The World Bank in Fragile Situations:
An Issues Paper*

'One billion of the world's six billion people live in fragile states, and one third of all people surviving on less than USD 1 per day. Of all the children in the world who die before reaching their fifth birthday, half were born in these countries. Of all the women whose deaths are related to pregnancy or childbirth, one in three dies in these countries' (OECD-DAC 2007).

Introduction

Engaging effectively in different fragile situations has become a key priority for the international development community. The sense of priority reflects the coming together of three sets of factors: (i) a growing emphasis on human security and peace-building in international development debates; (ii) a concern with poor development performance and state effectiveness, in particular concerns that the MDGs will not be reached without progress in such settings; and (iii) a belief that underdevelopment and insecurity (both individual and international) are inter-related.

Understanding 'fragility'

The international development community is increasingly focused on engaging in fragile contexts, yet there is no firm consensus on what exactly constitutes a 'fragile' state or situation, and a wide variety of terms tend to be used interchangeably to refer to such settings.[1] Sources of fragility and the causal pathways to failure, collapse or conflict remain only partially understood.

Box 1: Donor definitions of 'fragility'

A leading trait that international development actors use to define fragile states is their (in)ability to provide basic services to the poor, either as a result of a lack of political will, weak capacity, or both. Such is the core of **DFID**'s and the **OECD**'s definition, for example. Other definitions of state fragility, including those used by the **European Commission**, **CIDA**, the **UNDP**, and **USAID**, go beyond this narrow focus on service delivery to encompass other dimensions, including territorial authority and (political) legitimacy, as an intrinsic component of fragility. The **World Bank**, for its part, identifies fragility based on a series of policy performance criteria. Originally labelled 'low-income countries under stress' (LICUS), the World Bank defines fragile situations as those characterised by a debilitating combination of weak governance, weak policies and weak institutions indicated by a ranking below '3' on the Country Policies and Institutional Performance Assessment (CPIA) index. Given its mandate, the Bank's definition excludes explicitly political variables, while giving considerable weight to macroeconomic management, the strength of institutions and the quality of (economic) governance.

While no authoritative definition of fragility exists, agreement does exist on some key characteristics of 'fragility' (see Box 1 for some donor definitions). These include the presence of weak institutions and governance systems and a fundamental lack of leadership, state capacity and/or political will to fulfil essential state functions, especially in terms of providing basic services to the poor. Conflict may exacerbate such problems, but countries

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that are not necessarily characterised by endemic violence may also be considered fragile. At its core, fragility is a deeply political phenomenon, even if this is something that donors are sometimes reluctant to acknowledge explicitly. For the World Bank in particular, recognising this more openly can be difficult, given that its mandate dictates that it should not get involved in political matters (more on this in Section III).

A significant number of developing countries are characterised by some degree of fragility along different dimensions - institutional, economic, political, social, global. Fragility is best understood as a continuum: some countries represent entrenched and systemic state fragility while others exhibit local and temporary fragile characteristics. Most definitions put the 'state' at the centre, but using the state as the unit of analysis can mask other forms of fragility. Governments are not monolithic. Levels of willingness and capacity can vary within a given state, so that fragility may exist at the sub-national level. Fragility can also result from regional conflicts beyond any individual state. Hence the increasing reference to *fragile situations* may be more appropriate than one that focuses on the state as such. The concept of fragility is also dynamic: states move in and out of crisis and therefore categorisations cannot be static.

Fragile situations – an opportunity?

Above all, a fragile situation is often one characterised by a fundamental lack of effective political processes that can bring state capacities and social expectations into equilibrium. In a fragile setting, the political settlement or social contract binding state and society together is not resilient and has become deeply undermined or contested. On the other hand, it is precisely this characteristic of a fragile situation that offers a unique opportunity for potential transformation and donor engagement. Contemporary state-building efforts in fragile situations represent important openings for reconstituting the link binding state and society in ways that can be more inclusive and representative, especially in post-conflict contexts.

In such settings, political settlements reached through negotiated agreements sit at the heart of the state-building process (Ghani and Lockhart, 2007), and they have the *potential* (even if it doesn't always bear out in practice) to lay the foundations for participatory and rights-based statecraft, bringing to the table groups that have been previously excluded. Given the weakness and/or lack of legitimacy of much of the state apparatus, there is a significant opportunity for civil society actors (NGOs, religious organisations, indigenous groups, women's organisations, social movements, etc.) to become key players or interlocutors in the re-articulation of a social pact that is more legitimate and inclusive, and as such they are an integral part of state-building projects.

In addition, there has been growing concern about the stigma and negative connotations associated with the term 'fragility' – not least among those states/settings that are thus labelled in the developing world. As a result, a shift in discourse has become perceptible within the international community away from an approach that focuses on the weaknesses and failures of fragile situations towards a strength-based perspective that can identify what is working and build upon the capacity that already exists (however limited).

Donor Engagement Strategies

Most international aid actors have strategies for guiding their work in fragile states. DFID, USAID and the World Bank (originally through its LICUS initiative and now its Fragile States Unit)[2] all have specific policies to engage with fragile states, while the EC is in the process of designing an 'EU response to situations of fragility'.[3] In development policy, the World Bank

has in many senses been the policy leader, while the UN has led on peacekeeping and security related challenges. To date, however, international responses to fragile states have been fragmented while resource flows to fragile states have not kept up with the recent growth in aid to other low-income countries.

Box 2: Principles of good international engagement in fragile states

1. Take context as the starting point: different capacity and resilience constraints at country level must be taken into account, based on sound economic and political analysis;
2. Do no harm: avoid salary supplements; do not bypass national processes / institutions; etc.
3. Focus on state building as central objective: address governance functions and basic services;
4. Prioritise prevention: action today can reduce risks of future outbreaks; address root causes and avoid quick-fix solutions;
5. Recognise the political-security-development nexus: improve the coherence of international interventions;
6. Promote non-discrimination as a basis for inclusive and stable societies.
7. Align operations to domestic priorities, processes, and local contexts: avoid enclave interventions; make project designs consistent with emerging planning priorities; connect procurement and disbursement practices to emerging domestic systems;
8. Agree on practical coordination mechanisms and coherence among international actors: adopt the harmonisation agenda; use common integrated planning tools (e.g. the transitional results matrix); aim at joint assessments, shared strategies; multi-donor trust funds; joint donor offices;
9. Act fast but stay engaged over the long haul: take advantage of windows of opportunity; be realistic about implementation constraints; reward ownership by reform-oriented local actors; etc.
10. Avoid pockets of exclusion and address 'aid orphans'.

OECD DAC and Picciotto (2007)

Official development assistance (ODA) to fragile states has been neither consistent nor significant in relation to need. Funding for core development programmes in fragile states dropped markedly in the early 1990s (IDA 2007) and studies have shown that, overall, between 1992 and 2002 fragile states 'received 43 percent less aid than [would be] predicted by their population and poverty levels and policy and institutional environment' (McGillivray 2005). In recent years assistance to fragile states has shown an upward trend, but this has largely relied on emergency assistance funding and debt relief. It is also important to note that those countries emerging from conflict usually receive significantly more aid than other fragile situations. In 2006 half of net ODA to 38 fragile states went to just 5 countries: Afghanistan, Sudan, DRC, Haiti and Cambodia (OECD-DAC 2007b).

Against this backdrop there is a growing recognition that integrated approaches for engaging with fragile situations is needed. As some have noted this represents, in part, an acceleration of the merger of security and development agendas (Andersen, 2008). The Paris Declaration on Aid Effectiveness stresses that principles of harmonisation, alignment and management-for-results must be adapted to environments of weak governance and capacity. The OECD/DAC 'Principles for Good International Engagement in Fragile States and Situations' (approved in 2007) constitute perhaps the most ambitious initiative to date to provide greater coherence and integration to international responses to fragile states (see Box 2). Yet while improved coordination is essential, it is not the same as integration in the sense of

establishing shared structures of authority, responsibility and implementation. The reality is that the challenge in the integration agenda is less organisational than it is political.

Whom to engage with in fragile situations?

As stressed in the DAC Principles, for state-building efforts to be successful and effective, donors need to take context as the starting point, and they need to engage not only with government actors but also with civil society (including the private sector) on the basis of such contextual opportunities and constraints. In fact, very often engaging with the state can prove challenging because it may lack basic capacity, will, and/or legitimacy to be a reliable partner for transformation. What can the international community do when it is confronted with a malign or 'toxic' government, for instance? Engagement through government may shore up regimes with little national legitimacy, but international withdrawal may condemn the population to increasing poverty and/or abuse at the hands of the state. In such situations, it becomes instrumental to engage with non-governmental counterparts, including civil society and the private sector, as a deliberate strategy aimed at improving governance and accountability.

Even where the state is not necessarily 'toxic' but simply weak and incapable, a comprehensive plan for state building cannot occur without an understanding of the role, capacities and potentiality of non-state actors. Leaving aside the political sensitivity of the role of non-state actors in civil society advocacy and accountability, non-state actors often play an important role in the delivery of basic services (particularly health and education) in many fragile settings. This role is often not just one of stepping into the vacuum left by a weak state apparatus but often is a long-standing and effective (if not entirely unproblematic, as will be discussed in Section III in some more detail) approach to service provision. In these situations efforts to build the capacity of both the state and the non-state actors to work in a constructive manner to the benefit of the community can be important. While not generally an issue in relation to basic service provision, a similar case can be made for understanding the role of the private sector.

World Bank Engagement in Fragile States

Over the past decade the World Bank has substantially increased its engagement with countries affected by conflict and fragility, both in terms of policy and financial support (see Box 3 on the latter). Recognizing that the special circumstances of these states call for a strategic approach that is "not business as usual", the Bank has been promoting a differentiated approach to country strategy development since 2002. This process resulted in the establishment of a *Task Force on LICUS (Low Income Countries under Stress)*[4] in 2001/02.[5] Since then, The Fragile States Unit, which was established under the LICUS initiative, has worked closely with regions and country teams, as well as central units across the World Bank to:

- Develop expertise on fragile states through collaborative research, greater coverage in analytical work, more targeted operational strategies and the adoption of new tools and approaches;
- Improve understanding of different country contexts in terms of the degree of fragility and the phase of a conflict;[6]
- Strengthen country strategy and operational engagement;
- Intensify efforts to share lessons and best practices;

- Strengthen international partnerships to ensure that the Bank's organizational structure allows for new approaches and partnerships to be implemented at the country level in fragile states.

The Bank has also developed a range of strategic and operational frameworks and financing arrangements that seek to address the unique challenges faced by fragile states, including the LICUS Task Force, and the World Bank's Operational Policies on Development Cooperation and Conflict. Some of the key financing instruments that the Bank uses to operationalise these policies include the LICUS Implementation Trust Fund (LICUS TF),[7] the post-Conflict Fund (PCF),[8] Multi-Donor Trust Funds (MDTFs)[9] and debt relief.[10] Importantly, the World Bank has approached fragile situations from a technocratic and functionalist perspective (see Box 3). But such an approach does not inevitably follow from its mandate not to engage with politics (there is an important distinction between becoming directly involved in political processes and understanding them), and it has had important limitations, especially in terms of understanding the root causes of fragility and the political dimensions at work in state building (see Section III)

Following a review of the LICUS initiative by the Bank's Independent Evaluation Group in 2006, the World Bank undertook several policy changes to improve the flexibility, speed, and effectiveness of its engagement with fragile situations, as well as to build stronger knowledge and operational links between the Bank's work in fragile and conflict-affected environments and to enhance the links between the Bank's work and that of its key international partners in peace building, state building and governance agendas. These reforms include a new policy on Rapid Response to Crises and Emergencies approved in February 2007,[11] and the creation of a Fragile and Conflict-Affected Countries Unit in July 2007 through the merging of the Fragile States Unit and the Conflict Prevention and Reconstruction Unit. The LICUS Trust Fund and the Post-Conflict Trust Fund are now centred in the new unit, though the Board of the World Bank has recently approved the creation of a new integrated fund, the State- and Peace-building Fund (SPF), intended to replace them.[12] The Bank has also instituted important reforms to strengthen staff quality and support and increase its presence in the field.

Box 3: The scale of the WBG's financial support going to fragile states[13]

1. The Bank's contributions to trust funds have increased from $136 million in 2002, to $821 million in 2006.
2. Parallel increase in trust fund disbursements have grown from $130 million in 2002 to $679 million in 2006, to an aggregate five year total of over $2.2 billion.
3. Post-conflict funds have received a total of US$90.3 million of which 56% goes towards fragile states (20 middle and low income countries covered by the PCF), while five countries (Afghanistan, Burundi, Haiti, Somalia and Sudan) account for 51 percent of total grants approved for fragile states.
4. September 2007: WB contributes US$3.5 Billion from its income to provide grants and credits for the world's poorest countries through the 15th replenishment of the IDA.
5. December 2007: donors contribute to the World Bank funding amounting to US$41.6 Billion to help overcome poverty in some of the world fragile states.
6. Over the past decade, the IDA has allocated 19% of its total resources to fragile states. Fragile states have also benefited from the increased concessionality of IDA assistance that has resulted from the introduction of grants in IDA13 and IDA14.
7. Total HIPC and Multilateral Debt Relief Initiative (MDRI) assistance delivered as of mid-June 2007 to fragile states is around $13.4 billion in NPV terms.

Opportunities and Challenges Going Forward [14]

Engaging in fragile situations with the objective of building capable and accountable states has emerged as a central challenge for the international aid community. The World Bank has identified its work in fragile situations, with its implications for long term poverty reduction as well as stability and security, as a critical long term strategic priority. Yet, to date, experiences of international engagement in fragile settings have been mixed, with resource flows and technical support often falling considerably short of stated intentions. Below we highlight a limited number of strategic opportunities, challenges and questions facing the Bank and the international community as they seek to improve the effectiveness of their engagement in this area.

1. Political understanding and effective support for state building. As emphasized in the OECD/DAC Principles, state building is a core objective of international engagement in fragile settings. To date, however, much of the focus on state building, especially within the World Bank, has been based on a technical and functionalist approach.

Yet state building should be understood not only in terms of building the technical capacities and effectiveness of state institutions, but also in terms of the dynamic political process of reconstituting the political and social contract between state and society so that it may become more resilient and sustainable over time. Such a definition serves to underscore (yet again) the deeply political nature of both state fragility and state building, which has important implications for donors. It suggests the need for wide-ranging engagement in fragile situations that not only focuses on supporting and strengthening the *capacity to do and deliver things* but also on the *political processes* that can transform the state or place it at risk of serious conflict or collapse.

This does not necessarily mean that actors such as the World Bank should exceed their mandates and become politically engaged – but they do need to sharpen their 'political intelligence' to engage in fragile situations more effectively. As a first step, better analysis is needed to develop a greater understanding of the political economy of state building, especially the incentives, challenges and opportunities that domestic actors face and stronger partnerships with other organisations more able to carry forward the political dialogue.

The second step is finding more effective ways to incorporate such analysis into its operational work. This calls for a re-examination of the Bank's instruments to assess how compatible they are with a more political economy approach and how flexible they can be to respond to contrasting fragile situations.

A third step is ensuring that with a growing number of donors political economy analyses that there is increased scope to coordinate such donor efforts. The Post-Conflict Needs Assessments (PCNAs) and the resulting Transitional Results Frameworks (TRFs) that the World Bank has coordinated jointly with the UN in collaboration with other donors and national stakeholders in a small number of (post-) conflict states represent an important initiative in this area that needs to become more widespread and extend to other fragile settings beyond those affected by conflict. While more coordinated joint analysis may be difficult to achieve in the short term, at a minimum donors should make a concerted effort to exchange/share lessons emerging from such work, so that they can develop their state building strategies on a shared basis of understanding. Moreover, this kind of political economy analysis should not be viewed as a 'one off'. Rather, contextual changes need to

be updated continuously on the basis of shared monitoring in order to inform on-going donor programming.

2. The importance of local leadership. State-building efforts need to be shaped and led from within if they are to be legitimate and sustainable over time. How can donors go about identifying key reform-oriented actors from both the state and civil society to engage with, and how can political economy analyses be useful in this respect? How can the international community provide sufficient space for domestic actors to develop their own policies? How comfortable are donors, and the World Bank in particular, in accepting the fact that domestic actors may come to address issues and challenges in ways that donors either had not expected or do not fully approve of (including elements of economic policy)? Are there lessons that can be drawn upon in terms of nurturing local leadership and shift discussions on engagement in fragile states away from among donors themselves to a strategic engagement with national leaders (e.g. Guatemala, Liberia, and Sierra Leone)?

3. Conflict prevention. Fragile states are continuously at risk of falling back to open conflict. Prevention has therefore become an area of growing donor attention. Fostering economic development and creating jobs through private sector development has been identified as an important strategy to prevent a reversion to conflict, with special attention to vulnerable or otherwise excluded groups like women, youth, and ethnic minorities. An open question also remains as to whether issues related to (a lack of) legitimacy – and democratic legitimacy in particular – are more likely to prevent conflict or exacerbate it. This is an area that requires further investigation, given the widespread support for democracy within the international community, at least at the rhetorical level. World Bank initiatives to support what it calls 'social accountability' also need to be assessed in this light, given that increasing citizens' voice and expectations without a similar effort to ensure that state institutions can adequately manage and respond to such expectations may lead to increased tensions and conflict.

4. Tensions between short-term needs and long-term goals. There is an urgency about turning around fragile states that is shared by all development actors. The fact that 1 billion plus live in situations that can be classed as fragile reinforces the human scale of this urgency. As a result, there has been considerable emphasis placed on the need to provide peace dividends as soon as possible, especially in terms of improving livelihoods (through generating jobs, working with farmers, etc) and basic services such as health, water and electricity, in order to enable the population to appreciate the advantages of peace over conflict. Thus, security and (economic) development issues are closely interrelated, especially in the short term (Collier 2007).

However, the reality is that success in developmental terms is rarely forthcoming in the short run. What is needed in a fragile environment is sustained and prolonged donor engagement. The challenge for the international aid community is one of developing joint, long-term strategies focused on building effective and accountable states that recognise the need for operational flexibility and adaptability while not being limited to the post-crisis/conflict transformation phase (see point below on aid instruments and effectiveness below).

Further complicating matters is the fact that, as experience shows, there may be inherent tensions between meeting short-term needs and achieving the longer-term goals of state building. So while the international community is right to emphasise the need to provide basic services as soon as possible in post-crisis situations, the temptation to bypass the state because of the challenges faced in re-building public provision may undermine the longer term state-building project. As noted earlier, reliance on NGOs to provide such services is an effective strategy that makes enormous sense in the short-run, and yet such reliance also

works to (further) de-legitimise the state in the eyes of the population, reinforcing the fact that it cannot be relied on to meet their needs. What can be done in such instances? What kind of balance can be found so that one set of priorities are not met at the expense of others? What kinds of trade-offs and choices need to be considered? Finding answers to these kinds of questions is not likely to be simple, but such tensions need to be more explicitly confronted in internationally financed efforts to support state-building.

5. Aid instruments and aid effectiveness. Building on the point above, the most common policy shortcoming in fragile situations is the fact that, while there is considerable donor engagement in a crisis setting and its immediate aftermath, support tends to decrease over time. Part of the problem relates to pressures stemming from donor parliaments and World Bank constituents alike to show 'results' in the short term, which suggests the need to educate these respective publics about the crucial importance of longer-term engagement and the need to be patient and accept setbacks. The World Bank may have a considerable advantage over bilateral agencies on this front, since it is less susceptible to political developments and can therefore set longer- term goals.

There is also a real need to evaluate 'peace dividends' and assess the degree to which they are the product of an engagement with all levels of the country and respond to the population's real needs and priorities, or the consequences of externally driven 'recovery' programmes that may have their own logic.

In addition, the front-loading of resources provided by the development community (particularly post-crisis) can actually be detrimental to reconstruction and broader development objectives. As has been discussed, capacity in fragile situations is inherently limited. As a result, development investments can be counterproductive if absorptive capacity is not properly assessed. The classic TA-heavy response might also provide short-term gain but at the cost of long-term sustainability. It often builds donor dependence and can disempower local leadership and change agents. Poorly directed/managed TA can introduce unnecessary and unsustainable complexity. All parties (and this includes the national counterparts) need to work to establish achievable goals over the short, medium and long term and commit to provide resources that match these (hopefully) realistic assessments.

In terms of other World Bank instruments and processes, IDA transfers to fragile states that are not credit worthy (the great majority) are now in grant form. Should there be greater flexibility in the use of IDA grants, such as to direct support to subnational governments or to other institutions when governments lack national legitimacy? What is the experience of multi-donor trust funds and could they operate with greater flexibility? Are procurement and other safeguards policies too complicated for fragile situations?

6. Improved donor harmonisation and coordination. In an attempt to improve collaboration among donors and promote an integrated approach to peace-building and state-building goals, the World Bank has fostered strong partnerships with the UN agencies (including the joint PCNAs and TRFs, for example), the new UN Peace-Building Commission (PBC), bilateral donors and the OECD–DAC. The Bank has also been working closely with other multilateral development banks (MDBs) to harmonise approaches in fragile states and to improve field coordination. Trust funds represent an important initiative on this front, and the recent approval of the SPF is encouraging in terms of promoting greater integration to the Bank's work on fragile situations.

Yet, considerable work remains to be done to improve donor collaboration further. For instance, a focus on communication needs to be undertaken with clear and shared objectives

relayed (within the Bank and with partners) for the new SPF and other Bank instruments to be effectively used. In addition, while the quality of donor coordination, with strong Bank participation, has been substantial at the international policy level, country-level coordination needs to be further improved.

Beyond that, there is a need for the World Bank (as well as other donors) to identify more clearly its comparative advantage in relation to specific aspects of the state building agenda, agree on a suitable division of labour based on such advantage, and, building on existing harmonisation and coordination efforts, develop joint instruments and operational approaches that can ensure a high chance of success in close collaboration with the initiatives and work of other actors – both international and domestic. Significantly, as noted above, the principles of donor coordination should apply as much to analytical work and policy capacity development as to other areas of donor programmes.

7. Better congruence between ambitions and responses. Finally, as has been highlighted in this paper, the state-building agenda is a very ambitious one. It is ultimately about values, principles and interests and the kind of world we want to live in, not just 'bricks and mortar' (Andersen 2008). What is clear is that there needs to be greater congruence between the objectives embraced by the international community (including the World Bank) and the resources it is willing/able to commit to such transformative efforts in fragile situations. There needs to be some recognition that while the state is fundamental to the transition out of fragility it is also part of the problem and that a state-centric approach also has its limitations. Time horizons and trade-offs between short and long-term goals as well as incentives facing recipients and development actors also need to be reconsidered. As recent work on state-building indicates 'not all good things necessarily go together' suggesting that the need for focusing and prioritising is the core challenge going forward (Fritz and Rocha Menocal 2007, Andersen 2008).

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[1] The term fragile is often substituted without a precise change in meaning by 'failed', 'failing', 'crisis', 'weak', 'rogue', 'collapsed', 'poorly performing', 'ineffective' or 'shadow'. A fragile situation may be a 'country at risk of instability' or 'under stress', or a 'difficult partner'.

2 See DFID (2005) and USAID (2005)

3 For more information, see http://ec.europa.eu/development/policies/9interventionareas/governance/fragile_states_en.cfm.

4 The task force sought to extend its thinking to the minority of countries whose policies and institutions offer limited scope for poverty reduction through donor-supported programs and projects. The Task Force, which was co-chaired by Ngozi Okonjo-Iweala (former finance minister of Nigeria and recently appointed World Bank Managing Director) and Paul Collier (former Director of the Development Research Group of the World Bank), recommended ways to help these countries get back on a path of sustained growth and poverty reduction. The LICUS Unit was established at the end of 2002 to help coordinate this Bank-wide effort.

5 Much of this innovation has taken place within the IDA context and includes grant financing from the Post Conflict Fund and the LICUS Trust Fund, pre-arrears clearance grants from IDA, exceptional post-conflict IDA allocations once arrears are cleared, and support from IBRD surplus.

6 The four principal country contexts which have emerged across the regions are i) countries facing deteriorating governance or rising conflict risk, ii) those in prolonged political crisis, iii) those in post-conflict or political transition, and iv) those going through a gradual reform process.

7 The LICUS TF was established through a $25million transfer from IBRD surplus in March 2004, and replenished through a further $25 million transfer in 2006, and $30 million in January 2007. The LICUS Trust Fund assists countries that have the most severe conflict and institutional problems.

8 The PCF supports planning, piloting and analysis of ground-breaking activities through funding governments and partner organizations in the forefront of this work. It was established in 1997, to support countries in transition from conflict to sustainable peace and economic growth. The PCF makes grants to a wide range of partners including nongovernmental organizations, United Nations agencies, transitional authorities, governments, and other civil society institutions.

9 MDTFs are funding mechanisms which combine the contributions of multiple donors, generally for a program of activities over a number of years. Their arrangements include legal agreements with all donors, which specify governance procedures covering TF management, operational and financial reporting, and the allocation and uses of funds. MDTFs are used frequently in post-crisis environments – both post-conflict and post-disaster.

10 The World Bank undertakes debt relief to fragile states through the implementation of the Heavily Indebted Poor Countries (HIPC) Initiative, the Multilateral Debt Relief Initiative (MDRI), and the administration of the Debt Reduction Facility (DRF) for IDA-only countries. The HIPC Initiative is a comprehensive approach to reducing the debt of HIPCs pursuing adjustment and reform programs. Countries graduating from the HIPC Initiative process also benefit from a 100 % debt relief on eligible debt from major multilateral creditors under the MDRI. Debt relief provided under both initiatives aims to bring debt burdens of HIPCs down to manageable levels, and additional resources to help them reach the Millennium Development Goals. The DRF is a key instrument to catalyze commercial creditors' participation in the HIPC Initiative. Twenty fragile states are eligible

for debt relief under the Enhanced HIPC initiative, which has led to three of these reaching the HIPC completion point, eight reaching the HIPC decision point and are receipt of interim debt relief from IDA, and nine yet to reach the decision point.

[11] Among other things, the new policy introduces:

- A **"one stop" review meeting for all emergency operations;** consolidate internal reviews into one single decision review meeting and eliminate the need for multiple sequential clearances. **Changes in the control mechanisms:** recognition of the need for a different balance between *ex-ante* and *ex-post* controls and risk mitigation measures in emergency operations compared to regular operations, including on issues of fraud and corruption, requiring intensified supervision and implementation support to address such risks;
- **Rapid Response Committee** , which ensures the necessary corporate oversight arrangements and mechanisms for ensuring an adequate level of institutional response to emergency situations, in a timely manner
- the ability to **finance up to 100 percent** of the expenditures needed to meet the development objectives of emergency operations, including recurrent expenditures, local costs and taxes;
- a revised emergency definition which focuses on the <u>impact</u> rather than the <u>cause</u> and enables **coverage of a wider range of crises and disasters**
- the availability of a **higher Project Preparation Advance** of up to US$5 million (instead of $2 million available previously) to cover start-up emergency response activities, and the provision of such PPF advances on *grant terms* to countries at high risk of debt distress which are eligible for IDA financing on grant terms only;

12See

www-wds.worldbank.org/servlet/main?menuPK=64187510&pagePK=64193027&piPK=64187937&theSitePK=523679&entityID=000334955_20080401075958

13 Source: IDA15 Report from the Executive Directors, February 28, 2008 [Online] http://siteresources.worldbank.org/IDA/Resources/; IDA 15 Report on Operational Approaches and Financing in fragile states, 2007.
http://siteresources.worldbank.org/IDA/Resources/IDA15FragileStates.pdf

14 Some of this discussion is drawn from V. Fritz and A. Rocha Menocal (2007) 'Understanding State-Building from a Political Economy Perspective: An Analytical and Conceptual Paper on Processes, Embedded Tensions and Lessons for International Engagement'. Report prepared for DFID's Effective and Fragile States Teams.