



{Multinational Experiment 5 [MNE5]}

# The World Bank and Conflicts

From Narrow Rules to Broader Principles

Jon Harald Sande Lie

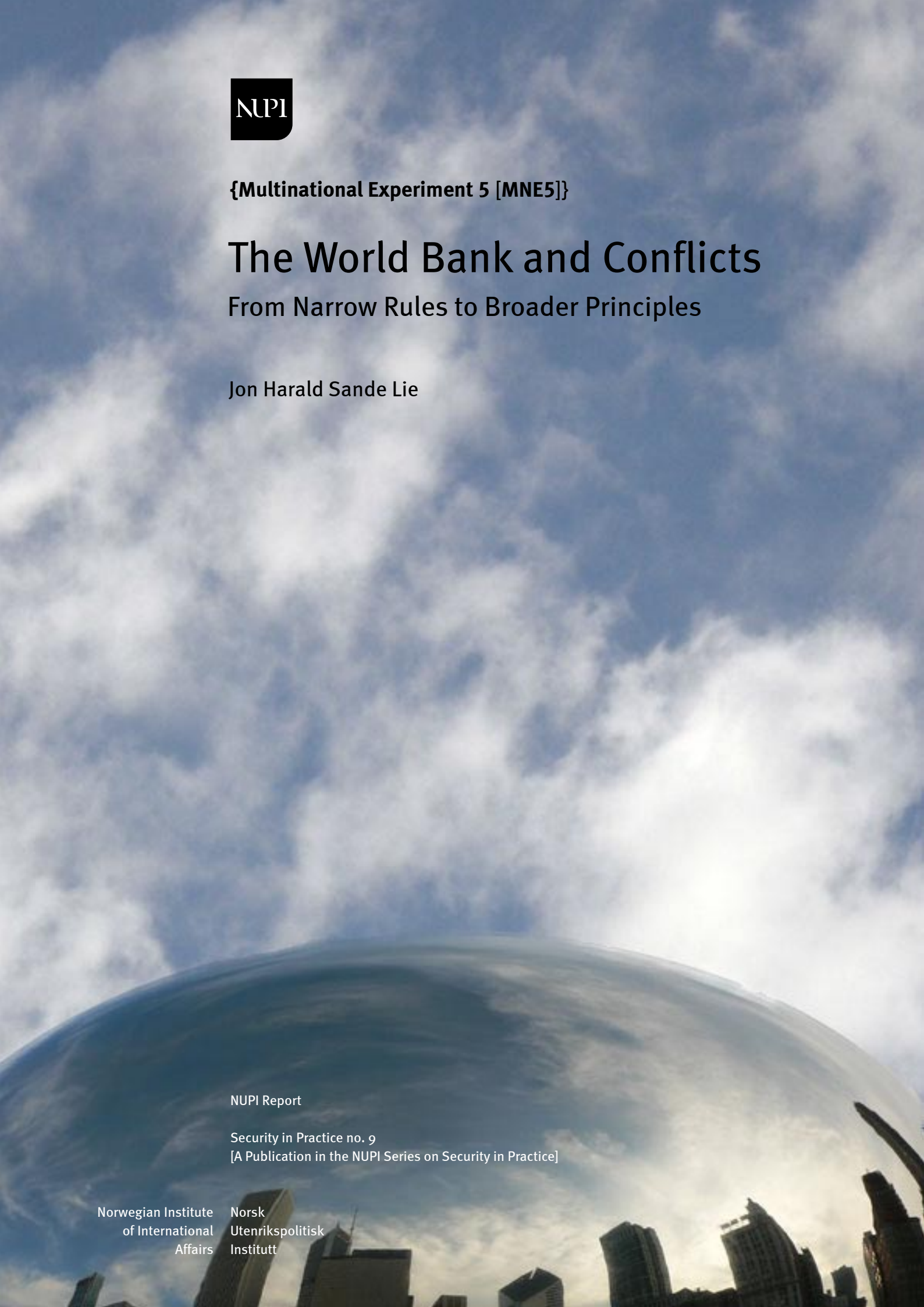
NUPI Report

Security in Practice no. 9

[A Publication in the NUPI Series on Security in Practice]

Norwegian Institute  
of International  
Affairs

Norsk  
Utenrikspolitisk  
Institutt



Utgiver: NUPI  
Copyright: © Norsk Utenrikspolitisk Institutt 2008  
ISSN: 82-7002-189-x  
ISBN: 978-82-7002-189-5

Alle synspunkter står for forfatterens regning. De må ikke tolkes som uttrykk for oppfatninger som kan tillegges Norsk Utenrikspolitisk Institutt. Artiklene kan ikke reproduseres – helt eller delvis – ved trykking, fotokopiering eller på annen måte uten tillatelse fra forfatterne.

Any views expressed in this publication are those of the author. They should not be interpreted as reflecting the views of the Norwegian Institute of International Affairs. The text may not be printed in part or in full without the permission of the author.

Besøksadresse: C.J. Hambros plass 2d  
Adresse: Postboks 8159 Dep.  
0033 Oslo  
Internett: [www.nupi.no](http://www.nupi.no)  
E-post: [pub@nupi.no](mailto:pub@nupi.no)  
Fax: [+ 47] 22 36 21 82  
Tel: [+ 47] 22 99 40 00

**{Multinational Experiment 5 [MNE5]}**

# The World Bank and Conflicts

## From Narrow Rules to Broader Principles

Jon Harald Sande Lie

**[Summary]** This paper focuses on the World Bank and its relevance to conflicts, peace-building and post-conflict reconstruction. It relates to the international trend of increasingly more efforts put into inter-agency cooperation, multi-functional operations and policy harmonization – all of which come as a response to a new understanding of international conflicts and crises, and how best to respond to and solve them. This implies operations spanning the traditionally separate development, security and humanitarian segments. Due to its institutionalised apolitical mandate, organisational culture and focus on specific core competencies the World Bank has for a long time sidelined itself from integrating efforts as seen among other international actors. The World Bank is, however, increasingly being called upon to partake in international operations with other organisations. This and an altered comprehension of the complexities of conflict-affected countries have made the Bank more open to engage in crises and emergencies and to coordinate with other actors. This paper elaborates these changes against the backdrop of the conventional interpretation of the Bank's apolitical mandate and its focus on core competencies. It outlines recent policy changes internal to the Bank that open for a stronger engagement in situations of crises and emergencies. These changes seek to dismantle rigid and narrow rules and rather provide a broader framework and principles that are case and context sensitive.

This report is part of the Norwegian engagement in the Multinational Experiment 5 (MNE5), where Norway participates through NATO ACT. The project is financed by the Norwegian Ministry of Defence and managed by the National Joint Headquarters. Besides NUPI, the Norwegian Defence Research Establishment and the Defence Staff Collage are also engaged in the programme. More information can be found at: <http://mne.oslo.mil.no>



## Preface

This paper focuses on the World Bank and its relevance to conflicts, peace-building and post-conflict reconstruction.

The World Bank's mission statement articulates the grand ambition of a world free of poverty – '...to fight poverty with passion and professionalism for lasting results. To help people help themselves and their environment by providing resources, sharing knowledge, building capacity and forging partnerships in the private and public sectors.'<sup>1</sup> As this paper will show, there are several ambiguities as to how the World Bank pursues this objective, particularly in fragile states and in conflict-affected countries. The Bank's strictly apolitical mandate has largely restricted its engagement in political, defence and security-related issues. Recently, however, greater recognition of the security–development nexus has been gaining ground, enhancing the Bank's capability to respond to situations from which it previously kept aloof. This comes through adopting a new policy, which is the specific focus of this paper.

The new operational policy of the World Bank – *Rapid Response to Crises and Emergency* – will be presented in its historical and institutional context, so that we can follow the trajectory of the Bank's changing role. This has been a process leading from narrow and restrictive rules to broader principles that need to be contextually applied and negotiated.

Basic to the new policy is the heightened consensus within the international community that war-to-peace transitions represent a continuum rather than distinct points in time. This calls for new comprehensive thinking and approaches, across the traditionally distinct spheres of the military, relief, recovery and development, through inter-agency and multi-functional comprehensive approaches aimed at facilitating the transition from conflict to lasting peace. Further, it means involving various actors in a coordinated manner, taking into account the comparative advantages and core competencies of their organisations, along the entire war-to-peace continuum.

Inter-agency and multi-functional responses to conflicts are referred to by a range of terms: the UN with its Integrated Mission,<sup>2</sup> NATO with its Comprehensive Approach through Effects Based Approach to Operations<sup>3</sup> through civil–military cooperation,<sup>4</sup> and the endeavours of various governments to integrate their diplomacy, defence and development efforts in 'whole-of-government' approaches<sup>5</sup> all represent processes that subscribe to the same rationale of actor and policy coherence to increase effectiveness and efficiency in addressing the war-to-peace continuum. This paper focuses

---

<sup>1</sup> World Bank Mission Statement, released 14 January 1999.

<sup>2</sup> Espen Barth Eide, A. T. Kaspersen, R. Kent & K. v. Hippel, 2005, 'Report on Integrated Missions. Practical Perspectives and Recommendations'. Oslo: NUPI.

<sup>3</sup> MNE, The Comprehensive Approach: A Conceptual Framework for MNE5. A Draft Working Paper. Version 0.11, Multinational Experimentation Joint Futures Lab; US Joint Forces Command. 18 September 2007.

<sup>4</sup> NATO, 2003. AJP-9 NATO civil–military co-operation (CIMIC) Doctrine.

<sup>5</sup> See Patrick Stewart and Kaysie Brown, 2007, *Greater than the sum of its parts? Assessing 'whole of government' approaches to fragile states*. New York: International Peace Academy.

on the potential relevance of the World Bank in such comprehensive approaches.

## Comprehensive Approach

The concept of Comprehensive Approach (CA), as applied within the MNE5 community, is pivotal to this paper.<sup>6</sup> According to the Draft Working Paper (see note 3 above, p. 6), Comprehensive Approach describes:

[the] wide scope of actions undertaken in a *coordinated and collaborative manner with the affected nation(s)* by national and multinational civilian government agencies and possibly, military forces, international and intergovernmental organizations, non-governmental organizations and the private sector to achieve greater harmonization in the analysis, planning, management, and evaluation of actions required to prevent, ameliorate, mitigate and/or resolve the condition precipitating the crisis.

CA is a response to the new forms of international crisis that have emerged since the end of the Cold War. Crises deriving from inter- or intra-state conflict, failed states, transnational terrorism, and natural disasters as caused by e.g. draught and famine call for non-conventional responses: a coordinated and coherent approach on the part of actors from the entire international community. Inherent to this view is a rejection of understanding causes and solutions to conflict in a sequential manner, in favour of a more holistic approach. The Comprehensive Approach can be illustrated in highly simplified form by the following figure.

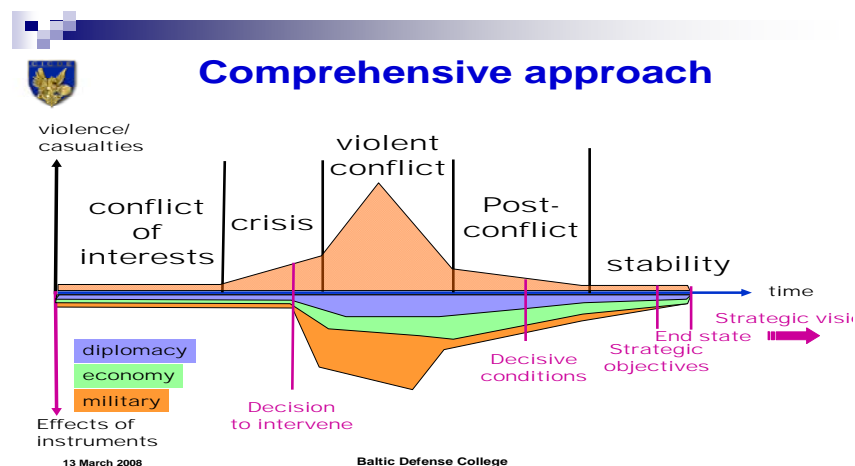


Figure 1. Comprehensive approach.<sup>7</sup>

<sup>6</sup> MNE5 is a programme for concept development and experimentation that seeks to improve means and methods for enhanced coordination and cooperation between civil and military actors spanning the political, development, economic, humanitarian and military efforts of various actors. The objective is to harmonise and improve international and multi-functional peace and crises management.

<sup>7</sup> The model is taken from Cdr Jacques Sueur (Centre Interarmées de Concepts, Doctrines et Expérimentations; Ministère de la Défense, France): *The Context of EBAO and the Comprehensive Approach – The French Approach*; PowerPoint Presentation at Effects

A Comprehensive Approach proposes that actors representing the diplomatic, economic (including development) and military means should share strategic guidance, so as to ensure early cooperation and collaboration between civilian and military actors in order to achieve their mutually agreed goals and objectives.

If peace and stability are the desired goals of all the actors involved, the Comprehensive Approach suggests that they work together and coordinate their military, diplomatic, development and economic means. The World Bank should thus be a prominent actor, given its important role with regard to international development generally and its core competencies of economic growth and sustainable development particularly. This, however, has not been the case. The Bank's conventional response to such a continuum would be to withdraw in cases of erupting crisis and re-engage later in the post-conflict phase.

There are, however, ongoing processes within the World Bank that largely comply with the security–development nexus and the need for stronger engagement in conflict-affected countries. These are not explicitly linked to processes external to the Bank. There exist links (albeit not formalised) between the World Bank and UN peacekeeping missions, but these are more on the ad-hoc level and have remained confined to the World Bank–UN interface.<sup>8</sup> This paper focuses on the relevance of the World Bank to conflict-affected countries, with particular attention to recent alterations in its guiding operational policy on emergencies and conflicts.

#### *The World Bank and 'Comprehensiveness'*

The World Bank has wide experience of working with comprehensive approaches to development. In 1999 it adopted the Comprehensive Development Framework (CDF)<sup>9</sup> as the philosophical underpinning of its main lending instrument, poverty reduction strategy papers (PRSPs).<sup>10</sup> The CDF and PRSPs, however, do not focus on security, defence or politics: they are constructed in line with the World Bank's apolitical mandate and its identity as a development agency, and thus focus solely on what have been defined as its core competencies – economic growth and sustainable development. The PRSP, as the main instrument for poverty alleviation, is thus not specifically designed for managing post-conflict transitions in fragile states.<sup>11</sup>

---

Based Approach to Operations (EBAO) Seminar, Baltic Defence College 12–13 March 2008.

<sup>8</sup> Madalene O'Donnell, 2005, UN Peacekeeping and the World Bank: Perceptions of Senior Managers in the Field. United Nations Peacekeeping; External Study, Center on International Cooperation.

<sup>9</sup> James Wolfensohn, 1999. A proposal for a comprehensive development framework. A discussion draft to the Board, management, and staff of the World Bank Group, 21 January 1999. Available at [www.worldbank.org/cdf](http://www.worldbank.org/cdf).

<sup>10</sup> The PRSP is a World Bank requirement imposed on client governments to qualify for debt relief and IDA borrowing. Although World Bank and IMF acceptance is needed to become effective, it is to be the sovereign product of the borrowing government, describing the country's overall macroeconomic, structural and social policies and programmes to promote economic growth, achieve sustainable development and reduce poverty. All foreign development actors are to support the objectives listed in the government's PRSP.

<sup>11</sup> Cf. Cedric de Coning, 2007, *Coherence and Coordination in United Nations Peacebuilding and Integrated Missions: A Norwegian Perspective*. Security in Practice No. 5, NUPI report.

The World Bank is originally a bank, but in its practice has come to resemble a development agency working for economic growth and sustainable development, placing it squarely on the development side of the war-to-peace continuum – and, obviously, on the civilian side of civilian–military cooperation. Although the World Bank is not a humanitarian agency and does not provide relief directly, there are numerous activities which fall within the continuum where it may apply its comparative advantage and core competencies. Recognising the security–development nexus and that war-to-peace transition is a continuum, the Bank has now become more forthcoming on matters relating to conflicts which it previously held at an arm’s length.

This paper presents the current World Bank policy on crises and conflict-affected countries, and addresses it at the backdrop of recent discursive changes within the international community in general and the Bank in particular. We start off with a brief introduction to the World Bank, focusing on issues relevant to the security–development nexus. By introducing the institutional structure and historical context of the Bank this section seeks to bridge the knowledge gap between various actors involved in comprehensive approaches in general and civilian–military cooperation in particular.<sup>12</sup> Readers familiar with the World Bank and interested only in its relevance to conflict might want to skip this initial section and go directly to *The World Bank and Conflicts*.

## The World Bank – a brief introduction

The World Bank was, along with the International Monetary Fund (IMF), conceived in the final years of the Second World War at the United Nations Monetary and Financial Conference held at Bretton Woods, New Hampshire, in July 1944.<sup>13</sup> The World Bank was formally established on 27 December 1945 following ratification of the Bretton Woods agreement. Its first and thus far largest loan issued to France for post-war reconstruction in 1947, which was in line with its original mandate to aid the reconstruction of post-war Europe. The intention of the Bretton Woods conference was, further, to create an international system to solve the economic and political challenges of the post-war world, and simultaneously to prevent future major crises deriving from economic and political instability. From the very start, the World Bank was an international institution established to deal with conflict-related issues: conflict prevention and post-conflict reconstruction.

<sup>12</sup> Haugevik and de Carvalho highlight this amongst the main challenges to harmonise and establish coherence among actors involved in comprehensive approaches. See Kristin M. Haugevik and Benjamin de Carvalho, 2007, *Civil–Military Cooperation in Multinational and Interagency Operation*. Discussion paper on occasional terminologies and assessment for Multinational Experiment 5 [MNE5]. Security in Practice No. 2, NUPI report.

<sup>13</sup> Hence these two institutions are commonly referred to as Bretton Woods Institutions (BWI). A third output of the conference was the General Agreement on Tariffs and Trade (GATT), which in 1994 became the World Trade Organisation (WTO). The WTO is, however, not included in the BWIs. This paper deals only with the World Bank, but it should be noted that the BWI to a large degree share policies, notably established by their joint semi-annual meetings. The main difference between the two is that the IMF provides short-term financial and economic ‘shock treatment’ to counter macroeconomic problems, whereas the World Bank focuses on long-term reconstruction and development efforts.



The World Bank originally comprised only the International Bank for Reconstruction and Development (IBRD). Together with the International Development Association (IDA; established 1960) these two make up what is today commonly referred to as the World Bank. From initially a nickname, the World Bank in 1975 became the official shorthand for the IBRD and the IDA.<sup>14</sup> The IBRD and the IDA are run along the same lines. They share premises and staff; they relate to the same board and institutional structure, and report to the same senior management. The main distinction concerns the division of work. The IBRD lends to middle-income countries and credit-worthy poorer countries, while the IDA focuses exclusively on low-income and the world's poorest countries. Consequently the IBRD and the IDA finance their lending from different 'drawers'. While the former runs on interest and reimbursement of active loans, the IDA basket is dependent on replenishment from its donors – its member governments. IDA loans are 'softer' than those of the IBRD and are often denoted as credits, grants and concessional lending.<sup>15</sup> An IDA loan will typically run over 40 years with an initial 10-year grace period, at minimal interest intended to cover administrative costs.

The creation of the IDA signified a shift of focus, from reconstruction to development, as regards the World Bank. After the reconstruction of Europe and in the advent of decolonisation, the World Bank turned its attention to the world's poorest countries, and came to realise that these could not afford to borrow capital for development on the terms offered by the IBRD. As a corollary, a group of member countries decided to establish the IDA as an institution that could lend to the poorest countries on easier ('softer') terms.

These factors, coupled with the discursive influence of the Truman Doctrine<sup>16</sup> and Cold War geopolitics, impeded World Bank reconstruction efforts due to the obvious connections to political matters. Moreover, the basic fact that reconstruction implies reconstruction from something that 'something' could not be the colonial era itself. Thus, and to maintain the organisation's momentum, a stronger need for the 'D' than the 'R' emerged within the IBRD. The creation of the IDA should be seen in this context. Over time, it has helped in firmly establishing the World Bank as a development agency.

Today, the World Bank is undoubtedly the most influential development agency in the world. It employs over 10,000 development experts, most of them at its headquarters in Washington DC, which thus represents the highest concentration of development expertise worldwide. This expertise and the organisation's unprecedented financial muscle represent significant resources that place the World Bank – as an intermediary between powerful

<sup>14</sup> The IBRD and the IDA (i.e. the 'World Bank') are only two of the five specialised institutions that comprise the World Bank Group: the other three are the International Financial Corporation (IFC, established 1956), the Multilateral Investment Guarantee Agency (MIGA, established 1988) and the International Centre for Settlement of Investment Disputes (ICSID, established 1966). Countries need to belong to the IBRD before joining any of the other institutions. Each specialised institution has separate foundational document, i.e. Articles of Agreement. To a large extent, however, the five all share the same basic values, ideas and terms: e.g. that they should be non-political.

<sup>15</sup> For the purpose of this paper, the 'World Bank' refers to the IBRD and the IDA, and 'loans' refer to disbursements made by both the IBRD and the IDA. This is in line with common World Bank usage.

<sup>16</sup> The 1949 Truman Doctrine, notably Point Four, outlined ambitious and somewhat aggressive US foreign policy and the role of institutional development as an instrument for achieving this.

shareholders and borrowing client countries – in the centre of the international aid architecture and the global political economy.

The World Bank is powerful for several well-documented reasons as well.<sup>17</sup> First, its lending power far exceeds that of other financial institutions, and its close relationship with client governments gives it a degree of leverage unknown to other lending institutions. Second, mission creep – the expansion of the initial mission beyond its original scope and goal – has widened the Bank's area of interest and responsibility.<sup>18</sup> New programmes and ideas have not ousted existing ones but have added on, thereby enlarging the Bank's portfolio. The original purpose of European post-war reconstruction shifted to a stronger focus on development issues after Europe was rebuilt, and with the advent of decolonisation.<sup>19</sup> Third is the World Bank's power to persuade through attaching policy conditions to its loans, referred to as 'policy-based lending' or 'conditionality'. The conditions attached reflect the Bank's interests and how it analyses and aspires to approach client governments. This stands in contrast to the basic concept of national ownership and the bottom-up approaches so central to the PRSP model and general World Bank rhetoric. Fourth, there is the production and diffusion of development knowledge by World Bank staff, while lending arrangements have begun to assume a more rapid and comprehensive form in today's age of globalisation. Fifth, the World Bank governance structure and institutional set-up entail that the influence of member countries or shareholders is proportional to how much capital they pay in. This provides the United States with effective veto power, as illustrated by its de facto appointment of the World Bank president – which, furthermore, demonstrates the close connection between the World Bank and US politics, notably the Congress and Treasury.<sup>20</sup> Seen together, all these elements make the World Bank nearly hegemonic within the international development segment. The Bank is a powerful institution with a potent ability to frame the world.<sup>21</sup>

## Conflict-focused Development: Demise and Resurgence

World Bank staff expresses ambiguities on issues related to conflict, reconstruction and peace building and what the organisation's role should be. Despite the Bank's grandiose ambition of a 'world free of poverty, to fight poverty with passion and professionalism for lasting result',<sup>22</sup> the staff interviewed for this paper expressed considerable ambiguity as to how go about this, particularly in the context of conflict-affected countries. Many – almost by default and always with reference to its apolitical mandate – argued that

<sup>17</sup> These points draw on Stone and Wright, 2007, 'Introduction. The currency of change: World Bank lending and learning in the Wolfensohn era' (pp. 1–25 in Stone and Wright *The World Bank and Governance. A Decade of Reform and Reaction*. London: Routledge).

<sup>18</sup> See Jessica Einhorn, 2001, 'The World Bank's mission creep'. *Foreign Affairs* 80 (5): 22–35.

<sup>19</sup> This will be dealt with in greater detail below.

<sup>20</sup> Susan Park. 2005. 'Norm Diffusion within International Organisations: A Case Study of the World Bank' *Journal for International Relations and Development* 8 (2): 114–41.

<sup>21</sup> See Bøås and McNeill (eds.) 2004 *Multilateral Institutions and Development. Framing the World?* London: Routledge.

<sup>22</sup> World Bank Mission Statement, released 14 January 1999.

the World Bank could not operate in countries in conflict, and that peace-building does not fall within its scope. Others, however, argued that the Bank should do more to involve itself in these issues, because of the negative impact that conflicts have on civilian populations and the overall development process, referring to the security–development nexus.

Whereas the former category represents the general view of most staff, the latter view reflects the marginal group working on conflict issues. This view is the focus of this paper, but it should be contrasted with and put in context within the general construction of the World Bank as a development agency, to illuminate the difficulties that ‘conflict junkies’ have in raising institutional interest and awareness of conflict issues.<sup>23</sup>

People internal and external to the World Bank have come to see it more as a development agency than as an instrument for dealing with post-war reconstruction, as its seminal foundational idea proposed. The continuous morphogenesis of the Bank since the 1960s has put emphasis the ‘D’ – development – rather than the ‘R’ – reconstruction – of the IBRD. This transformation is more a result of altering practice and discursive formation than any substantive change in formal mandate. According to the IBRD’s Articles of Agreement – the constituent document – its purpose includes ‘...the restoration of economies destroyed or disrupted by war, the reconversion of productive facilities to peacetime needs... [and] in the immediate postwar years, to assist in bringing about a smooth transition from a wartime to a peacetime economy’.<sup>24</sup> Even though the Articles stipulate that resources should be spent with equitable consideration to both reconstruction and development, the discursive formation of the World Bank – highly influenced by the IDA’s softer, more development-focused approach – has created a bias towards development. This should be seen against the backdrop of the Cold War, and how the political aspect of post-war reconstruction and its geopolitical connotations negatively affected the security–development nexus.

The political character of conflicts is another important factor in explaining why the World Bank has kept a distance from matters related to security, defence and conflicts. Its mandate reads that it ‘...shall not interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the member or members concerned. Only economic considerations shall be relevant to their decisions...’.<sup>25</sup> Through this strongly non-political mandate, reconstruction in conflict areas became interpreted as a political project, whereas development was viewed as a non-political activity in line with considerations of economic growth and sustainable development, according to widely held principles. While post-conflict reconstruction was seen as being too political in intention – due not least to Cold War geopolitics and the political aspect of conflicts – institutional de-

<sup>23</sup> ‘Conflict junkie’ is an internal, self-referring term of those working on conflict issues, and encompasses three interesting aspects: that working on conflicts is considered anomalous to general World Bank activities; that it is addictive; and that it is a struggle against the majority. The person who introduced me to the term said that she had been among the first conflict junkies in the Bank when she was employed four years ago, but that lately more people are becoming addicted.

<sup>24</sup> Article I, point i and v – purpose – of the IBRD’s Articles of Agreement. Available at [www.worldbank.org/articles](http://www.worldbank.org/articles).

<sup>25</sup> The IBRD and the IDA share this text verbatim. See the Articles of Agreement of the IBRD (Article IV section 10) and the IDA (Article V, section 6) both of which are called ‘Political Activity Prohibited’.

velopment was hailed as an apolitical programme that was safely in line with undisputed universal values. Although few would disagree that also ‘development’ might conceivably have political effects, it nevertheless became portrayed as a technical and managerial instrument detached from the realm of political intentions.

Since the end of the Cold War, however, this discursive formation has been revised. The revision has been paralleled by an increased focus on the security–development nexus, and – on the whole – made the World Bank more inclined to tackle issues of conflict, reconstruction, interagency operations, and address the apolitical character of World Bank lending.

The Bank’s 1999 adoption of the Comprehensive Development Framework (CDF) came on the pretext of promoting coherence and harmonisation to increase development effectiveness. As the philosophical underpinning to the main World Bank lending mechanism, the CDF emphasises holism and the interconnection of all elements of development.<sup>26</sup> However, the Bank’s apolitical mandate has ruled out issues of security, defence and military,<sup>27</sup> prohibiting political and diplomatic activity and rendering direct cooperation with military actors impossible. The CDF consolidated the World Bank’s status as the world’s leading development agency while simultaneously explicitly detaching itself from matters of a political nature. The CDF put stronger emphasis on the borrowing governments and their ownership of Bank-supported operations. The general guideline is that the World Bank is to work with and through governments as its sole counterpart. Any involvement of other actors should come at the request of the government in question.

The emergence of the World Bank as a development agency helped to sideline it from matters related to conflict. This historical trajectory has impaired its role and relevance to new comprehensive approaches that invoke inter-agency cooperation within the war-to-peace continuum. Moreover, whole-of-government approaches aim at coordinating actors aligned to the segments of diplomacy, development and defence – the 3Ds. Whereas national governments and the UN have agencies relating to these segments,<sup>28</sup> the World Bank represents merely one ‘D’ – development – which makes intra-organisational harmonisation of traditionally separate segments difficult. Among the development community there has, however, been an external push following the events of ‘9/11’ for greater alignment with the security segment. In 2002, US President G.W. Bush elevated development to become the third pillar of US foreign policy, alongside the traditional diplo-

<sup>26</sup> The elements are social, structural, human, governance, environment, economic and financial. Overarching objective is poverty reduction (meaning economic growth and sustainable development) and is based on four principles: long-term holistic vision, country ownership, country-led partnership and results focused. See World Bank (1999) *A Proposal for a Comprehensive Development Framework*. Available at [www.worldbank.org/cdf](http://www.worldbank.org/cdf)

<sup>27</sup> The World Bank has been engaged in Security Sector Reform (SSR), although indirectly, through enforcing conditions of fiscal stability and budget balance on loan-recipient countries. Through Public Sector Reform and the Public Expenditure Review the World Bank enjoys leverage to influence government spending by proposing cuts in public expenditure. Decreases in defence spending and military staff expenditures are regularly chosen to achieve budgetary balance.

<sup>28</sup> The UN can draw on UNDP (development), DPKO (military) and DPA (diplomacy), while, for example, the USA has USAID, the Pentagon and the State Department.

macy and defence.<sup>29</sup> Albeit initially reluctant, the World Bank has increasingly accommodated the security–development nexus and responded to other general inventions of the international community regarding how to react to what are seen as new security threats.<sup>30</sup>

### **Bringing Reconstruction back onto the Agenda**

Despite its confining mandate, the World Bank has ample reasons and possibilities to play an important role in conflict-affected countries. Processes external to the Bank concerning how best to respond to crises and the remoulding of the relevant international apparatus no longer go unheeded. This change is due both to altered conceptions internally in the Bank, concerning its mandate and how best to achieve its mission statement, and to the fact that other international actors have increasingly called on the Bank to respond to emergency situations and take a lead in reconstruction of conflict-affected countries.

It is not only external factors that have influenced the World Bank to increase its focus on conflicts. An altered understanding of how security and development are interconnected has triggered Bank staff to call for reforming the international reconstruction architecture by ‘bringing the R back into IBRD’.<sup>31</sup> This heightened focus on the reconstruction role marks a significant shift influencing how the Bank deals with and relates to themes associated with fragile states, conflicts and inter-agency cooperation. The key to the World Bank’s ambiguous relation to conflicts and post-conflict situation is found in the junction between its original apolitical mandate and later evolution into a development agency on the one side, and its explicit objective of contributing to immediate post-conflict reconstruction on the other. The recently adopted operational policies on how to respond to crises and emergencies thus mark a critical shift towards greater attention to and enhanced capabilities in conflicts and emergencies.

### **The World Bank and Conflicts**

In recent decades the World Bank has increasingly been called upon by member governments, including those in crisis, and other actors integral to the international community, to respond to emergency situations and contribute to or lead international support for inter-agency recovery and reconstruction programmes. As explained above, the Bank’s policies, processes and organisational structure, in addition to its restrictive mandate, were originally devised to apply in different contexts: they have consequently proved inadequate to the its evolving role and new tasks under recognition of the security–development nexus. In response to the discursive changes of the

<sup>29</sup> US National Security Strategy. 2002.

<sup>30</sup> NATO’s Comprehensive Approach, the UN’s Integrated Mission and the concepts of Responsibility to Protect and the Protection of Civilians should all – along with the efforts of MNE5 – be seen in the context of new solutions to what’s understood as new problems.

<sup>31</sup> Point 8 in World Bank Responding Effectively to Crises and Emergencies, proceedings, Washington DC, 2–3 May 2007.

international aid community and seeking to address new emerging conflicts and help the war to peace transition, the World Bank has officially recognised the need for a ‘...flexible, principle-based umbrella policy and accelerated emergency procedure that will enable it to respond rapidly and effectively to all types of emergencies’.<sup>32</sup> This in turn has made possible the adoption of a new policy statement – *Rapid Response to Crises and Emergencies* – with guidelines for Bank engagement in conflict-affected countries and fragile states.

This policy, denoted Operational Policies (OP) 8.00, replaces *Lending by the Bank for Emergencies*, OP. 8.50, which served as the steering document since the executive directors of the World Bank last discussed its emergency policy in 1988. The new OP 8.00 should be seen against the backdrop of at least three interlinked issues: general discursive changes within the international community influencing the security–development nexus, including how to respond to war-to-peace transitions understood as a continuum; that the World Bank in this trajectory has repeatedly has been called upon to participate in and support international inter-agency operations, but its apolitical mandate and restrictive rules have prevented comprehensive engagement, and; internal processes which have sought to accommodate external changes and inquiries about World Bank support. The formation of the Conflict Prevention and Reconstruction Unit and the LICUS/ Fragile States initiative should be seen in the context of this latter point.

### **Conflict Prevention and Reconstruction, LICUS and Fragile States**

Until recently the World Bank’s discourse on and engagement in conflict-affected countries were spearheaded by two separate units – the Conflict Prevention and Reconstruction (CPR) Unit, managing the Post-Conflict Fund; and the LICUS initiative, later renamed the Fragile States Group (FSG). The CPR Unit emerged in 1997, and the FSG in late 2001.<sup>33</sup> From July 2007 – and following the adoption of new World Bank policy on conflict-affected countries – these two groups merged into the Fragile and Conflict-Affected Countries Unit.

#### *Conflict Prevention*

The CPR Unit provides guidance on how to integrate conflict sensitivity throughout World Bank activities and programmes, and thus seeks a more comprehensive approach than mere post-conflict reconstruction to optimise policy and project design in conflict-affected countries.<sup>34</sup> Approaches include community-driven development in war-torn societies, demobilisation and reintegration programs and de-mining.<sup>35</sup> To make peace sustainable in

<sup>32</sup> World Bank. 2007. *Toward A New Framework for Rapid Bank Response to Crises and Emergencies*, p. 13.

<sup>33</sup> The CPR Unit was initially named the Post Conflict Unit.

<sup>34</sup> See World Bank, 1998. *Post-Conflict Reconstruction. The role of the World Bank*. Washington DC: World Bank.

<sup>35</sup> See World Bank. 2004. *The Role of the World Bank in Conflict and Development: An Evolving Agenda*.

the aftermath of conflict and to ease the war-to-peace transition, the CPR Unit seeks to ‘...rebuild social capital, empower and provide voice to communities, and generally rebuild the social fabric torn apart by violent conflict’<sup>36</sup> while simultaneously helping post-conflict governments to develop national budgets in order to strengthen government ownership of national decision-making.

The CPR Unit is guided by Operational Policy 2.30 – *Development Cooperation and Conflict* (adopted January 2001) – on the role of the World Bank in relation to conflict.<sup>37</sup> Both the CPR and OP 2.30 recognise that the social dimensions – economic and social stability and human security – are preconditions for sustainable development, and that conflict might reverse the development gains and adversely affect the Bank’s overall mission. OP 2.30 thus enhances the World Bank’s capacity for rapid and flexible response, enabling it to apply its full potential to break conflict cycles. OP 2.30 provides ‘rules of engagement’ for pre-conflict, conflict and immediate post-conflict situations. In countries deemed vulnerable to conflict, the World Bank shall use its usual instruments to promote economic growth and poverty reduction through development assistance, in order to minimise potential causes of conflict by mainstreaming conflict-sensitivity measures in its assistance. When conflict breaks out between countries or within a country, the World Bank has traditionally withdrawn, particularly when the government collapses or if the government itself is part of the conflict. By contrast, OP 2.30 specifies that the World Bank may continue its work as long as certain criteria are met and the crisis is not too detrimental to its projects and stipulated objectives. In conflict contexts the World Bank is to continue its efforts at poverty reduction if possible, provide information on the socio-economic impact of emergency assistance to partner institutions upon their request, analyse the impact of the conflict on economic and social development to either withdraw or sustain work, and to prepare for expanding its assistance as opportunities arise. In post-conflict countries and countries re-emerging from conflict the World Bank shall support economic and social recovery and sustainable development through investment and development policy advice, with particular sensitivity to the needs of war-affected groups.<sup>38</sup> Support to transitional countries goes primarily through the regular Country Assistance Strategy (CAS), which is the Bank’s response to the Poverty Reduction Strategy Papers (PRSPs) of client governments. Countries in transition which do not have a prepared PRSP and responding CAS are eligible for an Interim Strategy Note, which is a short to medium-term plan for World Bank involvement in countries affected by conflict.

The Post-Conflict Needs Assessment (PCNA) provides an important tool in the CPR Unit’s work in countries that emerge from conflict as it helps determine a country’s funding needs and longer-term reconstruction plan. It emerged from 2003 as a result of coordinated efforts by the UN and the

<sup>36</sup> World Bank, 2003. *Community-Driven Reconstruction as an Instrument in War-to-Peace Transition*. *CPR Working Papers* No. 7, p. iv.

<sup>37</sup> OP 2.30 is based on the 1998 World Bank publication *Post-Conflict Reconstruction: The Role of the World Bank*. This paper was endorsed by the World Bank Board of Executive Directors in May 1997 as *A Framework for World Bank Involvement in Post-Conflict Reconstruction*.

<sup>38</sup> See Operational Policy 2.30 *Development and Conflict*, notably section 2.

Bank.<sup>39</sup> PCNA involves a comprehensive process which the World Bank coordinates with the UN and national authorities, and ‘...serves as a tool for integrated planning across the political, security, economic and social areas for post-conflict situations’.<sup>40</sup> PCNA recognises the challenges facing fragile states – notably the severe lack of general state capacity – as it maps the terrain of key needs in a country emerging from conflict.<sup>41</sup> PCNA aims to provide better coordination of international efforts across the political, security, economic, development and humanitarian spheres. The PCNA is thus highly relevant for a Comprehensive Approach, and it largely complies with the demand of inter-agency cooperation internal and external to the Bank.<sup>42</sup> The PCNA, however, only becomes active in *post*-conflict situations, and consequently it is largely confined to countries emerging from conflict. As the recent PCNA review report reads, ‘PCNA typically takes place in post-conflict countries governed by transitional authorities with two to three year mandate, prior to elections’.<sup>43</sup> PCNA is closely part of an ongoing peace process, while it also establishes a conceptual basis for an interim PRSP and the Bank’s CAS. The PCNA is thus both a political and technical exercise.<sup>44</sup> Although the PCNA is novel in terms of inter-agency cooperation addressing the various spheres and segments of a post-conflict situation, it is largely limited to funding issues concerning development and reconstruction efforts in post-conflict situations. It does not address conflicts *per se*, but demonstrates an inclination towards issues previously understood outside the Bank’s mandate and scope.

OP 2.30 and the scope of the CPR Unit show that the World Bank has evolved into engaging more in conflict. It does, nevertheless, take precautions – with reference to its apolitical mandate – that are open to interpretation and thus subject to the political composition and willingness of the World Bank board.<sup>45</sup> OP 2.30 to a considerable degree requires a government as counterpart in order for a country to qualify for Bank involvement. In effect, the LICUS initiative largely counters this dilemma.

<sup>39</sup> Since 2003 PCNA exercises have been conducted in Iraq, Afghanistan, Timor-Leste, Liberia, Haiti, Sudan, Somalia and Darfur.

<sup>40</sup> See ‘PCNA and TRM’ at <http://go.worldbank.org/VY5NFIL510>.

<sup>41</sup> UNDG and World Bank, 2007. *Joint Guidance Note on Integrated Recovery Planning using Post Conflict Needs Assessments and Transitional Results Frameworks*. Working draft September 2007. Available at [www.undg.org/docs/7818/PCNA-TRF%20GUIDANCE%20NOTE%20Working%20Draft%209-2007.pdf](http://www.undg.org/docs/7818/PCNA-TRF%20GUIDANCE%20NOTE%20Working%20Draft%209-2007.pdf)

<sup>42</sup> For more information of PCNA in relation to Comprehensive Approach, see chapter 5.2. in Markus Derblom, R. Egnell and C. Nilsson, 2007. *The Impact of Strategic Concepts and Approaches on the Effects-Based Approach to Operations. A baseline collective assessment report*. Swedish Defence Research Agency.

<sup>43</sup> UN and World Bank, 2007. *In Support of Peacebuilding: Strengthening the Post-Conflict Needs Assessment*, p. 3. Available at [http://siteresources.worldbank.org/INTLICUS/Resources/388758-1094226297907/Review\\_Report\\_\\_In\\_Support\\_of\\_Peacebuilding\\_\\_Strengthening\\_the\\_PCNA.pdf](http://siteresources.worldbank.org/INTLICUS/Resources/388758-1094226297907/Review_Report__In_Support_of_Peacebuilding__Strengthening_the_PCNA.pdf)

<sup>44</sup> See UNDP, World Bank and UNDG, 2004. *PCNA – Practical Guide to Multilateral Needs Assessments in Post Conflict Situations*.

<sup>45</sup> The new OP 8.00 counters many of these precautions, and is more thoroughly dealt with below in the section on ‘Fragile and Conflict-Affected Countries. Merging the Agenda’.



### *LICUS and Fragile States*

In November 2001 the Low-Income Countries Under Stress (LICUS) initiative was set up by the World Bank,<sup>46</sup> as a result of *inter alia* the events of 9/11 and the aid effectiveness debate.<sup>47</sup> LICUS was initiated as a means to recommend ways to help countries characterised by weak policies, institutions and governance get onto a path of sustained economic growth and sustainable poverty reduction.<sup>48</sup> LICUS provides means to support and help countries otherwise are disqualified for Bank lending either because they are in arrears to the Bank, have a non-accrual status,<sup>49</sup> are affected by an ongoing armed conflict, lack a legitimate government (and thus a legitimate World Bank counterpart), or if the government itself is part of the conflict which thus makes traditional lending potentially too politicised.<sup>50</sup> The World Bank defines LICUS as those countries that score 3.2 or less on the Country Policy and Institutional Assessment (CPIA) rating. Core LICUS are countries that score 3.0 or less on the CPIA, but the Bank also monitors *marginal* LICUS, which are those placed between 3.0 and 3.2 on the CPIA. The CPIA is a diagnostic instrument designed to measure a country's overall governance environment, policies and institutional arrangements.<sup>51</sup> LICUS, or fragile states, face risks of conflict and political instability. From 1992 to 2002, 21 out of 26 countries with intermediate or worse civil conflicts were also categorised as LICUS.<sup>52</sup>

The LICUS initiative signifies that the World Bank has recognised the potential of development failure if it refrains from engaging in difficult environments and countries in the transition from war to peace and recovery to reconstruction. In 2005 the LICUS initiative shifted its scope, from general aid effectiveness to state building and peace-building objectives. From January 2006 the term 'fragile states' replaced 'LICUS'.

The work on LICUS and fragile states suggests the need to increase such countries' '...capacity and accountability; to forge peace, security, and development links; to harmonize donor assistance; and to develop strong and

<sup>46</sup> Initially a *task force* on LICUS was set up. In March 2004 this was transformed into a *trust fund* following the transfer of US\$ 25 million from the IBRD surplus, later replenished with \$25 million in 2006 and another \$30 million in 2007.

<sup>47</sup> World Bank, 2005. *Conflict and Development*. Presentation given at by World Bank staff; World Bank Seminar at the Kobe and Hiroshima Universities seminars on Global Development Challenges Facing Humanity, 26 May 2005.

<sup>48</sup> See World Bank *Engaging with Fragile States. An IEG Review of World Bank Support to Low-Income Countries Under Stress*, the World Bank, Washington DC. Available at [www.worldbank.org/ieg](http://www.worldbank.org/ieg).

<sup>49</sup> In brief, arrears mean that client government's loan repayment is overdue or unpaid. This might lead the World Bank to give the country a non-accrual status, meaning that the World Bank will not disburse further loans until the country's arrears are cleared. Non-accrual status is given a country when its oldest payment arrears are six months overdue. To be eligible for further or new loans the client must clear all payment arrears in full, whereby the country regains its accrual status.

<sup>50</sup> From 2004 LICUS focused on Central African Republic, Haiti, Liberia, Myanmar, Somalia, Sudan, Togo and Zimbabwe. As of April 2007 Central African Republic and Haiti were removed from the list while Côte d'Ivoire has been added.

<sup>51</sup> The CPIA is a diagnostic tool applied to all IDA-eligible countries, intended to capture the quality of a country's policies and institutional arrangements. It rates countries against a set of 16 criteria grouped in four clusters: i) economic management; ii) structural policies; iii) policies for social inclusion and equity; and iv) public sector management and institutions. Although quantitative and stringent in appearance, the CPIA is a subjective codification – undertaken by Bank-staff – of highly qualitative data.

<sup>52</sup> World Bank, 2005. *Fragile States – Good Practice in Country Assistance Strategies*. Washington DC: Operations Policy and Country Service, World Bank.

flexible institutional responses'.<sup>53</sup> Hence, the LICUS/ Fragile States initiative together with the CPR Unit provide an input into and means for the Bank to work with countries that would otherwise be ineligible for regular World Bank lending. In July 2007 the LICUS initiative/ Fragile States group and the CPR Unit merged into the Fragile and Conflict-Affected Countries Unit, in order to harmonise and enhance the World Bank's engagement in countries affected by conflict, and to accommodate the rising recognition of the security–development nexus internal to the World Bank.

The LICUS initiative brought to the fore a heightened focus on countries otherwise ineligible for World Bank support. It demonstrated that the World Bank is highly relevant and should apply its core competencies also in countries that would normally not qualify for regular support. It moreover challenged the strict interpretation of the Bank's mandate in various contexts. Several lessons from the LICUS initiative have now become integral principles in World Bank thinking on conflict-affected countries. First, the Bank recognises that programmes need to be based on a thorough understanding of the political dynamics of reform, while also reflecting the security–development nexus and its links to peace-building goals. Second, the importance of harmonisation and policy coherence between diplomatic, peace-keeping, state-building and economic reconstruction initiatives is recognised. Third, the Bank acknowledges that emergency recovery programmes are undermined if peace-building issues and state institutions dealing with peace and security are excluded from its programmes and processes. Fourth, as the World Bank recognises that its core competencies are economy and development, its support for peace-building and security – always at the request of client governments – should be carried out in cooperation with other international partners holding such expertise.<sup>54</sup>

Drawing on the lessons from both the LICUS initiative and the CPR Unit and the above-mentioned principles, in conjunction with its increasingly being called upon by other institutions and client government to take a stronger lead in reconstruction efforts, the Bank has largely accommodated the security–development nexus. These tenets underpin the new Fragile and Conflict-Affected Countries Unit – which demonstrates that changes have indeed taken place on the structural and policy level, expanding the scope of the World Bank and thus its capacity to respond to crises and emergencies.

### **Fragile and Conflict-Affected Countries: Merging the Agenda**

On 1 July 2008, the LICUS/ Fragile States Unit and the Conflict Prevention and Reconstruction Unit merged, creating the Fragile and Conflict-Affected Countries Unit. This consolidation should be seen against the backdrop of the World Bank's adoption of the Operational Policy 8.00 (*Rapid Response to Crises and Emergencies*), new thinking around the security–development

<sup>53</sup> World Bank. 2007. *A Guide to the World Bank*. 2<sup>nd</sup> edition. Washington, DC: World Bank, p. 99. Emphasis added.

<sup>54</sup> World Bank. 2007. *Toward a New Framework for Rapid Bank Responses to Crises and Emergencies*. Washington DC: World Bank, especially paragraph 61.

nexus internal to the Bank, the fact that it increasingly is called upon to take greater part in international crisis management, with the intent of enhancing the effectiveness and efficiency of World Bank support to fragile and conflict-affected countries. The establishment of this new unit does not represent a critical discursive breach: rather, it enhances and manifests ongoing processes resulting from internal initiatives and external demands.

The establishment of the Fragile and Conflict-Affected Countries Unit implies a shift in where conflict issues are dealt with inside the World Bank's organisational matrix. Whereas the CPR Unit was based in the Sustainable Development (SD) network, the LICUS/ Fragile States Unit was positioned under the Operations Policy and Country Services (OPCS) network. Although both networks have independent vice-presidencies, the former reports to a managing director while the latter reports directly to the president of the World Bank. The new unit now responsible for anchoring the Bank's work on conflict issues has been placed in the latter – which may illustrate the priority given to this area. The OPCS reports directly to the president and is tasked with providing general policy input to all operational activities.<sup>55</sup> Hence the positioning in OPCS might thus provide stronger operational influence than the case would have been if the new unit had been positioned in the SD network.

### **From Narrow Rules to Broader Principles – New Operational Policy on Crises and Emergencies**

The *Rapid Response to Crises and Emergencies*, OP 8.00, represents a fresh interpretation of the World Bank's mandate. According to the OPCS vice-president, the new policy aims '...to provide faster, flexible and more innovative financing and support to client countries to promptly deal with emergencies, and also embedded in the policy is the objective to reduce the vulnerability to future disasters'.<sup>56</sup> The statement recognises that the World Bank has sidelined itself for too long, making itself irrelevant in cases where its expertise and resources have been demanded. The new policy framework considers what the Bank can do during a conflict helping to fulfil its programmatic objective of poverty reduction through economic growth and sustainable development.

OP 8.00 outlines four guiding principles for World Bank rapid response to crises and emergencies:<sup>57</sup>

- a) application of the *rapid response* policy to address major adverse economic and/or social impacts resulting from an actual or *imminent* natural or *man-made crisis* or disaster;

<sup>55</sup> Whether to place the new unit in the SD or OPCS network was the subject of considerable internal debate. As a result, much of the CPR staff, notably its senior employees, moved to a new unit in the Africa region.

<sup>56</sup> Opening Remarks by Jeffrey Gutman, Vice President, Operations Policy and Country Services, The World Bank at UN/ ISDR Global Platform for Disaster Reduction, 5 June 2007, Geneva.

<sup>57</sup> The following list is taken verbatim from the OP 8.00 document *Rapid Response to Crises and Emergencies*, emphasis added.

- b) continued focus of the Bank's direct assistance on its core development and economic competencies and *always in line with its mandate*, including in all situations where the Bank supports *peace-building* objectives and *relief* to recovery transitions;
- c) close *coordination* and establishment of *appropriate partnership* arrangements with other development partners, including the United Nations, in line with the comparative advantages and core competencies of each partner;
- d) appropriate oversight arrangements, including corporate governance and fiduciary oversight, to ensure appropriate scope, design, speed, and monitoring and supervision of emergency operations.

The highlighted sections indicate some of the new aspects that OP 8.00 provides to the World Bank's engagement in conflict.<sup>58</sup>

#### *Rapid response*

Experience has taught the World Bank that emergencies require urgent and rapid response. Delays may result in missed opportunities for the international community, with severe consequences for the affected people while also undermining the Bank's overall mission. Its traditional instrument for emergency assistance – emergency recovery loan (ERL) – is intended to be fast-tracked for quick disbursement, but experience over the past five years show that on average ERLs took in excess of nine months to be processed, from proposal to conceptualisation and implementation.<sup>59</sup> OP 8.00 acknowledges that flexibility, timeliness and simplicity are critical to an effective response to emergency situations and thus recognises the need to minimise or bypass the cumbersome regular approval procedures of the World Bank. However, the document does not specify what it means by *rapid*, but the Fragile and Conflict-Affected Countries Unit webpage indicates the intention to disburse funds within as little as three months.<sup>60</sup>

#### *Imminent emergencies*

The term 'imminent' indicates that also pre-conflict issues are of concern, which thus counters earlier policy guidelines designed primarily to address emergencies that had already happened. The new policy allows for measures to help reduce the risks and mitigate impacts of imminent emergencies and crises. These include balancing *ex ante* and *ex post* risk mitigation and control measures, to enable timely response to that imminent conflicts and emergencies. An objective thus is to preserve social, economic and institutional capital to reduce the eventuality of conflict and strengthen important means necessary in emergency situations and in the return from conflict.<sup>61</sup>

<sup>58</sup> Unless otherwise specified, the remaining footnote references refer to World Bank, 2007. *Towards A New Framework for Rapid Bank Response to Crises and Emergencies*, Washington, DC: World Bank. The following presentation and paragraphs derive largely from this text and the OP 8.00 document.

<sup>59</sup> See page 2 and footnote 5.

<sup>60</sup> See [www.worldbank.org/conflict](http://www.worldbank.org/conflict)

<sup>61</sup> Following the discursive realm of OP 8.00, the World Bank has adopted a Risk Identification Worksheet which is a prerequisite for all World Bank disbursements and thus a

Responding to imminent emergencies and crises is in fact nothing new to the World Bank. Over the past decade it has responded to numerous emergencies, but most of these have been natural disasters. The Bank successfully established emergency assistance to Peru and Bolivia to counter the imminent effects of the 1998 El Niño; an emergency fire control and prevention project was put in place in Brazil in response to increased risk of ‘escaped’ fire associated with the drought following the rainfall deficit in 1998; and a project was implemented to prevent serious structural damage and imminent disaster associated with the potential collapse of the Morazán Dam in Honduras in 1993. These were imminent emergencies due to natural causes, not man-made crises, for which the new policy provides an opening.<sup>62</sup>

#### *Man-made crises*

OP 8.00 implies a shift in rationale for responding to emergencies from cause to impacts and effects. Although this shift is consistent with the primary objective already embedded in previous policy to assist countries struck by ‘an emergency that seriously dislocates its economy and calls for a quick response from the government and the Bank’ (OP 8.50), the focus on man-made emergencies enables stronger and more comprehensive involvement in emergencies and conflicts that may imply political aspects. As such, the inclusion of man-made emergencies shifts the emphasis from the strictly physical aspects to the political dimensions of crisis management. Hence it explicitly challenges the apolitical aspect entrenched in the World Bank, which – at least in connection with emergencies – has prevented the Bank from responding.

In 2006 the Central African Republic experienced problems in receiving World Bank support to the imminent crisis it was faced with. As a fragile state in transition from prolonged crisis, it encountered problems when an armed rebellion originating from Darfur entered the country in the northeast, destabilising a region where the security forces had limited access. This as such was not a legitimate reason for increasing World Bank support due to the political aspect, although the situation in the country in general was worsening. It was the low fiduciary and administrative capacity and the population’s call for rapid and visible development results that finally justified the accelerated preparation of a LICUS Trust Fund grant of US\$6.8 million.<sup>63</sup>

A similar case was found in Timor Leste, where the political crisis in 2006 led the government to request renewed international peacekeeping assistance. The government asked the World Bank for urgent assistance to help it avoid sliding into state failure. But because Timor Leste was almost six years into its post-conflict programme and thus well past the point of receiv-

---

means of dealing with risks throughout Bank operations. The worksheet lists issues of concern under four broad categories: i) country and/or Sub-National Level Risks; ii) Sector Governance, Policies and Institutions; c) Operation-specific Risks; and iv) Overall Risk (including Reputational Risks). All categories are to be dealt with in terms of description of risk, rating of risk, mitigation measures, and rating of residual risk. According to the likelihood of occurrence and magnitude of potential adverse impact, risks are rated along a four-point scale – high, substantive, moderate, and low.

<sup>62</sup> See Box 2 (p. 7) for more details on these cases.

<sup>63</sup> See Box 2 (p. 7) for more details.

ing support under the former OP 8.50 emergency procedure, the Bank did not have the formal capability or legitimacy to respond adequately, although this was explicitly at the request of the government.<sup>64</sup> The new OP 8.00 policy aims at preventing such instances in the future.

*In line with its mandate*

This part is intended mainly to safeguard against any potential expansion of World Bank assistance and widening of dedicated scope outside its mandate and core competencies of economic growth and sustainable development. The mandate – to promote economic development, increase productivity, and raise standards of living in less developed areas – and core competencies – economic growth and sustainable development – will necessarily determine the nature, scope and limitations of wherever the Bank seeks to engage, intervene and undertake actions. This might seem somewhat counterproductive to the above-mentioned which indicates a more radical reinterpretation of the apolitical mandate, but the World Bank maintains that its mandate and designated purposes should be interpreted in a dynamic, reasonable and responsible way that takes into account the changing nature of client governments' needs and the interests of the organisation's members.<sup>65</sup> The Bank is allowed to make arrangements through policy changes in response to the evolving needs of its member countries and the broader development agenda. Consequently, the mandate is not an entirely fixed entity, but is open for interpretation and discussion at the request of member countries and the Bank itself, or when this is made necessary due to changed circumstances in the field. Here it should be noted that interpretation will always be subject to the political consideration of member countries and articulated through the World Bank's Board of Executive Directors. The move to include man-made crises was one such debate, as was the inclusion of peace-building within the scope of the World Bank.

*Peace-building*

Peace-building represents a new discursive field and a recently added idiom to the World Bank dictionary. Three years ago almost nobody inside the organisation talked about 'peace-building' or used the term 'conflict' because of their close connotations with politics and issues of state security and military defence, which are defined outside the institution's mandate. Previous policies (notably OP 8.50, which preceded OP 8.00) had been largely silent on peace-building. This made it difficult for the Bank to support the preservation of human, institutional and social capital in emergencies and crises, which now is recognised as crucial in war-to-peace transitions and within the relief-to-recovery continuum. The new policy acknowledges the need for the World Bank to support the international community's peace-building objectives and integrated recovery programmes that include peace-building, security and relief activities. The peace-building component of OP 8.00 is at the

---

<sup>64</sup> Ibid.

<sup>65</sup> See paragraph 6 of the Legal Opinion accompanying OP 8.00. Reference to and explanation of the role of the Legal Opinion is provided in footnote 66 below.

heart of the new approach to conflict-affected countries, and – together with the inclusion of man-made crises – stands as the most novel and challenging part of OP 8.00, as well as being perhaps the most important component of ‘bringing the R back into IBRD’.

The legal opinion responding to OP 8.00 provides certain clarifications and reservations relating to the World Bank’s peace-building objectives and activities.<sup>66</sup> It states that all objectives and activities undertaken in relation to OP 8.00 must be consistent with the World Bank’s guiding principles for engagement in conflict-affected areas, as codified in OP 2.30.<sup>67</sup> The legal opinion reiterates some of these principles: e.g. ‘the Bank may not engage in peacemaking or peacekeeping, as they are UN functions’ and ‘financing may not be provided for disarming combatants or humanitarian relief’.<sup>68</sup> *Peace-building*, however, is understood as encompassing all activities needed to help states and societies manage the difficult transition from war to peace.

The World Bank adheres to the UN’s conception of peace-building as including ‘the broad spectrum of reconstruction and institution-building efforts necessary for a country to recover from conflict and that support the development of integrated strategies in order to lay the foundation for sustainable development’.<sup>69</sup> A similar objective is found in the IBRD’s Articles of Agreement concerning the role of the World Bank in reconstruction and restoration following war, but this had not been prevalent in Bank practice in recent decades. Thus, even though aspects of peace-building were in fact integral to the original mandate, it was undercommunicated and needed to be reinterpreted to accommodate new peace-building objectives and activities. The legal opinion reinterprets this as follows:<sup>70</sup> In *countries vulnerable to conflict* the World Bank is to use its usual lending instrument to promote economic growth and poverty reduction to minimise potential causes of conflict. In *countries in conflict* the objectives are i) to continue these efforts maintain socio-economic assets where possible; provide information on the socio-economic impact of emergency assistance upon its partners’ request; iii) analyse the impact of conflict on economic and social development, and iv) prepare to render assistance as opportunities arise. In *countries in transition from conflict* the Bank aims to support economic and social recovery and sustainable development through investment and development policy advice focusing on war-affected groups in particular.

Hence, peace-building might include a variety of activities. While some may fall within the World Bank’s development mandate, others do not. Activities of the former type include capacity building for governmental agencies, financial support and technical assistance for economic reconstruction,

<sup>66</sup> All new operational policies are accompanied by a legal opinion, which is the World Bank’s lawyers’ assessment and legal considerations of the new policy relating the legal parameters set out in the Articles of Agreement in order to establish consistency between legal framework, policy formulation and the Board’s interpretation of it. The legal opinion responding to OP 8.00 is titled ‘Legal opinion on Peace-Building, Security, and Relief Issues under the Bank’s Policy Framework for Rapid Response to Crises and Emergencies’, issued 22 March 2007. The legal opinion is annexed to *Toward A New Framework for Rapid Response to Crises and Emergencies* (World Bank, 2005).

<sup>67</sup> OP 2.30 *Development Cooperation and Conflict*, adopted January 2001.

<sup>68</sup> See paragraph 10 of the legal opinion. Cf. OP 2.30.

<sup>69</sup> Ibid. See paragraph 12. This citation refers to UN Security Council Resolution no. 1645, which relates to the establishment of the Peace-Building Commission).

<sup>70</sup> The following draws on Legal Opinion, paragraph 13.

rebuilding legal and judicial systems and financing labour-intensive employment activities. Activities that clearly fall outside the World Bank's legal authority include 'peace-keeping, disarmament of combatants, negotiation of peace accords, or other political reconciliation processes, and organising and holding elections'.<sup>71</sup> The Bank aims to focus on its core development and economic competencies: other objectives and activities should come as a response to member-country requests.

### *Relief*

As noted, the World Bank does not consider relief as part of its core competencies but rather as lying outside the scope of its mandate. However, where previous policy explicitly prohibited World Bank financing of relief activities, the current policy is not so rigid. This is due not least to recognition of the relief-to-recovery transition as a continuum – rather than as distinct points in time – and that several fields of activity in which the World Bank has comparative expertise fall within this continuum. Common to these activities are that they address the social aspects of recovery, like support to reintegration of affected persons (including refugees, IDPs and ex-combatants) and semi-permanent settlements. Such support, however, should come at the request of governments or partners among the UN agencies.

The World Bank acknowledges that other agencies may be better able to provide immediate relief, but this does not disqualify it from addressing issues along the relief-to-recovery continuum, nor does it mean that it should ignore the continuum. Previous Bank policy, however, has led to quite restrictive interpretations, at times resulting in actions being counterproductive to its overall mission. The new policy allows for a more open interpretation of 'relief' that has implications for what the Bank may and may not do, although such operations are not integral parts of its core economic and development competencies.

How the World Bank responds to and deals with relief issues is thus a matter of coordination and appropriate partnerships with other international organisations.

### *Coordination and appropriate partnership*

Generally, OP 8.00 opens for World Bank engagement in areas traditionally not seen as falling within the interpretation of its core economic and development competencies. The Bank is nevertheless allowed to contribute and support other activities – although, as it is not an implementing agency itself, partnerships with other institutions are necessary. Here we might note that the World Bank generally has a weak reputation when it comes to coordination and partnership with other international organisations, because it tends to see itself as the international community's supreme development agency with a mandate that restricts activities outside its development scope. The World Bank's counterpart is by default government, and it always aims to work with and through governments and with their consent. Under the new policy framework, however, the World Bank recognises that close coordina-

---

<sup>71</sup> Legal Opinion, paragraph 14.



tion and the establishment of appropriate partnership with other donors and partners (notably various UN agencies) are necessary for a rapid, efficient and effective response to crises and emergencies. The partnership arrangement should reflect the comparative advantages and core competencies of each of the partner organisations involved.

The war-to-peace transition or relief-to-recovery continuum implies a host of actors that need to be properly coordinated to draw on their respective competencies. The World Bank holds an important role in mobilising, coordinating and administering international support for emergency recovery. Hence it aspires to act as a catalyst for comprehensive and integrated approaches, linking shorter-term recovery with longer-term objectives of reconstruction, institutional development to improve national disaster management and stability and peace in post-conflict situations.

‘Whole-of-government’ approaches to conflict-affected countries are, however, the World Bank’s Gordian knot. Experience suggests that the war-to-peace transition should be met with efforts that simultaneously draw on the capabilities of the traditionally independent segments of defence, development and diplomacy.<sup>72</sup> Whole-of-government approaches aim at harmonising and coordinating the approach to fragile states. Whereas independent states and the UN have actors representing the three spheres of diplomacy, defence and development, the World Bank is restricted to the latter – making comprehensive whole-of-government approaches difficult. The World Bank’s contribution thus entails coordination and participation through appropriate partnership. There is, however, a limiting drawback. ‘The restrictive view that the Bank cannot support recovery program that include activities (e.g. relief, security, and specialised peace building) that are outside its traditional core competencies, or cannot extend activities within such competencies beyond its traditional counterparts in the country, *undermines* the Bank’s ability to participate fully in a coordinated and integrated international response’.<sup>73</sup>

While being restrictive, the third guiding principle underpinning OP 8.00 also opens for new interpretations of the World Bank’s role in integrated international responses to conflicts. The principle is intended to safeguard against any potential widening or expansion of its assistance into areas outside the Bank’s mandate and core competencies. World Bank support to relief, security and specialised peace-building activities should first and foremost come at the request of the borrower and client government. Moreover, support should be channelled through other agencies with core competencies in these fields. These actors would thus need to take the lead role and responsibility for preparation, appraisal and supervision of activities within these areas, with the World Bank – at best – providing information and financial resources. Although supportive, the World Bank nevertheless is to keep these issues at arm’s length.

<sup>72</sup> See Stewart and Brown, 2007, *Greater than the sum of its parts?*.

<sup>73</sup> Paragraph 57, emphasis added.

## Concluding Remarks

The World Bank is under constant transformation as a response to changing circumstances in the field, internal processes and the political priorities of its member states. Inertia, however, is more prevalent than rapid adjustment. New types of conflicts call for novel responses that include the World Bank as the leading development agency worldwide. Its expanded role in conflict-affected countries necessitates increased coordination with other actors. This must nevertheless always be in tune with its core competencies and mandate – and the latter tends to be interpreted rather strictly.

World Bank participation in a Comprehensive Approach involving shared planning and implementation of both civil and military actors to conflict-affected countries remains difficult, even though the new operational policy allows for a stronger commitment to crises and emergencies. The shift from narrow rules to broader principles does not open for direct and explicit partnership with military actors. The World Bank still works through governments and with their consent. The increased complexity of crises and the Bank's expanded engagement in conflict-affected countries has raised the importance of coordination among several different actors. Although informal meetings and information-sharing might take place, any formalised and orchestrated partnership with military actors – including UN peacekeeping missions<sup>74</sup> – remains difficult for the World Bank. The problems associated with different mandates and institutional cultures remain to be dealt with. As the most significant development agency worldwide, the World Bank remains of key relevance to the reconstruction and development efforts of a Comprehensive Approach. Dialogue within the frames provided by the Bank's existing policy is thus vital for sharing knowledge and experience, and bridging cultural gaps between the range of actors involved in a Comprehensive Approach.

The OP 8.00 – *Rapid response to Crises and Emergencies* – marks a critical shift in the Bank's ability to respond to emergencies and crises, and to coordinate and plan activities with other organisations. As such, OP 8.00 has increased the general relevance of the World Bank to international inter-agency and multi-purpose operations in conflict-affected countries.

OP 8.00 introduces four key and novel elements to the World Bank's response capacity in conflict-affected countries. The first is speed. The new policy and aligned procedures enable the Bank to swiftly mobilise resources and get the resources rapidly on the ground in countries facing imminent, recurring and ongoing crises. Secondly, it enhances the World Bank's ability to mobilise the right expertise from anywhere in the organisation: this results from placing the Fragile States and Conflict-Affected Countries Unit, which deals directly with issues relating to OP 8.00, in the OPCS network. Thirdly, it engenders synergy with other international organisations as the new policy opens for stronger coordination and partnership, based on mutual understanding and respect for the different organisations' core competencies, as appropriate. Fourth, by acknowledging the need to recognise and respond to situations of crises, war, relief, recovery and development as a continuum,

---

<sup>74</sup> Cf. O'Donnell, 2005, UN Peacekeeping and the World Bank. See also footnote 10 above.

the policy has improved the sustainability of how such transitional phases are addressed. Long-term engagement and strategic long-term vision reduce the risk of future and recurring disasters.

Although changes have been made in operational policy, World Bank engagement in conflict-affected countries still remains marginal to its general activities. In financial terms, operations in such countries still represent a relatively modest portion of the Bank's overall portfolio.

The World Bank now recognises that the war-to-peace or relief-to-recovery transitions are in fact a continuum and not distinct points in time, and that they call for specialised tailor-made approaches from range of organisations reflecting their core competencies. Such recognition seems quite new to the World Bank, although it is in no way novel to most parts of the international community. Complex and intertwined problems call for equally complex responses. It has, however, taken time for the World Bank to respond adequately to this. The strict interpretation of its mandate and how to apply its core competencies have for a long time sidelined and undermined the Bank's potential for playing a supportive role in inter-agency responses to crises. Today's new operational policies promote a stronger inclination for the Bank to engage in conflict situations. Full participation in a Comprehensive Approach involving civil and military actors would still be difficult. Nevertheless, the World Bank is an organisation important to such an approach, and it should be consulted and listened to on matters of reconstruction and development.