



POST-CONFLICT FUND AND LICUS TRUST FUND ANNUAL REPORT





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Post-Conflict Fund

*A Trust Fund for Assisting Conflict-Affected Countries
Development Grant Facility*

LICUS Implementation Trust Fund

Strengthening Assistance in Fragile States

The World Bank
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Facilitating Transition in Conflict-Affected Countries and Fragile States

Since 1945, civil wars around the world have killed approximately 20 million people and displaced at least 67 million. In the past 15 years, 80 percent of the world's 20 poorest countries have suffered a major armed conflict. Many of these countries are locked in a vicious circle where poverty causes conflict and conflict causes poverty. Civil wars are the main obstacle to development and poverty reduction in many countries.

Chronically weak-performing countries referred to as fragile states or Low Income Countries Under Stress (LICUS) also face serious development challenges. Besides being prone to conflict, they also have the most severe institutional and capacity problems. Over 500 million people live in extreme poverty in these countries, with GDP per capita levels half that of low-income countries, child mortality rates twice as high, and overall life expectancy plummeting by up to 30 years as a result of HIV/AIDS, which has afflicted over 42 million people in LICUS. The conditions in fragile states perpetuate regional and global instability, conflict, organized crime and epidemic diseases.

Conflict prevention, post-conflict reconstruction, and efforts to improve conditions in

fragile states are critical to the World Bank's mission of poverty reduction. In 1997, the World Bank established the Post-Conflict Fund (PCF) to enhance the Bank's ability to support countries in transition from conflict to sustainable peace and economic growth. In 2004, the LICUS Trust Fund (LICUS TF) was established to strengthen institutions, support early efforts at policy reform and build capacity for social service delivery in fragile states. Both the PCF and LICUS TF are administered by one Secretariat situated in the Conflict Prevention and Reconstruction Unit in the Social Development Department of the Sustainable Development Network.

The PCF grants are focused on the restoration of the lives and livelihoods of war-affected populations, with a premium placed on innovative approaches to conflict, partnerships with donors and executing agencies, and leveraging resources through a variety of funding arrangements. Grant recipients include a wide range of partners – governments, institutions, non-governmental organizations, United Nations agencies, transitional authorities and other civil society institutions. Since its inception in 1997, the PCF has received \$73.6 million from the

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World Bank Development Grant Facility (DGF) and an additional \$7.7 million from donors. It has approved a total of 171 grants in the amount of \$84.5 million and disbursed a total amount of \$71.8 million.

Fragile states face the most difficult development challenges, with weak institutions and high risks of conflict that prevent poverty reduction and create negative spillovers for neighboring countries. The LICUS TF assists fragile states with the most severe conflict and institutional problems by supporting the implementation of early policy and institutional reforms. The aim is to improve performance and facilitate re-engagement with the international community; develop resilient systems for social service delivery that can continue to operate effectively and mobilize multi-donor programs even in situations of political instability; and create harmonized multi-donor approaches that support a selective strategy for reform. In January 2006, after the initial trust fund allocation of \$25 million was almost fully committed, the Board approved a replenishment of a further \$25 million from the Bank's surplus income. The Trust Fund received an additional \$1.3 million from donors, and has approved grants worth \$41.1 million, with disbursements totaling \$23.7 million for grant packages in CAR, Comoros, Côte d'Ivoire, Guinea-Bissau, Haiti, Liberia, Somalia, Sudan, Togo, and Zimbabwe, and for regional capacity building in Africa.



PCF in Action

In keeping with its mission to promote innovative work in conflict-affected countries, during FY06 the PCF engaged in new projects and activities while continuing its support to ongoing operations. Below is a brief description of some of the new projects and activities funded by the PCF in FY06.

Africa

Support to the Post-Conflict Recovery and Economic Development Dimensions of the Africa Peace and Security Agenda

(FY 2006–08, total grant \$2,022,500)

Many countries in Africa, which have suffered violent conflicts, have been on a gradual path to recovery. Increasingly, African leaders have shown greater commitment and willingness to take responsibility to prevent armed conflict. There is, however, a need to provide expertise to help generate political consensus, common positions, facilitate development of polices and operational guidelines.

The aim of this three-year PCF grant is to accelerate the operations of governments and non-governmental organizations to achieve the objectives of the African Peace and Security agenda. These include enhancing stability in Africa, minimizing conflict and aligning conflict mitigation activities, and contributing to strengthening

the partnership between African governmental and non-governmental partners.

This initiative will focus on three activities: (i) support a process to develop a continental policy framework for post-conflict reconstruction and development; (ii) support a process that leads to a common African position on the governance of natural resources, including minimum standards and benchmarks for the exploitation and management of resources; and (iii) coordinate interaction among African stakeholders and between Africa and its development partners within the various frameworks such as the G-8, the African Partnership Forum and the UN cluster system that is engaging with the New Partnership For Africa's Development (NEPAD) and the African Union (AU).

Russian Federation

North Caucasus Youth Empowerment and Security

(FY 2006–08, total grant \$2,126,850)

The terrorist attack on a school in Beslan, North Ossetia, in 2004, in which 331 people, including 172 children, were killed drew international attention to the problems in the Northern Caucasus and highlighted the need for greater investments in cultural, social and economic development. Subsequently, the Government of Russia launched an anti-poverty strategy to create sta-

ABOUT THE CONFLICT PREVENTION AND RECONSTRUCTION UNIT AND THE POST-CONFLICT FUND

Promoting economic recovery, building institutional capacity, revitalizing local communities, restoring social capital and supporting efforts to demobilize and reintegrate ex-combatants and displaced populations is the main thrust of the Bank's work in conflict-affected and post-conflict countries. The Conflict Prevention and Reconstruction Unit provides support in designing development efforts specific to conflict-affected countries through assessment of the causes, consequences and characteristics of conflict, and the transfer of lessons learned. As innovative work in conflict-affected societies is often not possible through the normal sources of the Bank's funding, the PCF was set up as a quick and flexible financing mechanism to support planning, piloting and analysis of ground-breaking activities through funding governments and partner organizations. The PCF also provides guidance on integrating sensitivity to conflict into World Bank activities. The aim is to optimize policy and project design in conflict-affected countries. For more details see <http://www.worldbank.org/CPR>

bility in Southern Russia and requested Bank assistance to prepare and implement this program. The proposed grant is an integral part of this program.

The three-year PCF funded project focuses on adolescents and youth in the predominantly Islamic Republics of Ingushetia and Kabardino-Balkaria, and seeks to foster greater peace and tolerance in order to prevent further eruption of conflict in these fragile areas neighboring Chechnya. The grant activities are designed to target two youth groups: adolescents from 14 to 18 years and youth from 19 to 25 years, with gender-sensitive modules for each age sub-group. Programming for young women is crucial in several republics given the limited opportunities for young women to take part in social activities outside of school and family. The three main components of this project are: (i) a pilot community-based, multi-purpose youth center; (ii) a program for the promotion of peace and tolerance among youth; and (iii) capacity building for youth-related ministries.

The grant provides a quick impact instrument in these North Caucasus republics where the Bank is now beginning to engage in view of a possible scaling up of various investments, including those related to youth development. The methodology for this project has been adapted from local best practices and policy approaches identified by the Council of Europe as well as similar youth programs implemented in Balkan countries, such as Macedonia and Kosovo.

Philippines Mindanao Reconstruction and Development Program (FY 2006–07, total grant \$1,525,000)

Mindanao, in the southern region of the Philippines, has been affected by conflict for more than three decades. Some armed groups are still active in this region. Eighteen of Mindanao's 24 provinces have been seriously affected by the conflict. The indigenous communities in Mindanao are among the poorest and most vulnerable, and have been historically excluded from government programs. Many of these provinces have the lowest living

standards and levels of public services in the Philippines. Conflict has also eroded social capital and cohesion, and has limited the potential for the socio-economic development of Mindanao.

The proposed two-year Reconstruction and Development Program (RDP) responds to a request by the Government of the Philippines to the Bank for assistance in the establishment of and contribution to a multi-donor trust fund (Mindanao Trust Fund) and its subsequent administration for post-conflict reconstruction and development. The PCF grant for RDP focuses on post-conflict reconstruction and development activities to help the people in conflict-affected communities to rebuild their lives. The goal is to promote human security in the communities most directly affected by armed conflict. The RDP combines financial, technical and capacity-building assistance to address the needs of the communities. Some of the guiding principles for the implementation of the program are: (i) social inclusion of various ethnic and religious groups and indigenous people; (ii) participatory approach to encourage active participation of stakeholders to promote ownership of the process; (iii) gender sensitivity to foster women's participation in decision-making and implementation; (iv) environment sustainability to prevent degradation and promote conservation and protection; and (v) accountability of leaders and officials for proper management of funds and resources.

Iraq

Emergency Health Assistance Program to the Burns Unit in Al-Karama General Teaching Hospital (FY06, total grant \$707,242)

The Iraqi health system, once considered one of the best in the region, has suffered the consequences of three major wars, looting, inappropriate policies, poor management and inadequate resource allocation. Despite ongoing reconstruction activities, the Iraqi health system is in a crisis and not capable of responding to the urgent and basic needs of the population. Terrorist bombings in Iraq, including in crowded areas, have resulted in mass

casualties, with high burn rates among victims. Iraq's national health system is currently unable to provide acceptable standards of emergency health care services due to shortage of drugs and essential diagnostic equipment, deteriorated conditions of health infrastructure, and lack of maintenance and repair. Burns units in specialized hospitals are extremely vulnerable to these conditions, which lead to unnecessary deaths. The rates of hospital deaths from burns are directly related to the poor conditions in the hospital, inadequacy of treatment, lack of training in treatment techniques, secondary infections, and general lack of financial resources for rehabilitation and equipment. The Iraqi Health Ministry is making efforts to effectively address these multiple problems and is partnering with an experienced international NGO for better results.

An Emergency Health Rehabilitation Project (EHRP) is being implemented with financing from the Bank Iraq Trust Fund. However, specific needs such as those of specialized burns are not addressed by the EHRP and the PCF grant focuses on these needs. The project aims to: (i) improve the conditions in the burns unit of the Al-Karama Hospital in order to reduce by 50 percent the mortality and morbidity rate in the hospital of people who have suffered second or third degree burns; (ii) increase the level of knowledge of burns diagnosis and treatment among medical and support staff; and (iii) develop the Health Ministry's knowledge on management of burns units and the treatment of burns patients. This grant enables the Health Ministry to use this project as a pilot program for future upgrading of other burns units in the country and test new implementation arrangements by partnering with an NGO.

West Bank, Gaza and Israel

Facilitating Trade Flows Between West Bank, Gaza and Israel (FY 2006–07, total grant \$216,312)

One of the most critical problems afflicting the Palestinian economy is the unreliable and inefficient movement of goods and people across the borders

A “STRATEGIC MENU” FOR THE PCF IN SRI LANKA

“So how can we improve the use of the Post-Conflict Fund,” the new PCF administrator asked the Sri Lankan country team. We said our problem was that we only received proposals randomly from local organizations and didn’t know whether these would be accepted by the PCF. What we needed was a strategy and a way to implement the strategy. So we agreed to look for a better way, and the “strategic menu” idea was born.

We first identified a number of issues that we thought would be appropriate for the PCF to support. These were issues that could not be readily addressed under our IDA program because they would involve independent thinking by organizations outside the government. These issues included raising awareness about the benefits of peace, organizing grassroots support for peace initiatives, encouraging cross-group exchanges and learning, and developing conflict sensitivity analysis capability. Once a draft was ready, the PCF Secretariat made a supervision mission of ongoing operations, and discussed the list with a wide range of potential partners. From these discussions emerged six potential areas of support – the menu.

We then had to decide whether to be selective or inclusive in seeking expressions of interest (EOI) in supporting these areas. We compromised, inviting anyone to submit an EOI, but requiring that it be submitted in English and via the internet. To

our pleasant surprise, we received one-page EOI from 64 organizations.

The next step was to select organizations from whom to request a three-page proposal. We chose 24 organizations and received 22 proposals. From these, we picked six firm and two borderline proposals, and these are now being developed into full-scale PCF proposals, with an ex-ante review by the PCF Secretariat, which has confirmed that all the proposals are worthy of support. Interestingly, most of the proposals are centered around the mobilization of grassroots support for peace, which is clearly of great urgency to Sri Lanka. While most of the recommended organizations were well known to us, several were not.

We hope that through this process we will have proposals that can be supported by the PCF over the next few years as these form coherent, strategic responses which will collectively have a significant impact on the understanding of conflict and peace processes in the country. This understanding and created capacity can contribute to the longer-term solution of the current conflict. We will also have done this in a transparent manner that permitted all major civil society actors in Sri Lanka to participate. This process is much better than the former passive model, and we hope this can be replicated elsewhere to make the best use of scarce but valuable funds.

Former Country Director Peter C. Harrold



between West Bank, Gaza and Israel. Studies by the Bank and other donors, including the U.N. and the European Commission, have repeatedly emphasized that if this problem is not resolved, there is little that donors and private sector investors can do to provide sustainable improvement to the Palestinian economy.

The PCF grant will support Paltrade (Private Sector Trade Development Organization for the West Bank and Gaza) which has been monitoring trade activity, including both trade volumes and processing times. The grant for a 12-month period is to: (i) continue monitoring *Karni*, the only goods crossing between Gaza and Israel; (ii) expand monitoring to other border crossings between Israel and the West Bank; and (iii) produce regular reports that will be disseminated to both Palestinian and Israeli policy makers and business people, as well as to the donor community and the public at large (through the web). Policy makers will be able to use this information to influence border policy that will lessen the impact of the closure regime on the Palestinian economy. The PCF funding supports a critical activity that adds technical input into an emotive situation, and aims to generate hard data about the impact of the constraints and a strong rationale for keeping the borders functioning in an orderly and transparent fashion. Once project implementation starts, the Bank will use the output as a regular feature for the economic analysis of the Palestine economy.

WHO CAN APPLY FOR PCF FUNDING?

A wide range of entities can apply for PCF grants provided the grant proposal is endorsed by the relevant Bank Country Management Unit and is task managed by Bank staff. Organizations wishing to apply for grants may contact the World Bank's country office in their country, the management unit of the country at the Bank headquarters, or the PCF Secretariat. Grants range from \$25,000 to \$1 million, and in the case of multi-year programs, may exceed \$1 million. In keeping with PCF's mandate, preference will be given to proposals which will have a greater impact on Bank work, and which will generate best practices that can be replicated elsewhere by the Bank and its partners. Grant recipients should have a legal status, and also have a record of financial probity. Past recipients of PCF grants include governments, regional and international organizations, transitional authorities, domestic and international non-governmental organizations, other civil society organizations, universities and think-tanks.

For application form and guidelines, go to <http://www.worldbank.org/pcf>

PCF GRANTS APPROVED IN FY06

COUNTRY	IMPLEMENTING AGENCY	GRANT TITLE	AMOUNT US\$
Colombia	International Organizacion for Migration	Protection of Patrimonial Assets of Colombia's Internally Displaced Population - Phase 2	990,000
Haiti	Pan American Health Organization (PAHO)	Emergency Health Interventions in Haiti - Prevention of Communicable Diseases and Healthy Schools - Phase II	1,250,000
	National School Feeding Program/Ministry of Education of Haiti	School Feeding Program	250,000
Iraq	Première Urgence (PU)	Emergency Health Assistance Program to the Burns Unit in Al-Karama General Teaching Hospital in Baghdad	707,242
	The Stimson Center	Iraq Country Social Analysis: Launch of Iraqi Social Development Knowledge Network	96,054
Kosovo	The United Nations Children's Fund (UNICEF)	Regional Program for Early Child Care and Development	284,581
Nigeria	Bank executed	Niger Delta Community Foundations Initiative	1,800,000
Philippines	Community and Family Services International/Bank executed	Mindanao Reconstruction and Development Fund (MRDF)	1,525,000
Russia/North Caucasus	Ministry of Youth, Sports and Tourism	North Caucasus Youth Empowerment and Security Grant	2,126,850
Sri Lanka	Gemi Diriya Foundation	Institutional Partnership Model for Government, Private Sector and Village Communities for Leveraging Social Capital for Economic Empowerment of Village Companies	244,250
Regional - Africa	SaferAfrica	Support to the Post-Conflict Recovery and Economic Development Dimensions of the Africa Peace and Security Agenda Led by the African Union	2,022,500
Regional - MENA	Yale University	Development Assistance and Conflict Vulnerability in the MENA Region: A Policy Research and Study Proposal	50,000
West Bank, Gaza and Israel	Paltrade	Facilitating Trade Flows Between West Bank, Gaza and Israel	216,312
Global	Post-Conflict Transitions Project/DEC-RG	Policy Research and Dissemination Funding, Post-Conflict Transitions Project	100,000



LICUS Highlights

In FY06, the LICUS TF allocated \$17.6 million to integrated programs in eight countries. Below are highlights of some of the LICUS TF funded programs in FY06.

Liberia

Consolidating the Second Phase of the Transition

(FY 2006–07, total grant \$6 million)

Liberia has reached a critical juncture in its transition from conflict to stability and democracy. The new government elected in 2005 has initiated ambitious reforms, but the situation in the country remains fragile and the risk of returning to conflict is high if these reforms are not put in place expeditiously and social service delivery is not quickly restored. Post-conflict experience indicates that swift support for positive reform is critical during the transition phase. An initial LICUS TF package for Liberia provided quick and visible gains to marginalized populations, addressed gaps in basic public financial management and supported unified donor actions.

The foundation for GEMAP, an innovative multi-donor initiative to address weak fiscal management and

systemic corruption that had the potential to destabilize the transition, was laid in FY06 by the work done on public financial management skills to improve budget execution, accounting and auditing capacity, and public procurement management. The LICUS TF grant aims to institutionalize the reforms and controls developed under GEMAP, support procurement aspects of financial reform, and assist in building capacity and accountability.

LICUS grants also support the newly constituted Liberia Reconstruction and Development Committee (LRDC), the successor to the post-conflict Results-Focused Transition Framework, which drives the short-term reconstruction plan and the Government's medium-term development agenda. Grants support the Government's 150-day priority action matrix, strengthen the aid coordination and resource mobilization functions, and foster unity of purpose on the LRDC among the UN peacekeeping mission, UN agencies, and key international partners. A second component helps build two-way communication between the Government and the population through increased access to public information on how public resources are managed, and broader outreach to the public on the Government's vision and activities under the LRDC.

ABOUT THE FRAGILE STATES UNIT AND THE LICUS TRUST FUND

Strengthening assistance to chronically underperforming countries to enable them to get on the path of sustained growth, development, and poverty reduction remains a central priority for the Bank. The Fragile States Unit (formerly the LICUS initiative), located in the Operations Policy and Country Services, supports country efforts to improve the institutions and performance of such countries through work with country teams on strategy development and implementation, sharing of lessons learned on approaches, implementation of institutional reforms, and partnerships with other international donors. A new fragile states strategy, approved by the Board in January 2006, consolidates three years of operational experience into a strengthened framework for country engagement, focusing on four differentiated business models for countries in prolonged crises, post-conflict and political transitions, gradual reform processes, and deteriorating governance or rising conflict situations. The LICUS TF provides critical financing for these activities. The combined perspectives of the Fragile States Unit and the Conflict Prevention and Reconstruction Unit underpin the World Bank's approach to conflict and governance. For details see <http://www.worldbank.org/licus>

Côte d'Ivoire

Support for Transition to Sustainable Peace (FY06, total grant \$1.9 million)

Since the signing of the peace agreement in January 2003, Côte d'Ivoire has been politically divided, with the country split into north and south. However, a transitional government is now in power and the administration is attempting to address issues of disarmament and demobilization of ex-combatants, dismantling the militias, governance and nationality arrangements.

On the request of the Government of Côte d'Ivoire, the Bank initiated an umbrella package consisting of separate but interrelated activities to support the post-conflict recovery planning process, and to help build short and medium term capacity for policy planning and development within the local and national authorities. The three main activities under the package focus on: (i) post-conflict recovery planning and technical assistance for the public sector, and economic governance reforms, including audits; (ii) a youth reinsertion pilot which supports employment creation for youth at-risk and tests an approach to develop jobs and other economic opportunities for ex-combatants; and (iii) a national identification process to help Ivorians obtain proper identity documents and prevent discriminatory access to services and rights, a key cause of the conflict.

Zimbabwe

Maintaining Operational Readiness and Capacity Development to Combat HIV/AIDS (FY06, total grant \$918,450)

Living standards in Zimbabwe have been declining steadily since the late 1990s. The estimated proportion of the population living below the poverty line has more than doubled due to diminishing real incomes and growing unemployment. The main factors that have contributed to this economic decline are poor macroeconomic management, successive droughts, a disruptive land reform program and the impact of HIV/AIDS. The current prevalence of HIV/AIDS rates

makes Zimbabwe one of the worst affected countries in the world. The economic decline has created conditions that encourage the spread of the epidemic and make it more difficult for those affected by AIDS to cope. Zimbabwe's poor economic performance has also led to decreased spending on the social sectors.

The LICUS TF funded projects support the Bank's Interim Strategy for Zimbabwe in addressing key development challenges, and focus on two areas. The first, poverty analysis, includes a Second Poverty Assessment Study Survey to fill the information gaps on poverty data, and analysis to inform policy discussions and better target international assistance. The second area of assistance is capacity development to combat HIV/AIDS by: (i) improving national capacity to monitor and evaluate the epidemic; (ii) strengthening national capacity to carry out the ongoing treatment program; and (iii) ensuring a better understanding of the rural demand for counseling and testing in order to design and implement HIV/AIDS programs in rural areas.

WHO CAN APPLY FOR LICUS TF FUNDING?

LICUS TF grants target LICUS in non-accrual status that cannot use IDA funds for basic reforms or capacity building to assist them initiate reforms that would set the stage for arrears clearance and subsequent access to IDA financing and debt relief. The Trust Fund helps to foster close donor coordination by giving priority to country programs, which are part of a coordinated multi-donor effort. The LICUS TF can also fund the Bank's contribution to an agreed multi-donor strategy in active IDA LICUS where existing IDA funds are inappropriate for this purpose and the Executive Directors have endorsed such a co-financing program in the country strategy document.

Grant recipients may include member countries, their agencies or instrumentalities, non-governmental organizations, or agencies or instrumentalities of the United Nations. Because government capacity is weak in many fragile states, Bank execution of LICUS TF grants may be permitted by the LICUS TF Committee if requested by the grant recipient. Grants range from several hundred thousand dollars to as much as \$7 million.

For application form and guidelines, go to <http://www.worldbank.org/licus>

LICUS GRANTS APPROVED IN FY06

COUNTRY	IMPLEMENTING AGENCY	GRANT TITLE	AMOUNT US\$
CAR	Bank executed	Strategic Leadership Seminar for CAR - Phase II	123,000
	Bank executed	Technical Assistance to Scale up Government Capacity to Monitor and Evaluate Execution of PRSP and Other Financial Programs	718,640
Côte d'Ivoire	Bank executed	Post-Conflict Recovery Planning, Technical Assistance and Economic Governance Reforms	1,900,000
Haiti	Ministry of Economy and Finance	Support to Build Communications Capacity for Economic Governance Reform Program and Increase Dialogue and Outreach Activities	299,180
Liberia	Bank executed	Rapid Results Initiative	99,500
	UNDP	Liberia Transition Support Fund	1,800,000
	Public Procurement and Concessions Commission (PPCC)	Public Procurement Reform	1,100,000
	UNDP	Support to LDRC and Communications Program	600,000
Somalia	Bank executed	Support for Community Driven Recovery and Service Delivery	232,250
	Bank executed	Technical Assistance to Economic Management and Planning Capacity	300,000
Sudan	Bank executed	Technical Assistance to Post-Conflict Recovery Planning in Darfur	231,525
Togo	Agence d'Appui de Base - Maritime (AGAIB-Maritime)	Emergency Program for Poverty Reduction (EPPR) - AGAIB-Maritime	427,267
Zimbabwe	UNDP	Second Poverty Assessment Study Survey (PASS II)	300,000
	UNDP	Capacity Support in Poverty Analysis	150,000
	Bank executed	Social Sector Delivery Analysis	100,000
	UNDP	Support to Capacity Development to Combat HIV/AIDS	618,450
Regional - Africa	Bank executed	Institutional Support to African Regional Organizations on Programming in Fragile and Conflict-Affected States	244,913



Learning from the Field

PCF and LICUS Projects

In order to learn and document lessons and best practices from the ongoing and completed projects, the PCF and LICUS Secretariat reviews and evaluates programs and projects. The objective is to know what works and what does not, reasons for the successes of projects and their replication value. The following is a summary of the various activities undertaken along with recommendations.

Book Launch

Understanding Civil War, Vol. 1 (Africa), Vol. 2 (Europe, Central Asia, and Other Regions)

This two-volume publication, funded in part by the PCF, is a collaborative research undertaking between the World Bank and Yale University. It is also a part of the Conflict Prevention and Reconstruction Unit's effort to support research on the economic causes and consequences of conflict, and is the second and complementary phase of the research on the economics of conflict and violence. The book explores how, and under which conditions, civil war is more likely to happen. It adopts a comparative case study approach to refine and expand the 'economics of conflict' model. The results of the case studies add considerably to the understanding of conflict. The case studies provide an insight into the complex interactions among variables

in the formal/quantitative model and illustrate several different ways in which the same variable can operate in different contexts. They also provide a more nuanced understanding of conflict and the conditions under which different variables influence the outbreak of violence. The research presented makes it clear that greed and grievances should not be seen as competing explanations of conflict as they are often shades of the same problem. The case studies suggest the need to refine the economic model of civil war and improve the basic measures used to test the model. *This book can be ordered at <http://publications.worldbank.org/ecommerce/>*

Special Reports

Facilitating Transitions for Children and Youth—Lessons from Four Post-Conflict Fund Projects

Over 300 million young people below the age of 25 live in countries affected by armed conflict, representing nearly a fifth of the world's total population of children and youth. More than 300,000 children and youth fight alongside adult combatants in regular armies and rebel groups around the world.

The PCF initiated this study to draw lessons about the specific issues concerning the needs of children and youth, and examine the challenges of implementing projects. The study reviews four PCF projects that fall

into four functional areas considered important for children and youth interventions. These include: (i) voice, inclusion and community participation; (ii) demobilization and reintegration of underage ex-combatants; (iii) employment generation and livelihoods; and (iv) emergency education. The review draws on international practices to highlight promising approaches, and makes several recommendations, including involving youth and children from the outset, fostering understanding, building flexibility and adaptability into the project design, and creating linkages among different sectors.

MENA

Water Conflicts and Conflict Management Mechanisms in the Middle East and North Africa Region

MENA is the driest and most water scarce region in the world and this is increasingly affecting the economic and social development of most countries in the region. The PCF provided a grant to conduct a five-country case study to investigate water conflicts at the sub-national level in the MENA region. The countries included Egypt, Iran, Jordan, Morocco and Yemen, in addition to a special case study from Djibouti. The countries selected for the study represent the different environmental, water availability, socio-economic and institutional characteristics that are present within the region.

The study looks at the working rules and mechanisms for minimizing or resolving conflicts over water allocation and use. It also investigates the resilience of traditional mechanisms to change in response to the growing problem of water shortage. The study discusses the impact of technological improvements and modernization on the ability of users to collectively solve water distribution disputes. The study emphasizes, among others, the importance of adopting participatory approaches in water resources planning, management and utilization to minimize conflicts; education and public awareness campaigns to enable people to change their behavior to minimize certain types of conflicts; training government officials to upgrade their skills and build their capacity;

and developing simple procedures in the judicial system to deal effectively with water disputes and expedite the process of resolving conflicts. The study recommends updating of water legislation to keep pace with increasing demand and challenges in the region.

Somalia

Report of the Supervision Mission of the PCF and LICUS TF-Supported Activities, October 2005, and Learning Seminar on “Contending with State Failure: Lessons from Somalia”

In 2003, the Bank, in partnership with UNDP, developed a Country Re-engagement Note (CRN) and formulated a strategy for operationalizing and piloting the Bank’s LICUS approach in Somalia, with a proposed \$4.6 million grant from PCF and \$1.7 million from UNDP/UN resources to support a macro-economic data analysis, create an enabling environment for the livestock and meat industry, coordinate action plan to address HIV/AIDS, and build capacity for skills development.

In 2005, the PCF/LICUS Secretariat initiated a review of the PCF and LICUS TF projects in Somalia. The two-fold objective was, first, to assess project performance and recommend ways to improve future interventions by measuring quality and timeliness of project output, implementation arrangements and overall impact; and, second, to assess the relevant impact of activities outlined in the Bank’s re-engagement strategy in Somalia, and the contribution of these activities toward improved service delivery, strengthened donor coordination, and improved governance reforms. The review recommended dedicating more human and budgetary resources to direct program management, leveraging more consistent and intensive support from sector teams, encouraging capacity building, supporting efforts to rehabilitate and strengthen the livestock sector given its critical role in the economy, supporting community-based health and service delivery, environmental asset protection, and seeking resources to support distance learning and develop the capacity of universities.



A learning seminar on “Contending with State Failure: Lessons from Somalia” was organized jointly by the Africa Conflict and Development Team, the Conflict Prevention and Reconstruction Unit and the Fragile States Unit, to disseminate key findings from the supervision mission of PCF and LICUS grants in Somalia. Highlights from the Country Economic Report were also presented for discussion. The objective of the seminar was to learn how the Bank can better engage in regions affected by violence, and to discuss critical issues such as the timing and sequencing of Bank engagement, the nature of successful activities, and the use and focus of analytical work in a failed state setting.

Central African Republic **Public Finance Management, Institution Building,** **Leadership Support and Social Service Delivery**

The LICUS Trust Fund provided a grant of over \$4 million to the Central African Republic (CAR) in 2004 as the Bank’s contribution to a multi-donor re-engagement process in the country. This grant supported building knowledge that led to visible, albeit limited results, and

laid the foundation for scaled-up engagement following democratically held elections in early 2005. The LICUS TF package provided support to public finance management and civil service administration, financed emergency social sector recovery in rural areas and organized strategic leadership seminars.

Implementation of the LICUS TF grants in CAR indicated that when properly managed, grants can be an effective means to increase understanding of the complexity of a country’s political, economic and social situation, while also making a positive contribution to the political and social process. Team-building can be encouraged, it was through the leadership seminars. Tangible results can also be generated through social sector recovery programs. Significant reform momentum was built in CAR over time through technical assistance and audits of public finance and civil service administration. Execution by government or NGO was deemed more effective than using partner development institutions to administer the grants. The general lesson was that LICUS TF projects should aim for sustainable results through specific, realistic, and monitorable outcomes. These lessons will be incorporated into the second generation LICUS TF grant for CAR.



Partnerships

The PCF and LICUS Trust Funds partner with other organizations mainly through project implementation and co-funding of activities. Partnerships can involve joint planning and/or implementation in the field, direct co-funding of Trust Funds, and parallel financing or co-financing of grant-supported projects. Recent examples of project implementation partnerships include:

- Timor-Leste PCF project, *Supporting the Registration of the Civilian Resistance*, was implemented by the Commission on Cadres of the Resistance (Comissão para os Assuntos dos Quadros da Resistência).
- The Sudanese Development Initiative (SUDIA) is implementing the Sudan PCF project, *From Emergency Relief to Development: Changing Livelihoods, Assets and Strengthening Civil Society Organizations*. SUDIA is an NGO that aims to facilitate the linkage of people, knowledge and resources toward strengthening self-reliance among vulnerable communities in East Africa and the Horn of Africa.
- UNICEF is the implementing agency for the Côte d'Ivoire PCF project, *Reintegration of Children Associated with the Military*. UNICEF's choice is based on its long-standing involvement in child protection and reintegration of under-age ex-combatants worldwide and in Côte d'Ivoire.
- In Liberia, Somalia, and the Central African Republic (CAR), the LICUS portfolios include grants implemented by both NGOs and UN agencies, in addition to government-implemented and Bank-executed activities:
 - Mercy Corps implemented the critical early piloting of community-driven reconstruction in Liberia.
 - In Somalia, UNFPA conducted a population quick count and pre-census activities, and FAO worked with regional authorities on livestock health certification programs, while CARE International collaborates with VSF-Suisse to improve Somali pastoralist community access to livestock health services.
 - In CAR, the largest NGO in the country, COOPI, implements activities to rehabilitate public health services in conflict-affected communities, while UNDP, UNFPA, and WHO collaboratively work on implementing critical activities in maternal health and child survival, such as potable water and rehabilitation of maternity wards.
- A 2006 LICUS grant which seeks to strengthen the engagement of regional organizations in Africa in addressing causes and consequences of conflict and state fragility includes activities being implemented by the African Development Bank (AfDB) in which con-

sultations with conflict-affected African countries will help shape strategies for AfDB support and engagement in those countries.

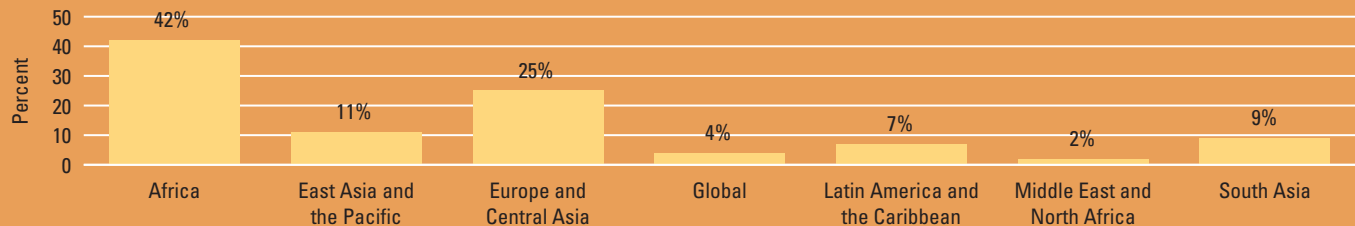
Donors and UN agencies have also made important co-financing contributions to the PCF and LICUS Trust Funds, including Belgium, the Netherlands and

Switzerland, as well as the UNDP and the UNHCR. In FY06, Norway contributed \$732,460 of untied funding for the PCF and \$537,394 for LICUS. Denmark contributed \$748,283 for LICUS. The Government of Brazil, which in FY05 had supported activities in Haiti, continued its support in FY06 by contributing an additional \$300,000 for the School Feeding Program in Haiti.

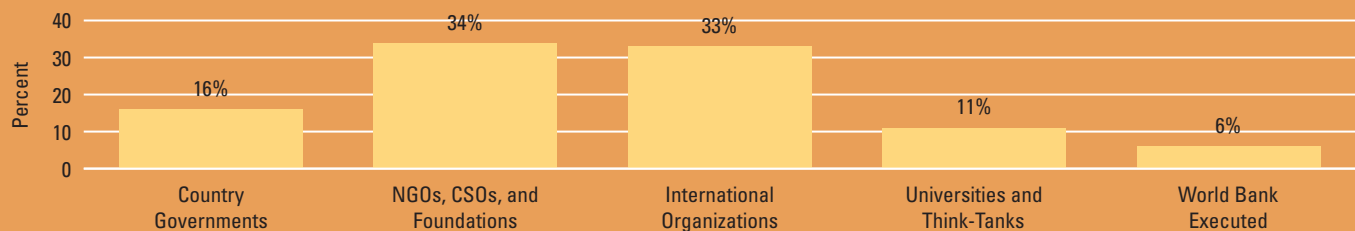


PCF and LICUS in Numbers

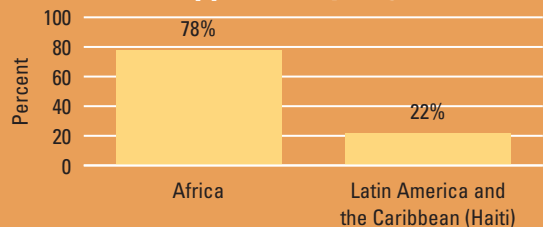
PCF Grant Approvals by Region FY98–06



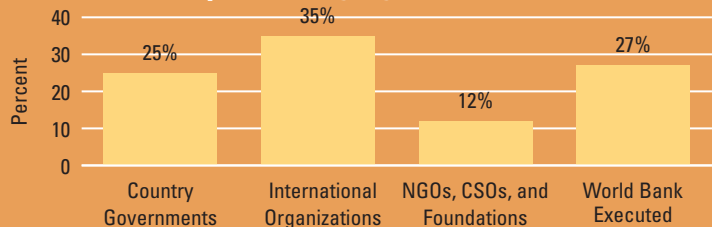
PCF Grant Implementing Agencies



LICUS Grant Approvals by Region FY04–06



LICUS Grant Implementing Agencies



PCF TOTAL GRANT AMOUNT APPROVALS BY FISCAL YEAR

FY	FY98–00	FY01	FY02	FY03	FY04	FY05	FY06	TOTAL
Amount, US\$	19,963,667	15,209,498	12,741,150	13,449,945	5,226,400	5,955,212	11,662,789	84,208,661
No. of grants	55	26	26	22	16	12	14	171

PCF DONOR CONTRIBUTIONS

DONOR	BENEFICIARY	AMOUNT OF CONTRIBUTION, US\$							TOTAL, US\$
		FY00	FY01	FY02	FY03	FY04	FY05	FY06	
Belgium	Great Lakes Region		1,117,531						1,117,531
Brazil	Haiti						425,000	300,000	725,000
Netherlands	Kosovo		2,000,000						2,000,000
Norway	Various Countries							732,460	732,460
Switzerland	Georgia		207,942						207,942
Switzerland	Global				266,667	333,333	400,000		1,000,000
Switzerland	Kosovo	603,428	647,935						1,251,363
UNDP	Georgia		200,000	300,000					500,000
UNHCR	Georgia		150,000						150,000
		603,428	4,323,408	300,000	266,667	333,333	825,000	1,032,460	7,684,296

LICUS GRANT AMOUNT APPROVALS BY FISCAL YEAR

FY	FY04	FY05	FY06	TOTAL
Amount, US\$	2,777,070	20,774,355	17,576,275	41,127,700
No. of grants	4	27	21	52

LICUS DONOR CONTRIBUTIONS

DONOR	BENEFICIARY	AMOUNT OF CONTRIBUTION, US\$
		FY06
Norway	Various Countries	537,394
Denmark	Various Countries	748,283
		1,285,677

LIST OF PCF GRANTS IMPLEMENTING AGENCIES AND DONORS

NGOs, CSOs and Foundations

ACTIONAID
Aceh NGO Forum, Indonesia
Action Contre la Faim
African Women Alliance for Mobilizing Action
Arch Diocese of Las Verapaces, Guatemala
Arias Foundation for Peace and Human Progress
Atlas Logistique
Australian Volunteers International
Bonn International Center for Conversion (BICC)
Canadian Centre for International Studies & Cooperation (CECI)
CARE International
Catholic Relief Services (CRS)
Center for Conflict Resolution, South Africa
Center for Liberal-Democratic Studies, FR Yugoslavia
Centro de Estudios Internacionales (CEI), Nicaragua
Charity Humanitarian Center "Abkhazelt" (CHCA)
Collaborative for Development Action
Community and Family Services International (CFSI)
Comunità di Sant'Egidio, Italy
Consortium of Humanitarian Agencies (CHA)
Counterpart International
Curriculum Corporation
Economic Cooperation Foundation
Fondation pour l'Unité, la Paix et la Démocratie, Burundi
Friends of Bosnia
Gemi Diriya Foundation
Gisplan, Croatia
Groupe de Recherches et d'Echanges Technologiques (GRET)
Humanitarian Affairs Review Journal
Indonesian National Commission on Violence Against Women
Institut d'Economie Industrielle (IDEI)
Iraqi Widows Organization
Joint Stock Company "Orgtehnika"
Knitting Together Nations, Sarajevo
Lazarus Charitable Fund of Georgia
Media Action International
New Bosnian Design (KTN)
Organización de Estados Iberoamericanos para la Educación,
la Ciencia y la Cultura (OEI)
Ottar Khvistani Company
Oxfam
Paltrade
Pan American Development Foundation (PADF)
Panos Institute, Washington DC
Première Urgence (PU)
SaferAfrica
Save the Children
Search for Common Ground
Self Reliance Fund, Republic of Georgia

Soros Foundation/ Kosovo Foundation for Open Society
Sudanese Development Initiative (SUDIA)
Swedish Committee for Afghanistan (SCA)
Synergies Africa
Transcultural Psychosocial Organisation
World Links Organization

International Organizations

Asian Development Bank (ADB)
Food and Agriculture Organization (FAO)
International Federation of Red Cross and Red Crescent Societies (IFRC)
International Labor Organization (ILO)
International Organization for Migration (IOM)
Organization of American States (OAS)
Pan-American Health Organization (PAHO)
United Nations Children's Fund (UNICEF)
United Nations Department of Peacekeeping Operations (UNDPKO)
United Nations Development Programme (UNDP)
United Nations Economic and Social Commission for
Western Asia (ESCWA)
United Nations High Commissioner for Refugees (UNHCR)
United Nations Mission in Congo (MONUC)
United Nations Mission in Kosovo (UNMIK)
United Nations Office for Project Services (UNOPS)
United Nations Population Fund (UNFPA)

Universities and Think-Tanks

Brookdale Institute
Brookings Institution
Cambodia Development Resource Institute (CDRI)
Centre for Environment and Development for the Arab Region
and Europe (CEDARE)
Council on Foreign Relations
European Parliamentarians for Africa (AWEPA)
Global Development Network (GDN)
Harvard Program in Refugee Trauma
Harvard University
Institut de Recherche du Developpement (IRD)
Institut d'Economie Industrielle
Kenya Institute of Public Policy Research and Analysis
Notre Dame University
NYU Center for International Cooperation
Oberlin College
Oxford University
Oxford University (Center for the Study of African Economies)
Peace Research Institute of Norway (PRIO)
Princeton University
Stanford University
State University of New York at Binghamton
The Stimson Center

LIST OF PCF GRANTS IMPLEMENTING AGENCIES AND DONORS (CONTINUED)

University of California at San Diego
University of California Irvine
University of Texas at Dallas
Woodrow Wilson Center
Yale University

Government Institutions

Afghan Assistance Coordination Authority
Agence Française de Développement (AFD)
Agencia Presidencial para la Acción Social y la Cooperación
Internacional
Binational Commission for the Development of the Frontier, Peru & Ecuador
Comissão para os Assuntos dos Quadros da Resistência (CAQR), Timor-
Leste
Commission for National Reconciliation, Tajikistan
Commission for Real Property Claims of Displaced Persons and Refugees
(CRPC), Bosnia & Herzegovina
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)
East Timor Transitional Administration
Government of Afghanistan
Government of Albania
Government of Bosnia
Government of Burundi
Government of Cambodia
Government of Colombia
Government of Côte d'Ivoire

Government of Ecuador
Government of Eritrea
Government of Indonesia
Government of Kosovo
Government of Liberia
Government of Sierra Leone
Government of South Africa
Government of Tajikistan
Government of the Democratic Republic of Congo
Government of the Philippines
Government of the Republic of Congo
Government of the Republic of Georgia
Government of the Republic of Macedonia
Government of Timor-Leste
National Development Planning Agency (BAPPENAS), Indonesia
National School Feeding Program, Government of Haiti
Red de Solidaridad Social (RSS), Colombia

Donors

Government of Belgium
Government of the Netherlands
Government of the Federal Republic of Brazil
Government of the Kingdom of Norway
Government of the Swiss Confederation
United Nations Development Programme (UNDP)
United Nations High Commissioner for Refugees (UNHCR)

LIST OF LICUS GRANT IMPLEMENTING AGENCIES AND DONORS

NGOs, CSOs and Foundations

Agence d'Appui de Base - Maritime (AGAIB-Maritime)
Agence d'Appui de Base - Savanes (AGAIB-Savanes)
CARE International
COOPI- Cooperazione Internazionale
INTERPEACE/National Institute of Studies and Research
(INEP) of Guinea Bissau
Mercy Corps
Population Services International

International Organizations

International Legal Assistance Consortium (ILAC)
African Development Bank (AfDB)
United Nations Development Programme (UNDP)
United Nations Educational, Scientific and Cultural
Organization (UNESCO)
United Nations Population Fund (UNFPA)

Government Institutions

Comite National de Lutte Contre le Sida, CAR
Government of the Central African Republic
Government of the Republic of Côte d'Ivoire
Government of the Republic of Guinea-Bissau
Government of the Republic of Haiti
Government of the Republic of Liberia
Government of the Republic of the Sudan
Government of the Republic of Zimbabwe
Government of the Togolese Republic
Government of the Union of Comoros
National School Feeding Program, Haiti
PL-480 Management Office, Haiti
Public Procurement and Concessions Commission (PPCC), Haiti
Service National d'Eau Potable, Haiti
Transitional Federal Government of Somalia

Donors

Government of the Kingdom of Denmark
Government of the Kingdom of Norway

CPR

Conflict Prevention &
Reconstruction



Post-Conflict Fund

Conflict Prevention and Reconstruction Unit

Social Development Department

1818 H Street, NW
Washington, DC 20433 USA

Tel: 202 458 7776

Fax: 202 522 1669

e-mail: cpr@worldbank.org

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