and unable to manage the city's growing traffic. Once completed, the new bridge will significantly reduce travel times, improve overall mobility, and alleviate chronic traffic congestion. The project will also provide important demonstration effects for further private sector initiatives in the country. The projects was named African Transport Deal of the Year 2012 by *Project Finance* magazine.

Photo © Globeleq

Expansion of the Azito Thermal Power Plant

Côte d'Ivoire's power sector is also seeking to rebuild as demand for electricity is growing at an estimated eight percent annually. IFC and MIGA are helping to mobilize private finance for the expansion of the Azito Thermal Power Plant, which will generate 50 percent more power without using any additional gas.

The Azito project will increase installed capacity by 10 percent with no upfront cost to the government, and using combined cycle technology will result in annual savings of $60 million. This groundbreaking transaction in a country undergoing reconstruction was recognized in 2012 as African Power Deal of the Year by *Project Finance* magazine. The project involves converting the existing simple-cycle Azito Plant to combined-cycle, increasing total capacity from 290 to approximately 430 megawatts while avoiding 225,000 tons of CO_2 emissions per year. Upon completion, the facility will become one of the largest independent power generators in Sub-Saharan Africa.

The IFC-MIGA collaboration was facilitated by a business development partnership between the two. IFC arranged a $350 million debt package, providing $125 million for its own account, and mobilizing the balance from five European development finance institutions (led by Proparco) and the West African Development Bank. MIGA is providing breach of contract cover to the equity investor and lead sponsor, Globeleq.

Photo © IMTFI

AFGHANISTAN (MIGA)

After decades of armed conflict, Afghanistan's communications network was barely functioning. The country had no internet access. In fact, the state of the country's communications infrastructure was so poor that it hindered the government's ability to coordinate its own operations.

MTN Afghanistan

In fiscal year 2007, MIGA issued a guarantee of $74.5 million to MTN Group of South Africa. This covered its equity investment in MTN Afghanistan (MTNA), a provider of telecommunication services including mobile and internet. An additional $2 million "first loss" provision was insured under MIGA's Afghanistan Investment Guarantee Facility, designed to encourage foreign investment into the country. In 2011, MIGA issued additional coverage for MTNA's expansion, bringing the agency's gross exposure to $155 million.

MTNA has contributed to the development of the telecommunications sector in Afghanistan and continues to do so by expanding its coverage and product offerings. Afghanistan's mobile network has increased by seven-fold in the past five years, from two million mobile subscribers in 2006 to around 13.7 million in 2010, with a penetration rate of 47 per 100 inhabitants. MTNA is playing an important role in expanding coverage in remote areas of the country, with the number of subscribers expected to grow to over 18 million by 2014—despite facing daily security threats from insurgent forces, as well as a highly uncertain policy environment.

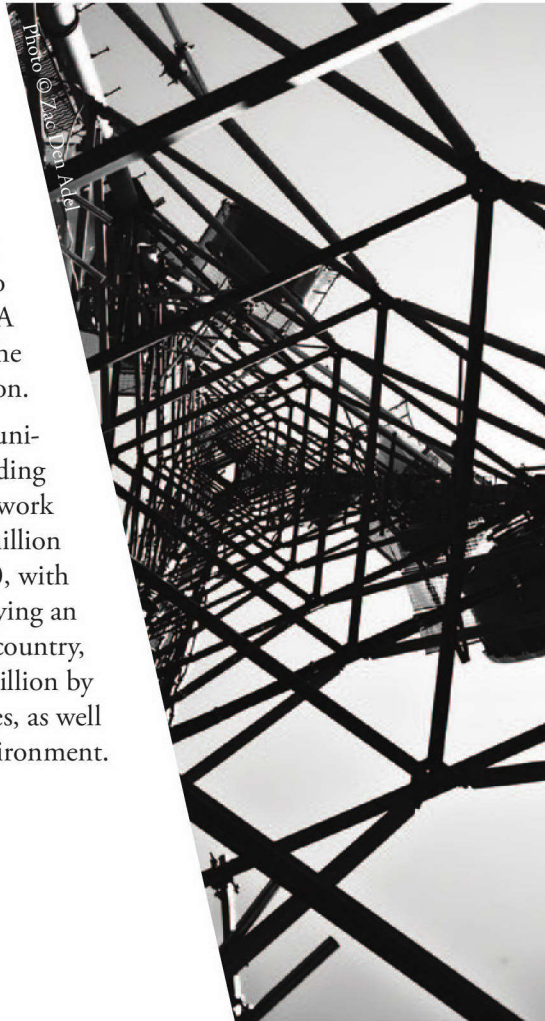


Photo © Zaid Den Adel

Photo © Ben Cumming

HAITI (OPIC)

Wheat and wheat-derived products have long been diet staples in Haiti, particularly among the country's low-income families.

Les Moulins d'Haiti

In 2010, a massive earthquake destroyed a key flour mill and animal feed facility, Les Moulins d'Haiti (LMH), which produced as much as 95 percent of the flour consumed there. Rebuilding the mill required not only substantial investment but also a way to mitigate the risk of doing business in one of the poorest and most unstable countries in the Western Hemisphere. OPIC provided political risk insurance to Seaboard Overseas Limited, a U.S. company working on the mill's rebuilding, operation, and maintenance through a joint venture with Continental Grain Co.; Unibank, a commercial bank in Haiti; and the Government of Haiti. The insurance covered damage to assets or business income loss resulting from political violence.

Reconstruction of the facility—including a flour mill, offices, warehouse, storage silos, machine shops, and an electricity generating plant—began in February of 2010 and was completed in December 2011. Along with increased production capacity and more modern equipment, the facility was rebuilt to handle greater seismic activity. Rebuilding Les Moulins d'Haiti has created 150 local jobs and increased the supply and distribution of flour throughout Haiti.

Photo © jayneandd

DOING GOOD & *doing it well*

DONOR SUPPORT TO THE PRIVATE SECTOR IN POST-CONFLICT COUNTRIES

By Melina Heinrich

Photo © Land Rover Our Planet

The donor community can play a critical role in the transition to longer-term stability and development after conflict—starting shortly after the conflict has ended. And although the role of the private sector in achieving peace and development has historically been ignored, the good news is that the private sector has now become a priority for many donors.

Many factors impact the likely success of donor support to post-conflict private sector development (PSD). The Donor Committee for Enterprise Development (DCED), which works with donor staff, experts, and field practitioners to tease out joint lessons, principles, and guidance based on real-world experience, shares here the elements common to most successful projects:

DESIGN PROGRAMS FOR PEACE-BUILDING IMPACT

Contrary to the belief that donor programs involving the private sector only impact economic development, we now see that such interventions can be valuable across all aspects of peace-building. This has rarely been recognized, although the opposite—that donor programs should at the minimum "do no harm"—is better documented. Designing programs that achieve these broad-reaching impacts requires a deep understanding of the conflict and needs to be coupled with careful monitoring of program impacts.

DONOR CHALLENGES IN RECONSTRUCTION

- Identifying specific entry points for economic recovery when everything needs fixing;
- Delivering a tangible and rapid peace dividend for the jobless without distorting incentives for long-term investment; and
- Coordinating efforts with many, often unfamiliar stakeholders—including the military, relief agencies, and multinationals.

PRIORITIZE SUPPORT AND RECOGNIZE TRADE-OFFS

Prioritization of donor support is critical, as is avoiding the temptation of trying to do too much, too quickly, and overestimating the ability to deliver change. This prioritization is tricky, as it depends entirely on the context. Applying Growth Diagnostics is a good starting point to help donors organize information and identify effective approaches. Since constraints to growth are likely to be present in all contexts, political economy and conflict analysis—combined with wide stakeholder consultation—can help identify the most pressing issues that can realistically be addressed.

Starting on multiple simultaneous tracks has proven effective. This includes measures to produce quick wins, but also efforts to lay critical foundations for medium to longer term development. It also implies a combination of macro-economic and regulatory reforms on the one hand, and more direct interventions on the other.

Focusing reforms at the right level can help too. Where no legitimate or functional central government is in place, reforms may at first be more effectively delivered at the local or regional level. A constant task for donors is to find a sound balance between short- and long-term strategies, peace-building, and economic development goals. The implications each may have for the other need to be explicitly considered when programming.

ADAPT TO FAST-CHANGING ENVIRONMENTS

Programming approaches in post-conflict countries need to be flexible, to allow time to react to changing situations and to reallocate resources when new opportunities arise or conflict dynamics deteriorate. Donors should also be prepared for key actors in the government to change, and build reform efforts around multiple stakeholders and key individuals in society with staying power. These can include business leaders, private sector representatives, and officials in government ministries.

COORDINATE WITH OTHER DONORS

This is a recurring theme, perhaps because donor coordination in post-conflict countries faces many obstacles. More than elsewhere, donors in post-conflict countries are under pressure to spend substantial amounts of money in a short time, which can be a disincentive for coordination and pooling resources with others. Yet the risks of a fragmented and incoherent approach remain high. An obvious entry point for coordination is in the research and gathering of up-to-date information, which is difficult for any organization to successfully accomplish on its own. Multi-donor trust funds can be a practical mechanism in this case.

Coordinating policy advice to the central government on business environment reform is more difficult, but very important. Business environment reform efforts may not only improve the conditions for doing business, but also contribute to improved state capacity and perceived legitimacy. In several countries, donors set up a country group on PSD as a regular forum to share information or formulate common positions.

CREATE ALLIANCES WITH UNFAMILIAR STAKEHOLDERS

Achieving positive results in post-conflict countries depends on collaboration with other actors, some of which may be beyond the traditional "comfort zone" of donor organizations. This may involve working closely with humanitarian groups to ensure market-integrated relief, or relying on international military forces for logistical support and security, especially to reach remote areas. Working with multinational companies on governance issues or as partners in developing value chains can be equally important. For example, Heineken is developing local maize and sorghum supply chains in Rwanda and Sierra Leone, with co-funding from the Dutch Ministry of Foreign Affairs. Keeping an open mind and following a pragmatic approach to such collaborations can help donors navigate more successfully through the challenges of post-conflict programming.

A "Hippocratic Oath" *for* donors?

Photo © Jushua Kruger

Donors are usually generous in post-conflict situations, providing advice, expertise, and funds to help fragile countries get back on their feet. The idea is to move beyond economic development, rebuilding the entire state ecosystem, including institutions, civil society, and core government functions. In recent years, well-meaning benefactors have reached out to countries as diverse as Bolivia, Sierra Leone, Afghanistan, and Nepal after—or even during—disruptive conflicts.

But abundant resources are not enough. Sometimes, good intentions generate harmful side effects. This is a risk the Organisation for Economic Co-Operation and Development (OECD) recognized in its 2010 report, *Do No Harm: International Support for Statebuilding*. Policy reforms and aid can undermine the state's ability to fulfill its basic functions: provide security and rule of law, raise revenue through taxation, manage economic development, and provide public services. For example:

- Aid delivered outside state budgets can prevent governments from developing public financial management skills, including budgeting, planning, accountability, and coordination.

- Donors can undermine "shadow public sectors," especially where vulnerable governments have little experience delivering services. This denies governments the chance to build critical service delivery capacity themselves.
- Generously-funded development programs can create a local "brain drain," making it harder for governments to hire and keep top talent.
- Failing to grasp the impact developmental policies have on local political dynamics can undermine "buy in" by powerful elites.

The OECD's "do no harm" approach helps donors understand the tradeoffs between delivering aid and causing unintentional harm to the statebuilding process. While circumstances vary by country and program, the OECD's findings can be used in designing effective post-conflict aid programs.

For example:

- Big-picture strategic objectives may not always align with local statebuilding goals. For example, donor country policies to promote regional economic integration, limit global warming, or promote human rights may have implications when applied locally in a post-conflict setting. Donors should recognize and consider these potential conflicts when designing their programs.
- Support for electoral processes can be harmful if they do not lead to an inclusive political settlement or receive approval from local elites, as could happen when an ethnic minority group is left out. In such cases, donors may need to consider alternative power sharing arrangements.
- Donors need a deep understanding of the interaction between NGOs and civil society before engaging with them. Failing to understand this can exacerbate tensions in state-society relationships and interfere with political processes.
- Donors can positively contribute to statebuilding when their actions support perceptions of state legitimacy—for example, providing security and protecting property in a post-conflict setting.
- Restoring livelihoods and creating employment opportunities is critical for people in post-conflict settings, many of whom live in extreme poverty. Donor programs that contribute to livelihood protection can support state legitimacy, but can cause harm if they reduce employment in the informal economy.
- Understanding local conditions, including the politics, culture, and history, is important for designing and executing effective programs in post-conflict areas. Donors will need more workers on the ground than they would in other development programs.

Adapted from *Conflict and Fragility: Do No Harm: International Support for Statebuilding,* OECD 2010.

The cost of conflict

Anke Hoeffler is a research officer at the Centre for the Study of African Economies and a research fellow at St. Antony's College, University of Oxford. Her research interests are in the area of political economy, focusing on the economics of conflict and the relationship between democratization and development.

Here, she talks to Handshake *about how economists calculate the price of war, and why the "peace dividend" is critical to recovery.*

Photo © Rick Bajornas/UN Photo

What does it mean when economists speak of the "cost of conflict"?

For economists the costs of conflict are not restricted to the fatalities of armed conflict. Costs include deaths and disabilities due to the consequences of war, and the economic losses to the country experiencing civil war, their neighbors, and the rest of the world. One of the most recent efforts to quantify the costs was undertaken by the Copenhagen Consensus Project and estimated the cost of the average civil war to be in the region of $203 billion.

Economists arrive at a figure like this by using a counterfactual approach that compares the path the economy takes during and after the conflict, with the likely path the economy would have taken in the absence of conflict.

- Economic costs are estimated by summing the cost to the war economy (the country in conflict), the spill-over cost affecting neighboring economies, and the legacy effect of war, using the actual average value of income, the average length of civil wars, the average number of neighboring countries, and an assumed discount rate of 5 percent.
- Health costs are estimated by the impact of war using the concept of Disability-Adjusted Life Years (DALYs)—one DALY can be thought of as one lost year of healthy life. The average civil war is estimated to cost half a million DALYs per year. DALYs are then priced and discounted to derive an estimate in U.S. dollars.

- Global costs, which include refugees, drug trafficking, and terrorism, are very difficult to estimate. This can be "guesstimated" to be of the same magnitude as the total cost to the war country and its neighbors.

Admittedly, these estimations are imprecise. However, they do provide us with a guide to measure the cost effectiveness of interventions. All three rounds of the Copenhagen Consensus Projects suggest that conflict prevention and intervention strategies are very cost effective and that focusing international efforts on these strategies is hugely beneficial for development—not only in the war affected country and its neighbors, but also for the global economy.

> "Forty percent of civil war countries revert back to war within a decade, showing the critical importance of post-war economic recovery."

What factors can predict a country's likelihood of conflict?

Forty percent of civil war countries revert back to war within a decade, showing the critical importance of postwar economic recovery. In fact, recurring civil wars are the dominant form of armed conflict in the world today. Economic characteristics also determine conflict risk, with income levels and growth robustly correlated with conflict onset. This means that strong economic recovery is crucial to avoid a cycle of war and underdevelopment.

How long does recovery usually take?

Countries experience higher than average growth rates once the war has ended—this is known as the "peace dividend." Post-conflict economies grow by about 1.6 percent per annum less than peaceful states, but once the war ends their economic growth rate increases by about 1 percent. Given that the average civil war lasts about seven years, this general pattern means that it takes 22 years on average for these economies to recover—that is, to revert back to pre-war income levels.

What is the most common barrier to rebuilding? How can outside organizations help?

Economies cannot rebuild after war with ongoing lower-level violence. The message is simple: there is no peace dividend unless the country is at peace. Governments should therefore concentrate their efforts on ending all violence.

Steps to

ECONOMIC RECONSTRUCTION

Postwar countries must reduce the risk of renewed conflict while focusing on economic reconstruction—two closely intertwined challenges. After all, there is no security without development and no development without security. International aid, UN peacekeeping operations, restriction on arms transfers, and improved commitment to security services help to make the peace last.

INTERNATIONAL AID

Although there is no evidence that aid prevents wars, there is evidence that it stabilizes postwar situations and may decrease the risk of re-entering conflict by boosting growth and income. However, research shows that the effect of aid on postwar growth is moderate (an extra 1 percent of aid increases growth by 0.05 to 0.1 percent). Significantly, these results do not hold in violent postwar situations. Aid in violent postwar situations has no growth enhancing effect.

UN PEACEKEEPING OPERATIONS

There is now considerable evidence that UN peacekeeping operations (UNPKOs) are effective in maintaining peace. Research indicates that 60 percent more spend in UNPKO activities reduces the risk of major armed conflict by half.

RESTRICTIONS ON ARMS TRANSFERS

The limited literature on arms embargoes suggests that embargoes do limit the flow of weapons, and that they are more effective in conjunction with UNPKOs. This suggests that a tighter regulation of international arms transfers could reduce the intensity of ongoing violent conflicts and help prevent lower-level conflicts from escalating. Five countries supply 75 percent of total conventional weapons (U.S., Russia, Germany, France and the U.K.). Given this concentration, binding international rules should be effective in reducing the supply of arms to countries in conflict. On April 2, 2013, the UN General Assembly voted in favor of an international Arms Trade Treaty. This prohibits the export of conventional weapons that would be used for acts of genocide, crimes against humanity, war crimes, or terrorism.

SECURITY SERVICES

There are concerns worldwide about the legitimacy, image, and professionalism of private security providers. Signatory companies to the International Code of Conduct (ICOC) for Private Security Providers affirm their responsibility to respect the human rights of, and fulfill humanitarian responsibilities toward, all those affected by their business activities. However, the code is not legally binding and there is no independent oversight. Making commitments legally binding, providing independent oversight, and encouraging third party governments to hire ICOC signatories would improve the accountability of private security services.

—Anke Hoeffler

For a complete list of sources please contact handshake@ifc.org.

TED
IDEASWORTHSPREADING

NEW RULES FOR REBUILDING

Paul Collier's ..... A BROKEN NATION

Photo © Randy Quan

Long conflict can wreck a country, leaving behind poverty and chaos. But what's the right way to help war-torn countries rebuild? In his widely circulated 2009 TED Talk, Paul Collier explains the problems with current post-conflict aid plans, and suggests two fresh, complementary approaches, summarized here for Handshake *readers.*

Paul Collier is Professor of Economics and Director of the Centre for the Study of African Economies at Oxford University. He researches the causes and consequences of civil war, the effects of aid, and the problems of democracy in low-income societies rich in natural resources.

"So that's the conventional approach. I think that approach denies reality. We see that there is no quick fix, certainly no quick security fix."

WATCH THE TED TALK

Paul Collier's new rules for rebuilding a broken nation.

THE CONVENTIONAL APPROACH

POLITICS ARE WHAT MATTER

First, a political settlement must be reached.

THEN PEACEKEEPING

Peacekeepers are brought into the country but pulled out as quickly as possible.

FOLLOWED BY ELECTIONS

An election will produce a legitimate and accountable government.

A FRESH **APPROACH**

RECOGNIZE THE INTERDEPENDENCE OF THREE KEY ACTORS

THE SECURITY COUNCIL

Peacekeeping is a cost-effective approach that increases security, if the commitment is for at a least a decade.

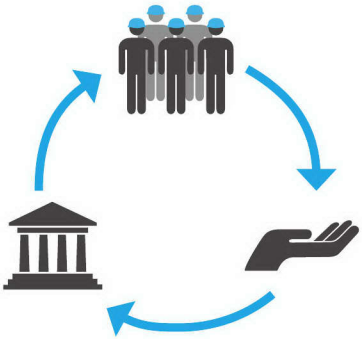
THE DONORS

Post-conflict aid is key, but economic recovery is inevitably slow. Again, a decade-long commitment will ensure better results.

THE POST-CONFLICT GOVERNMENT

An inclusive approach to policy and economic reform is the only path forward.

Once interdependence is recognized, what follows is an expectation of mutual commitments.



Security, investment/aid, and reform work together to produce economic recovery—peacekeepers' most promising exit strategy.

Photo © Albert González Farran/UNAMID

TO NATIONAL **RECONSTRUCTION**


Photo © Grim Santo

"Gradually it will shift from a politics of plunder to a politics of hope."

FOCUS ON THREE CRITICAL NEEDS

JOBS

Young men need work—fast. The construction sector, which typically suffers during conflict, is the best place to start to generate jobs. An inflated civil service is unsustainable.

IMPROVEMENT OF BASIC SOCIAL SERVICES

Independent service authorities will split the functions of a monopoly line ministry into three pieces:

- Planning/policy function.
- Delivery of services on the ground.
- Public agency that channels money to service providers.

This approach allocates money coherently, making NGOs accountable as they compete for resources. Services will be "co-branded" by the post-conflict government.

CLEAN GOVERNMENT

"Clean" governments track how funds are allocated, providing money to the budget alongside significant scrutiny.

Teachable moments

legal lessons from post-conflict PPPs

By John D. Crothers & Pierre Bernheim

Public-private partnerships (PPPs) are an essential component of the overall economic effort required to provide necessary infrastructure to post-conflict countries. However, donor aid usually precedes any consideration of PPPs, and even when it's time for PPPs to make an entrance, these partnerships are not always adapted to the infrastructure construction or rehabilitation needs of post-conflict countries.

After all, sponsors and financial institutions require well-structured projects with secure cash flows—not necessarily easy to find. Despite the obstacles, however, the success of a post-conflict PPP depends on government officials putting a priority on the projects most likely to succeed, instead of those needed the most. Once officials have established a successful track record, more challenging PPPs can be proposed to the market.

Our work on pioneering PPPs in post-conflict countries such as Bosnia and Herzegovina, Timor-Leste, Kosovo, Rwanda, Sierra Leone, and the Solomon Islands has reinforced this lesson, among many others. Despite the uniqueness of each situation, success can hinge on just a few key factors. Here are the tips we convey at the start of discussions:

BUILD A GOOD HOTEL

Surprisingly, a good quality business hotel is the first key infrastructure need for a country recovering from conflict—because, like the airport, a hotel of international standing serves as visitors' gateway to the country. The hotel is a straightforward infrastructure and business model, an easy win because international consultants and foreign investors require a place to stay, meet, and work. The structure itself is also one of the first positive signs to the world of the state of economic development of the country. The primacy of this step has been proven over and over: International hotels were the first infrastructure built or renovated in Eastern Europe in the early 1990s after the fall of the Berlin Wall. Sierra Leone's first post-conflict project was also a hotel.

REASSURE INVESTORS

Post-conflict countries usually benefit from an additional effort in marketing the country as recovering or fully recovered. This could be done in the information memorandum by highlighting the history of the country and the progress accomplished since the conflict. This will help convey to the private sector a more realistic picture of the country than what may have been depicted by mainstream media.

International hotels were the first infrastructure built or renovated in Eastern Europe in the early 1990s after the fall of the Berlin Wall.

WHICH LAW OR LAWS?

One of the first tasks of the legal consultant assisting the government in launching a PPP is to assess the legal framework and compatibility with the proposed PPP project. When a temporary peacekeeping authority has been governing the country for a transitional period it may have issued its own legislation, as in Kosovo and Timor-Leste. Many questions follow: "Which law do we apply?" "Is the new law designed to be temporary like the peacekeeping authority that drafted it?" "Now that a government has been established, should we revert to the old law or wait for new laws to be put in place?" The perception that the old law represents a previous regime and must be replaced is also a factor in moving forward.

TOO MANY ADVISORS MAKES FOR BAD LAW

Another challenge of the legal framework may arise when a post-conflict country has enacted too many laws with too many advisors financed by various donor funds and countries. In theory—and in a stable country—laws are proposed by the government and approved after debate by the parliament. The civil servants drafting the laws are products of the legal culture of their country, whether it is common law or civil law. The result is compatible with the legal system even if the law might not meet international best practice in some respects. By contrast, a post-conflict country often receives grants to upgrade its laws and regulations through the assistance of legal advisors who will come from other countries and even different legal systems. They may produce a PPP law or land regime law that does not fit with other laws, or mesh with the country's legal principles.

LAND IS USUALLY A MAJOR PROBLEM

Conflicts are often linked to land. But if the land registry burned to the ground during the conflict, how is ownership evaluated for an eventual PPP? Assessing and mitigating this risk will be critical. The international legal advisor working with the government will investigate this matter along with local legal counsel and report in the legal due diligence on the potential risks. Often, there is no clear legal title. The PPP contract will likely require that government take the risk and compensate the private partner for all claims related to ownership of land. Customary rights of indigenous people over their land may also be protected by a new land law which might be applicable. Ascertaining their applicability (or not), and the procedures they entail for a project, is a key element of a legal due diligence prior to structuring a PPP.

GOVERNMENT COUNTERPARTS MAY LACK CAPACITY

Advisors and private investors in post-conflict countries also suffer from a lack of experienced institutional counterparts. In some cases, former civil servants may have left the country during the conflict; in others, certain ethnic groups may be tacitly disqualified to work in the new administration. The new civil servants might not benefit from the supervision and experience of the previous employees. Regardless of the specifics, any country rolling out its first PPPs will need time to adjust and build capacity. In post-conflict countries with a new administration, it's crucial to set aside this time. The international consultant advising the government on the first PPP will need to factor in this learning period when planning the project.

BE PREPARED FOR CAPACITY BUILDING IN LOCAL COUNSEL

The international legal consultant may experience some difficulties with local lawyers—who, like the new civil servants, may lack the experience necessary for PPP or large commercial contracts generally. Because local lawyers will not have had the opportunity to analyze and apply the new laws being put in place, which will change often as the project moves forward, both international and local lawyers will have to be prepared to learn as they go. This may require the drafting of sector-specific or project-specific laws to allow the project to proceed smoothly.

RESULTS MAY VARY

It is a special challenge to work on pioneering PPPs in post-conflict countries. To succeed, projects require adaptability, innovation, and perseverance from all parties. On our list of projects in post-conflict countries, one has failed, one has succeeded, one has been "on hold" for almost two years, and two are just starting out. Given the trauma these countries have experienced in the past, however, advisors and investors can take special pride in trying to make these projects work, especially if they ultimately triumph.

Photo © tlupic

RISKY BUSINESSES

Private participation in infrastructure (PPI) patterns in the "riskiest" of countries—those that are emerging from conflict—show that affected nations typically require six or seven years to attract significant levels or forms of investments in infrastructure from the day that the conflict is officially resolved. The first infrastructure investments to arrive in conflict-affected countries are in sectors where commercial risk is relatively low, primarily in mobile telephony. Private investments in sectors where assets are harder to secure—such as water, power distribution, or roads—are slower to appear or simply never materialize.

By Gonzalo Araya and Jordan Schwartz

Photo © Intiaz Rahim

Recent World Bank research confirms the causal relationship between sovereign risk and levels of investment in public-private partnerships (PPPs) in infrastructure for developing countries. Understanding that link is vital because it raises the stakes for investment success or failure above the level of the PPP itself. The message is that for governments to benefit from competitive participation of the private sector and the resulting efficiencies, all hands must be on the wheel. This includes not just utilities and line agencies, but ministries of finance, economy, and planning as well as legislators—all the way up to the office of the president.

Decisions on national debt restructuring, rules governing repatriation of capital, or expropriation practices, which previously may have seemed removed from the considerations of market interest in a single investment opportunity, are in fact good predictors of the levels of investment. By contrast, sovereign risk ratings are not a powerful predictor for overall levels of Foreign Direct Investment. In other words, investors in industries like oil and gas, minerals, or forestry will find returns commensurate with the challenges associated with investments in high risk countries. Infrastructure investors—in both greenfield and in existing assets—are much more sensitive to sovereign risk.

In short, country risk ratings—which aggregate several political, economic, credit and financial conditions, and behaviors at the sovereign level—can be used to explain a significant part of the differences among countries trying to attract investment in infrastructure.

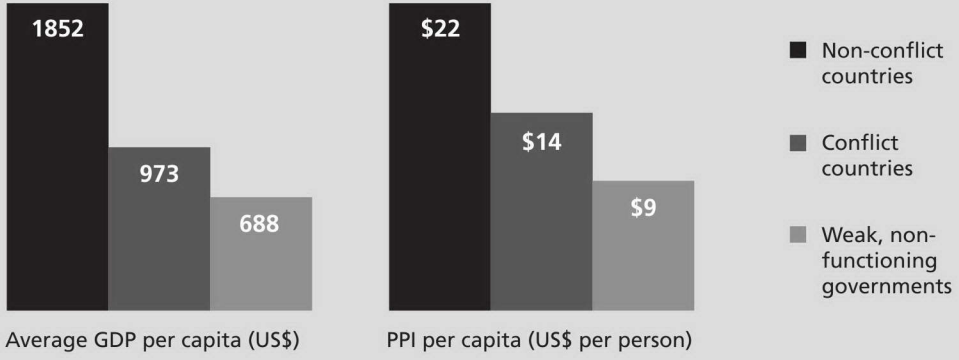
CONFLICT IS THE CRITERIA

Embedded within country risk are multiple traits that are affected by political and economic stability. For this reason, few investments can be considered higher risk than those that require long-term periods of return and that go into conflict-affected countries.

As the graph below illustrates, conflict-affected countries are poorer than other developing countries, have smaller economies, and attract less private participation in infrastructure, both in absolute terms and as a share of their population. Not surprisingly, levels are lower still in those countries characterized as having weak or non-functioning governments. Whereas a developing country that has not suffered from recent conflict will attract, on average, $22 of the PPI per capita, conflict-affected countries with functioning governments will attract about $14 per capita of PPI, and governments with non-functioning governments will attract about $9 per capita—most of which is coming from the mobile telephony sub-sector. The countries that need the most typically get the least.

How long, then, does it take for investments in the form of private infrastructure commitments to return to conflict-affected countries? What sectors are more likely to attract private partners or investors and to close transactions? By zeroing out end-dates of conflicts for a set of 31 countries that have suffered from conflict over the last 20 years, we can establish a fixed point from which to consider investment trends. That is, "Year 0 (Zero)" is the year at which a conflict is considered to have terminated in a country so that conflicts which ended 15 years apart can be put on the same timeline. By creating this normalized timeline, we can see that investments

GDP and PPI per capita in developing countries, conflict-affected countries, and conflict-affected countries with weak or non-functioning governments (1990-2010).



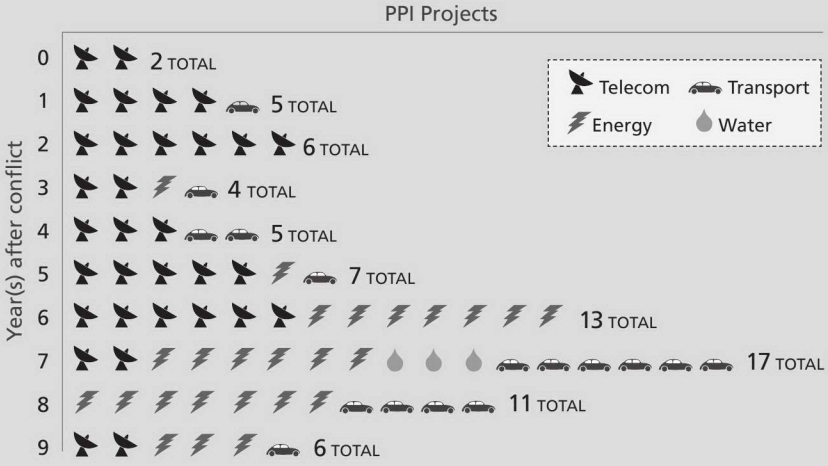
trickle in over the first five years and then begin to increase after year five, finding their peak at the seventh year.

SECTOR MATTERS

When the data are viewed by sector, however, the story becomes more intriguing. In the first four years, with only a few exceptions, only telecom investments have found their way into countries that have just emerged from conflict. These are almost entirely from mobile licenses and related investments. This single sector concentration may be because the cost recovery period for mobile investments is extremely low, the technology sufficiently diffused, and the price elasticity of demand sufficiently high for mobile operators to accept higher levels of country risk. Mobile investors have been active in countries like Somalia during a time when there is little government structure, for example, and in Iraq just a matter of weeks after the country was last invaded.

Other sectors with larger investment requirements, longer cost-recovery periods, and greater sensitivity to user willingness to pay—such as toll roads, electricity, and water utilities—have longer lag times. With only a few exceptions, private investors in those sectors do not enter conflict-affected countries until six years have passed.

Number of private infrastructure investments and PPPs in post-conflict countries, with sector breakdown



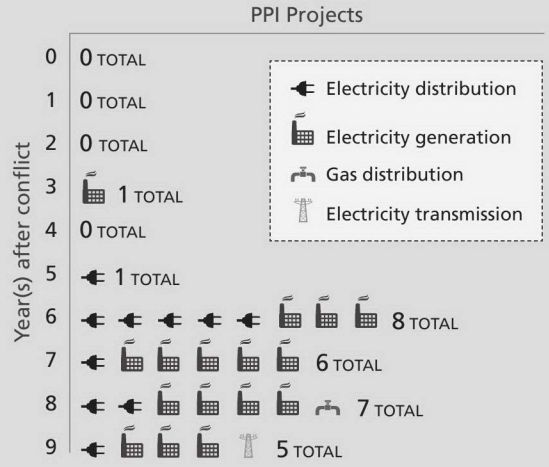
By focusing on a sector that has longer-term cost recovery periods, it is easier to see the effects of conflict on investment. In energy, among the 31 countries studied, there is only one case of a private investment in the first five years post-conflict. Disaggregating the sub-sectors of energy, it is clear that more than half of the investments are in power generation. In these cases, off-take agreements for power purchasing can minimize exposure to commercial risk—as can other credit enhancements, including political risk insurance.

This is consistent with regressions run on the effects of country risk to greenfield projects versus concessions. Greenfield investments have a much wider range of reaction to sovereign risk than investments in existing assets. This suggests that guarantees, credit enhancements, and off-take agreements typical of power generation, water, and wastewater treatment plants can cover for a larger part of sovereign risk. In addition, the assets can be physically protected and secured more easily than distribution networks. Out of 28 total energy projects in these 31 countries, 19—or two-thirds of the total—are in electricity generation. Only one electricity distribution investment was made in the first six years from the time the conflict ended. The only gas distribution investment came eight years after conflict ended.

RISK/RESULTS

For conflict-affected countries, data on numbers of PPI transactions successfully carried out within nine years of a conflict ending illustrates how difficult it is for these countries to attract private infrastructure investments. Very few investments took place in the first five years after conflict ended, and nearly all of those investments were in the telecommunications sector—primarily in mobile telephony. Energy investments took six or seven years to mobilize and came primarily in electricity generation—investments that are often characterized by sovereign-backed off-take payments, dollar denominated transfers, and an asset footprint that is much easier to protect from attack than a distribution network.

Number of private energy projects in post-conflict countries by sub-sector



Graph sources: PPI Database, World Development Indicators, and authors' calculations.

For the full article please contact handshake@ifc.org.

THE AUTHORS GO BEHIND

THE NUMBERS

In order to obtain private investment levels in infrastructure we used the World Bank PPI Database. The PPI database offers detailed information by year, country, sector, and form of public-private partnership. Within sectoral categories, it distinguishes among primary and secondary sectors by investment. It also provides the form of private investments, so we can distinguish between greenfield projects and concessions of existing assets among other types of partnerships and investments.

The database, however, captures both public contributions to the infrastructure investments as well as private contributions. That is, the database notes total project size in commitments—later adjusted to actual disbursements, investments, or transfers, where information is available. Those commitments combine private and, in many cases, public sources. The threshold for consideration is that the project involves a private service provider building greenfield assets for its own operation, or—in the case of existing assets—purchasing, concessioning, or leasing assets, or otherwise contracting for provision of the infrastructure services. Only projects that have come to financial closure are included in the database. If a purely public investment is carried out in tandem with a private operator or a private management contractor, the database does not include a value for those public investments. All project figures are noted in the year that the project comes to financial closure.

For the purpose of this article, the PPI database is an appropriate source of information because it reports the commitments of the investments for each year by country and by sector once a contract has come to financial closure—that is, a license, sale, concession, lease, BOT, or other contractual agreement is signed by both parties and financial arrangement have been secured. Having the commitments instead of the executed investments allows us to establish a clearer relationship between investments and country risk at a given point in time.

—Gonzalo Araya and Jordan Schwartz

After 14 years of conflict, Liberia was a shattered country. Over 200,000 people had been killed. Professionals had fled, taking their technical and managerial skills with them. Infrastructure was devastated, leaving the country with limited access to power, water, and transportation. Businesses collapsed along with the economy, pushing the majority of Liberians into deep poverty. Reconstruction would be long and difficult; restoration of electricity would be a key part of the process.

The end of Liberia's brutal civil war in 2003 brought peace, but it didn't turn the lights back on—at least not right away. The country's electricity sector had been completely destroyed during the 14-year conflict. Before the war, the electrical system had a generating capacity of 128 megawatts (MW), about half of which was provided by the Mount Coffee Hydropower plant, and served 30,000 customers.

But during and after the war, Liberia's entire electricity system, including Mount Coffee, was destroyed and looted. All metal in the plant, including the turbines and the wiring in the electrical distribution network, was stolen and sold for scrap. Restoring power—a critical factor in rebuilding homes, businesses, schools, the health system, communications, and other public services—would be a key element in rebuilding the country after the war.

President Ellen Johnson Sirleaf, elected in 2006, made restoration of electricity a priority. Under the Emergency Power Program, the Liberia Electricity Corporation (LEC) was reestablished

Powering up Liberia

Photo © Travis Lupick

in 2007. Limited power was restored in the capital, Monrovia, using 2 MW diesel generators. Results were modest but symbolically important: a row of lights lit up a street in Monrovia, and 450 commercial customers were connected to the fledgling system. The long process of rebuilding the country's power infrastructure had begun.

But without technical and managerial capacity, the process of rebuilding was too slow. To address this, the government decided to turn over management of LEC to a private sector firm with substantial experience in the sector. IFC advised the Liberian government, LEC, and a donor, the Norwegian government, in the design and execution of a five-year management contract to operate LEC. After an open tender process, the contract was awarded to Manitoba Hydro International (MHI), a Canadian power company, in April 2010.

PRIVATE SECTOR MANAGEMENT DELIVERS RESULTS

Under MHI's management, LEC began rebuilding the electrical distribution system in Monrovia, with impressive results. Between 2010 and the end of 2012, the LEC:

- Added over 12,000 new connections, reaching an estimated 50,000 people;

LIBERIA ***lights up***

Francis Cooper is Chairman of the Board of Liberia Electricity Corporation (LEC), where he began his career in 1974 as First Managing Director. Here, he talks to Handshake *about the destruction wrought by the civil war and the management contract and partnership with donors that supported the LEC's reconstruction.*

What was the pre-war state of the Liberian power sector?

Liberia's energy came from two major sources: the public utility sector, represented by the Liberia Electricity Corporation (LEC); and through concessions with iron ore mining and rubber plantation companies. LEC's system consisted of 64 megawatts (MW) of hydro run–off river power plant, 64 MW of non-operational gas turbines, 49 MW Heavy Fuel Oil (HFO) plant, and 10 MW of medium speed diesel engine—for a total installed capacity of 187 MW. The transmission network consisted of about 400 kilometers (KM) of 69 kilovolt (kV) lines and 800 KM of 12.5 kV medium voltage distribution lines. LEC had 35,000 customers, including residential, commercial, and industrial customers and NGOs as well as the government itself. The Mount Coffee hydro plant provided 70 percent of the total annual energy generation needed by LEC Monrovia and its network, and the remaining 30 percent was provided by thermal plants.

cont. on page 51

- Increase revenue by 160 percent;
- Decreased losses by 21 percent;
- More than doubled peak load;
- Improved fuel efficiency by 33 percent.

Although capacity was low, at only 20 MW, it was sufficient to begin rebuilding the overall power infrastructure and lay the groundwork for gradual expansion.

THE NEXT PHASE

However, power generation relied on expensive diesel generators. Electricity tariffs are over $0.50 per kilowatt hour, among the highest in the world and too expensive for most Liberians. And low generating capacity meant there wasn't enough power to support the needs of businesses, hospitals, schools, and ordinary people. More capacity at affordable prices would be necessary to keep the post-conflict reconstruction process on track.

Reconstructing the Mount Coffee hydropower plant was a logical next step. This would add up to 78 MW of power capacity during the wet season and increase the number of new electrical connections. To do this, the Liberian government and its partners envisioned the creation of a project implementation unit (PIU) within LEC to manage the reconstruction of Mount Coffee. It also would require modification to the management contract with MHI.

Most important of these was a tariff structure and governance framework for the revenue generated by Mount Coffee. This will be achieved by pricing the power provided by Mount Coffee at a rate reflecting costs as if the project were commercially financed, and channeling the corresponding amount to a trust account. These funds will be used to finance plant O&M, debt service, and future investments in the sector. This pricing structure also maintains a cost reflective tariff and avoids creating market distortions and roadblocks to future private investment in new generation. The revised contract includes new targets—15,000 additional connections, improvements in collection rates, better operational efficiency, and a reduction in losses. It also provides a framework for expansion beyond Monrovia.

EXPECTED RESULTS

- Power capacity in Liberia is expected to quadruple to over 80 MW. Clean hydro power will largely displace diesel generators, which are costly and more harmful to the environment.
- At least 48,000 new connections will be created, providing an additional 250,000 people in Monrovia with electricity.
- Electricity losses are expected to be reduced from 25 to 12 percent, while collection rates are expected to climb at least 97 percent.
- Up to $30 million annually is expected to be available for re-investment and expansion of the electricity system. These funds will be managed under a transparent governance system.

from the USAID video

"Starting From Zero: Rebuilding Liberia's Electricity Sector"

Overview

Post-conflict challenges in Liberia's power sector.

When the lights went out

The 14-year civil war left the country in darkness.

Planning a brighter tomorrow

The first steps toward revitalizing the electricity sector inspired further progress.

Engaging the private sector

Rebuilding the infrastructure with private sector commitments was the key to success.

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What happened to the power sector as a result of the war and its aftermath?

After 1990, most of LEC's infrastructure was extensively damaged and later vandalized. The Mount Coffee plant was left unattended and the main intake damp was breached. The thermal plants were also left unattended and later scrapped. The transmission and distribution network, including the substations, were looted and destroyed.

How has the management contract and partnership with donors supported the LEC's reconstruction?

The civil war in Liberia did not only destroy the power sector, it also drastically reduced LEC's human assets as people fled. To overcome this, it became clear very early on that LEC needed a capable and experienced foreign partner to access qualified professional staff. Partnership with donors gave LEC the capacity that was required to establish and maintain credibility with customers, as well as with local and international businesses.

How would you advise others facing the prospect of reconstructing such an important sector?

Drawing up a careful plan with key partners in the sub-region and international community is an essential first step.

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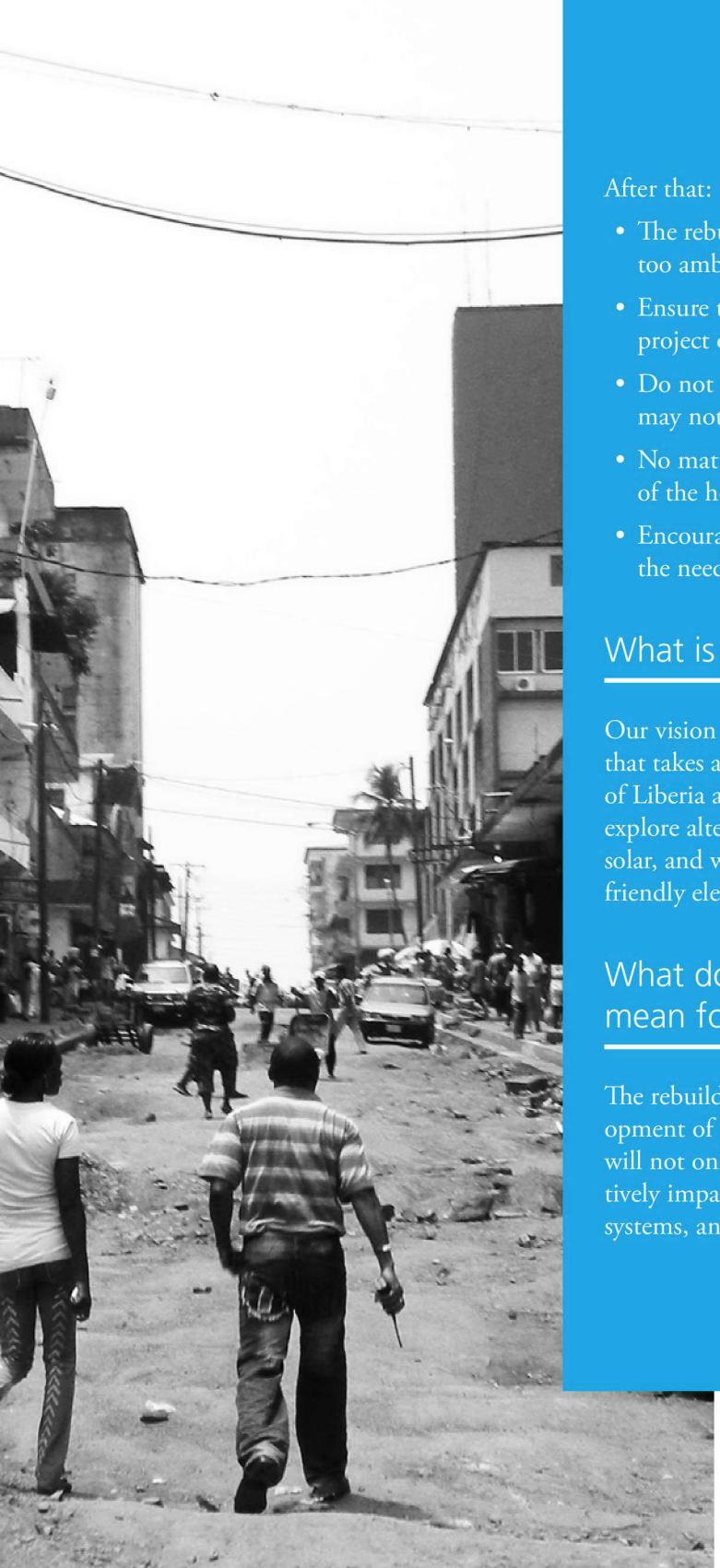
USAID *lends support*

In post-conflict situations, resources and expertise provided by the international donor community can contribute to the rebuilding of communities, national and rural infrastructure, and economies. In Liberia, the United States Agency for International Development (USAID) helped President Ellen Johnson Sirleaf deliver on her promise to turn the lights back on through a number of complementary initiatives addressing short-term needs and long-term development:

- The Emergency Power Program re-established the Liberia Electricity Corporation (LEC) and installed 2 megawatts (MW) of generating capacity in Monrovia, enough to power some street lights and buildings. This modest effort was the first visible sign of progress on rebuilding the power sector after the war.
- USAID financed the construction of a diesel generation plant on Bushrod Island. In less than one year, it added 10 MW of power generating capacity, doubled the number of customers, and spurred development of the electrical transmission system, making increased power generation possible.
- For the long-term development of Liberia's power sector, USAID supported the Liberia Energy Assistance Program (LEAP). It developed a National Energy Policy and introduced pre-paid metering, which increased collections, improved LEC's cash flow, and led to more responsible use of electricity. LEAP also ensures that renewable and clean energy plays a part in national energy policy.
- The Liberia Energy Sector Support Program is developing two hydro and two biomass generating facilities over a four-year period. This $19 million program will reach the rural population, much of which has never had electricity before.

Many challenges remain before Liberia's energy sector can fully support commercial and residential power needs. Even today, fewer than 10 percent of the population has access to power. But USAID's efforts, in partnership with the Liberian government and other donors, have furthered progress and momentum that is contributing to the development of the overall system and Liberia's economic development.



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After that:

- The rebuilding process should be simple and not too ambitious in the initial stage.
- Ensure that cost recovery is achievable within your project objectives.
- Do not hesitate to get expertise in areas where you may not have the personnel.
- No matter how small, make sure the contribution of the host government is visible.
- Encourage the development of local staff to limit the need for foreign expertise.

What is your vision for LEC?

Our vision for LEC is to rebuild a utility company that takes advantage of the abundant hydro potential of Liberia and the sub-region. We would also like to explore alternative energy sources such as bio-mass, solar, and wind power to expand environmentally friendly electricity distribution.

What does the rebuilding of LEC mean for Liberia's future?

The rebuilding of LEC is vital to the economic development of Liberia. Affordable and reliable electricity will not only enhance economic growth, but positively impact reliable health services, good education systems, and the population's overall social welfare.

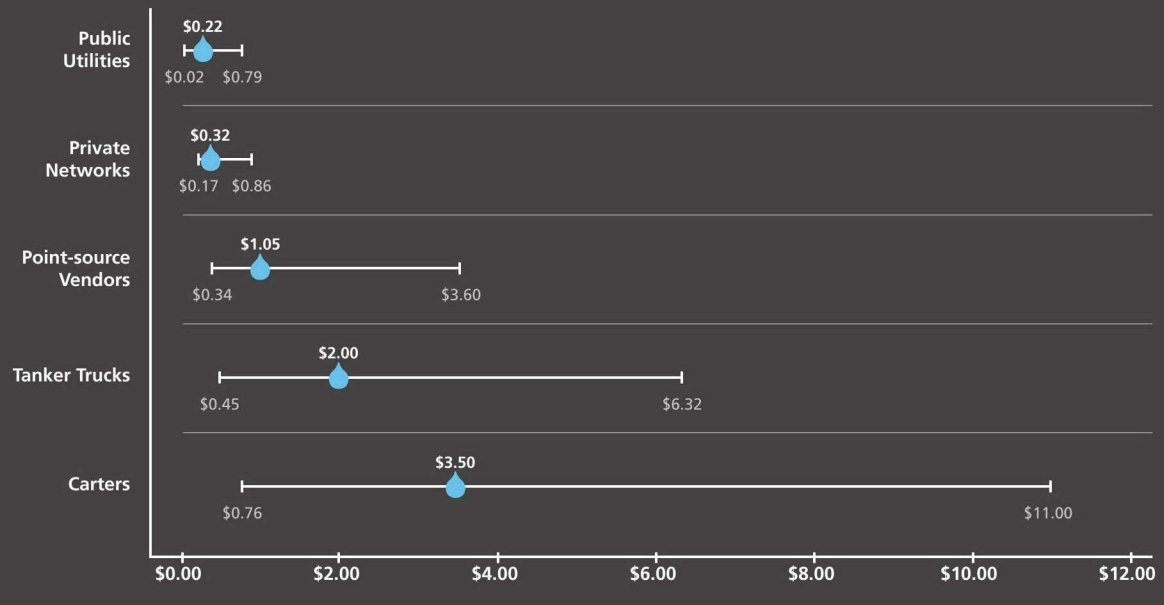
Photo © Project H Design

LARGE-SCALE PURPOSE

SMALL-SCALE SERVICES

Small-scale private service providers (SPSPs) have long played a quiet but important role in the provision of water and electricity. They vary in scope, scale, and the types of constraints they face. For governments seeking to learn more about how SPSPs can serve their citizens, consider these points:

- ***SPSPs are significant service providers in many countries, particularly in periurban, rural, and remote regions, and may be the only viable operators in some contexts.*** SPSPs are estimated to reach as much as half the population in some countries, particularly in post-conflict situations and other cases of weak or failed states. Overall, it is estimated that up to a quarter of the urban population in Latin America and nearly half of urban dwellers in Africa rely on SPSPs for at least a portion of their water supply. They often compensate for—or supplement—the limited financial and human resources of the public sector.
- ***The local private sector accounts for over 85 percent of all private sector investment in water services and the potential for local financing of small-scale water supply is significant.*** The local private sector has demonstrated its ability and interest in the development and management of water supplies even in remote or difficult locations that



Source: Kariuki, Mukami; Schwartz, Jordan. 2005. Small-Scale Private Service Providers of Water Supply and Electricity : A Review of Incidence, Structure, Pricing and Operating Characteristics. *The World Bank, Washington, DC.*

are unattractive to formal providers. Despite unclear legal or operational status and sub-optimal financing arrangements (primarily from the informal market) these providers have made significant investments in water supply and electricity systems. Establishing a clear policy and a supportive regulatory framework for SPSPs could free up scarce public financing for less attractive segments of the market and reduce costs, thereby improving prices for consumers.

- ***Cost Recovery Prices provided by small-scale private network systems are a fraction of the price charged by traditional water vendors.*** An analysis of the comparative costs of small piped private networks shows that the per unit cost of water delivery can be as little as 10 percent of the cost of purchasing water from vendors. That is, where public utilities fail, small piped systems prove an economical solution—particularly when considering that they do not generally require the types of ongoing subsidies provided by governments to public utilities.
- ***Where water sourcing or energy supply technology presents barriers to entry, PPPs may be designed to share that risk.*** World Bank Group experience working with SPSPs in countries like Paraguay has allowed for the expansion of SPSPs into areas where sourcing risks would otherwise have prevented their investments. Public transfers for borehole drilling and output-based subsidies for connecting the poor have been key.
- ***Small-scale providers have the potential to become local private operators in small towns, and over time, in medium and large towns.*** With growing recognition of their role in water supply and electricity services, SPSPs are evolving from owner-operators of isolated systems to developer-operators of formally recognized systems in small towns or multi-village areas (such as Paraguay and Uganda). While SPSPs' prior experience in the informal sector may not adequately prepare them for formal bidding processes, experiences in several countries demonstrate that with the right support and consortium-building, SPSPs can become an important channel for the development of local private sector capacity for water supply and electricity service.
- ***While small entrepreneurs are unlikely to take on the responsibility for massive rehabilitation or expansion projects in large metropolitan areas, SPSPs can help fill the growing gap in private financing of infrastructure by serving marginal urban communities, periurban areas, and outlying and rural communities.*** These are often the most costly clients to serve for large investors, the last to receive connections, and the targets of controversial universal service obligations imposed upon private investors and concessionaires.

This article is based on a series of papers and articles by Jordan Schwartz, Mukami Kariuki, Franz Drees-Gross, Alex Bakalian and Michael Schur.

Affordable Drinking Water in Haiti

The lowest cost option for safe, treated water in Haiti is currently $.12 per gallon, making access to clean drinking water unaffordable for many Haitians. DloHaiti, a market-based solution providing safe drinking water in Haiti, offers water at a price average Haitians can afford. DloHaiti's business model is the deployment and operation of water kiosks dispensing or delivering water in 5-gallon jugs.

DloHaiti seeks to improve this long-accepted business model, lowering costs and delivering superior products and services to high-demand but under-served communities. DloHaiti water kiosks can provide drinking water exceeding World Health Organization standards at a 25 to 40 percent discount from the lowest market price while maintaining healthy operating margins to provide a return for investors. In addition to investment returns, an important goal for the business is addressing a critical social need with a market-based solution that is sustainable and more efficient than current governmental or NGO-managed efforts.

DloHaiti launched an 18- to 24-month, 40-kiosk pilot in Haiti in early 2013. This will be the foundation for a Haiti-wide deployment creating entrepreneurship and employment opportunities for working- and middle-class Haitians. A post-pilot scale-up will seek to establish a 300-kiosk Haiti-wide network that could reach 5 to 8 percent of Haiti's population—people who are currently underserved or beyond the limits of public infrastructure or water trucking.

Photo © UNICEF Canada

WAITING FOR WATER

By Jane Jamieson

Getting off the plane for the first time in Juba, South Sudan, I was amazed at the number of water trucks. There were dozens of them on every street, delivering water everywhere: from the private water tanks at wealthy houses, to trucks refilling large blue plastic drums by the side of the road for on-selling to the poorer residents of the city. These blue plastic drums are a lifeline to 90 percent of the population that does not receive water from the public water company. Only 3,000 households have that privilege.

As this fledgling country establishes itself after a devastating conflict, the vast majority of Juba's people must find their own ways to access water. Some resort to hand dug wells or private boreholes. Others purchase water from water vendors with tankers or from bicycle-drawn drums. And although there are formal public-water system filling points where tanker drivers can purchase water for reselling, the supply is erratic and the wait is long, so tanker drivers often resort to selling untreated water straight from the Nile. For this water of dubious quality, customers pay from $8 to $12 per cubic meter—almost 10 times what I pay at home in Washington, D.C.

A MARKET LIKE ANY OTHER

Post-conflict countries feature at the bottom of every human development indicator, and as I saw in Juba, access to water in South Sudan is no exception. Similarly, in Afghanistan, the Democratic Republic of Congo, Somalia, and Papua New Guinea, more than 50 percent of

Photo © UNAMID

the country's population does not have access to clean drinking water. In many of these countries, where the governments are struggling to provide services for their populations, the types of water markets in South Sudan have sprung up to meet this most basic need. Water is a market opportunity like any another.

When we talk about PPPs or private participation in the provision of water services, as with many other public services, we are usually talking about bringing in varying degrees of private participation to improve the performance and sustainability of traditionally public services. Even in the rural and small towns of countries like Uganda or Benin, where management is delegated to small scale operators, these often rely on significant donor or government financing of the initial capital investment to keep tariffs within an affordable range.

As in South Sudan and other post-conflict countries, however, the reality is very different. In these nations, the governments and donor investment combined is a drop in the ocean compared to the needs of the population. Governments often lack the capacity to regulate or maintain any level of service, so the private sector sees an opportunity and responds accordingly. The level of service and quality of water is often poor, and prices high—but the fact remains that they are there and are likely to remain the main providers of water to people in the immediate future.

Therefore, the way we approach water service delivery in these post-conflict environments must be different. The role of government and development partners should not only focus on the traditional development model of large new investments, but also consider how to harness and regulate the markets that have emerged and that will continue to be significant players. What ultimately matters is moving toward providing good quality water at a reasonable price.

There is precedent for this "bottom-up" approach. Many countries that have transitioned out of post-conflict have formalized the role of the private sector in service delivery. In Rwanda, for example, nearly 40 percent of rural water schemes are managed by small firms or individuals. In Cambodia, the government licenses operators to take over the construction and running of small water schemes.

A FRESH APPROACH

Private water vendors are often portrayed as opportunists who exploit the most basic of human needs, and in some cases this is true. But often these vendors are people trying to make ends meet like everyone else. On the same trip to Juba, for example, I met a man who had invested a significant amount of money in converting a truck to a water tanker and importing it from Uganda. He was keen to differentiate himself from the other tankers, looking for simple water testing kits that could help him prove to customers that his water was clean and safe.

When thinking about water sector development in post-conflict countries, the role of the private sector is no less relevant than in more stable, developed countries. It just it takes a very different approach to harness the already vibrant water markets to provide good quality water at an affordable price.

Cooperation *amid* conflict

By Ryan T. Ketchum
with contributions from Marie Marconnet & Ananda Covindassamy

It's not impossible for nations in conflict to put aside their differences to coordinate the delivery of natural resources, but it's unusual. For the Democratic Republic of Congo, Rwanda, and Burundi, cooperation is transforming the shared Ruzizi River into a valuable source of hydropower for three peoples.

It sounds too good to be true: three countries with a history of conflict, finding creative ways to split resources from a shared river that can deliver much-needed hydropower to the citizens of all three nations. There are no loopholes and no secret ways for one nation to gain the advantage, even when it comes to taxes.

The umbrella organization that is promoting the project has sponsored a treaty governing the management of the river and the catchment area that supplies it with water, and is in the process of establishing an independent international regulatory authority that will regulate the use of this shared resource.

For the Democratic Republic of Congo (DRC), Rwanda, and Burundi, this sort of creative cooperation amid conflict makes reconstruction possible. Energie des Grands Lacs (EGL), the

international organization that operates under the auspices of the Economic Community of the Great Lakes Countries (CEPGL), has promoted this reconstruction since the late 1970s, first with the development of the Ruzizi II hydroelectric project, and now by promoting the Ruzizi III hydroelectric project, which will be developed as a public-private partnership.

Those behind the Ruzizi initiative point to four important reasons this post-conflict project has flourished: the mounting need for power and for replacing high-cost gas-oil based generation with lower cost sources; the precedent set by past initiatives; the cross-border coordination; and the tariff tailored specifically for the needs of the parties involved.

THE NEED FOR LOW-COST CAPACITY

The power systems of Burundi, the eastern DRC, and Rwanda are mainly based on gas-oil fired units. The cost of gas-oil based generation is especially high in the Great Lakes region due to huge transport costs from Kenyan and Tanzanian ports. Most of the alternative economical hydro sites are small and Ruzizi III is the largest and lowest cost option in the region, along with methane gas extracted from Lake Kivu for the generation of base load electricity. Increasing demand for electricity has been fueled by economic growth and ambitious electricity access programs financed by donors. As a result, the region is facing a rapidly increasing shortage of capacity and energy.

MEET *the* MEDIATOR

Claude Kayitenkore is Director at Energie des Grands Lacs (EGL). He oversees negotiations among officials of the DRC, Rwanda, and Burundi for Ruzizi III. Here, he discusses how the group has overcome political tensions to produce a workable agreement.

How did EGL ensure that each of the players in the Ruzizi project were treated fairly?

EGL focused on ensuring that there was transparency in the work, studies, and decision-making throughout the entire process. EGL has been consulting extensively and regularly with a committee of representatives from each country on the various technical matters. For high-level issues, EGL consulted government ministers, including ministers for energy, foreign affairs, and water resources.

cont. on page 63

PRECEDENTS PAVE THE WAY

The Ruzizi III dam will be the third in a series of four projects on the Ruzizi River. The experiences of the first two initiatives provide the clues to the success of Ruzizi III. The Ruzizi River forms the border between the DRC and Rwanda. The south-flowing river connects Lake Kivu with Lake Tanganyika. The 29.8 megawatts (MW) Ruzizi I plant, owned and operated by SNEL, the parastatal electricity utility of the DRC, is located 3 kilometers downstream of the outlet from Lake Kivu and was commissioned in 1959. The 43.8 MW Ruzizi II plant is owned and operated by SINELAC, a multi-national organization established by a treaty among Burundi, the DRC, and Rwanda, and was commissioned in 1989. SINELAC has been besieged by management and financial challenges since its commissioning—a repeat of that structure for Ruzizi III was not an option. Donors and governments wanted a fully commercial and independent structure protected from interference by any of the three governments, assuring that they are all equal.

EGL has been working steadily to promote the third project. In June 2012, EGL launched a request for proposals for the selection of a private investor to develop Ruzizi III on a Build-Operate-Transfer basis. In September, EGL declared the consortium of Sithe Global and Industrial Promotion Services (Kenya) as the preferred bidder for the project (the same consortium that developed the 250 MW, US$900 million Bujagali Hydroelectric Dam on the River Nile in Uganda).

Hydropower in Africa

In late December of 2012, the General Assembly of the United Nations declared 2014-2024 the decade of sustainable energy for all and launched the Sustainable Energy for All (SE4ALL) Initiative jointly with the African Development Bank. In passing the resolution, the General Assembly noted that 1.3 billion people live without access to electricity and that 2.6 billion people in developing countries rely on traditional biomass sources for cooking and heating needs. Half a billion of those living without access to electricity live in Africa.

Hydropower is undoubtedly the most common form of sustainable and renewable energy. In 2008, hydropower accounted for 16.3% of global electricity production. In Europe and North America, 25% and 29% respectively of the potential hydropower has been developed. In Africa, one of the continents with the greatest need for additional generation capacity, only 5% of potential hydropower is in use today. With solutions like Ruzizi III, hydropower has the potential to provide a significant percentage of the energy that is necessary to realize the objectives of the General Assembly's resolution.

The proposed technical solution for Ruzizi III envisions a run-of-river project comprising:

- a diversion dam,
- a 7 kilometer headrace tunnel,
- penstock and surge chamber,
- surface powerhouse,
- three Francis type turbine-generator units,
- a 220 kilovolts switchyard, and
- a 10 kilometer transmission line to a substation located at Kamanyola in the DRC.

The design also includes a small generating unit at the dam site to produce energy from the ecological flow that will be released to the bypassed reach of the river between the dam and power station.

The Proposed Technical Solution has a total installed capacity of 147 MW, with each turbine designed for a maximum flow rate of 50m3/s, giving a total plant discharge of 150 m3/s (not including the small unit at the dam site). Given the hydrology of the river, it is anticipated that the nominal mean annual energy production will equal approximately 710 gigawatts per hour, which equates to a capacity factor of approximately 56 percent.

CROSS-BORDER COORDINATION

The need for cross-border coordination has derailed many projects that are economically attractive. Typically, the political issue of distributing power among three nations is trickier than the technical solutions proposed. In this case, the cross-border coordination facilitated by EGL

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How do you steer discussions so that political differences don't threaten the project?

The discussions have remained convivial and we have had no difficulty maintaining a focus on technical issues. All three countries realize the significance of this project for meeting the energy needs of the region, so participants have remained focused on how to move it forward.

What are the most important qualities for an organization like yours that serves as the "go-between" for nations in conflict with each other?

- A community spirit: EGL itself is composed of representatives from all three countries who work side by side and who are able to coordinate action in all three countries.
- Transparency: for national and international stakeholders.
- Competence: to understand both the regional aspects and context, as well as the technical aspects.
- Team work.

has been key. EGL has been successful at bringing the three countries together by developing practical solutions, and sidestepping the more sensitive political issues by emphasizing values such as transparency, competence, and socio-economic benefits.

For Ruzizi III, EGL has arranged for the project's capacity to be purchased by the parastatal utilities of Burundi, the DRC, and Rwanda. Each off-taker will purchase on commercial terms, with a full payment security package, one-third of the capacity of the project under a Common Power Purchase Terms Agreement, and separate Power Purchase Agreements.

The political question of distributing power among three nations is trickier than the technical solutions proposed.

Tariffs are being structured with cooperation in mind as well. Off-takers will pay for the capacity made available by the project company. Capacity will be adjusted hourly from actual to nominal hydraulic conditions to determine an hourly availability payment, which will later be converted to a monthly availability payment.

This structure achieves two objectives: it incentivizes the project company to ensure that the plant is available, and it allocates day-to-day hydrological risk to the offtakers. This "all for one and one for all" concept allows the nations to share equally in the benefits as well as the risks.

COMMON CAUSE, COMMON POWER

The countries will enter into a Common Power Purchase Terms Agreement before firm pricing is known because the tariff will be set using a so-called regulation by contract method. This will effectively enable the project to be constructed using a form of regulation that is similar to the return on rate base form of regulation widely used in the U.S., Europe, and other well developed markets. Such *ex post* regulation is feasible in those markets given the long history of their regulators successfully balancing the interests of investors and ratepayers. It is unlikely that a system of *ex post* regulatory review would be feasible in countries that are in an earlier stage of development, including in most of Sub-Saharan Africa.

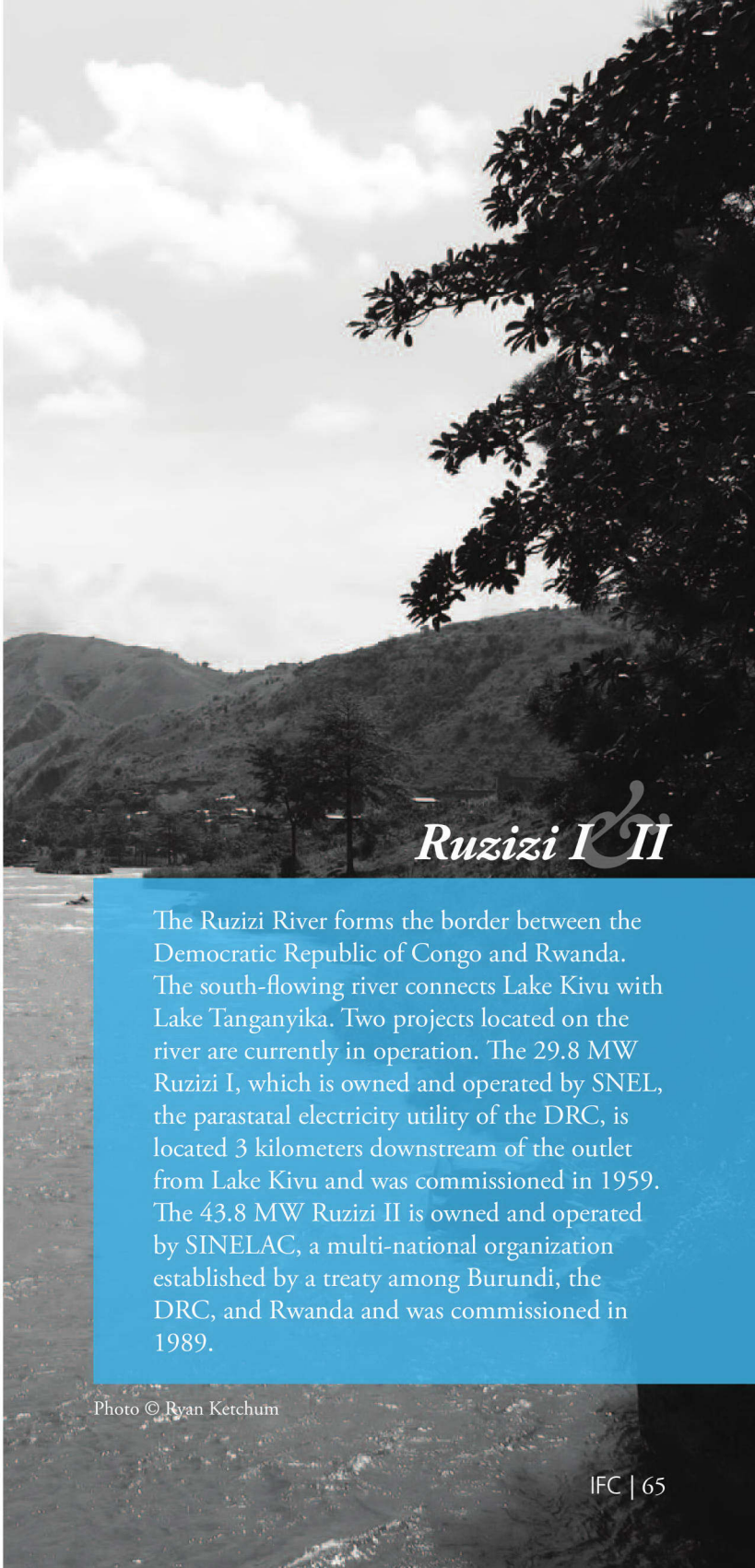
To overcome this problem and allow for a system of regulation that entails many of the benefits of return on rate base regulation, the regulation by contract method defines the methodology that will be used to establish the final tariff in an agreement that is subject to international arbitration. This agreement is entered into before the investment is made. This approach leads to a balanced sharing of risks on construction cost between the investor and the future off-takers.

MOVING DOWNSTREAM

Multi-lateral development finance institutions (DFIs) have expressed an interest in providing or have already provided significant funding for the Ruzizi III project. Interested private lenders will be encouraged to participate by the protection offered by a possible (under discussion) partial credit guarantee from the World Bank. The sponsors are expected to request political risk insurance on equity from MIGA.

EGL recently selected a preferred bidder for the project—a consortium made up of Sithe Global and Industrial Promotion Services (Kenya) and the project agreements are under negotiation.

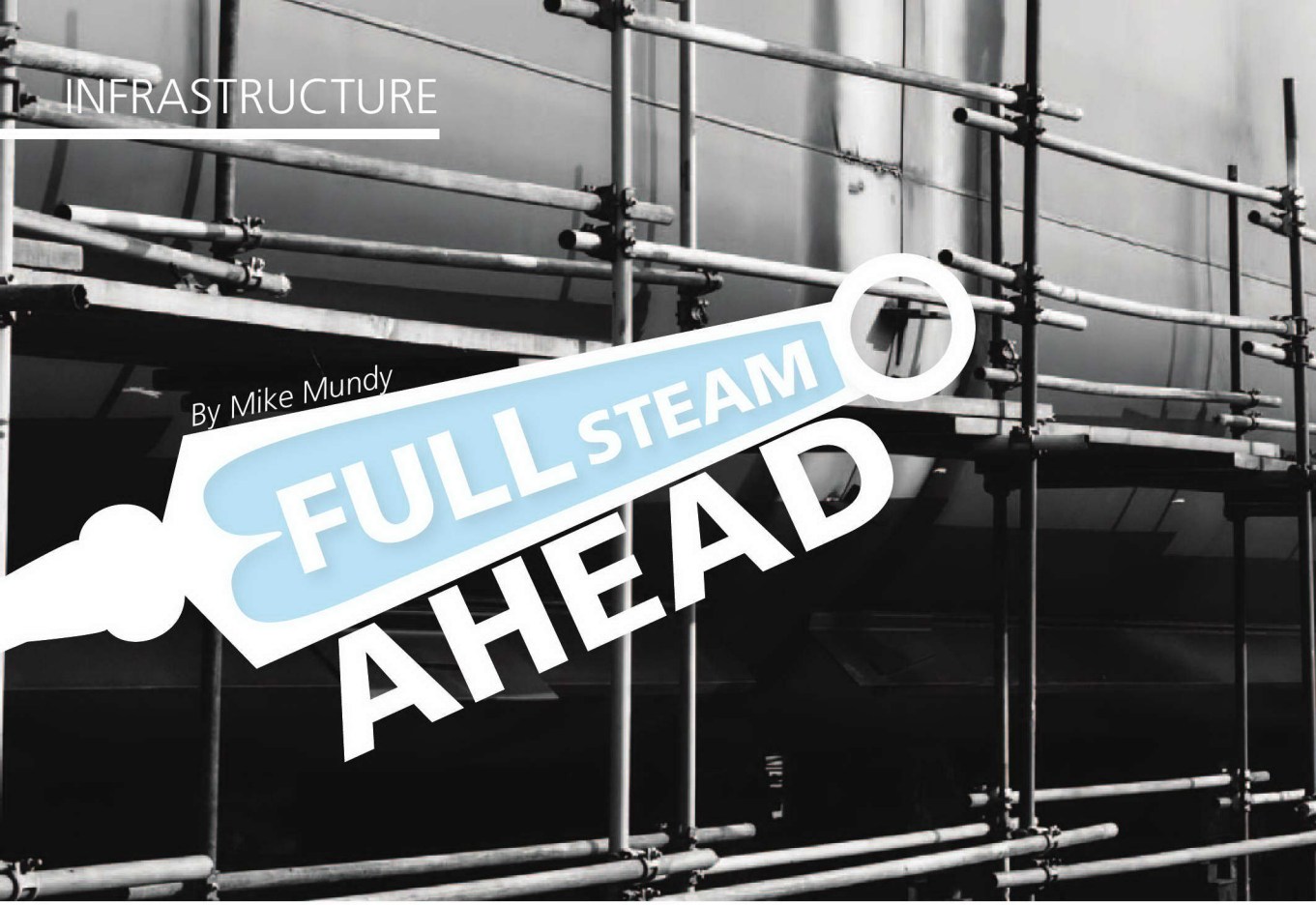
The successful development of Ruzizi III will integrate the region's disparate power systems into a single interconnected system with scale and diversification. It will dramatically lower the cost of electricity in East Africa, making access for all a dream that has a chance of coming true.



Ruzizi I & II

The Ruzizi River forms the border between the Democratic Republic of Congo and Rwanda. The south-flowing river connects Lake Kivu with Lake Tanganyika. Two projects located on the river are currently in operation. The 29.8 MW Ruzizi I, which is owned and operated by SNEL, the parastatal electricity utility of the DRC, is located 3 kilometers downstream of the outlet from Lake Kivu and was commissioned in 1959. The 43.8 MW Ruzizi II is owned and operated by SINELAC, a multi-national organization established by a treaty among Burundi, the DRC, and Rwanda and was commissioned in 1989.

Photo © Ryan Ketchum



FULL STEAM AHEAD

By Mike Mundy

At the end of World War II, Allied bombing raids killed over 55,000 people and inflicted extensive damage to the port of Hamburg. Getting the port working again was an absolute priority for national reconstruction, and even today the process undertaken in Hamburg serves as a model for other countries. The following steps can guide the efficient restoration and function of war-damaged ports.

How to rebuild a seaport

SECURITY

- Reinstate the port perimeter or at least a working port zone, with established physical barriers.
- Secure the whole port area.

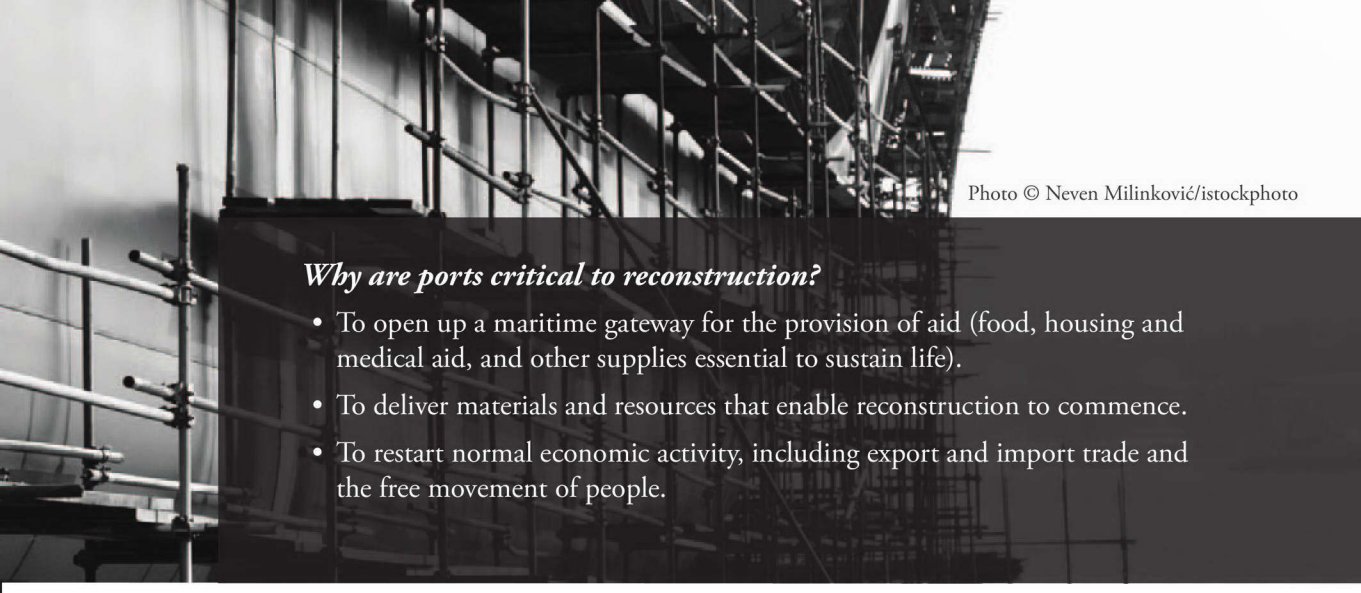


Photo © Neven Milinković/istockphoto

Why are ports critical to reconstruction?

- To open up a maritime gateway for the provision of aid (food, housing and medical aid, and other supplies essential to sustain life).
- To deliver materials and resources that enable reconstruction to commence.
- To restart normal economic activity, including export and import trade and the free movement of people.

2 MANAGEMENT

- Deploy a core team of experienced port personnel with a clear chain of command, including port administration, navigation, and operations.
- Establish a comprehensive plan to open the port.
- Plan the transition from interim measures to normal operations.
- Position the port to complement the country's recovery program.
- Establish a working party with key port users, interfacing between the port managers and port users to ensure the reconstruction's approach meets users' needs.
- Establish good communication systems with port users, the agencies responsible for interfacing road and rail infrastructure, and other parties that are a regular feature of port life.

3 NAVIGATION

- Provide safe marine access to the port; clear mines and wrecks.
- Remove sunken vessels alongside berths.
- Put navigational aids in place.

4 LANDSIDE ACCESS

- Work with the agencies responsible for reinstating interfacing landside infrastructure, such as road and rail operators.

5 CARGO HANDLING

- Survey the whole port area to identify areas that may be brought back into service as soon as possible.
- Consider interim berthing measures if the main berthing infrastructure is severely damaged—for example, floating pontoons equipped with cranes for cargo discharge and loading.
- Establish temporary "ro-ro ramp" systems (the ideal cargo mode to get things quickly moving again).
- Use off-the-shelf IT systems to support the management and operation of port/terminal facilities.
- For faster roll-out, deploy heavy duty mobile cranes as an alternative to fixed cranes for diverse cargo types, and mobile pneumatic un-loaders for free-flowing, dry bulk commodities.

6 WAREHOUSING

- Use quick erection storage buildings or other temporary structures to deliver warehouse capacity.

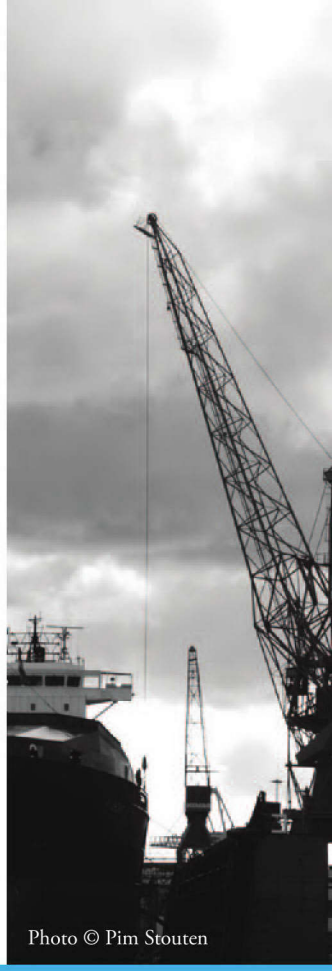


Photo © Pim Stouten

THE CASE OF UMM QASR

Following its capture in March 2003, the approach to the port of Umm Qasr, Iraq had to be de-mined by specialist military forces. This was achieved relatively quickly, allowing the shipment of humanitarian supplies to Iraqi civilians. Sunken vessels in the port's access channels—some booby-trapped—represented the next big challenge to opening the port. The channels needed to be cleared for regular commercial traffic as opposed to low draft military craft to allow the large-scale delivery of humanitarian supplies.

Making Umm Qasr operational again was critical because as Iraq's only deep-water port and primary port of entry for cargo and food, it handles around 85 percent of Iraq's bulk food supply. Countries with a single port gateway, like Iraq, are highly dependent on the efficient functioning of the port because it is the key to maritime transportation and trade.

DIALING UP reconstruction

Limited physical infrastructure needs, relatively low investment cost, and the huge potential for growth make telecom an attractive sector for early entry investors.

INFRASTRUCTURE

Although governmental services and basic infrastructure are often absent in nations undergoing reconstruction, cell phones tend to become a part of daily life, even providing critical services such as banking and tele-medicine. By allowing people to stay connected to each other as well as take advantage of these critical services, the telecommunications industry demonstrates how the private sector can help alleviate rather than exacerbate conflict. Investment in the field has yielded positive results for all parties, promoting peace-building, reconstruction, and development while turning a profit.

Several factors make the telecommunications industry uniquely suited for its role in societies experiencing deep changes. These companies are able to start initiatives during a conflict, for example, and do not have to wait until stability and peace have been fully achieved. In contrast to other industries, mobile phone companies make smaller investments, and start getting a return as soon as the first subscriber makes a call, according to a World Bank report. The initial investment is usually quite low compared to other industries, and companies are able to start recovering the investment almost immediately. In developing countries with cash societies, the business model most widely used by telecom companies is pre-paid cards, which have no collection problems.

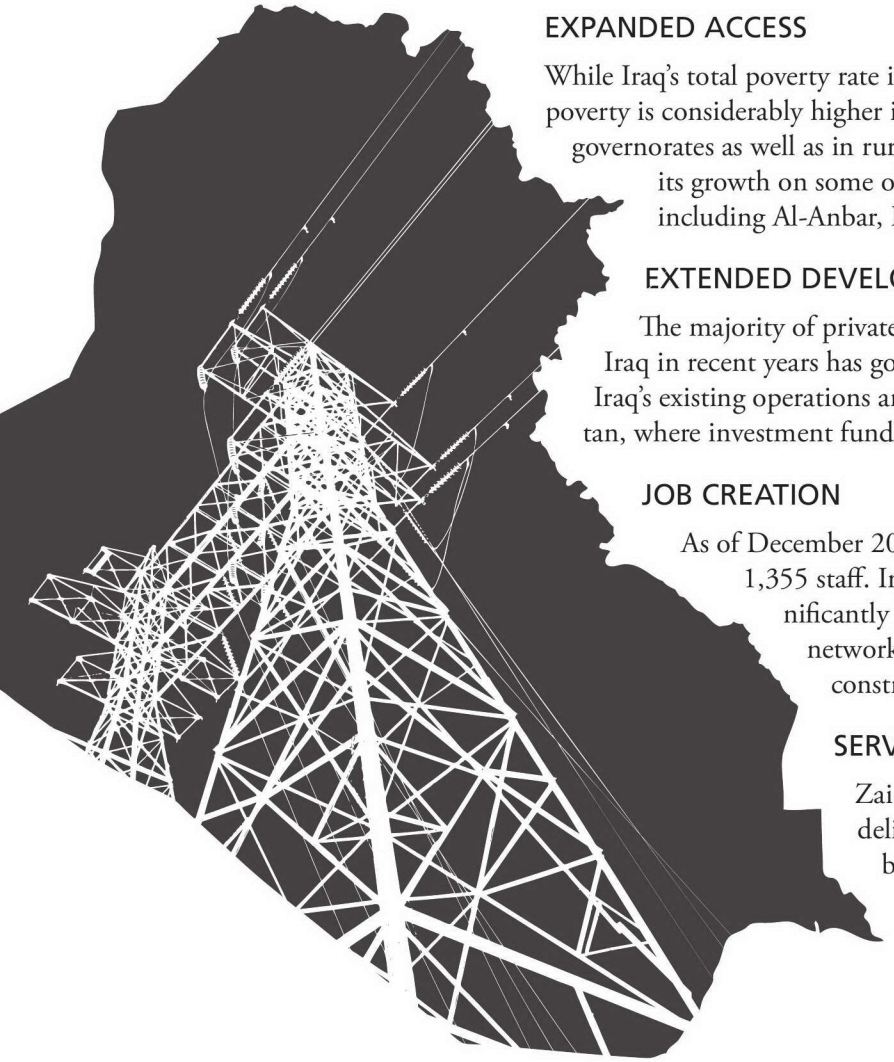
Afghanistan, Somalia, and the Democratic Republic of Congo, where the average mobile-penetration growth rate was 111 percent between 2001 and 2006, are compelling examples of the telecom industry's grassroots appeal. In fact, the *Middle East Times* called mobile telephony in Afghanistan its "most impressive economic success"—strong words for a country desperate to rebuild its infrastructure.

The examples on the following pages—from Afghanistan, Iraq, and the West Bank and Gaza, and in sectors as diverse as agriculture, banking, and politics—highlight ways that the telecom industry can have an immediate impact on the economy and social fabric of post-conflict environments.

—From The Role of the Private Sector in Fragile and Conflict-Afflicted States, July 2010, updated April 2011.

IRAQ

In Iraq, where the movement of people and goods is complicated and heavily restricted, access to reliable, high quality voice and data services is key for economic activity and for personal and family safety. Zain Iraq, the leading mobile telephony company in Iraq, with 51 percent market share and 10.3 million subscribers, is investing in:



EXPANDED ACCESS

While Iraq's total poverty rate is approximately 22 percent, poverty is considerably higher in many southern and western governorates as well as in rural areas. Zain Iraq will focus its growth on some of Iraq's poorest governorates, including Al-Anbar, Diala, and Salahuddin.

EXTENDED DEVELOPMENT

The majority of private capital that has entered into Iraq in recent years has gone to Iraqi Kurdistan. Zain Iraq's existing operations are located outside of Kurdistan, where investment funds are most needed.

JOB CREATION

As of December 2009, Zain Iraq employed 1,355 staff. Indirect employment is significantly higher through distribution networks, security, and network construction.

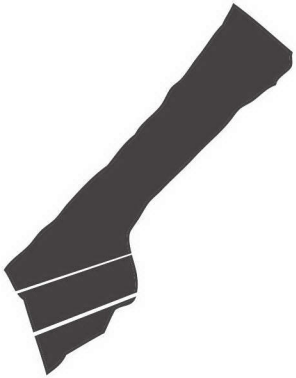
SERVICE DELIVERY

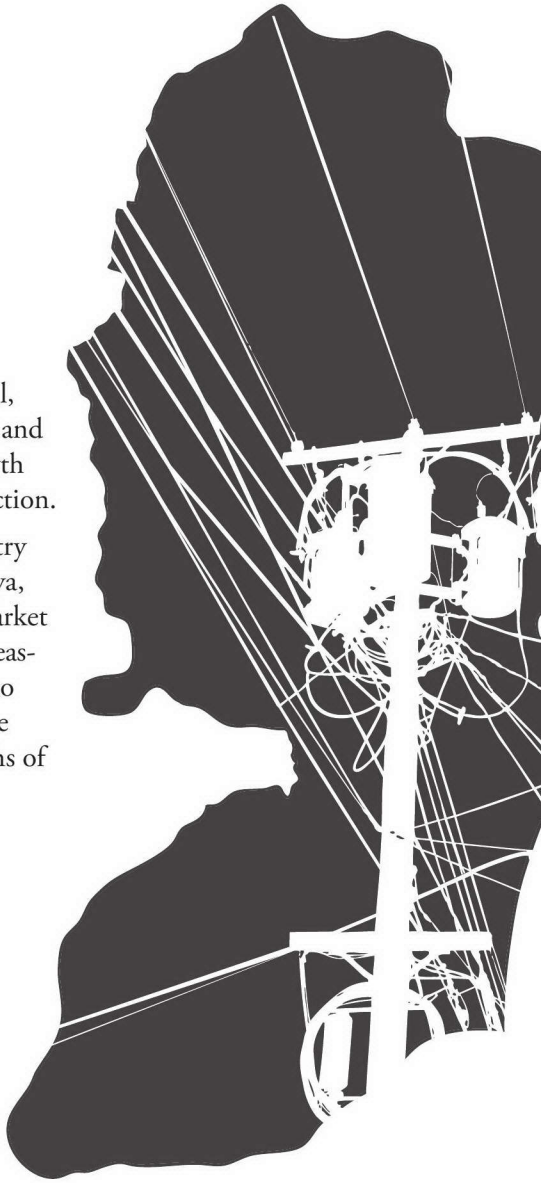
Zain Iraq is pioneering the delivery of services, such as banking, using the country's mobile platform.

WEST BANK AND GAZA

In the West Bank and Gaza there is a severe shortage of capital, and large projects are challenging given the territory's borders and the small size of most active governing bodies. However, growth and integration are critical factors in the economy's reconstruction.

Through an agreement with the Palestinian Authority's Ministry of Telecommunications and Information Technology, Wataniya, the mobile phone network, will lead an effort to accelerate market growth while improving the current low tele-density and increasing competition within the sector. Wataniya will be required to provide coverage to 100 percent of cities and 97 percent of the population by year three; an IPO is required within six months of roll out.





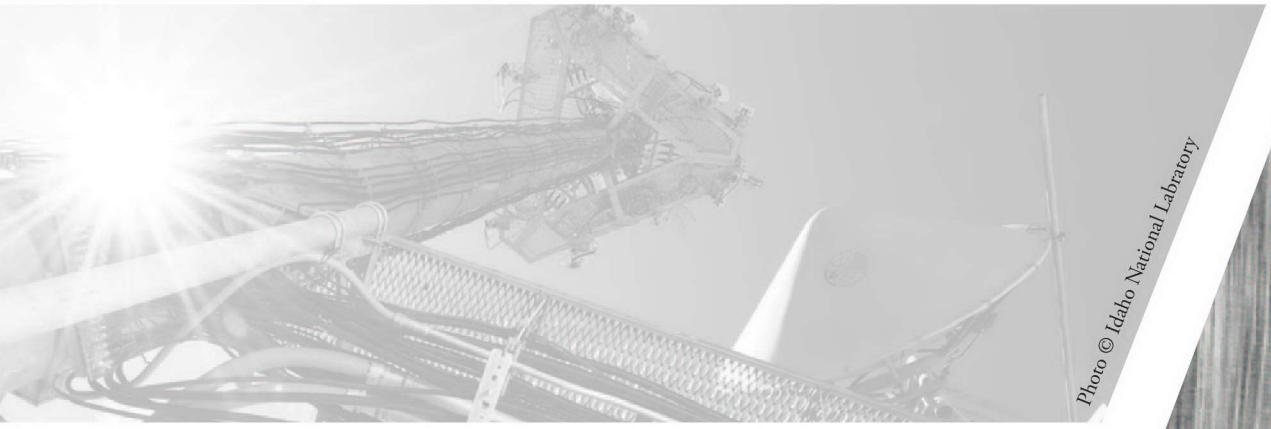


Photo © Idaho National Laboratory

81,800,000

the number of globally registered mobile banking customers.

1,000,000,000

the estimated number of people who will use mobile banking by 2017.

56,900,000

the number of registered mobile banking customers in Sub-Saharan Africa.

There are now more mobile money accounts than bank accounts in Kenya, Madagascar, Tanzania, and Uganda.

20% of Kenya's GDP is sent via text message each year by users of the M-PESA system.

Sources: Global System for Mobile Communications Association & Pew Research Center.

Photo © The Reboot

BANKING ON *CHANGE*

Re-starting the economy is a daunting challenge in post-conflict countries, but the introduction of mobile banking in these environments has placed money—and reform—on speed-dial.

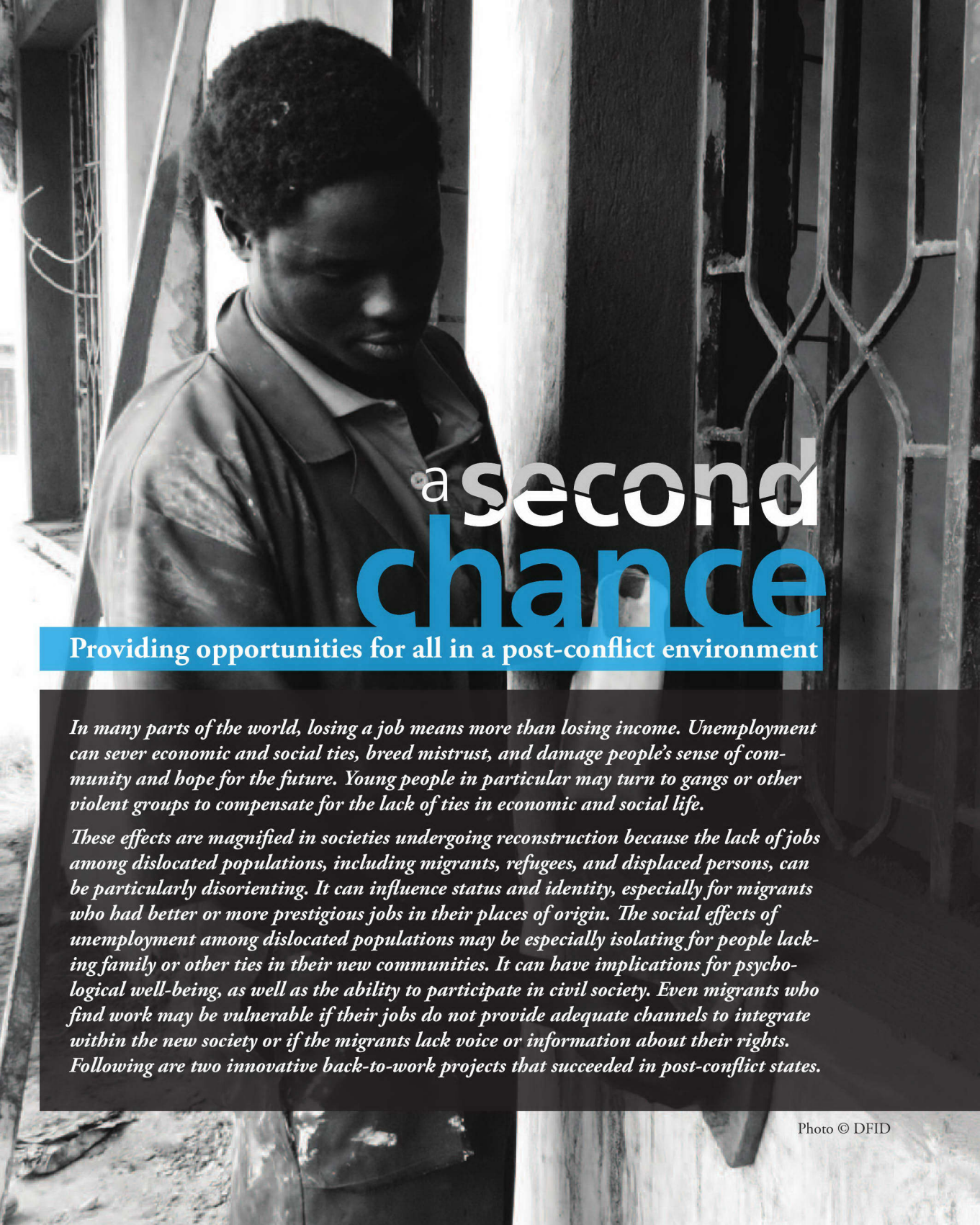
The 2007 launch of M-PAISA, Afghanistan's first mobile money transfer system, provides financial services for people who cannot access a bank. Because transactions carry no cost, they ultimately stimulate nationwide economic activity. Capabilities include microfinance institutions' loan disbursement and repayments, as well as salary disbursements and airtime distribution.

The system now has 1.6 million subscribers who withdraw and pay money through retail outlets that are able to provide banking services without brick-and-mortar banks in place. The system also includes interactive voice recognition, presenting new opportunities for the extensive population of Afghanis who are illiterate.

Police in Wardak province, Afghanistan were used to earning a salary of 1,500 afghanis per month; however, once the police started picking up their salaries from M-PAISA, they started receiving 3,500 afghanis. The policemen subsequently discovered that they had not once received their true salary and in fact didn't even know what it was. Just as important, the technology also assures their safety and ability to physically deposit the money. In the early days, the police were followed when they went to pick up their paycheck, but now, because there are cash points throughout the country, they can travel to more remote locations where they can't be followed.

M-PAISA is modeled on a similar and successful program in Kenya, M-PESA. M-PESA was launched in 2007 by Safaricom of Kenya, and by 2009 the program had 7 million users. Originally, male, urban migrants sending money home to their rural families used the service most, but now it is used for sending tuition and even paying taxes. In total, around 130 billion Kenya shillings ($1.7 billion) is transferred, and around 150 million Kenyan shilling ($1.96 million) is transferred daily.

—From *The Role of the Private Sector in Fragile and Conflict-Afflicted States,* July 2010, updated April 2011.



a second chance

Providing opportunities for all in a post-conflict environment

In many parts of the world, losing a job means more than losing income. Unemployment can sever economic and social ties, breed mistrust, and damage people's sense of community and hope for the future. Young people in particular may turn to gangs or other violent groups to compensate for the lack of ties in economic and social life.

These effects are magnified in societies undergoing reconstruction because the lack of jobs among dislocated populations, including migrants, refugees, and displaced persons, can be particularly disorienting. It can influence status and identity, especially for migrants who had better or more prestigious jobs in their places of origin. The social effects of unemployment among dislocated populations may be especially isolating for people lacking family or other ties in their new communities. It can have implications for psychological well-being, as well as the ability to participate in civil society. Even migrants who find work may be vulnerable if their jobs do not provide adequate channels to integrate within the new society or if the migrants lack voice or information about their rights. Following are two innovative back-to-work projects that succeeded in post-conflict states.

Northern Uganda

Two decades of insurgency, instability, and conflict led to high rates of poverty in northern Uganda. By 2005, a measure of peace and stability had returned to the region, allowing for the demobilization and reintegration of former combatants and other war-affected populations. In 2006, the government launched the Youth Opportunities Program to stimulate income generation and employment growth among young adults ages 16 to 35. The program provided cash grants for vocational training and business materials to groups of participants with successful grant proposals. Groups had an average of 22 members, and most expressed interest in tailoring, carpentry, metal works, mechanics, or hairdressing.

An evaluation two years after the intervention found increased investments in skills, participation in skilled work, greater incomes, and higher savings. Grantees were 4 percent more likely to attend community meetings and 9 percent more likely to be community mobilizers. Participants also reported receiving more social support from their family and the community. Furthermore, men who received grants reported a 31 percent decline in aggressive behavior relative to the control group. This finding is consistent with theories that link aggression to stress levels, low social standing, and perceived injustice.

Sri Lanka's Northern Province

In Sri Lanka, a cash-for-work program initially established to resettle 100,000 returnees following internal conflict actually assisted more than 250,000 returnees and quickly evolved into one of the largest sources of employment in the Northern Province.

Participants noted that in many cases the program meetings were the first community-level gathering that they had attended after having arrived from camps for internally displaced populations. By many accounts, community meetings, shared meals, team work, and the involvement of elders and children as indirect beneficiaries of the program promoted a sense of belonging among the newly resettled families.

Thirty-six-year-old Sachchithananthan Subodhini, from the Northern Province, said that she was "very happy. As a result of cash for work, the whole village is working as one." Reflecting on her life journey since being displaced in 1995, she said that the program "had helped to bring the community together... [T]he village seemed abandoned but the *shramadana* [volunteer work] helped to get the community back to its original state."

Sources: Blattman, Fiala, and Martinez 2011 (Northern Uganda); Andrews and Kryeziu 2012 for the World Development Report 2013 (Sri Lanka).

PUTTING BUSINESSWOMEN ON THE MAP

Destruction, displacement, and loss of lives and livelihoods affect men and women alike. But conflict often leaves women to carry the double burden of economic and familial responsibility in the absence of men who are imprisoned, disabled, or dead. While society reconstructs itself, these women must make life-altering economic decisions: to invest, to sell assets, to stay in rural areas or move to the city, or to leave camps and look for economic opportunities elsewhere. Providing women with access to information and with entry points to formal and informal job networks are crucial steps toward social and economic inclusion. The following lessons from societies undergoing reconstruction can be applied in many areas of the world which are also in transition.

FROM AFGHANISTAN

The success of female entrepreneurs is essential for post-conflict economic stabilization and revival. Financial institutions must tailor services to women and promote women's access to finance. Women who can no longer rely on steady earnings from the male head of household during hardship must often make ends meet by engaging in informal micro-income-generating activities. First Microfinance Bank of Afghanistan (FMBA) demonstrated how banks can reach out to women in need of these micro-income loans when it developed a group lending product exclusively for women in 2006. The product targeted the increasing number of women in the labor force as a result of the conflict, as well as the increase in female-headed households. According to recent statistics, 16 percent of FMBA's borrowers are women, many of them war widows.

FROM LIBERIA

An early gender-focused baseline survey can help government formalize women's participation in national reconstruction efforts. In 2007, the World Bank Group surveyed the barriers to enterprise formalization in Liberia. The survey confirmed that women business owners are more likely than their male counterparts to own informal enterprises and that this was due in part to the unequal treatment of men and women during business registration. Following the survey, the government recognized the need to address this inequality and identified business associations to disseminate information about formalization as a first step.

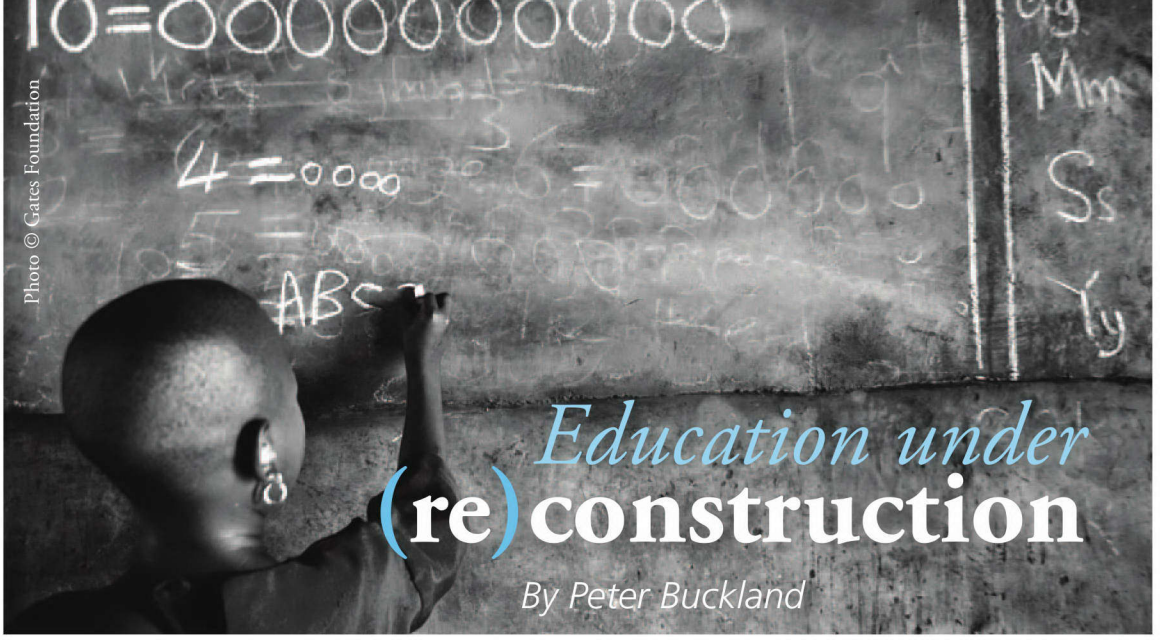
FROM THE DEMOCRATIC REPUBLIC OF CONGO (DRC)

Post-conflict legal reform initiatives may facilitate changes to existing gender-discriminatory legislation. In the DRC, discriminatory provisions in the Family Code require married women to obtain marital authorization to go to court in a civil case, to buy and sell property, or to enter into commercial obligations such as starting a business; banks generally also require co-signature or approval from husbands if women are to obtain loans. A Microfinance Law passed two years ago retains the need for spousal permission for married women to take out a microfinance loan. These are among the steepest obstacles women face in seeking access to finance. A new draft Family Code, which could remove these constraints, is expected to go before the National Assembly for approval later this year. Other potential reforms in the pipeline are a draft Labor Code that could remove provisions related to restricted working hours for women.

FROM IRAQ

Women entrepreneurs can benefit from training and business mentoring in safe environments that accommodate the challenges of physical access. In 2006, Iraq's interim coalition government agreed to provide women with a quota of the contracts for reconstruction, which led to a growth of women-owned small-and-medium enterprises. To provide entrepreneurship/management training safely, additional transport and security costs were allocated so that the Iraqi women could be trained safely in Amman, Jordan, in conjunction with the Iraqi International Chamber of Commerce and Industry and the Jordan Forum for Business and Professional Women.

Adapted from "Creating Opportunities for Women Entrepreneurs in Conflict-Affected Countries," an IFC SmartLesson by Mark Blackden, Carmen Niethammer, and Henriette von Kaltenborn-Stachau.



Education under (re)construction

By Peter Buckland

Schools and education systems are invariably debilitated by conflict. They are left weakened, damaged, and underresourced at precisely the time when communities, governments, and international agencies need them to help rebuild and transform themselves and the societies they serve. This twin mandate of reform and reconstruction offers both significant opportunities and enormous challenges to societies emerging from conflict. Research and experience demonstrates that certain approaches, such as those below, often lead to long-term success.

Post-conflict reconstruction of the education sector faces challenges that are complicated by an added sense of urgency following the debilitating aftereffects of war. Four factors are critical to the success of rebuilding the education sector in postconflict societies:

- Sound policies and committed leadership at the country level.
- Adequate operational capacity at all levels, including capacity of communities to participate effectively, with the right incentives.
- Financial resources to scale up programs that work and ensure these reach the service delivery level.
- A relentless focus on results.

All this must be achieved in a context where political authority and civil administration are often weakened, compromised, or inexperienced; where civil society is in disarray, deeply divided, and more familiar with the politics of opposition than reconstruction; and where financial resources are constrained and unpredictable.

Yet each of these constraints also contains possibilities. Most notably, new political authorities are more likely to seek education reform to distance themselves from the previous regime, particularly where international aid provides additional incentives.

Capitalizing on reform efforts

Civil society often focuses on education as a key strategy around which it can coalesce for reform, and the publicity around the end of conflict

often attracts an injection of resources that can help to kickstart this reform. However, when the demands on an education system outstrip its capacity to deliver, the question of priorities looms large. In facing challenges on all fronts, where does one begin? Here are the most important starting points:

- Focus on the basics to get the system functioning so that the return of children and youth to school can be seen as an early "peace dividend" that will help to shore up support for continued security.
- Acknowledge the importance of symbolism in education and ensure some bold symbolic actions (such as purging textbooks). This signals that, while much about the system remains unchanged, reform has started.
- Build recognition that reform of education is an incremental, ongoing process that takes decades and must be led from within the country as consensus develops on society's wider development vision.
- Focus from the beginning on building capacity for reform, which includes supporting the participation of communities, local authorities, and other stakeholders.

Teachers, reform, & reconstruction

Teachers are the most critical resource in education reconstruction. During early reconstruction, many teachers return to their previous posts, along with members of communities who may have been involved in supporting education during the conflict. The education system often offers the first opportunities for public sector employment, but at the same time, many qualified teachers are attracted to opportunities in the new bureaucracy, and in the international agencies and NGOs. This often results in a shortage of qualified teachers accompanied by oversupply of underqualified or unqualified teachers in early reconstruction.

Teacher development and training, usually neglected during conflict, creates particular challenges for post-conflict reconstruction as the system has to respond to the training backlog, an influx of untrained teachers, and limited capacity of the central authorities to coordinate the wide range of private and donor-sponsored training initiatives. The greatest challenge for new authorities is to coordinate this energy into a more coherent teacher development program without stifling it with bureaucratic controls. Teacher organizations, which often have the potential to obstruct reform, can play a significant positive role in supporting reconstruction. The key appears to be in early involvement and ongoing dialogue.

Adapted from *Reshaping the Future: Education and Postconflict Reconstruction,* The World Bank, 2005

AMBASSADOR OF *Opportunity*

The Hon. Melanne Verveer was the U.S. Ambassador-at-Large for Global Women's Issues until early 2013, coordinating foreign policy issues and activities relating to the political, economic, and social advancement of women around the world. Prior to that, Verveer served as chair and co-CEO of Vital Voices Global Partnership. Verveer previously served in the Clinton administration as Assistant to the President and also advised then-First Lady Hillary Rodham Clinton on women's rights, democracy, and peacebuilding initiatives.

Verveer is now the director of Georgetown University's new Georgetown Institute for Women, Peace and Security, which examines the impact of women's participation in resolving conflict, mitigating state failure and humanitarian disasters, and shaping major political transitions. Here, she talks to **Handshake** ***about women's role in post-conflict settings.***

Photo © Phil Humnicky/Georgetown University

What are the issues that matter to people whose countries are transitioning out of conflict?

I remember traveling to Bosnia with Hillary Clinton when she was First Lady, at a time the conflict there was still far from being resolved. What stayed with me was her comment that "This place will not work if they don't meet the dire economic needs of the people." It's the economic piece that matters. That's not "humanitarian." Humanitarian goals are important; relief is important. But you've got to start reconstruction by creating the mechanisms to have sustainable economic opportunity.

What are the differences in barriers to women entrepreneurs in developing countries versus the barriers in post-conflict countries?

The degree of obstacle is heightened significantly in post-conflict countries. We know that the usual, documented obstacles have to do with capital, markets, the capacity of training and mentoring, networks—the opportunities to engage. Often there are also discriminatory laws shutting out women. What is a problem in the developed country is magnified in a post-conflict setting.

By Alison Buckholtz & Carmen Niethammer

How are the specific needs of women entrepreneurs in post-conflict countries generally addressed?

The issues articulated by women entrepreneurs are rarely on the agenda in post-conflict nations. It's an afterthought. But women-owned small-and-medium enterprises must be a part of the solution in order to prevent recidivism—because there will be recurring conflict if you don't address this issue. When I look at the peace agreements that have been made and how many break down after the first five years, I see that this is a common thread that's missing in this configuration. The more you're involved, the more you see it.

Where have you seen women's access to finance making a difference?

It was especially clear when I was traveling with Secretary Clinton during her time as First Lady—we went to the Former Soviet Union when the massive political transformation was occurring. We can see the same dynamic now in the Arab Spring countries. Had it not been for microcredit in the FSU, providing an income to female doctors and teachers who weren't being paid and had to find alternative sources—along with women entrepreneurs who were able to start businesses to keep their families afloat—they all told us they would have been in even worse shape. So, there is a clear and obvious role for the private sector and our challenge is to get the private sector engaged in ways that it can see the opportunity for itself.

What is the role of women in peacemaking?

It's been nowhere near where it should be. Security Council Resolution 1325 has hardly fulfilled its potential if you look at the sorry record of how many women have been engaged in peace processes. If there is a process going on where citizens are writing a constitution, developing government, creating laws for how the society can succeed, then they must take into account the issues that women know must be addressed—their everyday realities which are required for economic stability and opportunity. If these economic issues are not factored into a peace agreement, it's bound to be inadequate.

A good example is the process of ending the civil war in Angola. Negotiators were all male, and their talks on de-mining were all focused on roads—not forests, not fields, not wells, which is where the women and children were, where the activity of daily life took place, and where there is potential for future economic opportunity. Without the perspective of women as part of the peace process, the outcome will be shortchanged dramatically.

How do partnerships play into the economic progress of a post-conflict nation?

The private sector is about profitability, and the companies involved can also be extraordinary partners in terms of the social value. I want to explore this more for women in post-conflict nations, and figure out how to make this work.

To the extent that these new private initiatives succeed—like the women's economic empowerment initiatives of Wal-Mart, Coca Cola, Marriott, or technology companies working to close the gap—we all succeed. We need these synergies. At the State Department, Secretary Clinton was a huge champion of public-private partnerships. Because as she said, no one of us has all of the competencies required; we each have different competencies. No one of us has all the resources, but we can tap resources, leverage skills, and work together.

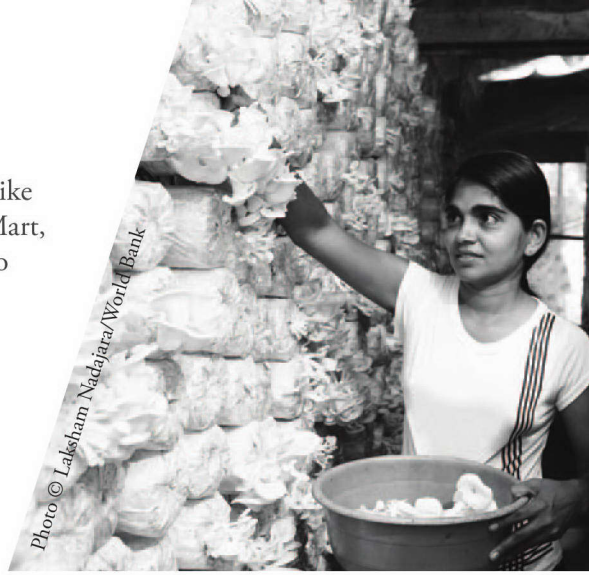


Photo © Laksham Nadajara/World Bank

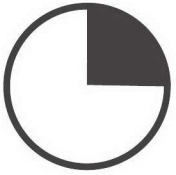
You recently transitioned from the U.S. Ambassador-at-Large for Global Women's Issues to heading the new Women, Peace and Security Institute at Georgetown University. What's next for you in this role?

It's imperative for us to contribute to data, research, and scholarship on women, peace, and security that shows that countries can transition to stability because of economic empowerment and financial tools for women. The only thing that you can sell is proof.

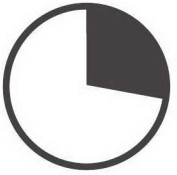
> "The private sector is about profitability, and the companies involved can also be extraordinary partners in terms of the social value."


Photo © John Hogg/World Bank

FAST FACTS



25%
of the world is affected by violent conflict.



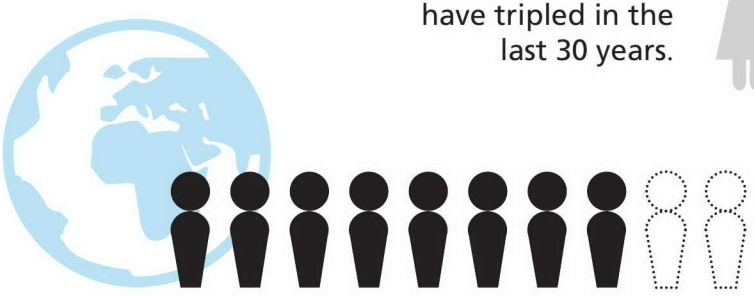
30%
of people in conflict countries live on $1 per day.

The annual global cost of conflict is estimated at

$100,000,000,000

The average cost per civil war is roughly equal to 30 years of a country's GDP.

Numbers of refugees and internally displaced people have tripled in the last 30 years.



By 2025, 82% of the global poor will live in fragile states.

Sources: Global Poverty Project, Overseas Development Institute, and the World Bank.

“Peace hath her victories
No less renowned than war.”

—**John Milton,** *“To the Lord General Cromwell”*
May 1652

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