Reconstruction of countries emerging from conflict is at the heart of development. Since 1980, almost half of all low-income countries have experienced conflict, and nearly every country in Africa has either experienced major conflict, or borders on a country which has. Conflict has brought Yugoslavia into poverty, and in Bosnia and Herzegovina, postwar incomes were about one-fourth of 1990 incomes. Real per capita income in Lebanon in 1990 was estimated at one-third its 1975 level in dollar terms. Fifteen of the world’s poorest countries have experienced significant periods of conflict since the 1980s.

What is post-conflict reconstruction? This is a process which supports the transition from conflict to peace in an affected country through rebuilding the socioeconomic framework of the society. Reconstruction does not refer only to reconstruction of physical infrastructure. What is needed is a reconstruction of the enabling conditions for a functioning peacetime society in the framework of governance and rule of law. The role of external agencies, including the World Bank (Bank) is not to implement this process but, rather, to support it.

Often, conflicts are linked to competition for scarce resources, and in this context development strategies can play a role in enhancing or reducing tensions. In the past five years the World Bank has made more than $400 million in grants from its surplus earnings to post-conflict governments and to the United Nations system. The World Bank is part of a Conflict Prevention and Post-Conflict Reconstruction Network, which consists of the United Nations, the International Monetary Fund (IMF), as well as bilateral donor agencies, humanitarian aid agencies, and foundations. This network met in

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1. During the 1990s, there have been 39 major conflicts, and since 1989 the United Nations has mounted more than twenty-five peacekeeping forces.

2. Canadian International Development Agency, Department for International Development, Department of Foreign Affairs and International Trade, Deutsche Gesellschaft für Technische Zusammenarbeit, European Community Humanitarian Office, Federal Ministry of Economic Cooperation and
Ottawa in June 1999, and in New York last November, to exchange information, improve coordination, and strengthen partnerships. The Bank is involved in a collaborative effort with other members of the Conflict Prevention and Post-Conflict Reconstruction Network to provide a more coherent planning process that draws upon organizations' particular strengths.

Perhaps one of the greatest advantages the Bank can bring to post-conflict settings is its knowledge of comparable situations. Local stakeholders benefit from hearing how the special problems of transition worked, or did not work, in other countries that had similar problems. The Bank is generally not among the first humanitarian assistance organizations to begin programming in post-conflict countries. Therefore, Bank staff have the opportunity to survey what others are doing in order to selectively focus on sectors which are under-supported by other humanitarian assistance agencies.

Collaboration with the IMF on stabilization and other macroeconomic issues is also important. Early consultations between the United Nations agencies and the Bretton Woods institutions are important. For example, following the Dayton Peace Accords in Bosnia, donors agreed that Bank funds would be applied, along with other donor aid, to reinforce those cities that had shown ethnic tolerance. In Tajikistan, World Bank programs were targeted to areas specified in the peace accords, at the encouragement of stakeholders, including the government.

The Bank developed post-conflict experience in Sub-Saharan Africa, including Angola, Burundi, Liberia, and Rwanda. The Bank was also involved in two recent post-conflict situations, in the West Bank and Gaza, and in Bosnia and Herzegovina. In Bosnia, Kosovo, and West Bank/Gaza, mechanisms for cooperation with the United Nations system as part of the Conflict Prevention and Post-Conflict Reconstruction Network were set up. In El Salvador and in Nicaragua, the Bank became involved in the process at a later stage.

Financing of rehabilitation and reconstruction activities must be justified on economic grounds. The Bank focuses primarily on post-conflict...
reconstruction and subsequent development, although it may play an indirect role in other activity areas, i.e., providing technical input to peace negotiations, assessing the long-term implications of relief programs, etc. The Bank also does not provide relief assistance. However, the Bank does provide early information sharing with relief agencies on planning activities. Peace treaties require economic underpinning. At the Dayton talks on Bosnia, the Bank provided practical technical advice on budgets, economic incentives, and taxation arrangements.

Innovative and catalytic funds are available from the World Bank, United Nations High Commissioner Refugees, United Nations Development Programme, and certain bilateral agencies to address post-conflict needs, but they are not sufficient. The challenge is addressing the gaps within our institutions and funding systems. A key step is developing a consistent and coherent assistance strategy. Roles should be defined based upon capacity and comparative advantages, with principles to guide allocation and use of resources, with a common strategy, and agreed sequence and plan. Allan Gerson recently concluded a study for the Council on Foreign Relations, in which he recommended that the collaboration between the United Nations, the Bank, and Non-Governmental Organizations (NGO) be institutionalized into a "Peace Transitions Council."

The Bank must follow legal, mandate, and administrative restrictions in post-conflict situations. The Bank does not play a direct role in conflict prevention due to the following three provisions of the Bank’s Articles of Agreement relating to political influences upon its lending, decision-making, and the allegiance of its staff and officers:

a) The Bank shall make arrangements to ensure that the proceeds of any loan are used only for the purposes for which the loan was granted, with due attention to considerations of economy and efficiency and without regard to political or other non-economic influences or considerations. (Article III, Section 5(b));

b) The Bank and its officers 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, and these considerations shall be weighed impartially in order to achieve the purposes stated in Article I. (Article IV, Section 10);

c) The President, officers and staff of the Bank, in the discharge of their offices, owe their duty entirely to the Bank and to no other authority. Each member of the Bank shall respect the international character of this duty and shall refrain from all attempts to influence any of them in the discharge of their duties. (Article V, Section 5(c)).
The World Bank cannot seek to influence the political course of events in post-conflict settings. In this aspect, the World Bank is less flexible than many bilateral funders. The basic principle is that Bank financing should not be based upon, or conditioned by, political or military goals. Rather, the financing of rehabilitation and reconstruction activities must be justified on economic grounds. The World Bank must also obtain agreement among the Bank’s governing members before allocating its net income to fund the Bank’s post-conflict programs. Also, the Bank’s Board is consulted on crucial decisions regarding Bank involvement.

There are essentially five stages the World Bank employs in its assistance to a country as it moves out of conflict:

1) A watching brief in conflict countries in which there is no active portfolio;
2) Preparation of a transitional support strategy as soon as resolution is in sight;
3) Transitional early reconstruction activities, proceeding as soon as field conditions allow;
4) Post-conflict reconstruction (under emergency procedures); and
5) Return to normal lending operations.

When no active lending portfolio exists in a country due to conflict, the World Bank maintains a Watching Brief to track circumstances. It serves four purposes: a) to forewarn the Bank about the likely time when operations can restart; b) to improve understanding of special political risks, and economic and social needs that occur in conflicts; c) to identify areas of comparative advantage where the Bank should plan to work; d) and to examine and compare potential counterparts that the Bank should work with.

The Watching Brief is a process for organizing existing information about a country and involves communication with potential partners. The process may involve consultations, workshops, and negotiations. The Watching Brief also establishes thresholds for entry into technical assistance, or resumption of regular operations. They include absence of systematic violence, signing of a peace agreement by conflicting parties, re-entry of other organizations, (UNDP and foreign embassies), return of foreign direct investment. External triggers include recognition by neighbor governments of national governments.

As soon as resolution is in sight, a transitional support strategy is prepared. There needs to be an effective counterpart for the Bank, and evidence of strong international cooperation. The transitional support strategies typically cover a two year period, and are based on social assessments, which are carried out flexibly to target time-sensitive needs that are specific to the phase of the peace or reconstruction effort. The assessments also recognize sources of social conflict and tension, engagement with civil society, increased focus on governance, and a frank exploration of the costs of both random and organized
violence. Creativity and political sensitivity are needed to design programs that reinforce peace, population return, and social rebuilding.

Violence may recur in the fragile post-conflict situation; hence it is difficult to draw a definite line between the "humanitarian" and "development" components of rehabilitation and reconstruction. There is often a need for simultaneous relief, rehabilitation, and development interventions. Resource mobilization for development assistance requires round tables, consultative groups, and country-specific trust funds. Development interventions often require a planned response because of procurement and disbursement mechanisms. Operational linkages are being established among the humanitarian agencies and the development agencies. Also, debt arrears may delay the full participation of international financial institutions.

Many times, the Bank's comparative strength is in household survival strategies, informal trade, rebuilding infrastructure critical to market access, and informal credit systems. Much of the Bank's work has been in rebuilding physical infrastructure such as roads and buildings. There are also operations designed to promote economic adjustment, including targeted employment creation programs. Promoting employment can provide jobs to ex-combatants, displaced persons, and other people affected by war. Educational and medical systems need to be kept operating.

The challenge of moving war-torn countries from a situation of dependence to one that is self-sustaining and engaged in the world economy depends upon a comprehensive assistance strategy. The process needs to be inclusive, involving active participation of the government and civil society. Other vulnerable and marginalized groups need to be involved such as women, children, the elderly, ex-combatants, and displaced populations.

Some of the other areas in which the Bank has broad experience include issues involving governance, participatory approaches, and social policy. In the past decade, the Bank has become increasingly involved in governance issues, which are defined as the management of public resources on behalf of all citizens with fairness and openness. For example, there are more than 300 Bank-financed projects containing components for legal and judicial reform. In a pilot anticorruption program, the World Bank Institute worked with teams

4. The definition of governance used by the Bank in SUB-SAHARAN AFRICA - FROM CRISIS TO SUSTAINABLE GROWTH A LONG TERM PERSPECTIVE STUDY xii (November 1989), is "the exercise of political power to manage a nation's affairs."
6. Corruption is defined as the abuse of public office for private gain, a definition also used by the IMF.
representing seven countries in Africa to formulate governance programs in those countries.\textsuperscript{7}

Another important function, which the Bank serves, is analyzing and disseminating information on issues and lessons learned. The Bank manages a knowledge dissemination network (Web pages and other sources), maintains a database on issues related to post-conflict activities, brings together Bank staff from different regions to share lessons in reconstruction strategies, and develops best practices. Much remains to be learned about reconstruction; the Bank has no panacea for the international management of violent conflict. Bank operations in countries emerging from conflict are not "business as usual," there are risks involved:

1) The nature, intensity and origin of the hostilities;
2) Weak institutional capacity; and
3) Security risks.

In conclusion, the World Bank plays a complementary role to the United Nations and other members of the Post-Conflict Reconstruction Network. The Bank will engage in areas in which it has a comparative advantage, such as physical reconstruction, institutional and social development, and donor coordination. The Bank's presence may help to leverage or open up other areas of assistance and mobilize the resources of other agencies-bilateral, multilateral, or private.