

Post-Conflict Performance Indicators

Assessment Questionnaire*

Operations Policy and Country Services

*Effective as of February 2011

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POST-CONFLICT PERFORMANCE INDICATORS 2010

Criteria and Guidelines

1. Introduction

1. During IDA-13 the World Bank established an allocation framework designed to address, for a limited period of time, the special circumstances of post conflict countries, and to provide them with access to IDA resources beyond those they would receive under the regular performance-based allocation (PBA) rules. A key element of this approach was the development of the Post-Conflict Performance Indicators framework (PCPI), a set of criteria designed to assess country performance and tailored to the circumstances faced by post-conflict countries.¹ The PCPI scores play a major role in the allocation of IDA resources to these countries, and starting in 2002 this role has been extended to the allocation of resources to re-engaging countries.²

2. The PCPI assesses the quality of a country's policy and institutional framework to support a successful transition and recovery from conflict, as well as to foster sustainable growth, poverty reduction and the effective use of development assistance. Its ultimate objective is to inform the allocation of resources to those countries that are eligible for IDA's exceptional allocations. The criteria's content reflects the emerging consensus that development challenges in post-conflict and other fragile situations require a deep understanding of the links among security, and the political, economic and social spheres. The range and complexity of such relations also imply that some topics that fall outside of the traditional development mandate of the Bank need to be considered. In conducting the PCPI assessments the World Bank does not intend to go beyond its core mandate, as set out in its Articles of Agreement, but rather to improve the effectiveness of its development interventions in areas at high risk of, or affected by, conflict. The assessments are undertaken in an objective and impartial manner that does not entail passing a political judgment on a member country or its government.

3. An important part of the PCPI exercise is the preparation by Bank teams of country assessments that are then subject to Bank-wide review. When preparing the assessments, country teams consult with their government counterparts and Bank partners.³ The objective is to ensure that the assessments cover all the relevant developments in country, and also take into consideration the analyses of other international agencies that may have particular expertise in areas that fall outside the Bank's traditional development domain, e.g., the UN with respect to security-related issues. Such consultation process will contribute to strengthen the robustness of the Bank's assessment. Accountability for the final scores rests with Bank staff.

¹ The original PCPI framework is presented in IDA, 2001, *Adapting IDA's Performance-Based Allocations to Post-Conflict Countries* (IDA, 2001).

² See Box 1 for a detailed discussion of IDA's exceptional allocations. Re-engaging countries are defined as those that did not experience conflict but disengaged from IDA for a prolonged period of time. For a comprehensive description of the PBA systems under IDA-15 see *IDA's Performance Based Allocation System: Review of the current system and key issues for IDA-16*; June 2010 (insert link).

³ Detailed guidance to staff on the consultation process is presented below.

2. The Revision of the PCPI

4. **IDA 15 commitments.** The PCPI criteria and the allocation framework have been refined periodically to incorporate lessons of experience and new insights from the development literature. However, neither the criteria nor the country scores have been disclosed to date. In the context of the IDA15 replenishment, it was agreed that following a review by an external panel the PCPI criteria would be revised, and the scores obtained using the new criteria would be disclosed by the end of the IDA15 period. This decision is part of IDA's efforts to increase the transparency of its allocation framework and mirrors the disclosure of the Country Policy and Institutional Assessment (CPIA) scores for the IDA eligible countries, which took place in 2005. Following-up on the commitment made under IDA15, an external panel convened in February 2009 in Washington DC, and later presented several recommendations to Bank management on how to strengthen the PCPI. The recommendations covered areas such as methodology, content, internal review process, client involvement and future steps toward disclosure. The panel's recommendations and the Bank's response and next steps were presented at the IDA15 mid-term review.⁴

5. The recommendations of the external panel and the emerging views on the key drivers of fragility and conflict have informed the revised PCPI framework. These views underscore the importance of a deeper understanding of the complex social and political interactions at work in these difficult environments. The objective of the PCPI is to provide a parsimonious framework focused on the dimensions that are the most relevant to post-conflict and other countries i.e., re-engaging countries, that meet the eligibility criteria to access IDA's exceptional allocations (Box 1). Its design takes into account that countries can pursue different paths to overcome fragility and conflict-related issues, as well as information gaps that pose a significant challenge when conducting the assessment of country performance.⁵

6. **Evolving views on fragility and conflict.** In recent years the international community has increasingly focused its attention on the needs of fragile and conflict-affected states (FCS). These countries face particularly severe development challenges. They are characterized by weak institutional capacity, poor governance, political instability, and ongoing violence or the legacy of past violence with potential adverse spillover effects on neighboring countries. They also contribute significantly to the MDG deficit.⁶ Because of the very low starting point the impact of well designed and effectively implemented aid programs can be high. Moreover, a country's success in overcoming conflict and fragility related issues will also have a positive impact on its neighbors. Given the diverse mandates and comparative advantages of the different international institutions, international engagement in FCS

⁴ IDA, 2009, Post Conflict Performance Indicators: Recommendations of External Panel Review and Next Steps, Washington DC: The World Bank.

⁵ Better indicators to assess progress towards peace-building, state-building and stabilization objectives in the short-term can help to demonstrate results and monitor long-term progress against the MDGs. An international dialogue has been launched to examine key bottlenecks and good practices in international support for peace- and state-building. The Bank is actively engaged in this forum with the OECD-DAC, and is working on the development of a set of peace- and state-building indicators in collaboration with key international partners. Going forward, the outcome of these initiatives will contribute to strengthen the PCPI framework.

⁶ World Bank, 2010, Global Monitoring Report, Washington DC: The World Bank.

requires partnerships of organizations with political, security as well as development mandates and expertise. That has led to a number of new partnership arrangements. The UN and the Bank, for example, are working together to leverage their respective strengths and have formalized partnerships agreements.⁷

BOX 1: IDA Exceptional Allocations

IDA's exceptional allocations cover two sets of countries: post-conflict and re-engaging countries. For a country to be eligible for **exceptional post-conflict allocation**, it must have experienced a recent, intense conflict as measured by the one following; (i) extent of human casualties directly or indirectly caused by the conflict; (ii) proportion of population that is either internally displaced or in exile; (iii) extent of physical destruction. The impact of conflict must be judged high against any *one* of these indicators for a country to qualify. Eligibility for exceptional post-conflict allocations is assessed following a decision to reengage. The Bank's Operational Policy 2.30 (OP2.30) sets the principles for Bank engagement in areas affected by conflict. These are: (i) sufficient reduction of conflict to allow implementation of IDA-supported activities; (ii) reasonable expectation of continued stability, (iii) presence of an effective Government counterpart; and iv) evidence of strong international cooperation.

The eligibility criteria for **exceptional allocations under the re-engagement** window include: (i) evidence of partial collapse of the state, but ineligibility for IDA post-conflict assistance; (ii) existence of a strong transition plan supported by concerted donor support; and (iii) disengagement from IDA for a *prolonged period* and accumulation of *sizeable* arrears to the World Bank Group. With respect to the timing of re-engagement, as with post-conflict countries, all relevant World Bank policies would apply and eligibility is not automatic.

As agreed in IDA15 the exceptional post conflict allocations are provided for up to four years, plus six years of phase-out to the PBA norms. Re-engaging countries are eligible for two years of exceptional allocations plus three years of phase-out to PBA norms. For the IDA16 period both post-conflict and re-engaging countries will be eligible for a case by case extension of their respective phase out period provided they meet a predetermined set of criteria. Exceptional allocations under the post conflict or the re-engaging windows are based on country performance which is measured by the PCPI. During the phase out period country allocations are determined by a weighted average of the exceptional allocation that depends on the PCPI scores and the PBA norm that depends on the CPIA scores.¹

The Bank also defines **Fragile States or Fragile Situations** as those with either a harmonized average CPIA country score of 3.2 or less, or with the presence of a UN and/or a regional peace-keeping or peace-building mission during the last three years. Harmonized average is defined as the mean of the World Bank and the ADB or AfDB, CPIA country scores. This classification has no operational implications for the allocation of IDA resources. The set of countries that fall under this definition include primarily IDA eligible countries and non-member or inactive countries/territories without CPIA scores. Post-conflict and re-engaging countries constitute a sub-set of this larger set of countries. Work is ongoing on improving and refining the Bank's understating of fragility and of how to strengthen its operationalization. Consequently both the definition and the resulting set of countries should be understood as interim.²

⁷ These include, *inter alia*: the Joint UN-WB-EC Post-Conflict Needs Assessment Protocols and the UN-WB Fiduciary Principles Accord aimed at facilitating timely disbursement of financial resources, and the Operational Annex to the partnership agreement. That commits the two institutions to collaboration namely in post conflict needs assessments and MDTFs.

7. The renewed attention to FCS has also spurred new research to improve the international community's understanding of the drivers of fragility and conflict, and to inform operational responses. A key element in the emerging consensus is that a meaningful development agenda in FCS needs to combine economic development with security and governance reforms. This requires a deeper understanding of the underlying and often multiple causes of past conflicts, the drivers of elite behavior and the politics of exclusion, and citizens' expectations regarding the ability of the state to ensure citizen security and the delivery of basic services. A substantial body of research has been carried out by OECD-DAC on important topics such as peace- and state-building, as well as on the interaction between these two endeavors,⁸ the provision of transition financing, and the design of risk frameworks for effective engagement in these countries. The importance of security sector reforms has been underscored by the UN.⁹

8. ***The 2011 WDR.*** In line with these emerging views a major theme of the 2011 World Development Report (WDR) on Conflict, Security and Development, is the importance of strengthening institutions and governance to address the security of citizens, justice systems, and economic issues. In countries with weak institutions and governance there is a higher risk that adverse internal or external factors can lead to conflict or to a relapse into conflict. These factors can be external or internal: the former include unexpected economic shocks such as deterioration in terms of trade, and spillovers from conflicts in neighboring countries; the latter include the lingering effects of a legacy of violence and conflict, grievances related to ethnic or religious exclusion, and tensions over regional control of natural resources. Violence and conflict are more likely to emerge in situations where the state does not provide protection and access to justice to its citizens, markets do not offer employment opportunities and social cohesion has been weakened. The 2011 WDR also maintains that a more realistic timetable may be needed for countries to reverse the effects of conflict and fragility and to strengthen institutions and governance. This is often a non-linear process, subject to occasional reversals, characterized by multiple transitions.¹⁰

3. The 2009 External Review

9. ***The 2009 PCPI Panel.*** The external panel convened in Washington DC in 2009 to review the PCPI and concluded that the criteria were focused on the relevant areas, but needed clarification and simplification to improve coherence and reduce overlap.¹¹ The panel also pointed out the need for a clearer link between the PCPI and the CPIA, a major input in the regular performance based allocation of IDA resources. The panel made several specific recommendations on how the PCPI framework could be revised to improve methodology and content, and to strengthen the process by which the scores

⁸ OECD-DAC, 2009, *INCAF Guidance Paper on Peace-building and State-building*, Paris: OECD.

⁹ UN, 2008, *Securing Peace and Development: the role of the United Nations in Supporting Security Sector Reform*, Report of the Secretary-General, A/62/659-S/2008/39.

¹⁰ World Bank, 2011, *World Development Report on Conflict, Security and Development*, the World Bank: Washington DC.

¹¹ The members of the panel included Dr. Ernest Aryeetey, Director of Institute of Statistical, Social and Economic Research, University of Ghana; Dr. Lisa Chauvet, Institut de Recherche pour le Développement; Dr. John Page, Distinguished Visiting Fellow, Global Economy and Development, the Brookings Institution (Chair); Dr. Nicholas Sambanis, Professor of Political Science, Yale University; and Dr. Paikiasothy Saravanamuttu, Executive Director of the Center for Policy Alternatives, Sri Lanka.

proposed by country teams are internally reviewed. In the panel's view, the revised PCPI criteria should remain a key tool to assess performance in post-conflict and re-engaging countries and thus should continue to play an important role in determining IDA exceptional allocations for these countries.

10. Following the submission of the panel's report a review of the criteria was carried out and a number of modifications were introduced in the PCPI process and methodology, which are closely aligned with the panel's recommendations.¹² Some of the steps taken are summarized below:

- *Content.* To reduce the overlap among some of its components, an in-depth review of the PCPI was undertaken to streamline and focus the criteria, taking into account lessons of experience and recent developments in the literature. Because the existing PCPI included indicators that were only relevant for post-conflict countries (e.g. demobilization, peace agreements), using them to assess performance in non-conflict countries raised issues of comparability. It has been decided, therefore, that the criteria that cover issues related to the risk of a country relapsing into conflict should be placed into a single cluster (named "post-conflict risk cluster", see below) that will be used exclusively in the assessment of post-conflict countries.
- *Links with the CPIA.* A broad correspondence was established between the levels 5-6 of the PCPI rating scale and the levels 3-3.5 of the CPIA rating scale, with a view to achieving a more explicit link between the PCPI and the CPIA content. This relationship, however, should be understood as a reference point, given that the content of the two set of criteria do not fully overlap. Strengthening the consistency of the links between the PCPI and CPIA is important because both instruments play an important role in the determination of the exceptional IDA allocations (Box 1) . Countries that are eligible for IDA's exceptional allocations (i.e. post-conflict countries) typically score in the lower half of the CPIA rating scale. Therefore, the new mapping between the CPIA and the PCPI makes the latter a more granular instrument to assess performance over time of the countries that are eligible for IDA's exceptional allocations, while focusing its content more sharply on the most important issues facing these countries.
- *Process.* The Regional Chief Economists will become the focal points of the interaction between the regions and the OPCS-led Bank-wide review, with a view to better align the processes of the PCPI and the CPIA exercises. The timetables for the two exercises will be also coordinated and tightened.
- *Client consultation.* Consultations with country authorities will follow a two-step process, similar to that used for the CPIA. The presence of country teams in the field should also allow for periodical consultations and exchange of views with other partners (e.g. the UN on security issues).
- *Disclosure.* The ultimate purpose of the PCPI exercise is to provide an input for the allocation of IDA's exceptional assistance to post-conflict and re-engaging countries. The disclosure of the PCPI scores will only cover those countries eligible for exceptional allocations. In past exercises, the PCPI

¹² These recommendations and steps taken to incorporate them were discussed at the IDA15 mid-term review.

also covered for monitoring purposes some countries that could become eligible for exceptional allocations in the near future. Subject to management discretion, this approach will continue but the scores for these countries will not be disclosed.

4. The PCPI Framework

4.1 The New PCPI Criteria

11. The revised criteria consist of four clusters that are focused on the most relevant issues faced by the set of countries eligible for exceptional allocations. Although these countries share several characteristics, they differ, however, on whether they recently experienced conflict and need to address its consequences. The new PCPI criteria consolidate into a single cluster a set of dimensions such as security, disarmament, demobilization, reintegration of displaced people and peace building efforts that are specifically relevant to post-conflict settings.

Table 1: PCPI Framework

<p>Cluster A: Economic Management and Structural Policies</p> <ul style="list-style-type: none">1) Macroeconomic management2) Debt management3) Functioning of Public Administration4) Business environment <p>Cluster B: Social Inclusion and Human Development</p> <ul style="list-style-type: none">5) Human resource building6) Vulnerable groups, gender and social cohesion <p>Cluster C: Governance</p> <ul style="list-style-type: none">7) Capacity of public administration8) Rule of law9) Accountability and transparency <p>Cluster D: Post-conflict Risk (only for post-conflict countries)</p> <ul style="list-style-type: none">10) Security11) Management of conflict and recovery12) Peace-building

12. The first three clusters cover (1) Economic Management and Structural Policies; (2) Social Inclusion and Human Development; and (3) Governance. These are common clusters that will be used to assess the performance of all countries eligible for special allocations. The fourth cluster, Post-Conflict Risk (Cluster D) is designed to assess progress in areas that are particularly pertinent in post-conflict situations, specifically security, management of conflict and recovery, and peace-building (Table 1). The

need to assess the extent of the progress in these crucial areas for post-conflict settings provides the rationale for their inclusion in the PCPI as a separate cluster.

A. Economic Management and Structural Policies cluster

13. The ***Macroeconomic Management (Q1)*** criterion assesses the conduct of monetary, fiscal and exchange rate policies to address imbalances such as high inflation and large fiscal and current account deficits, and to ultimately achieve a stable macroeconomic framework. It also covers the degree of flexibility of fiscal revenues and expenditures as policy instruments to adjust to shocks. Debt issues are covered in the ***Debt Management (Q2)*** criterion, which assesses debt sustainability issues and the effectiveness of the debt management. Debt arrears typically pose a significant obstacle to obtaining regular access to external concessional resources. They also result in a lengthy impasse in re-establishing access to external financing, which may further derail recovery efforts. The arrears clearance process is also covered in the criterion.

14. The third criterion in this cluster, ***Functioning of Budget Administration (Q3)***, covers issues related to the strengthening of the budget administration. The budget is a key instrument to implement a country's strategy and policy agenda, to set priorities and to provide a framework for the mobilization and coordination of donor resources. Weak budget systems may influence donors' decisions to bypass the budget, thus weakening financial management and accountability mechanisms and raising the transaction costs of coordinating external assistance. The criterion also covers the strength of tax administration and the mechanisms for budget formulation, the extent to which fiscal operations are covered in the budget documents, and the adequacy of reporting and monitoring systems.

15. The ***Business Environment (Q4)*** criterion assesses the adequacy of the framework to support private sector development, a crucial factor for promoting economy recovery and creating jobs in post-conflict settings and other fragile situations. The criterion covers three key areas: (i) trade, covering the trade regime, its transparency and predictability, as well as the degree of control over trade flows exerted by customs; (ii) the financial sector, focusing on banking prudential regulation and supervision, the effectiveness of the payments system, and on issues of deposit mobilization, access to credit, and micro financing; and (iii) the business regulatory framework, addressing the burden imposed by regulations, the existence and degree of enforcement of a legal framework for the private sector to resolve disputes, and the extent of market competition and the role that government interventions may play to support it.

B. Social Inclusion and Human Development cluster

16. This ***Human Resource Building (Q5)*** criterion focuses on the quality and coverage of the provision of services in health and education, including to vulnerable groups (e.g., the elderly, minorities and the poor). It focuses on the extent of progress being made implementing short term/urgent programs, e.g., for rehabilitation of facilities, back-to-school programs, emergency healthcare provision, and capacity building initiatives for teachers and healthcare workers.

17. The ***Vulnerable Groups, Gender and Social Cohesion (Q6)*** criterion assesses the extent of progress made to address issues of equality, protection and social cohesion, issues that are related to gender or specific to vulnerable groups. The equality dimension assesses the extent to which the state recognizes the equal status of all citizens under the law, including vulnerable groups, and the equality of access to economic and productive resources. The protection dimension covers issues of participation, “voice” and representation. The social cohesion dimension tackles the efforts that are undertaken to reinforce and institutionalize bonds and bridges between adversary groups and/or factions.

C. Governance cluster

18. The rehabilitation of the public administration and, in particular, of basic service delivery is crucial to the consolidation of state legitimacy. These two areas are covered by the ***Capacity of Public Administration (Q7)*** criterion. The first dimension focuses on the delivery of basic public services, such as power, communications and water and sanitation. The second dimension assesses the capacity of the public administration to coordinate its policies, and the adequacy of the rules that are in place to hire, promote and remunerate civil servants.

19. The continuation of conflict-related violence and crime, as well as by weak or non-existent legal and judicial systems often undermines the rule of law. The ***Rule of Law and Personal Security (Q8)*** criterion assesses the progress in re-establishing the rule of law, defined broadly as the extent to which citizens and the state are accountable to laws that are publicly promulgated, equally enforced, and independently adjudicated.

20. The ***Accountability and Transparency (Q9)*** criterion assesses the effectiveness of efforts to increase transparency and accountability in the public sphere and to reduce corruption. Three areas are covered: (a) “voice”, access to information and transparency; (b) management of natural resources; and (c) corruption. The management of natural resources needs to be carried out in an accountable and transparent manner especially in countries that are highly dependent on them. This criterion also assesses the extent of a country’s adherence to external accountability mechanisms, such as the Extractive Industries Transparency Initiative (EITI) and the Kimberley Process.

D. Post-conflict Risk cluster¹³

21. In countries emerging from conflict the inability to address security, crime and violence issues increase the risk of a relapse into conflict by undermining economic recovery, draining state budgets, and creating fear and mistrust among the population. This also fueled the grievances that often underlie violent conflict. The ***Security (Q10)*** criterion focuses on security-related issues that are considered as a precondition for peace, the delivery of public services, and the strengthening of the rule of law.

¹³ This cluster is to be used exclusively in the assessment of countries classified as eligible for IDA exceptional allocations under the post-conflict window.

Improvements on these fronts are crucial to enable citizens to people to carry out their daily lives in security and resolve disputes in a fair and non-violent manner. Three dimensions are assessed in this criterion. The first focuses on the ability of the state to control its territory, provide security to its citizens, address political/armed violence, and manage the cross-border effects of regional conflicts. The second dimension focuses on crime and violence (e.g., homicides, property crime) and the threat they impose on stability by increasing the likelihood of a relapse into conflict. The third dimension covers security-related activities, such as disarmament, demobilization and reintegration (DDR), civilian disarmament, and de-mining.

22. The ***Management of Conflict and Recovery (Q11)*** criterion assesses the resilience of the state and its ability to overcome some of the root causes of conflict. It contains two dimensions. The first assesses the extent of progress toward achieving a formal political settlement. The second dimension focuses on the issue of forced displacement (that is, refugees or internally-displaced people, IDPs), its type and magnitude, the implementation of relevant government policies to address this phenomenon, including the support of the international community to develop and support durable solutions.

23. The last criterion in this cluster, ***Peace-building (Q12)***, assesses the efforts that are in place to support peace-building, through deliberate political and institutional processes that promote reconciliation and address grievances. It also assesses the extent to which the media is a supporting vehicle to peace-building. The first dimension covers the polarization of society around social groups that are focused on past and present grievances and the policies and processes that exist to address those grievances and promote reconciliation. The second dimension covers the role of the media in promoting peace or fueling conflict, and how the characterizations of specific social groups are articulated and put forward in the mass media.

4.2 Country Scores

24. The PCPI criteria are focused on policies and institutional arrangements that are within the countries' control, rather than on outcomes that are influenced by elements outside their control (e.g., growth rates). Countries should be assessed in relation to the criteria and the proposed scores should depend on actual policies, rather than intentions/plans, and should be determined by the level of performance assessed against the criteria, rather than by a change in performance relative the previous year. An improvement in performance does not necessarily result in a higher score, unless the new level of performance meets the criteria's requirement for such score. In some situations, (process-related) actions such as the approval of specific legislation can represent a breakthrough that merits consideration in the ratings. However, the manner in which such actions are factored into the ratings should be carefully assessed, because the impact of a piece of legislation crucially depends on its implementation. Given the close links between criteria within a cluster, the preparation of country assessments and their Bank-wide review should be undertaken in a manner that takes into account such linkages.

25. **Guideposts.** The scores are based on a variety of indicators, observations, and judgments based on country knowledge that is originated in the Bank or elsewhere and relevant publicly available indicators. Each criterion includes a set of indicators or guideposts that can be useful in the preparation of the assessments and in guiding the internal review process. These indicators contain qualitative or quantitative information prepared by the Bank or other sources. The set of guideposts will be reviewed periodically to ensure that their country coverage and content remain relevant and to add new indicators as they become available.¹⁴ However, this way of proceeding should not translate into a mechanical process. Ultimately, the staff's professional judgment of country performance against the PCPI criteria should continue to be the key input in determining country scores.¹⁵

26. **Weights.** The causes of conflict (or fragility) are typically country-specific, usually rooted in complex historical, socio-economic, ethnic, and political factors. The process of transition out of conflict is not linear, and countries may experience renewed conflict episodes. Moreover, the (multiple) transition path is likely to depend on country-specific circumstances. The available literature does not provide clear guidance on the degree of importance that should be attached to each of the policy and institutional areas covered in the PCPI. Therefore, each criterion will receive the same weight in the determination of the overall PCPI score, given the absence of evidence supporting specific criteria weights and also with a view to promoting transparency.¹⁶

27. **Scale.** For each criterion, countries are scored on a scale of 1 (low) to 6 (high). Intermediate scores of 1.5, 2.5, 3.5, 4.5 and 5.5 may also be given. The use of a six-point scale helps strengthening the link between the CPIA and the PCPI. As mentioned, the desire to maintain a broad correspondence between the PCPI criteria in the 5-6 range with the CPIA criteria around the 3-3.5 range has guided the design of criteria. This relationship is to be understood as merely a reference point, given that the content of the two set of criteria do not fully overlap. The revised PCPI criteria provide a more granular coverage of some of the dimensions covered in CPIA criteria, hence allowing for a more detailed assessment of changes in performance from year to year.

28. **Overall score.** For each of the criteria, countries are rated on a 1 to 6 scale and these ratings are averaged to obtain the overall score. For countries eligible for the post-conflict window of the IDA's exceptional allocations, the overall score is obtained as the mean of the scores of all the PCPI criteria (mean of the scores for criteria 1 to 12). For the countries eligible for the re-engaging window the overall score is calculated as the mean of the criteria scores in clusters A to C (mean of the scores for criteria 1 to 9).

¹⁴ The Employing Workers Indicator (EWI) of the Doing Business Indicators is not included in the guideposts and should not be used in assessing countries.

¹⁵ Some of the criteria contain sub-criteria intended to assist staff to arrive at the overall score for a specific criterion. Here again, staff need to apply professional judgment to ensure that taking account external indicators and relevant cross country comparisons, the score obtained by averaging the sub-criteria scores reflects a realistic assessment of country performance against the overall criterion.

¹⁶ If robust empirical evidence emerges supporting an alternative formulation, this approach would need to be revisited.

5. The PCPI Process

5.1 The PCPI Yearly Review

29. The PCPI yearly exercise is launched with a memo from OPCS that contains the timetable for the review process, the list of countries to be covered, the criteria, and a set of resources to assist the preparation of the assessments by country teams. Country teams will prepare their respective assessments (write-ups) of country performance in the areas covered by the PCPI criteria. The assessments are informed available information generated by the Bank or elsewhere and complemented by consultations with country authorities and relevant Bank partners (see below).

30. **Internal Review.** Following these consultations the Regional Chief Economists initially vet the respective regional proposals, which are subsequently submitted to the Networks and Central Departments for review. The review is informed not only by the written submissions but also by available external indicators and other relevant supporting documentation. The internal review will also be more explicitly linked to the CPIA process, thus benefitting from an additional consistency check and raising the internal profile of the PCPI exercise. Reviewers may request to the Regional Chief Economists that country teams provide additional information or clarifications to complete the review process. At the end of the review process, which is managed by OPCS, the final scores are sent to the Regions.

31. **Write-ups.** To facilitate the Bank-wide review of the regional proposals the country write ups should provide: (1) a justification of the proposed scores that directly address the dimensions of each of the PCPI criteria; and (2) the relevant background information to support their proposals. When a given criterion includes sub-components, the proposed sub-scores and their respective rationale should be explicitly provided. The changes introduced in the content of the 2010 PCPI, imply that previous year's scores are not comparable with the scores that are obtained under the new criteria. The resulting break in the series means that last year's scores should not be used as a reference point for the 2010 scores. Long write-ups, however, do not necessarily imply a more substantive discussion of the country developments that are relevant to the assessment. The write-ups should focus on the policy actions and their implementation, rather than plans, and on institutional performance in areas that are covered in the criteria, and should clearly highlight the major developments that have taken place during the period covered by the assessment. The write-ups should be informed but the results of analytic work done by the Bank or elsewhere, information provided by country authorities, and consultations undertaken with partners (see below). Data and other relevant information used in the CPIA write-ups can be useful to prepare the PCPI write-ups, particularly in areas where the two instruments overlap, and should facilitate the preparation of the country assessments.

5.2. PCPI Consultations

32. The PCPI process is driven upstream thorough country consultations to ensure that all relevant information is being considered and to strengthen the robustness of the score. Consultations include an upstream formal consultation with the country authorities, followed later by the communication to the

same authorities of the final scores and their rationale. This process should be understood as a *consultation*, not a *negotiation* of the scores. Because post-conflict situations are associated with rapidly evolving risks and opportunities, in-country informal consultations beyond the government's sphere could add value to the process, provided that these exchanges do not dilute the ultimate accountability for the scores, which continues to remain squarely with Bank staff. Country teams should determine the formal/informal approaches to be used, taking into account the country context and the prevailing modes of engagement and dialogue with the countries' authorities, civil society, and the international partners.

33. **Country authorities.** Country authorities are engaged in two phases of the PCPI exercise. The first engagement takes place at an early stage of the exercise when Bank country teams carry out a consultation with governments. During this event, the Bank team outlines its preliminary assessments, and the government has an opportunity to present its perspective and to bring to the attention of Bank staff information that is material to the assessment but may have been overlooked. This consultation should take place before the country proposals are submitted for Bank-wide review and the information obtained should be taken into account, as appropriate, in the write-ups before they are submitted for internal review.

34. The second engagement occurs when country teams communicate the final scores to the country authorities. Country directors should choose the forum that is most appropriate to the country's context, and provide the authorities with adequate advance notice. Such event will take place before the disclosure of the (final) scores. Country teams are expected to provide the rationale for the scores, elaborate on the objectives of the exercise, and address queries from their counterparts pertaining to the methodology and the process used to determine the scores. In the context of discussing the rationale for the scores with country authorities, country directors may share the write-ups or use some other format that they consider more appropriate to the country context.

35. **Consultations with partners.** The topics covered in Cluster D reflect the growing international consensus that a good understanding of the links between security, political and economic issues is needed to address conflict related issues and to promote sustainable economic development. Some of these topics fall outside those areas that are traditionally covered by the Bank, but are nevertheless crucial to the success of poverty reduction initiatives and to the country's long-term development. In the process of preparing the assessments, country team are encouraged to consult with partners to ensure that the information used to inform the assessments is accurate and up to date. This is relevant to all criteria, but particularly so for cluster D. For instance, on security-related issues, country teams should consult their UN counterparts and other relevant sources to benefit from their expertise in these areas, ensure that their views are taken into account, ultimately strengthening the robustness of the PCPI scores.

36. Throughout the consultation process, Bank teams should clearly underscore the preliminary nature of the assessments and that the scores only become final after they are reviewed at the regional level and central levels at the World Bank. These reviews are likely to result in changes in some of the

proposed scores. Therefore, to avoid misunderstandings, country authorities as well as external partners should be fully aware of the preliminary nature of the assessment during consultation and the process by which the Bank arrives at the final scores. The objective of the consultation is to bring to the table all the relevant information that should inform the Bank's assessments. Agreement on the facts, however, does not necessarily imply that the Bank and the country authorities will reach identical conclusions in assessing country performance. Differences of views can be expected. As mentioned previously, the discussions with country authorities should be seen as *consultations* and not *negotiations*. Accountability for the ratings lies squarely with Bank staff, with the Regional chief economists responsible for the Regional ratings.

6. PCPI Coverage and Disclosure

37. **Coverage.** The PCPI covers all countries that are eligible for IDA exceptional allocation. For the 2010 exercise, the countries eligible for post-conflict exceptional allocations are: Afghanistan, Angola, Burundi, Congo DR, Congo Rep, Cote d' Ivoire, Eritrea, Liberia and Timor Leste. The countries classified as re-engaging countries and also eligible for exceptional allocations are CAR, Haiti and Togo. In addition, subject to management discretion and as done in past exercises, additional countries can be included in the PCPI exercise for monitoring purposes.

38. **Disclosure.** Starting with the results of the 2010 exercise (covering developments in calendar year 2010), which will be concluded by XX 2011, the numerical PCPI scores for the countries eligible for IDA exceptional allocations (post-conflict and re-engaging countries) will be disclosed. Because the coverage extends beyond post-conflict countries, for disclosure purposes, the PCPI will be labeled as the IDA Special Allocation Index (ISAI). The disclosure will be accompanied by explanatory notes that clarify for country authorities and external audiences the conceptual differences between the CPIA and the PCPI scores and their role in the allocation of IDA resources, and the methodology and the process used in determining the scores. Two elements of the PCPI will not be disclosed: the write-ups that provide the rationale for the ratings, and the sub-ratings that help determine the scores of some of the criteria. Consistent with the Bank's Policy on Access to Information of July 1, 2010, these are considered deliberative information and will not be disclosed. Bank staff, however, can share these two elements with the country authorities.

PCPI – 2010 Criteria

Cluster A: Economic Management and Structural Policies

Q1. Macroeconomic Management

This criterion assesses the conduct of monetary, fiscal and exchange rate policies to address macroeconomic imbalances characterized by high inflation and large fiscal and current account deficits, and to ultimately achieve a stable macroeconomic framework. The contents of the criteria in the Economic Management and Structural Policies cluster are closely linked. The financing of fiscal and/or current account deficits has debt implications. At the same time the presence of arrears to foreign creditors may jeopardize access to external financing sources and further complicate the task of tackling the country's macroeconomic challenges. Debt and arrears issues are covered in Q2 (Debt Management). Tax policy issues are covered in this criterion while tax administration aspects are included in Q3 (Functioning of the Budget Administration). To ensure consistency given the close links among the criteria in this cluster, the assessments for each criterion should be informed by the write-ups for the other criteria and reviewed simultaneously.

Guideposts:

- International Country Risk Guide (ICRG) <http://www.prsgroup.com/icrg/icrg.html>.
- Economist Intelligence Unit (EIU) <http://db.eiu.com/countries.asp>.
- PREM/DEC indicators on macroeconomic and fiscal policies.
- IMF Article IV Consultation and other relevant reports.

1. There are major macroeconomic imbalances. Exchange rate and monetary management policies are not directed towards price stability. Monetary policy is primarily used to monetize the fiscal deficit, resulting in high inflation. The parallel exchange rate premium and price controls generate significant distortions in relative prices. Tax revenue as a share of GDP is low and taxes are not systematically collected. Fiscal deficit (including grants), as a share of GDP, is high and partially financed through the accumulation of supplier arrears. There is little control over extra-budgetary spending.
2. Major macroeconomic imbalances persist. There is no program linking monetary and exchange rate management with government finances. Technical capacity of the monetary authority is still weak, but monetization of the deficit has declined, helping to slightly abate inflation. Fiscal deficit (including grants), as a share of GDP, is high, but some budgetary controls are being put in place in an attempt to curb extra-budgetary spending. Tax revenue as a share of GDP is low. Some price controls, with the exception of those for certain public goods, have been abandoned but the parallel exchange rate premium persists.
3. Macroeconomic imbalances remain but efforts are underway to address them. Inflation is declining and the monetization of the fiscal deficit reduced. A program linking monetary and exchange rate management with government finances is starting to be put in place. A functional monetary authority is being established. Tax revenue as a share of GDP is low but has increased. The fiscal deficit (including grants), as a share of GDP, is high but extra budgetary spending is limited. The composition of spending does not support an adequate provision of public goods and services. The parallel market premium has been significantly reduced.
4. The government demonstrates commitment to improve macroeconomic stability. The fiscal deficit has been lowered and extra budgetary spending has been brought somewhat under control. A program linking monetary and exchange rate and fiscal policies is in place but its implementation is deficient. A functional monetary authority is in place. Tax revenue as a share of GDP has increased as a result of the broadening of the tax base. The composition of public spending shows a greater emphasis on growth and poverty reduction, but spending on the provision of public goods remains inadequate.
5. Macroeconomic stability has been broadly achieved and inflation has abated, though the economy is still vulnerable to inflationary pressures and exchange rate fluctuations. The program linking monetary, exchange rate and fiscal policies is broadly consistent but there are occasional slippages. The monetary authority is functioning relatively well. Tax revenue as a share of GDP has increased and the share of non-tariff taxes to GDP has risen indicating a broadening of the revenue base. Government spending prioritizes growth and poverty reduction but the provision of several public goods is insufficient.
6. Macroeconomic stability has been achieved. Inflation is low, and monetary, exchange rate and fiscal policies are implemented in a consistent manner. The monetary authority is functioning well. Tax revenue as a share of GDP cover the bulk of non-interest government current spending. Government spending prioritizes growth and poverty reduction and steps have been taken to address gaps in the provision of public services.

Q2: Debt Management

This criterion assesses debt sustainability issues and the effectiveness of the debt management. The latest Debt Sustainability Analysis (DSA) should be used to inform the preparation of the write up. The arrears clearance process is also included in the criterion. Arrears typically represent a significant obstacle for countries to access external financing, and a lengthy impasse in re-establishing regular access to external resources may derail economic recovery efforts and increase the risk of reigniting conflict. The criterion also covers a country's debt management capacity and effectiveness in terms of debt recording and monitoring, as well as the degree of coordination between debt management and other macroeconomic policies. Given the close links among the criteria in this cluster and to ensure consistency, the assessments for each criterion should be informed by the write-ups for the other criteria in this cluster and reviewed simultaneously.

Guideposts:

- World Bank Database (Development Data Platform);
- IMF Article IV Consultation and other relevant reports.
- World Bank's Debt Reporting System (DRS) – reporting status ratings.
- HIPC/MDRI databases.
- Debt Sustainability Analysis prepared by the World Bank and the IMF

1. Debt burden indicators are very high and the country is in arrears. No recent efforts have been undertaken to clear the arrears and there is no framework for arrears clearance. A debt management unit does not exist or is not functional. Debt data are not accurate and publicly available. It is difficult to establish links between debt management and other macroeconomic policies. The legal framework for public borrowing is non-existent.
2. Debt burden indicators are high and country remains in arrears. Some sporadic efforts have been made to discuss with donors and creditors a framework to address the debt problems, including small payments on arrears. Some new debt is contracted in amounts and terms that are not conducive to debt sustainability. The establishment or revamping of the debt management unit is underway. Debt data are not accurate and, by and large, not publicly available. It is difficult to establish clear links between debt management and other macroeconomic policies. The legal framework for public borrowing is still non-existent.
3. Debt burden indicators are still high and significant arrears persist. Efforts have been undertaken with the help of donors to address the debt issue, and a credible arrears clearing plan has been finalized. A debt management unit has been established; and debt data are publicly available on sporadic basis, albeit with gaps in coverage. No debt is contracted in amounts and terms that are not conducive to debt sustainability. Efforts are being undertaken to strengthen the link between debt management and to other macroeconomic policies. The preparation of a legal framework for public borrowing is underway.
4. The implementation of the plan to restructure and manage external debt is underway. Important steps have been taken to clear arrears but some still persist. Further efforts on the debt restructuring front are needed to prevent the re-emergence of arrears. The debt management unit lacks adequate systems for monitoring and recording debt. Debt data have been made publicly available, with few gaps in coverage. New debt is contracted in amounts and terms that are conducive to debt sustainability. There is some coordination between debt management and other macroeconomic policies. The legal framework for public borrowing has been finalized, but there is little coordination and information sharing between the agencies responsible for contracting debt.
5. Arrears have been cleared but the debt sustainability outlook remains fragile. Debt indicators show a moderate to high risk of debt servicing difficulties under reasonable shock scenarios. Debt recording and monitoring has been strengthened, and data on debt are produced and publicly disclosed. However, it is still difficult to obtain the overall composition of debt. New debt is contracted in amounts and terms that are conducive to debt sustainability. The legal framework for public borrowing is clearly defined, but the coordination and information sharing between different agencies responsible for contracting and servicing debt needs to be improved.
6. All arrears have been cleared. The risk on debt servicing is low, but debt servicing difficulties may still occur in the event of shocks. New debt is contracted in amounts and terms that are conducive to debt sustainability. The debt management unit has improved its ability to record and monitor debt but its analytic capacity still needs to be strengthened. Debt data are publicly disclosed and the quality and coverage are broadly adequate. The legal framework for borrowing is clearly defined and there is some coordination between different agencies responsible for contracting debt.

Q3. Functioning of Budget Administration

The budget is a key instrument to implement the country's strategy and policy agenda, to set priorities and provide a framework for mobilization and coordination of donor resources. The strength of the budget administration may influence the donors' decisions on whether to bypass the budget to channel their resources, a step that would weaken financial management and accountability mechanisms, raising the cost of coordinating external assistance. The criterion covers two dimensions. The first assesses the strength of tax administration. The second focuses on the mechanisms for budget formulation, the extent to which fiscal operations are covered in the budget document, and the adequacy of reporting and monitoring systems and of audit procedures. Each dimension should be separately assessed and the scores equally weighted to obtain the final score. When available the latest Public Expenditure and Financial Accountability (PEFA) should be used to inform the assessment. Given the close links among the criteria in this cluster and to ensure consistency, the assessments for each criterion should be informed by the write-ups for the other criteria and reviewed simultaneously.

Guideposts:

- Governance Indicator (World Bank): <http://info.worldbank.org/governance/wgi/index.asp>.
- PRMPS Governance Indicators: <http://go.worldbank.org/MFAH3FKZ20>
- PEFA reports

1.
 - a. Tax administration is virtually non-existent. Tax legislation and procedures are yet to be enacted. Little or no taxes are collected.
 - b. There is no annual budget prepared/adopted. There is no monitoring and reporting of public expenditures. Annual accounts are not prepared. An audit body is yet to be established.
2.
 - a. The tax administration is extremely weak: staff is insufficient and not trained. Some procedures exist for tax administration but there are gaps in the tax laws. The tax collection data is either not available or is unreliable and incomplete. Penalties for non-compliance are generally non-existent.
 - b. There is no consultation with spending ministries. Significant amount of fiscal operations, including donor aid, (e.g. exceeding 60 percent of total spending) are carried out outside the budget. Expenditures have little or no relationship to the budgeted amounts across broad budget categories. There is little monitoring and reporting of public expenditures. Annual accounts are seldom prepared, or are more than five years out of date. Annual budget execution statements are not audited by an independent body.
3.
 - a. The tax administration is weak. Computerization is limited to very basic functions. Tax legislation and procedures are not clear and comprehensive in most areas, allowing for significant administrative discretion in tax assessments. The tax collection ratio in the most recent year was low (e.g., below 50%). Penalties for non-compliance are specified in a few instances only but are largely ineffective in design.
 - b. The budget is formulated without meaningful consultation with spending ministries. Significant fiscal operations, including donor aid, (e.g. exceeding 40 percent of total spending) are carried out outside the budget. Actual expenditures often deviate significantly from the amounts budgeted (e.g. by more than 50 percent on many budget categories). There is no adequate system of budget reporting and monitoring. There are significant delays (e.g., more than thirty months) in the preparation of annual accounts. The annual budget execution statements are audited with long delays (e.g. more than 24 months) after the submission of annual accounts and there are important gaps in coverage.
4.
 - a. Tax administration is weak but improving. Computerization covers all basic functions. Tax legislation and procedures are not comprehensive in some areas creating room for administrative discretion in tax assessments. The tax appeals system is being established. The tax collection ratio has improved (e.g., below 60% in the most recent year). Penalties for non-compliance are specified for some instances of non-compliance but ineffective in design.
 - b. The budget is formulated with superficial consultations with a few spending ministries. Significant fiscal operations, including donor aid, (e.g. more than 25 percent of total spending) are carried out outside the budget. Actual expenditures often deviate significantly from the amounts budgeted (e.g. by more than 40 percent on many budget categories). A rudimentary system of budget reporting and monitoring exists. There are significant delays (more than twenty four months) in the preparation of annual accounts. The annual budget execution statements are audited with long delays (e.g. more than 18 months) after submission of annual accounts and only partially (e.g. about 70 percent) covers the total budget.
5.
 - a. Tax administration is functional but still hampered by low capacity. Information systems are functioning (e.g., unique taxpayer identification numbers are being used). Legislation and procedures for a few taxes are comprehensive, but the authorities still have some discretionary powers. The tax appeals system is in place, but largely ineffective. The tax collection ratio has continued to improve (e.g., below 70% in the most recent year). Penalties for non-compliance are specified for major instances of non-compliance, but implementation is very weak.
 - b. The budget is formulated in consultation with a few spending ministries. Significant fiscal operations, including donor aid, (e.g. more than 15 percent of total spending) are carried out outside the budget. Actual expenditures often deviate significantly from the amounts budgeted (e.g. by more than 30 percent on many budget categories). Monitoring and reporting systems exist but are largely ineffective. There are long delays

(e.g., more than eighteen months) in the preparation of annual accounts. The annual budget execution statements are audited with some delay (e.g. more than 12 months) after the submission of annual accounts and the audit covers a significant part (e.g. about 80%) of the total budget.

6.
 - a. The tax administration is functioning and information systems cover major functions. The legislation and procedures for some major taxes are comprehensive and clear, but tax authorities still have some limited discretionary powers. The appeals system is functional. The tax collection ratio has strengthened (e.g., below 75% in the most recent year). Penalties for non-compliance generally exist for most relevant areas, but implementation is patchy.
 - b. Consultations with spending ministries do take place but only at an early stage of the budget preparation process. Significant fiscal operations, including donor aid, (e.g. less than 15 percent of total spending) are carried out outside the budget. Actual expenditures often deviate significantly from the amounts budgeted (e.g. by more than 20 percent on many budget categories). Budget monitoring and control systems exist, but there are some deficiencies. There are delays (more than twelve months) in the preparation of annual accounts. The annual budget execution statements are audited with some delay (e.g. more than 6 months) after the submission of annual accounts and/or the audit covers most (e.g. 90%) of the total budget.

Q4. Business Environment

Private sector development is crucial to fuel economic recovery and create jobs in post-conflict settings and other fragile situations. An adequate business environment plays a critical role to achieve this objective. This criterion covers three key areas: foreign trade, financial sector and the regulatory framework for private sector development. The *foreign trade* dimension covers the trade regime, its transparency and predictability, as well as the degree of control over trade flows exerted by the customs administration. The *financial sector* dimension covers banking prudential regulation and supervision, the effectiveness of the payments system, the extent of deposit mobilization and of private sector access to credit, and the reach of micro financing activities. The *business regulation* component assesses the burden imposed by regulations e.g., on opening, operating and closing a business, as well as on labor markets; the existence and degree of enforcement of a legal framework for the private sector to resolve disputes; and the extent of market competition and the role that government interventions may play to thwart it. Each dimension should be separately assessed and their respective scores equally weighted to obtain the final score. Other aspects of the policy framework that are also relevant to the business environment are covered elsewhere. The macro economic framework is covered in this cluster namely Q1 (Macroeconomic Management); rule of law is covered in Q8 (Rule of Law); and the availability and reliability of the provision of public services are covered in Q7 (Capacity of the Public Administration). The write-ups for these criteria should be used to inform the assessment for this criterion.

Guideposts: Trade

- World Bank World Trade Indicators: <http://www.worldbank.org/wti>.
- WTO trade Policy Review (where current):
http://www.wto.org/english/tratop_e/tpr_e/tpr_e.htm.

Investment Climate

- FIAS Administrative Barriers Reports (where current): www.fias.net.
- World Bank Doing Business Indicators: <http://www.doingbusiness.org/>.
- Economic Freedom of the World (Fraser Institute): <http://www.freetheworld.com>.
- Index of Economic Freedom (Heritage Foundation): <http://www.heritage.org/Index/>.
- Enterprise Surveys (World Bank) and Investment Climate Assessment:
www.enterprisesurveys.org
- Global Competitiveness Report (World Economic Forum): <http://www.weforum.org/>.

Financial Sector

- World Development Indicators.
- World Bank Payment Systems Survey.
- International Financial Statistics.
- Bankscope database.
- IMF Article IV Consultations and other relevant reports.

1.
 - a. Foreign trade and transactions has been severely disrupted and most trade is unofficial and/or illegal.
 - b. The payment system is practically non-functional. Transactions are mainly barter and/or cash-based (including foreign currency). Deposit mobilization, including micro saving, is practically non-existent. Prudential regulation and supervision is practically non-existent. Creditor information and accounting and auditing functions are practically non-existent. Access to credit is severely limited and is mainly allocated to the government, SOEs, and connected firms.
 - c. All economic activities are severely disrupted. A large share of the economic activity is informal.
2.
 - a. The customs administration exercises only limited control over the borders and most trade is outside its control. National trade policies (taxes, regulations, and procedures) are either not applied to most international trade or are applied on the basis of temporary legislation and subject substantial degree of discretion. Policy instruments are discriminatory, non-transparent, and highly distorted, e.g. bans or quantitative restrictions, state-owned or sanctioned monopolies, export duties, high tariffs, trade surcharges, firm-specific exemptions.
 - b. The payment system is very weak. Most transactions are mainly barter and/or cash-based. Deposit mobilization is extremely small and is restricted to urban areas. Micro savings activities are practically non-existent. Prudential regulation and supervision are rudimentary. Creditor information and accounting and auditing functions are still practically non-existent. Access to credit by the private sector is limited; intermediation spreads are very high. Microcredit activities are practically non-existent.
 - c. The informal sector dominates many economic activities and there is little employment generation in the formal sector. Business regulations (e.g. procedures to start, operate, and close businesses), licensing, and compliance systems are cumbersome and largely not enforced. No legal framework exists for private businesses to resolve disputes. There is very little competition in markets and government interventions (e.g. price controls) are pervasive.
3.
 - a. Customs authorities exercise formal control over major border crossings but a substantial portion of international trade remains outside the authorities' control. The basic trade legislation exists in parallel with temporary regulations, and procedures are unpredictable, favor specific agents, and are not transparent. There are efforts to reduce the use of non-tariff barriers in favor of ordinary customs duties. Corruption and arbitrary decisions in border clearance are widespread. There is substantial reliance on physical examination of goods. Documentation and procedures are manual and paper-based. The processing of duty and tax collections is poor, and refunds are rarely paid.
 - b. The payment system is improving but there are deficiencies in the legal framework and oversight. Transactions are mostly cash-based. Deposit mobilization has increased, but is still very small and remains restricted to urban areas. Micro-saving activities are very limited. Prudential regulation exists but supervision is weak. Creditor information and accounting and auditing functions are still practically non-existent. Private sector access to credit is constrained; intermediation spreads are high. Few microcredit activities are taking place.
 - c. Constraints on private sector limit its expansion and job creation. The share of informal activity is still very high. Compliance with business regulations is very complex, time consuming, and often avoided. A limited legal framework exists to resolve business disputes, but decisions are often arbitrary and subject to political influence of government and manipulation by influential groups. There is insufficient competition in many markets, with many goods still subject to government interventions.
4.
 - a. Customs authorities exercise control over border crossings but some international trade may remain outside their control. Most trade policies, regulations, and procedures are based on permanent legislation. Policy implementation is often ad hoc. There is widespread use of non-tariff barriers, but some forms have been eliminated and most are applied on a non-discriminatory (e.g. most-favored nation (MFN)) basis. The perception of corruption is still widespread. There is still significant reliance on physical examination of

goods. The documentation on traded goods remains largely paper-based, but is supported by information technology (IT) for duty assessment and statistical purposes. Collection of duties, taxes, and payment of refunds is routinely slow and cumbersome.

b. The payment system is largely functional and existing deficiencies are being addressed. The large value payment system is working, but the retail side is weak. Transactions are mostly cash based. Deposit mobilization has strengthened but is still small and mostly carried out in urban areas. Micro-saving activities have expanded. Prudential regulation is functional, but supervision is still inadequate. Creditor information and accounting and auditing functions are inadequate. Access to credit by the private sector still limited; intermediation spreads are moderately high. Microcredit activities have expanded.

c. The formal private sector is expanding (e.g. a few large or medium size firms have been established and created new jobs). The informal sector still accounts for a high share of economic activity and includes most new SME. Business regulations are costly in general, and compliance is complex and time consuming. However, some regulations are being enforced. A legal framework is in place to resolve business disputes, but it is inefficient and subject to some degree of manipulation. There is some degree of competition in a few markets but several goods are still subject to government intervention.

5. **a.** Customs authorities control border crossings and trade. International trade is governed by national policies, regulations, and procedures. These are developed and implemented in a predictable and transparent way. There is still frequent use of non-tariff barriers, but most are applied on a non-discriminatory (e.g. most-favored nation (MFN)) basis. Allegations of corruption are still common. The decisions on the level of documentary/physical examination are partially based on risk assessment. IT systems are employed for processing of declarations, duty assessment, and control of transit goods. The collection of duties, taxes, and payment of refunds are often slow and cumbersome.

b. The payment system is functional, and its coverage extends to some rural areas, although the retail side has some deficiencies. The share of cash-based transactions has decreased significantly. Deposit mobilization and (micro) outreach has increased as confidence in the banking system has solidified. Other forms of saving (e.g. pensions and insurance) have emerged. Prudential regulation and supervision are functional but capacity constraints continue. Creditor information and accounting and auditing functions are flawed. Access to credit by the private sector is low; intermediation spreads remain high. SME and retail finance in the formal sector is nascent and microcredit activities have expanded.

c. The formal sector is expanding in some sectors and some SMEs are being established. Rigid labor regulations pose obstacles for employment generation in the formal sector. Business regulations and compliance are costly for most but not all activities, and compliance has steadily increased. A legal framework to resolve businesses disputes exists but its enforcement is still not effective. Competition prevails in some markets. The regulatory framework for natural monopolies is weak.

6. **a.** International trade is governed by national policies, regulations, and procedures. These are developed and implemented in a predictable and transparent way. Some use non-tariff barriers persists, but these are applied transparently and on a non-discriminatory (e.g. most-favored nation (MFN)) basis. Allegations of corruption are frequent. The decisions on level of documentary/physical examination are partially based on risk assessment. IT systems are employed for processing of declarations, duty assessment, and control of transit goods. The collection of duties, taxes, and payment of refunds can be slow and cumbersome.

b. The payment system and oversight are fully functional. Coverage now extends to rural areas. The cash-based portion of the economy has decreased further. Deposit mobilization and (micro) outreach is increasing and the menu of assets for saving is broader. Pensions and insurance sectors are still very small, but have continued to improve. Prudential regulation and supervision are functional. Existing credit is mainly directed to large, private firms. SME and retail finance in the formal sector and microcredit activities have some access to credit. The non-bank financial sector is emerging.

c. SMEs are being established in the formal sector. Labor regulations issues are being addressed to help the creation of new jobs. Business regulations are costly for some activities and compliance can be burdensome. A legal framework exists for private businesses to resolve disputes but enforcement is not always effective. Competition prevails in a wide range of markets. Deficiencies of the regulatory framework are being slowly addressed.

Cluster B: Social Inclusion and Human Development

Q5. Human Resource Building

This criterion focuses on the quality and coverage provision of health and education services, including the extent to which vulnerable groups (e.g., the elderly, minorities and the poor) have access to such services. It focuses on the extent of progress being made implementing short term/urgent programs, e.g., for rehabilitation of school and health facilities and back-to-school programs or emergency healthcare provision. The criterion also underscores the importance of developing longer term education and health sector rehabilitation programs that include capacity building initiatives covering government officials, teachers and healthcare workers. For scores in the upper range of the rating scale it is expected that the country has reached performance levels comparable to those observed in low income countries not affected by conflict with respect to education (enrollment, attendance, teachers, education facilities), health (access, preventative programs, supply of essential drugs), and the implementation of longer term education and health strategies. Each dimension should be separately assessed and equally weighted to obtain the final score. The delivery of other basic services is dealt with in Q7 (Capacity of Public Administration).

Guideposts:

- World Bank 'Country Sector Assessment' (health, education, HIV-AIDS)
- UN OCHA CAPS (as above). See especially details on activities relating to education and health.
- UNICEF Country Statistics: <http://www.unicef.org/infobycountry/index.html>.
- Relief Web Sectoral Updates: <http://www.reliefweb.int/rw/dbc.nsf/doc103?OpenForm>.
- WHO/UNAIDS Publications and databases.

1. The provision of education and healthcare services has largely ceased. Infrastructure is severely damaged or destroyed. There are few human resources for service delivery, and they are available only in limited areas. Health services are mostly provided by relief agencies.
2. Coverage of services is very limited. Quality of services is generally low and access is highly inequitable, notably for vulnerable groups (e.g., the elderly, minorities, the poor). The salaries of teachers and health personnel are seldom, if at all, paid. Public spending toward health and education are almost inexistent.
 - a. *Health* services are predominantly of an emergency/humanitarian nature and are provided almost entirely by international and domestic NGOs, and only in some regions or around the capital areas. Disease surveillance and monitoring of health outcomes and interventions is very incomplete.
 - b. *Education* services are patchy. Urgent educational needs, particularly in primary education are not being met, or existing programs are ineffective. The number of functioning schools is low and coverage is limited to a few geographical areas, e.g. the capital city or areas around it. There is little access to education for girls, especially outside urban areas.
3. Needs assessments and planning processes to rebuild infrastructure are underway to address the most pressing sectoral issues, but the government implementation capacity is inadequate. Coverage of services exists only in some areas of the country. Quality of services is generally low and access is highly inequitable, notably for vulnerable groups. The payment of salaries for healthcare workers and teachers is irregular. Capacity is being strengthened through training programs for teachers and health personnel. Public spending on health and education is very low.
 - a. *Health*. While the country has transitioned from humanitarian aid to rebuilding the health system, service delivery by NGOs without appropriate quality assurance and coordination framework remains common, and programs often focus on a single disease or intervention, such as immunization campaigns.
 - b. In the *education* sector, urgent educational needs at the primary level have been addressed as the number of functioning schools has increased. Some progress has been made on attendance levels and some efforts have been carried out to improve access for girls, though still mainly in urban areas.
4. Some education and health facilities have been rehabilitated and/or new facilities are constructed. Access to health and education services has expanded across groups, including the vulnerable, and in most areas of the country. Actions have been taken to increase supply of trained teachers and healthcare workers, who now get paid fairly regularly. The quality of health and education services has improved but remains low. The government is in the process of developing national education and health strategies with widespread consultations. Public spending on health and education has increased but remains inadequate.
 - a. *Health*. Where the role of NGOs has been significant, effective government/NGO dialogue, partnership and oversight arrangements are planned. Coverage of key preventative and curative services has improved markedly although some access inequities persist. Credible health programs to address communicable diseases such as HIV/AIDS are under preparation.
 - b. In the *education* sector, the coverage of services has markedly improved, notably in primary education. The number of functioning schools continues to increase. As a result, some significant progress has been made to boost attendance levels, especially for girls.
5. Health and education facilities have been substantially rehabilitated and reconstructed. Access to health and education services has expanded to almost the whole country. The government has steadily increased the provision of public services, although NGOs and others continue to play a role in some areas outside a national quality and coordination framework. The government is also addressing disparities in access to services for vulnerable groups. The quality of health and education services has continued to improve. Health care workers and teachers are paid regularly. The national education and health strategies have been finalized, including

credible projections for budget allocations.

a. Health. Programs to address urgent health needs have largely been completed. Coverage of key preventative and curative services has improved markedly although some access inequities persist. Credible health programs to address communicable diseases such as HIV/AIDS have been finalized and under implementation.

b. In the education sector, programs to address urgent education needs, particularly at the primary level, have largely been completed. The coverage of services has markedly improved, and remaining inequities in access for girls have been addressed, with some success.

6. The physical rehabilitation of health and education facilities is complete. Coverage of health and education services is extensive (e.g. 100% of territory), but some gaps and inconsistencies remain. Disparities in access to health and education services for vulnerable groups have considerably decreased, although gaps remain. Efforts have been made to further improve the quality of education and health services through training programs and increased budgetary allocations to the sectors. The government has been implementing successfully the education and health strategies.

a. Health. Programs to address urgent health needs have been completed. Coverage of key preventative and curative services has improved markedly although some access inequities persist. The Government is implementing successfully credible health programs to address communicable diseases such as HIV/AIDS.

b. In the education sector, programs to address urgent education needs, particularly at the primary level, have been completed with early evidence of quality in areas such as reading, numeracy and grade completion. The coverage of services has markedly improved, and girls have full access to education, although geographical disparities still persist. The Government is implementing successfully credible education policies.

Q6. Vulnerable Groups, Gender and Social Cohesion

The criterion assesses the extent to which a country has taken steps to put in place policies and enforce laws that address issues of (a) equality; (b) protection; and (c) social cohesion, and that also cover inclusion issues that are gender related or specific to vulnerable groups. On gender-related aspects, in contexts where high crime and violence are rife (and otherwise where appropriate), it is important also to consider the situation of 'boys at risk'. The definition of vulnerable groups varies between countries, but among the most important defining characteristics are age, ethnicity and poverty levels. The equality dimension assesses the recognition by the state of the equal status of all citizens under the law, including vulnerable groups, and the equality of access to economic and productive resources such as labor force participation, land tenure, and property and inheritance rights. Equal access with respect to education and health is covered in Q5 (Human Resource Building). The protection dimension of this criterion covers issues of participation, voice and representation. The social cohesion dimension addresses efforts to institutionalize bonds and bridges between groups. Each dimension should be separately assessed and their respective scores equally weighted to obtain the final score.

Guideposts:

- Minorities at Risk project: <http://www.cidcm.umd.edu/inscr/mar/>.
- Human Rights Watch: <http://www.hrw.org/>.
- UN Division for the Advancement of Women: <http://www.un.org/womenwatch/daw/cedaw/>.
- Freedom House: <http://www.freedomhouse.org/template.cfm?page=15&year=2005>.
- UN World Development Reports: <http://hdr.undp.org/reports/>.
- UNIFEM Regional and Subject reports: www.unifem.org.

1.
 - a. There is a lack of recognition of the equal status of all citizens under the law, especially women and vulnerable groups (e.g. the elderly, minorities, and the poor). There is widespread violence against women and/or vulnerable groups. There is general impunity. Widespread economic disparities exist in participation in the labor force, business ownership, land rights, property ownership and inheritance practices. Formal policies and laws are obstacles to gender equality and to equal opportunities for vulnerable groups.
 - b. The lack of security and unstable political environment prevent to community participation, voice, and representation at the local or national level, notably for women and vulnerable groups.
 - c. Social cohesion has broken down and there is overt strife between different groups in the country.
2.
 - a. Same as 1-a. There is little room to address this discrimination and exclusion. Access to productive resources for women and vulnerable groups is extremely limited. Violence is still widespread and impunity rife, but some improvements are made in the capital city and other urban areas.
 - b. The lack of security and unstable political environment is not conducive to community participation, voice, and representation at the local and national level, notably for women and for vulnerable and minority groups.
 - c. Social cohesion is still precarious. Groups continue to view each other with suspicion and hostility, but some efforts have been made by leaders of different factions to begin dialogue.
3.
 - a. Same as 2-a but some informal or formal steps to address inequalities, including those affecting women and vulnerable groups, are emerging through government initiatives or from civil society pressures (individuals or NGOs). Despite improvements there is continued evidence of violence that is gender-based or against vulnerable groups. Disparities in the access to productive resources for women and vulnerable groups have diminished in some parts of the country, e.g. in the capital city or urban centers. Some initial efforts are made to enforce the law and bring people to justice.
 - b. The security and political environments are more conducive to community participation, voice, and representation. Some efforts are underway to address disparities that are gender related or affect vulnerable groups, including supporting their participation and representation in decision-making processes.
 - c. Social cohesion is still poor but improving. The government and/or civil society have begun to create channels where dialogue between groups with a legacy of conflict or distrust can take place.
4.
 - a. There is still limited recognition by the state of the equal status of all citizens, namely women and vulnerable groups but a formal process is underway to support equality under the law. Violence that is gender related or that targets vulnerable groups still exists, but little or no evidence of state complicity; institutional efforts are being made to prevent violence. Progress has also been achieved to enforce the law and bring people to justice. Disparities remain but steps have been taken to remove barriers to access to productive activities for women and vulnerable groups.
 - b. Participation, voice and representation for women and vulnerable groups at the community or national levels have improved but are still exercised in an uneven manner across the country, with significant geographical disparities (e.g., urban versus rural areas, poor vs. less poor provinces). Some efforts have been made to implement the laws that guarantee equality for all citizens. Some initial participation of women and vulnerable groups in the political life (e.g. seats in local councils, legislative bodies, etc.) has taken place.
 - c. Social cohesion is improving. A formal institutional framework exists, through which the different groups can communicate and cooperate on a continuing basis. However, long standing grievances continue to affect cooperation in some areas.
5.
 - a. Equality under the law for women and vulnerable groups is recognized and inclusiveness issues are being openly discussed. Their personal safety is also improving, despite the persistence of sporadic incidents. The law is becoming more effective in identifying culprits and bringing them to justice. The legal framework guarantees a level-playing field for all groups in society with respect to access to productive resources, but

enforcement mechanisms are weak. Inequities of access that are gender based or discriminate against vulnerable groups have diminished in some areas (e.g. jobs, credit, personal income generation activities, land rights, and the exercise of property and inheritance rights).

b. The right of representation for women and vulnerable groups at the community, local or national levels is guaranteed by law (de jure), and efforts have been undertaken to increase enforcement. Although de facto disparities persist, the participation of women and vulnerable groups in the political life (e.g. seats in local councils, legislative bodies etc.) has continued to increase.

c. Social cohesion continues to improve (while still moderately low) with established processes in place to foster cooperation between different groups. Key grievances are also being addressed with moderate success.

6. **a.** The legal framework provides reasonable protection and equality for all citizens, even though the existing mechanisms to enforce the law are still not fully functional or effective. There is evidence of significant reductions in violence and harassment against women and vulnerable groups. Mechanisms exist for prosecuting those accused of such crimes and there are examples of their application. Though disparities persist, there is greater access for women and vulnerable groups to jobs, credit, personal income generation activities, land rights, and the exercise of property and inheritance rights.

b. Participation and representation of women and vulnerable groups in political life at the local and national level has significantly improved even though disparities remain. There is a clear commitment to address the remaining disparities and further promote greater participation and representation of these groups.

c. Social cohesion is moderate and communication channels between previously hostile groups are well established. The country's development agenda include concrete steps to address long-standing grievances and some success has been achieved in doing so.

Cluster C: Governance

Q7. Capacity of Public Administration

Post-conflict settings are often characterized by a dysfunctional the public administration and serious shortcomings in the delivery of basic services. The rehabilitation of the public administration and of basic service delivery is a crucial component of legitimization of the state. This criterion has two components. The first covers the delivery of basic public services such as power, communications and water and sanitation. The delivery of education and health services is covered in Q5 (Human Resource Building). The second assesses the extent to which the public administration is capable of coordinating its policies, and civil servants are hired and promoted by merit, and adequately remunerated. This dimension should also be informed by a qualitative assessment of the extent of the representation of different socio-cultural groups in the public administration. Representativeness in government is an important factor to achieve social cohesion, yet it may slow down efforts to base hiring and promotion exclusively on merit. Each dimension should be separately assessed and their respective scores equally weighted to obtain the final score.

Guideposts:

- Governance Indicator (World Bank):
<http://info.worldbank.org/governance/wgi/index.asp>.
- PEFA Performance Measurement Framework.
- IMF Code of Good Practices on Fiscal Transparency
<http://www.imf.org/external/np/fad/trans/code.htm>.
- PRMPS Governance Indicators: <http://go.worldbank.org/MFAH3FKZ20>.

1.
 - a. Basic service delivery (e.g. power, communication, water and sanitation) is practically nonexistent. Extended service interruptions (e.g. often lasting for a week or longer) are the norm. The few basic services are delivered inequitably across areas (e.g. urban vs. rural) and vulnerable groups (e.g., the elderly, minorities and the poor) have little or no access to basic services. The rate of absenteeism is very high.
 - b. Public administration is severely dysfunctional. The hiring and promotion of civil servants are based on bribes, personal ties and/or affiliation (e.g. to particular, powerful political interests or groups, rather than on workable rules). The public administration salary levels are a small fraction of the private sector salaries and in arrears for extended periods of time.
2.
 - a. Some basic services are provided, albeit in a sporadic fashion and limited to few locations (e.g. capital city and its surroundings). Service interruptions are frequent and lengthy (e.g. several days per week). Vulnerable groups have limited access to basic services.
 - b. The public administration is dysfunctional and characterized by very low capacity. Formal rules on hiring and promotion may exist but are almost always ignored. Most civil servants are appointed or retained on the basis of favoritism (e.g. former members of the armed forces engaged in one or the other side of the conflict, persons loyal to powerful political interests). Salaries are very low and normally in arrears, sometimes for extended periods. The rate of absenteeism is high.
3.
 - a. Some basic services are provided in a sporadic fashion, although coverage begins to extend beyond urban areas. Inequity in access in several geographical locations and for vulnerable groups remains. Interruptions in services are a recurrent event and often lengthy (e.g., several hours, a day per week).
 - b. The public administration is functioning but its delivery is severely hampered by low capacity. A large fraction of civil servants continues to be selected and appointed through personal ties rather than merit, with adverse impacts on the quality of public service delivery. There is little information on the size of the public administration and 'ghost' workers. Salaries are low and often fall into arrears.
4.
 - a. Many basic services are delivered regularly and mostly by the state. Coverage continues to improve in rural areas, but is still inadequate. Inequities of access for vulnerable groups persist. Interruptions in service are still a problem and occasionally lengthy (e.g., a few hours per day).
 - b. The public administration is functioning and some efforts have been made to build capacity, which remains low. The functioning of the public administration is hampered by lack of coordination and fragmentation of administrative units. Formal discussions of basing hiring and promotion on merit are underway, but not translated into practice. Absenteeism is being tackled but remains high. Studies are planned to understand the real size of the public administration, including the number of 'ghost' workers.
5.
 - a. Most basic services are delivered regularly in urban areas. In rural areas, coverage continues to improve but inequities persists in the access of services by vulnerable groups. However, efforts have been made to address this issue and identify corrective measures. Service interruptions still occur, but they are not a regular feature and are relatively short-lived (e.g. a few hours per week). The government is actively addressing access issues through the promotion of public and private provision.
 - b. The capacity of public administration is being strengthened with some visible progress. But administrative structures continue to be fragmented and mechanisms for coordination are generally inadequate. Measures have been put in place to base hiring and promotion mostly on merit, but extensive patronage continues in some areas. Only a fraction of civil servants are selected and appointed through reasonably credible competitive procedures. The actual size of the public administration and 'ghost' workers is known and policies are being developed to reform it. Pay and benefit levels are generally inadequate and there are major difficulties in attracting and retaining staff in key technical areas.

6. **a.** Basic service delivery is achieved for most basic public services, with significant inroads made in service provision in rural areas. Some progress has been realized to improve access to services for vulnerable groups. Service interruptions are relatively rare and usually short-lived. Universal and equitable access to services is firmly on the public agenda (e.g. reflected in national poverty reduction strategies).
- b.** The capacity of public administration is being strengthened with some visible progress. Administrative structures continue to be fragmented and but mechanisms for coordination are improving, albeit slowly. Some efforts are underway to reform the public administration, informed by analytical work. The hiring and promotion is now formally merit-based, but extensive patronage continues in some areas. A small but rising fraction of public servants are selected and appointed through competitive procedures. Inadequacies in pay and benefits levels make it difficult to attract and retain staff in key technical areas.

Q8. Rule of Law and Personal Security

The rule of law is often undermined by conflict-related violence and crime, as well as by the collapse of the legal and judicial systems. In some cases the government may not control significant portions of its territory. This criterion assesses countries' progress in re-establishing the rule of law, defined broadly as the extent to which citizens and the state are accountable to laws that are publicly promulgated, equally enforced and independently adjudicated.

Guideposts:

-- PRMPS Governance Indicators: <http://go.worldbank.org/MFAH3FKZ20>

1. Legal and judicial systems are nonfunctioning. Punishment of crime and enforcement of contracts and recognition of property rights occurs only through informal mechanisms. Police services barely function, if they do exist, or are indistinguishable from private militias.
2. Legal and judicial systems function only minimally, or are nonfunctioning in a large portion of the national territory. Punishment of crime and enforcement of contracts is unreliable and occurs primarily through informal mechanisms. Favoritism and corruption pervade the judicial system, and judicial decisions are not publicly available. Police are often a source of crime and violence against citizens and have little or no positive impact on the security of lives and property in most or all of the territory. Most crimes are unreported.
3. Legal and judicial systems are functioning, but enforcement of contracts, recognition of property rights, and punishment of crime are unreliable and continue to depend on informal mechanisms. Laws and regulations are changed frequently, in an unpredictable and non-transparently manner. Merit plays little or no role in judicial appointments, and judicial decisions are not publicly available. The police is sometimes a source of crime and violence against citizens, and ineffective in protecting the security and property of citizens in a significant part of its territory. Most victims do not report crimes to the police.
4. Enforcement of contracts, property rights, and punishment of crime are unreliable, but occur sometimes through formal mechanisms. Laws and regulations can sometimes change unpredictably, for example through unpublicized executive decrees, and are selectively and intermittently enforced. Judicial appointments are beginning to be merit-base, in some cases, but judicial decisions can be erratic and rarely publicly available. The police are occasionally a source of crime and violence, and are mistrusted by large segments of the population. The reporting of crime is on the rise.
5. Enforcement of contracts, property rights, and punishment of crime are less unreliable, and do sometimes occur through formal mechanisms. The law protects property rights in theory, but irregularly in practice due to ineffective of legal and judicial institutions. Laws and regulations are not changed arbitrarily, but may not be publicly available. Courts are costly and time-consuming to use, but judicial decisions are sometimes publicly available. The state is able to provide a modicum of protection against crime and violence. Most citizens view the police on balance as an impediment to crime and violence rather than a source. The reporting of crime is on the rise, as confidence in the police improves.
6. Property rights are protected in theory and increasingly in practice. Contracts are sometimes enforced, but the process may be lengthy and expensive. The punishment of crime occurs mainly through formal mechanisms. Laws and regulations are not changed arbitrarily, and are on average publicly available. Courts may be costly and time-consuming to use, but judicial decisions are fairly publicly available. The state is able to protect the lives and property of most citizens from crime and violence most of the time. The police are generally trusted by citizens and viewed as reasonably honest and effective. As a result, the reporting of crime is widespread.

Q9. Accountability and Transparency

This criterion assesses the effectiveness of efforts to increase transparency and accountability and to reduce corruption. The criterion covers three areas: (a) voice, access to information and transparency; (b) management of natural resources; and (c) corruption. In countries that are highly dependent on natural resources their management needs to be carried out in an accountable and transparent manner, because of the pivotal role they play in causing or prolonging conflict and, when managed transparently, in sustaining recovery in the post-conflict period. The criterion assesses adherence to external accountability mechanisms such as Extractive Industries Transparency Initiative (EITI) and the Kimberley Process. Each of three dimensions should be assessed separately and their respective scores equally weighted to obtain the overall score. In countries where the exploitation of natural resources does not constitute a major economic activity, the second component should not be rated and equal weights (50%) should be given to the scores of dimensions (a) and (c), respectively.

Guideposts:

- PRMPS Governance Indicators: <http://go.worldbank.org/MFAH3FKZ20>.
- Transparency International's CPI available at www.transparency.org.
- Kimberley Process: www.kimberleyprocess.org.
- Extractive Industries Transparency Initiative: www.eitransparency.org.
- The International Budget Project: <http://www.internationalbudget.org/openbudgets/index.htm>.

1.
 - a. There is no functioning central or local government, or the general public has no voice in selecting its members or influencing its policies. Public access to information on government activities is non-existent or actively suppressed.
 - b. The exploitation of natural resources and the management of natural resource revenues are a source of conflict and are not subject to domestic or external accountability mechanisms.
 - c. Corruption (e.g. diversion of funds, bribe-seeking, nepotism) is endemic and mechanisms to deter it are, by and large, absent.
2.
 - a. The general public has little voice in selecting the central or local government or influencing its policies. Access to information on government activities, including the budget, is still actively suppressed. The limited information available to the public on government activities is not reliable.
 - b. The exploitation of natural resources and management of natural resource revenues are highly contentious. Natural resource revenues are not subject to domestic or external accountability mechanisms, and are not fully reflected in budget documents.
 - c. Corruption remains endemic and there is little or no public debate and action on anti-corruption initiatives.
3.
 - a. The general public has limited voice in selecting the central and local government and influencing its policies. The Government withholds information needed by the public and civil society organizations to judge its performance.
 - b. The exploitation of natural resources and management of natural resource revenues continue to be contentious. These revenues are subject to limited domestic or external accountability mechanisms, but begin to be reflected in the budget documents.
 - c. Corruption continues to be endemic as public officials are not sanctioned for receiving bribes, conflict of interest abound, and laws and policies are biased towards narrow private interests. Some public debate on the need to curb corruption is taking place and some anti-corruption measures are being considered.
4.
 - a. The public has de jure significant voice in selecting the central and local government and influencing its policies, but de facto moderate voice (e.g. problems with voter registration by the forcibly displaced, uncompetitive elections, electoral fraud and violence). Information on some government activities may not be actively suppressed but dissemination of such information does not exist or receives low priority.
 - b. The government has agreed to sign up to domestic and/or external accountability mechanism, such as the EITI, to inject some transparency in the management of natural resource revenues. Implementation of such activities is planned or is underway. Fiscal scenarios are based on natural resource production and revenue appears in the budget planning documents.
 - c. Corruption continues to be a serious problem but is firmly on the public agenda. Anti-corruption mechanisms are being slowly set up – based on the development of anti-corruption strategies – and no longer ignored.
5.
 - a. The public has a voice in selecting the central and local government and influencing its policies, but the electoral process continues to be affected by electoral fraud and some violence. However, the opposition is regularly represented in the legislative body. Decision making is generally not transparent, and public dissemination of information on government policies and outcomes is a low priority. Civil society has limited access to information gathering and scrutiny.
 - b. The government is actively working toward managing natural resources and complying with EITI or other external accountability mechanisms but capacity may be inadequate. Projections on natural resource production and revenues inform the national budget. Discussions exist on the merit of setting up natural resource funds (e.g., fund for the future, stabilization fund).
 - c. Corruption remains a problem. Anti-corruption institutions (e.g. inspector-general, ombudsman) are now in place even though the capacity is still low, their authority is limited and they are only partially funded.

6.
 - a. The public selects the central and local government and influences its policies, through an electoral process that is are reasonably fair and produce an effective check on government power through representation of the opposition in legislative body. Civil society can access moderate amount of information on government activities. Government attempts to distribute relevant information.
 - b. Management of natural resource revenues is subject to oversight and scrutiny by the media and civil society, and the government has nearly achieved compliance with EITI or similar external accountability mechanisms. The budget fully reflects fiscal scenarios based on projections on natural resource production and revenues.
 - c. Corruption remains a problem, but anti-corruption mechanisms (e.g. conflict of interest and ethics rules) and institutions (e.g. inspector-general, ombudsman) exist, are adequately funded and the authorities to have some impact in deterring it. Corruption cases are frequently prosecuted, and are not limited to low-level officials or members of the political opposition.

Cluster D: Post-conflict Risk

Q10. Security

In countries emerging from conflict establishing security is a top priority. As countries struggle to re-establish basic state functions, the inability to address security, crime and violence issues increase the risk of a relapse into conflict by undermining economic recovery, draining state budgets, and by creating fear and mistrust among the population, thus fueling the grievances that often underlie violent conflict. Security Sector Reform (SSR) it is often a pre-condition to build peace and to support recovery in post-conflict settings. Its goals are to ensure that a sustainable system of services and laws are in place that create a secure environment and allow people to carry out their daily lives and to resolve disputes in a fair and non-violent manner. Three dimensions are assessed in this criterion: (a) the general state of security; (b) crime and violence; and (c) security reform. The first dimension focuses on the ability of the state to control its territory, provide security to its citizens, address political/armed violence, and manage cross border effects of regional conflicts. The second dimension focuses on crime and violence (e.g. homicides, property crime) their threat to stability and how they increase the vulnerability of relapse into conflict, especially when sustained over time. The third dimension, Security Sector Reform, covers activities such as disarmament, demobilization and reintegration (DDR), civilian disarmament, and de-mining. Each dimension should be separately assessed and their respective scores equally weighted to obtain the final score. Given the close links among the criteria in this cluster and to ensure consistency, their assessments should be reviewed simultaneously.

Guideposts:

- International Crisis Group "Crisis Watch"(published monthly): www.crisisweb.org.
- International Crime Victim Survey: <http://ruljls.leidenuniv.nl/group/jfcr/www/icvs/Index.htm>.
- UN Survey on Crime Trends (where updated):
http://www.unodc.org/unodc/en/crime_cicp_surveys.html.
- Small Arms Survey: <http://www.smallarmssurvey.org/>.
- UNHCR Global Appeal provides annual data on displaced and refugee populations.
<http://www.unhcr.org/cgi-bin/texis/vtx/template?page=publ&src=static/ga2006/ga2006toc.htm>.
- UN OCHA consolidated annual inter-agency appeals (CAPS) documents provide extensive data on food security, health, displacement, security and in some cases the condition of public administration. <http://www.reliefweb.int/appeals/>.
- IISS data on refugees and returnees: http://acd.iiss.org/armedconflict/report/dsp_MainForm.asp

1.
 - a. The state is unable to control its territory. Rural areas are overrun by armed groups and/or militias. Substantial presence of organized criminal groups and rebel activities in main urban areas. Armed violence, often politically motivated, is rampant. Spillovers from regional conflicts have further adverse effects on internal dynamics, leaving the state unable to cope.
 - b. Homicide rates are extremely high (e.g., more than 20 per 100,000) or rapidly increasing. The incidence of violence against vulnerable groups (e.g. elderly, minorities and the poor) is increasing. Levels of property crime are increasing rapidly and are a significant concern for the majority of the population.
 - c. Ongoing conflict and/or political impasse and no dialogue on security sector issues/reform. There is no agreement on a DDR process or on an effective civilian disarmament process (if required).

2.
 - a. The state is able to control only a minor portion of its legal territory. Substantial areas are under the control of groups fighting the government and/or regions claiming independence. Illegal groups largely control rural and urban areas. Armed violence, often politically motivated, is extensive. The state is unsuccessful in managing the serious domestic impact of regional insecurity.
 - b. Homicide rates are high (e.g., between 10 and 20 per 100,000) and a source of serious concern. Incidence of violence against vulnerable groups still high, but measures are being put in place to address this. Property crimes are increasing and/or are a concern for much of the population.
 - c. Preliminary discussions of ceasefire underway; some discussions around security sector issues between parties to conflict and international community (as required); discussion of SSR needs and strategy for support being considered. Discussions ongoing about the design and financing of a DDR program.

3.
 - a. The state is able to control some areas of its territory. Some rural areas are controlled by illegal groups and in urban settings there are pockets of crime, violence and illegal activities. Violence, often politically motivated, is high but abating. Security forces may have limited success in preventing violence. Regional insecurity compounds internal problems and the state manages its effects with limited success.
 - b. Homicide rates are moderate (e.g., between 5 and 10 per 100,000) but do not appear to be increasing. Efforts being made to address violence against vulnerable groups and showing progress. Property crime is not increasing but remains a serious concern, and steps have been taken to address it.
 - c. Ceasefire announced and formal peace talks initiated. Broad needs for SSR agreed to by key parties to the conflict and international partners (as appropriate). If agreed, DDR program is underway with sufficient or likelihood of full financing (institutional/management structure established, demobilization facilities in place). Some ex-combatants (e.g., 10-25%) have been processed through demobilization; reinsertion payment systems have been established and reintegration strategy agreed upon. Army reform needs, priority issues and key partners have been identified; police training and support also identified; civilian disarmament (if necessary) is being discussed.

4.
 - a. The peace agreement has been signed and initial stages of implementation are underway. The state may lack control over some areas of its territory but internal institutions are able to contain violence. Illegal groups remain in urban and rural settings but they do not represent an overwhelming threat. Violence, often politically motivated, is moderate and internal security forces have some success in preventing it. There are some spillovers of regional insecurity across borders but the state is able to contain their effects with some success.
 - b. Homicide rates are moderate (e.g., between 5 and 10 per 100,000) and declining. Efforts to address violence against vulnerable groups are being implemented and incidence of violence decreasing. Efforts to address property crime are being implemented with demonstrable success.
 - c. For most, if not all parties to the peace agreement, the process of demobilization and military integration are underway. There are no significant cease-fire violations and movement in country is moderate. If agreed to previously, disarmament and demobilization is well-advanced (e.g. 50-75% of estimated beneficiaries through

process), and reintegration underway. Relevant military reform activities (in addition to DDR) have been initiated. If agreed and prioritized, capacity building of police and judiciary is also in place. The number of weapons in circulation is reduced significantly, and civilian disarmament/weapons registry (if relevant) are planned, costed, and likely partnerships and financing (as necessary) are identified.

5.
 - a. The state controls all or almost all of its territory and addresses issues of concern in both rural and urban areas. The state enjoys the legitimate monopoly of force and illegal armed groups are only sporadically active. Violence, often politically motivated, is intermittent. Security forces are successful in coping with and preventing violence. The state is able to manage the spillover of regional issues and mitigate their negative internal impacts.
 - b. Homicide rates are low (e.g., below 5 per 100,000). Strong efforts to address violence are being made with significant progress. Measures to address property crime are being successfully implemented resulting into low levels of offences in this area.
 - c. SSR process is widely accepted and implementation of priority activities is advancing with sufficient support available. DDR is completed, reintegration support for over 50% of identified ex-combatants is also completed and sufficient funding is available for remainder of beneficiaries. Key SSR elements (military integration/downsizing/ modernization) are underway, and capacity building activities for the police and judiciary are on-going. A civilian weapons registry system is set-up and other institutional requirements are being supported.
6.
 - a. The state controls its territory, enjoys the legitimate monopoly of force and it is able to largely control rural and urban areas. Political violence is minor and the government is able to manage it. Internal security forces are successful in managing and preventing violence. State is able to successfully manage cross border spillovers of regional conflicts/issues.
 - b. Homicide rates are low (e.g. below 5 per 100,000) and decreasing. Programs are in place to address violence against vulnerable groups and incidence of violence has decreased substantially. Property crime is not a significant problem.
 - c. The government is fully implementing all SSR elements. Reintegration for ex-combatants and remaining beneficiaries is largely completed (or not required). State monopoly of use of force, civilian democratic control of military and ultimate plans for size and composition of military is considered sustainable. Ex-combatants pose no significant security risk. If required, civilian disarmament and/or registration of civilian weapons are on-going.

Q11. Management of Conflict and Recovery

This criterion assesses the resiliency of the state to overcome the root causes of conflict. It contains two dimensions. The first assesses the extent of progress toward a formal political settlement. This is deemed to be a major element for sustainable peace, because it recognizes and legitimizes conflicting parties that are committed to establishing an inclusive government. The second dimension focuses on the issue of forced displacement (refugees or internally displaced people -IDPs) and programs and policies in place to address IDP-related issues. The assessments of forced displacement cover its type and magnitude, the implementation of relevant government policies, and the involvement of the international community to develop and support durable solutions. Each dimension should be separately assessed and equally weighted to obtain the final score. Given the close links among the criteria in this cluster and to ensure consistency, their assessments should be reviewed simultaneously.

Guideposts:

- UN Secretary General's Reports: <http://www.un.org/News/ossg/sg/pages/statements.html>.
- IISS conflict report: http://acd.iiss.org/armedconflict/report/dsp_MainForm.asp.
- IISS database: http://acd.iiss.org/armedconflict/report/dsp_MainForm.asp.
- Relief Web security updates: <http://www.reliefweb.int/rw/dbc.nsf/doc103?OpenForm>.
- PCNA and results matrix/TRM or other results framework documents.
- PRSPs or other national recovery plan.

1.
 - a. Armed conflict is continuing. No negotiation, ceasefire, and peace agreement are in effect. Peacekeeping operations, if any, are highly ineffective and inadequate both politically and militarily.
 - b. A substantial number or percentage of population is displaced as IDPs or refugees. No government policies are in place to address the situation. The international community has extremely limited or no access to assist the displaced through humanitarian and emergency relief.
2.
 - a. Informal contacts between major parties (including warring parties) amid conflict, including some confidence-building steps toward formal negotiations and ceasefire (e.g., prisoner exchanges, partial military retreat or withdrawal from contested areas). Spoilers may undermine negotiations. Peacekeeping operations, if any, are relatively ineffective and inadequate from political and military standpoints.
 - b. Security conditions still prevent nearly all of the displaced population from returning. Conditions in hosting areas do not allow the displaced population to actively participate in the local social and economy life. The government is unwilling or unable to respond to the needs of the displaced population. Limited provisions for the displaced entirely driven by international agencies and NGOs.
3.
 - a. A ceasefire is announced and formal negotiations toward peace agreement begin. A roadmap for peace is established. Peace spoilers are progressively marginalized, with limited support and freedom of maneuver. Peacekeeping operations, if any, are somewhat effective. Plans for post-conflict reconstruction are being made.
 - b. The majority of the population continues to be displaced, as IDPs or refugees, and unable to return or integrate in areas of refuge. The government has adopted policies and is making some efforts to address the situation, but capacity is limited. International agencies and NGOs have moderate access to the displaced and provide the bulk of the humanitarian assistance and social services.
4.
 - a. A peace agreement is signed by all or most conflict parties and is in early stages of implementation, including the formation of a transitional government. Peacekeeping operations, if any, are successful and fulfill their political and military mandate. Consultations with the parties to the conflict have begun to draft the key elements of a national program.
 - b. A moderate number or percentage of the displaced population is returning or resettling. The government is implementing policies to address the situation by supporting international assistance, but still suffers from limited capacity. Integration in the local economy and society for the forcibly displaced is still limited. International agencies and NGOs have significant access to the displaced and provide adequate humanitarian assistance and social services.
5.
 - a. A substantial proportion of the provisions of the peace agreement are implemented. Political processes (e.g. transitional government) are acceptable to most parties affected by the peace agreement. Peacekeeping forces, if any, are beginning to transfer responsibility of security to internal forces. A credible national development plan is being developed.
 - b. A substantial number or percentage of the displaced is returning home due to improving security and return/resettlement assistance. The government is relatively effective in managing the return/resettlement process and the international community is scaling down its activities. Reintegration in place of origin of the displaced still problematic, especially for the poor and vulnerable.
6.
 - a. The government is fully recognized by all parties to the peace agreement and conflict is now managed peacefully through inclusive processes. Peacekeeping forces, if any, have transferred majority if not all of their security responsibility to internal forces. A credible national development plan is in place.
 - b. The majority of the displaced that wished to return or resettle have done so. Forced displacement no longer constitutes a distinct humanitarian or development issue, although some of the poor and vulnerable among the

displaced remain a concern. Reconstruction and reintegration assistance is provided by the government and international agencies.

Q12. Peace-building

This criterion assesses the efforts to support peace-building through deliberate political and institutional processes that promote reconciliation and address grievances. It also assesses the extent to which the media, including new forms of social media, is a vehicle supporting peace-building. The first dimension covers the extent to which society remains polarized by social groups who are focused on past and present grievances, the mechanisms to promote reconciliation, including truth and reconciliation commissions or national justice mechanisms, and the policies and processes to address grievances and promote reconciliation. The second dimension covers the degree of independence of the media, violence against media professionals, whether or not the media is promoting peace or fueling conflict, and how media messages of social groups are articulated. It should be noted that the degree to which the media can promote social cohesion may be outside of the control of the government. Each dimension should be separately assessed and their respective scores equally weighted to obtain the final score. Given the close links among the criteria in this cluster and to ensure consistency, their assessments should be reviewed simultaneously.

Guideposts:

- International Federation of Electoral Systems: <http://www.ifes.org/elections.html>.
- Freedom House: <http://www.freedomhouse.org/index.htm>.

1.
 - a. Society is polarized into adversarial social groups (or regions), which are focused on addressing past and present grievances, predominantly through violent means. Societal relations across opposing groups are volatile and cooperation is virtually non-existent. No processes to address grievances or group rights violations exist. Government policies and legislative processes at national, regional, or local levels neglect certain groups or regions and fuel divisions.
 - b. Stringent de jure and de facto censorship of the media exist. Significant levels of murders and arrests of journalists and cyber-dissidents, including their exile or flight. The media, including new forms of social media, fuel conflict through messages that promote hate and fear among social group(s), sanctioning violence as a legitimate means of justice or retribution, and supporting perpetrators of violence.
2.
 - a. Society is still primarily divided into groups that address past and present grievances often through violent means. Societal relations across conflicting groups remain tense albeit with some limited cooperation. Mechanisms to address grievances (e.g. judicial institutions, human rights commissions, peace commissions) are supported in limited areas but recognized by few parties. Government policies and processes to address grievances or promote reconciliation, if they exist, are nominal and have no real impact.
 - b. There are tight constraints on media, including prohibition on freedom of speech, ban on non-state sanctioned media (e.g., radio, newspapers, blogs). Violence committed against journalists continues with minimal penalty. The media continue to fuel conflict with hostile statements targeted at specific groups, reporting targeted violence as random acts, and condoning perpetrators of violence, though there are some voices for ending conflict.
3.
 - a. Societal division and social groups' focus on past and present grievances through violent means are sporadic and societal relations are moderately tense. Cooperation across groups is expanding to several economic and social areas. Formal negotiations to establish national transitional justice mechanism(s) (e.g. truth and reconciliation commission, grass root courts) are underway. Government officially recognizes the need for reconciliation, but policy measures to address grievances and divisions are limited and ineffective.
 - b. State censorship of the media restricts dissenting views and the existence of independent/private media, although dissident radios and blogs exist. Level of arrests and violence committed against journalists are moderate and the flight of journalists is no longer the norm. Some media send mixed signals about ending conflict, generally censoring conflict.
4.
 - a. Divisions between conflicting groups still exist, but there is increasing cooperation in numerous areas. National transitional justice mechanisms are recognized by all or most parties to the conflict and are in early stages of implementation, although constrained by inadequate resources. Policies to address grievances and divisions, such as punishment of perpetrators or responses to needs exist, but are modest and occasionally effective.
 - b. Limited criticism of government is tolerated but media are sometimes subject to harassments. Moderate levels of violence against journalists and cyber-dissidents exist. Some laws in place to protect media but tend to be ineffective and used selectively. The media generally support peace and reconciliation efforts and condemn violence by all parties.
5.
 - a. Social groups address much of their grievances through public and private institutions, although policy implementation is not followed by all groups. Transitional justice or other mechanisms of addressing past grievances are well supported and making progress in reducing tensions and are increasing in effectiveness. Some efforts to address group-based economic inequality are being implemented.
 - b. De jure independence and plurality of media exist, but the state occasionally harasses anti-state media through new laws and regulations. Few incidents of violence against journalists do take place without a commensurate government intervention to protect potential targets and punish perpetrators. The media are beginning to report conflict-related news in a responsible and professional manner but incidents of media

creating tensions still occur.

6.
 - a. Social groups recognize public and private institutions as the proper fora to address their goals and settle their disputes; extensive cooperation between groups exist. Formal and informal mechanisms to address past grievances and violations of rights are generally seen as appropriate and effective. Government policies actively address grievances and causes of social/regional divisions, including equality and accountability of political and judicial systems. Policies to address group-based economic inequalities are making progress and are adequately supported.
 - b. Media independence, multiplicity of media outlets, and media pluralism exist in many areas. Rules and regulations to protect the media exist and violators are prosecuted. The media tend to be responsible, responsive and accountable, promoting positive relationships between conflicting groups, take a strong stance against the use of violence and demand the condemnation of perpetrators.