Flexibility in the Face of Fragility:
Programmatic Multi-Donor Trust Funds in Fragile and Conflict-Affected Situations
Project: Review of Programmatic Multi-Donor Trust Funds in Fragile and Conflict-Affected Situations
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Disclaimer
This report and its annexes are the responsibility of the consultants and do not necessarily reflect the views of the World Bank or any other organization or persons consulted. The team assumes responsibility for any errors or omissions, and for the interpretation and analysis.

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Acronyms and Abbreviations

ARTF     Afghanistan Reconstruction Trust Fund
BETFs    Bank-Executed Trust Funds
CAS      Country Assistance Strategy
CFP      Concessional Finance and Global Partnerships
CPIA     Country Policy and Institutional Assessment
CTPFO    Global Partnership & Trust Fund Operations department
DAC      Development Assistance Committee (of the OECD)
FCS      Fragile and Conflict-Affected Situations or States
FIFs     Financial Intermediary Trust Funds
FY       Fiscal Year
IBRD     International Bank for Reconstruction and Development
IDA      International Development Association
INCAF    International Network on Conflict and Fragility (OECD)
ISN      Interim Strategy Note
LICUS    Low-Income Countries under Stress
LRTF     Liberia Reconstruction Trust Fund
MDRP     Multi-country Demobilization and Reintegration Program (Great Lakes)
MDTF     Multi-donor Trust Fund
NGOs     Non-Governmental Organizations
ODA      Official Development Assistance
OECD     Organization for Economic Cooperation and Development
OP       Operational Policy
OPCS     Operations Policy and Country Services
OPCFC    Country Services Fragile and Conflict-Affected States Group
PCF      Post-Conflict Unit and Post-Conflict Fund
PRSP     Poverty Reduction Strategy Paper
PTO      Global Partnership and Trust Fund Operations Department
RETF     Recipient Executed Trust Fund
SWAP     Sector Wide Approach Program
TFMF     Trust Fund Management Framework
TTL      Task Team Leader
UN       United Nations
UNDP     United Nations Development Programme
1 Executive Summary

Multi-Donor Trust Funds (MDTFs) emerged during the past decade as the modality preferred by donors for working in fragile and conflict-affected states/situations (FCS). MDTFs are prominent in Afghanistan, Sudan, Iraq, Haiti, Indonesia, and West Bank Gaza, all of which are complex and high risk post-conflict or natural disaster situations. In turn, the World Bank has become the preferred MDTF administrator, managing the largest share of MDTF funding in FCS.

FCS have taken an increasingly important and strategic role in the World Bank. The Bank’s early commitment was shown by an increase in lending volume to FCS of more than 800 percent between 1980 and 1997. Over time, the World Bank has become more dependent on MDTFs to achieve its FCS objectives. Total resource transfers through to the World Bank from IDA and MDTFs increased from US$2.2 billion in FY04 to US$3.2 billion in FY09. However, the balance between IDA and MDTF has changed. In FY 2004, the IDA allocation of US$ 1.9 billion to FCS was complemented with a further US$ 304 mil channeled through MDTFs. By FY09, the IDA contribution of US$ 1.4 billion was surpassed by MDTFs resources of US$ 1.8 billion. Also, the share of IDA commitments to FCS decreased from 26% in FY04 to 11% in FY09.

The design of MDTFs has reflected the diversity of their context. However, there is a large body of knowledge and convergence of views on the efficiency of MDTFs in FCS, and on their typology, governance structures, and implementation modalities. Given the increasingly strategic role of programmatic MDTFs to the World Bank, OPCFC asked Scanteam to build on its 2007 MDTF Study, update and extrapolate lessons from experience and recommend ways and means to improve MDTFs. The recommendations were to be directed at the World Bank, but also donors and other MDTF stakeholders.

MDTFs emerged from a combination of: (i) aid effectiveness reforms; (ii) movement of the ‘security, development and state building nexus’ to the centre of the international development agenda; and (iii) donors’ perception that existing modalities for channeling assistance did not meet their objectives in FCS.

For donors, MDTFs enable large contributions to be channeled in high risk environments. They provide funding flexibility, donor visibility and a high degree of involvement in decision-making and oversight, while maintaining a limited field presence. MDTFs also allow donors to be selective in creating or strengthening partnerships, policy prioritization and policy visibility through dedicated funding volume, and higher attribution of outcomes compared to other multilateral instruments.

For national Governments, MDTFs bring international visibility and legitimacy. They ensure more predictable and coordinated funding, and high level engagement through a fund’s governance structure. Also, MDTF’s are a source of funding , brought in a harmonized

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1 This figure includes Multi-donor (US$ 3.6 billion) and Single-donor Trust Funds (SDTF, US$ 860 million) as well as commitments to four countries outside of the fragile states list: Iraq, Rwanda, Indonesia and Uganda which were relevant to this study.
manner, to the state building process, delivered through support to public sector capacity development and in support to overall government priorities.

The World Bank has expanded its role in FCS, responding to external changes and consistent with its original mandate. Beginning in the mid-1990s, the issue of FCS became an increasingly important part of the Bank’s agenda. In the 2000s, the World Bank management made support to fragile states and transition from conflict to peace into one of the Bank’s six priority areas, leading to changes in its policy framework, operational policies for crises and emergencies, and resource allocations.

The relationship between IDA and MDTFs in FCS has been complementary, broadening the reach and scope of Bank support to FCS:

- MDTFs have enabled the Bank to provide support in situations IDA could not be used. It also provided the Bank with opportunities to engage in politically sensitive contexts, pre-conflict situations, post-disaster emergencies and otherwise participate in activities outside the Bank’s traditional areas;
- IDA has also bridged MDTFs, mostly to enable certain countries to mobilize larger grant funding and to provide a platform for donor policy inputs, monitoring and reporting on global policy items; and,
- IDA and MDTFs also complement each other in providing a continuum by which donors can fund the Bank. MDTFs represent an increase in total contributions to the Bank as IDA and MDTF funds typically come from different donor budget lines.

MDTFs have influenced the Bank’s relations with partners. MDTF contributions to FCS are provided within a very different partnership arrangement, one which requires the Bank to play multiple roles, such as financial administrator, funding and policy convener and intellectual leadership. The objectives of MDTFs in FCS are closely linked to stabilization and security, an important agenda for MDTF donors and national Governments. The governance arrangements of MDTFs in FCS, therefore, translate the high political stakes for these actors. While these circumstances normally produce closer partnerships, they also increase expectations of the Bank’s performance, as one of the leading actors on the mechanism.

Among their contributions, MDTFs have provided greater flexibility, become an important source of additional funding and permit greater interaction between stakeholders at both the policy and operational levels. They have a more transparent decision-making and, therefore, lowered important transaction costs in highly volatile environments. Most World Bank-administered MDTFs in FCS assist national governments in rebuilding the state through strengthening government capacities, legitimacy and leadership.

MDTFs in FCS operate in low capacity environments, are more vulnerable to external conditions and require a faster pace of delivery than traditional Bank operations. The governance of MDTFs and stakeholder dynamics impact their performance as donors, national authorities and various other stakeholders may have a voice in decision making and oversight, all of which may influence the actual efficiency and effectiveness of the overall trust fund portfolio.

Donors have considerable voice on decision making, and in some cases are engaging in “micro-management” of the MDTF resources. Lessons also show that MDTFs tend to increase risk aversion within the World Bank, due to their high profile and governance
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system, which increases the number of stakeholders to which MDTF management and staff are accountable. These practices are leading MDTFs to slow down, become risk averse, bureaucratic, and therefore undermining key reasons for their creation, including lack of alignment between the portfolio and political cycle in FCS.

Expectation management is critical for building a portfolio that is technically and politically relevant, and to sustain stakeholders’ support over time. While donors need to balance their requirements for MDTF management and their expectations of MDTF performance, the Bank needs to communicate better the limitations and provide realistic expectations regarding MDTF performance. Agreement between stakeholders on the boundaries of the political and operating parameters of a MDTF is necessary for the effective performance of the instrument.

FCS are characterized by low implementation capacity and weak public administration systems and procedures, which is a major reason that the World Bank is often asked to take on the MDTF Administrator role: it upholds fiduciary standards and a focus on results management that the donor community wants. However, these same standards are also a source of friction: strict standards necessarily mean more careful and thus slower implementation.

FCS context requires the Bank to acquire new skills and operational approaches. MDTFs in FCS have tested the Bank’s staff profile and operational procedures to the limit, and generated new operational and human resources policies. Instruments such as OP 8.00, together with other policy changes in the Bank, widened the scope of Bank engagement in FCS and provide tools for bringing more flexibility, timeliness, and simplicity to Bank response in an emergency situation.

However, lessons show that existing instruments for FCS operations are reaching their maximum efficiency. In particular, if short-term response is to remain a part of Bank portfolio in FCS, then the Bank needs to go further than OP 8.00 and other changes in policy produced since 2007. The Bank is, therefore, faced with a choice between innovation or status quo in its approach to FCS operations.

The consensus view, within and outside the World Bank, is that MDTFs are “the instrument of preference” for engaging with in FCS. Concern focuses on coming to a more clear definition of the roles that the Bank can or should take on in FCS, including with the use of MDTFs. There is need to clarify how far the Bank management wish to engage in FCS – how deep into the political and emergency dimensions of these situations does the Bank want to go, and how it will improve the partnership with the UN.

As a partnership-based modality, improving MDTF performance in supporting the needs of FCS must be a joint endeavor. In order for MDTFs to further improve their role and usefulness, changes are required.

Recommendations:

- The World Bank and its shareholders should more clearly define which roles and responsibilities the Bank should undertake in FCS.

- The Bank should design a business plan based on the recognition that FCS operations require the Bank to take on more administrative and quality assurance tasks, some situations even requiring more hands-on and quasi-implementation roles, which makes FCS operations resource intensive and expensive.
• The Bank needs to go further than OP 8.00 to enable quicker delivery and faster disbursement. *Increasing risk tolerance* is required to make MDTFs critical tools for flexibility. The Bank, therefore, needs to reach an agreement with donors to agree on fiduciary and risk management standards for MDTFs in FCS.

• Strategic choice and business plan need to be clearly communicated by the Executive Directors and senior management, so that there is unified narrative within the institution on the Bank’s role in FCS and the use of MDTFs.

• Donors need a better appreciation of the complexities facing MDTFs, and in particular should support the World Bank in effectively performing the roles they assign to it as MDTF manager. Donors should focus on contributing strategic inputs and oversight, moving away from direct fund management.

• More predictable funding is critical for IDA and MDTFs in FCS. Donors should take particular care that their allocation decisions between IDA and MDTFs do not erode the stability of the Bank’s institutional core. MDTFs are non-core and less predictable source of funding than IDA, so donors need to ensure that their funding decisions reduce, not increase, vulnerability of FCS funding.
2 Introduction

1. The World Bank and the international donor community increasingly use Multi-donor Trust Funds (MDTFs) in fragile and conflict-affected states and situations (FCS). The Operational Policy and Country Services, Fragile and Conflict States Unit (OPCFC) of the World Bank commissioned this study on the World Bank’s experience with MDTFs, in preparation for the IDA 16 discussions.

2. The objective of the study was to review Bank experience and performance in managing a selected sample of MDTFs established to support and facilitate engagement in FCS. The sample was comprised primarily programmatic MDTFs. In particular, the study focused on whether, why and how the international community and the World Bank can use and improve MDTFs for both reconstruction and development in FCS. More specifically, the study was to:
   a) Identify the main lessons learned from previous reviews of programmatic MDTFs in FCS, focusing on what has been learned about the Fragile State context and external factors, stakeholder roles, governance structure, World Bank management requirements, and key performance factors during implementation;
   b) Undertake a rapid assessment of whether and how pertinent lessons learned have been incorporated into World Bank’s practices;
   c) Highlight which areas the Bank (and other stakeholders) need to further improve its/their support to MDTFs, to better align the mechanism with the stakeholders/World Bank policy objectives in FCS; and,
   d) Provide recommendations as these appear relevant to the overall FCS engagement.

3. This study presents lessons learned and recommendations at the strategic and policy levels. It notes areas where the World Bank and donors can improve their support to MDTFs, better aligning the modality with World Bank and donor policy objectives in FCS. Findings are supported by two substantive annexes: Annex A presents lessons from World Bank’s experience and learning from MDTFs in FCS and Annex B contains lessons from the literature review. Both annexes can be found in the accompanying Annex Volume.

4. For the purpose of definition, IBRD/IDA-administered trust fund portfolio consists of three broad categories of funds. The categories are based on the type of services provided and the execution role assumed by the Bank. As described under the Trust Fund Management Framework, endorsed by the Board in late 2007:
   - Bank-executed trust funds (BETFs) are funds for which the Bank has spending authority;

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2 The World Bank defines a country as a Fragile State if it is a low income country or territory, IDA eligible (including those countries which may currently be in arrears), with a Country Policy and Institutional Assessment (CPIA) score of 3.2 or below. Those countries for which CPIA data is not available are automatically included. Countries are considered “core” fragile states if their CPIA is below 3.0 or there is no data available. Countries are considered “marginal” fragile states if their CPIA score is between 3.0 and 3.2.
• *Recipient-executed trust funds (RETFs)* are those the Bank passes on to a third party recipient; and

• *Financial intermediary funds (FIFs)*, under which the Bank provides specific administrative or financial services with a limited fiduciary or operational role.

5. The study focused on programmatic MDTFs in FCS, which largely fall into the World Bank and Recipient Executed (RETFs and BETFS) categories, although some FIFs also have a programmatic approach and provide funding to FCS. However, some of the analysis and recommendations in the report may be relevant for MDTFs in other contexts.

6. According to World Bank definition, a **programmatic trust fund** finances multiple grants, under a two-stage mechanism. Initially, one or more donors agree to a thematic framework with criteria for supporting a program of activities. The donor(s) commit their resources to the trust fund on this basis. In the second stage, grants are approved for specific activities by the fund’s designated governance body, based on the agreed criteria.

7. The selected MDTF case study included: the Afghanistan Reconstruction Trust Fund (ARTF); the Iraq Multi-donor Trust Fund (Iraq ITF); the Sudan Multi-donor Trust Fund-National (MDTF-N) and South Sudan (MDTF-S); the Liberia Reconstruction Trust Fund (LRTF); the Multi-donor Demobilization and Reintegration Program for the Great Lakes (MDRP); the Transitional Demobilization and Reintegration Program (TDRP); the Multi-donor Trust Fund for Aceh and Nias (MDF) and the Haiti Reconstruction Fund (HRF), which was being formed at the time of the study.

8. **The information for compiling lessons and incorporation of lessons into World Bank’s practices was derived from existing documentation.** Complementing the documents were interviews with Bank staff in Washington D.C. and in the field, World Bank’s Executive Director Officers, representatives of the UN in New York, donor representatives, and other stakeholders. The interviews were conducted between 28 February and 6 April, 2010. A list of persons and documents consulted can be found in Annex C and D.
3 The Growth of MDTF in FCS

3.1 The Growing Importance of MDTF Funding

9. Fragile and conflict-affected states and situations are an increasingly important part of the World Bank’s strategic agenda. In Fiscal Year (FY) 2009, 11% of the Bank’s total IDA allocations went to FCS. However, the share of IDA commitments to Fragile States, decreased from 26% in FY04 to 11% in FY09, as reflected in graph 1. Funding to fragile states through MDTFs increased significantly during the same period. As a result, overall funding channeled through the Bank also increased.

Graph 1: Total IDA Commitments to Fragile and Non-Fragile States, FY04-09

Source: CFP/OPCFC, May 2010

10. Within FCS support, MDTFs have taken on an increasingly strategic role. Total IDA commitments to FCS between FY 2004 and FY 2009 were US$ 10.4 billion, compared to the US$ 6.0 billion channeled through MDTFs. However, in FY 2009 IDA funding to FCS decreased to just under US$ 1.4 billion, while MDTFs provided US$ 1.8 billion. The balance between IDA and MDTF funding has shifted over time, therefore, with MDTF funding becoming an increasingly important. FCS funding from MDTFs surpassed IDA for the first time in FY09.

Graph 2: Funding Commitments to FCS by IDA and Trust Funds, 2004-2009

Source: CFP, April 2010
11. The increasing trust fund commitments to FCS recipients reflects a broader growth in the use of trust funds throughout the Bank. Total contributions to Trust Funds grew by 47% between FY05 to FY09. Regarding Trust Fund contributions to FCS recipients, the amount remained constant, starting at 15% of total trust fund allocations in FY05 and growing to 17% by FY09. Real growth occurred in contributions to FIFs, which increased by 86%. While FIFs received about one third of all trust funds in FY05, they account for nearly half of contributions by FY09. Growth reflects the importance attached to the objectives of the FIFs, but also that the average size of FIFs tended to be larger than single-country MDTFs.³

Table 1: Donor Contributions to Trust Funds FY05-09 (US$ million)

<table>
<thead>
<tr>
<th></th>
<th>FY05</th>
<th>FY06</th>
<th>FY07</th>
<th>FY08</th>
<th>FY09</th>
<th>Increase over period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor contributions</td>
<td>6,933</td>
<td>6,692</td>
<td>8,557</td>
<td>9,839</td>
<td>10,164</td>
<td>47%</td>
</tr>
<tr>
<td>Of which to FIFs</td>
<td>2,651</td>
<td>2,751</td>
<td>3,645</td>
<td>4,659</td>
<td>4,936</td>
<td>86.20%</td>
</tr>
<tr>
<td>Of which to Others</td>
<td>4,282</td>
<td>3,941</td>
<td>4,912</td>
<td>5,180</td>
<td>5,228</td>
<td>22.10%</td>
</tr>
</tbody>
</table>

Source: CFPTP, FY09 Annual Report

12. Trust Funds have become an important channel for execution of IDA commitments. Between FY04 and FY09, fifty-seven percent (US$ 36.7 billion) of the total US$ 64 billion IDA commitment was channeled through trust funds, as a World Bank contribution. The data, therefore, shows a strengthening of the relationship between IDA and Trust Funds over time.

13. The majority of IDA and trust fund contributions originate with a limited group of donor countries. A large group of 53 donor nations made contributions to trust funds during this period. However, 70% (US$ 25.2 billion) of the total trust fund commitments came from the 10 largest donors, as shown in graph 3 below. Eight of these ten are also the largest contributors to MDTFs in FCS. All of the largest MDTF donors have representation in the World Bank’s Board of Directors.

Graph 3: Donor Cumulative Cash Contributions to Trust Funds, FY05-09 (US$ billions)

³ Although data has not been made available for this study, it would be important to capture the percentage of the FIFs that are channeled to FCS, to learn how much of the growth is occurring within FCS.
3.2 Evolution of the Aid Environment

14. **MDTFs have become more important with aid effectiveness reforms and increased attention to fragile and conflict-affected areas.** State fragility and violent conflict moved to the centre of the international development agenda during the 1990s. Beginning in the immediate post-Cold War period, the international community made a conceptual link between state fragility, violent conflict and development outcomes. This linkage expanded early in the new millennium to integrate security (human security as well as recipient and donor security objectives, particularly in relation to transnational crime and terrorism), state-building (strengthening the political process and institutions of state, and the delivery of public services), state legitimacy (the state-society governance compact) and management of the global commons (resource management, environment and climate change).

15. **The security, development and state building nexus received increasing political attention and flows of donor assistance.** In 2008, Official Development Assistance (ODA) to Fragile States accounted for 32% of total aid flows, up from approximately 15% in 2000. More than half of this was concentrated in a small group of countries where development, governance and security concerns intersect. Movement has been accompanied by the development of knowledge and best practices, in each one of these thematic areas, and the inter-relationships between them. An institutional and legal framework and best practices to support international engagement began to emerge as well, within the multilateral and bilateral systems and in civil society.

16. **Aid Effectiveness reforms accelerated at the same time,** as reflected in the Rome Declaration (2003), Paris Declaration (2005) and the Accra Agenda for Action (2008). Reforms focused around the principles of national ownership, harmonization, alignment and mutual accountability, and on moving from an operational focus to deepening policy level engagement. The reforms produced various “pooling” modalities for delivering assistance. Poverty Reduction Strategy Papers (PRSP) emerged as a policy framework for coordinating assistance at the country level, and the United Nations and World Bank developed unified country planning tools, including the Bank’s Country Assistance Strategy (CAS) or Interim Strategy Note (ISN) and the UN system’s UN Development Assistance Framework (UNDAF) and Common Country Assessment (CCA).

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4 The framework for a post-Cold War response to violent conflict was outlined in the Secretary General of the United Nation’s 1992 report, *Agenda for Peace*, which defined “support for the transformation of deficient national structures and capabilities, and for the strengthening of new democratic institutions…” as a peace building activity, essential to success post-conflict transition.

5 A OECD study reported that donors spent around 34% of total ODA (net of debt relief) in the 48 countries currently defined as fragile or conflict-affected states (OECD-INCAF: 2010).

6 The OECD qualifies its data by noting that 51% of ODA channeled to fragile states in 2008 went to just six of 43 eligible countries. In order beginning with the largest recipient, these were Afghanistan, Ethiopia, Iraq, the West Bank and Gaza, Sudan and Uganda. The trend over the past decade, therefore, is for growth in ODA to FCS, but with increasing concentration in a small group of countries. Of the top 25 country recipients on the OECD recipient list, at least 14 have a programmatic MDTF, currently in operation or under negotiation. These and other countries on the OECD FCS list are the recipients of Global Funds.
### 3.3 Evolution of MDTFs as Joint Mechanisms

**17. MDTFs evolved in response to the challenges of fragile and conflict-affected situations by addressing political and technical concerns within a partnership framework.** Donors and multilateral organizations entered into a growing number of processes with FCS governments and/or the parties to a peace instrument. These situations were characterized by: (i) high levels of volatility and risk, including the possibility of a return to violence; (ii) ongoing stabilization efforts and/or localized violent conflict, in contexts where significant conflict issues are unresolved; (iii) weak or sometimes non-existent state systems, with insufficient capacity to support transitional governance arrangements or service delivery; and, (iv) multiple and sometimes conflicting priorities and pressures to simultaneously meet immediate humanitarian needs, deliver a visible “peace dividend” and prepare for medium-term recovery and long-term development.

**18. MDTFs gained widespread donor support as existing aid modalities did not meet their objectives.** Other modalities enabled funding injections into emergencies and priority thematic areas. However, these did not meet specific FCS challenges. Joint bilateral mechanisms, such as Budget Support and Sector Wide Approach programs could not be used in situation with weak state institutions and procedures. In addition, some multilateral channels, such as IDA, could not be used when arrears left countries ineligible, which is common in conflict situations. Existing multilateral channels also provided insufficient flexibility in terms of timeliness of fund transfers (for example, IDA is only replenished every three years) or how funds were allocated against donors’ priorities.

**19. Donors were concerned about retaining influence, while recognizing that they themselves had limited capacity in most fragile states/situations:**

- **Broad multilateral processes tended to dilute donor influence within the larger organizations, and did not provide the visibility donors wanted for attribution of results.** The political importance of many fragile state situations and the risks of being engaged heightened donor concerns to be able to participate in the decision-making, particularly where national security interests were involved; and,

- **Donors had limited field capacity in most FCS situations.** Increased resource flows and political attention to FCS were not accompanied by an expansion of donors’ administrative or field capacity. Donors, therefore, needed better channels to absorb funding increases to FCS, without a corresponding increase to their overall capacity or at the expense of influence and visibility.

**20. Donors chose to work through the multilateral system, but in a way that was compatible with their own objectives, policies and procedural frameworks.** The UN and World Bank were in fact largely established to handle emergency, transitional and development funding and had the capacity to function efficiently and effectively in difficult situations. They could expand their capacities to support additional donor funded activities, and they also have their own funding beyond MDTFs that can expand the total pool of resources available in an FCS context.

**21. The UN and the World Bank have managed almost all MDTF funding.** Channeling through multilateral organizations situated MDTFs and their objectives within the core of the multilateral system. However, programmatic MDTFs generated a partnership in
which donors had a strong voice in defining policies and procedures and normally also had a voice in funding decisions, providing donors considerable influence and visibility. In many MDTFs administered by the World Bank, in addition to influencing the scope of the fund and the policy framework guiding the MDTF, donors retained decision-making authority over resource allocation, and how funds are channeled, such as if and which Partner Agencies could apply for funds. They often provide inputs to the technical aspects of projects financed. Donors do not have this level of influence over IDA allocations to FCS.

22. At the same time, national governments called for mechanisms that would impose less on their national capacities and enable better aid coordination and harmonization. There was a need for funding mechanisms that could release public sector capacities spent on negotiations and fulfilling requirements of bilateral donors, to enable governments to focus on further developing public capacities for service delivery. Governments also desired a change in the scope and level of dialogue among partners, away from a project-based approach. Pooled funding mechanisms such as MDTFs direct dialogue towards decisions on priorities, and in turn, on needed policies and strategies to achieve them. As such, a MDTF never functions as a funding instrument only; at heart it is a platform for dialogue and a means for partners to pursue, and hopefully achieve, common interests.

23. As a partnership-based modality, MDTFs had to bring solutions to challenges in FCS faced not only by donors, but also by multilateral organizations and recipient governments. Accordingly, the MDTF partnership involves compromise and trade-offs. Principally, in exchange for providing political and financial support, donors request a role in policy development, decision-making on fund allocation and visibility within the MDTF framework. Management, administration, fiduciary responsibility and risk management is transferred to the fund administrator, whose leadership and convening roles are in turn expanded and strengthened by the MDTF. For national governments, MDTFs bring international visibility and legitimacy through high level representation on the instrument's governance, additional source of funding, brought in a harmonized manner, and state building resources through support to public sector capacity development.

24. MDTFs, therefore, came to fill a gap in international cooperation modalities. MDTFs enable donors to: (i) expand access to policy dialogue with national governments, and influence the shaping of policy or implementation of a peace instrument; (ii) maintain influence over the allocation of funds to ensure consistency with their specific national priorities, largely through participation in decision-making and the use of preferencing to direct their individual contributions; (iii) ensure robust oversight of program and fiduciary performance, and risk mitigation; and, (iv) enhance the visibility of their contributions, including acknowledgment for results where possible. These are desirable for accountability before domestic constituencies, and strengthening bilateral relations with the recipient country. Selectivity in terms of creating or strengthening partnerships, policy prioritization, policy visibility through dedicated funding volume, and attribution of outcomes were important to donors.
3.4 The Increasing Role of the World Bank in FCS

25. The World Bank has expanded its role in FCS, consistent with its original mandate. The volume of lending to FCSs increased by more than 800% between 1980 and 1997.7 Beginning in the mid 1990s, the issue of FCS became an increasingly important part of the Bank’s core agenda. In the 2000s, the World Bank management made support to fragile states and transition from conflict to peace into one of the Bank’s six priority areas, leading to changes in its policy framework, operational policies for crises and emergencies, organizational structure, and resource allocations. Its conceptual understanding of “development” expanded the Bank’s core competencies to new activities related to governance, poverty reduction, peacebuilding and security.8 The Bank has also opened the possibility for expanding partnerships in MDTF and FCS programming through the 2008 Partnership Framework agreement with the United Nations system. Taken together, these actions effectively represent a broadening interpretation of the Bank’s mandate and scope of work.9

26. MDTFs were an early instrument of choice for Bank engagement in FCS. The first Bank-administered MDTFs for FCS were in the West Bank and Gaza. The Technical Assistance Trust Fund (1993-2001) was followed by the Holst Fund (1994–2001). In 1995, the Bank-administered MDTF coordinated international assistance for post-conflict recovery in Bosnia and Herzegovina. Also in 1995, the Bank’s Board approved the first operational policy dedicated to FCS, Operational Policy (OP) 8.50, “Emergency Recovery Assistance”. These early MDTFs established various precedents to future Bank managed MDTFs, some of which were later incorporated into Operational Policy (OP) 2.30, Development Cooperation and Conflict (2001), especially the Bank’s ability to work in a context where no formal government exists. MDTFs, therefore, broadened the scope of participation in politically sensitive contexts and allowed the Bank to reach out where IDA could normally not enter.

27. During the past 17 years, the World Bank has gradually adapted its operational and policy framework for FCS, with growing use and experience with MDTFs.10 In 2007, the Board approved OP 8.00 “Rapid Response to Crises and Emergencies”, replacing OP 8.50. It significantly widened the scope of Bank engagement in conflict and post-disaster, compared to its predecessor. OP 8.00 broadened the definition of “emergency” and the applicability of rapid response instrument to encompass major adverse economic and/or social impacts resulting from an actual or imminent natural or man-made crisis or disaster. The Bank’s engagement in crisis and emergencies has also been extended to

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7 Post-Conflict Reconstruction, Operations Evaluation Department, Précis, Number 169, 1998.
8 By 2008, areas included within the Bank’s competencies include some forms of involvement in peace processes, integrated peace building and social and economic stabilization programs, capacity development and institution building, and security-related activities, such as demobilization and reintegration programs and aspects of security sector reform.
9 See Chapter 1.1 of Annex A on specific actions taken by the World Bank to strengthen its FCS policy framework, and related institutional and operational reforms.
10 For further background on the Bank’s operational policies for FCS, see Section 1.1.3 of Annex A.
activities outside the Bank’s traditional areas, namely support to relief, security, and specialized peace-building operations. The new policy and other policy changes, such as in the field of human resources, provide tools for bringing greater flexibility to operations in FCS.

28. As its operational and policy framework for FCS evolves, the World Bank has emerged as a main channel for donor’s funding through MDTF. Between FY05 and FY09, the World Bank held US$ 86.6 billion in trust fund assets. National authorities and donors’ preference for the Bank is derived from a combination of institutional factors.

29. The World Bank governance structure is based on proportional voting according to the various member states’ shares (contributions) to the Bank’s capital structure. The larger shareholders to the World Bank are also among the largest donors to Trust Funds and MDTFs in FCS. Donors are therefore potentially able to exert strong influence over decisions in Bank-administered MDTFs, as they have considerable voice in the Bank’s Board, where general MDTF policies are decided, as well as in MDTF governance bodies. However, the governance bodies of MDTFs in FCS normally include an ever-increasing voice of national authorities and often other multilateral institutions such as UN agencies, EU and regional development banks. Donors’ influence, therefore, may be counter-balanced by national governments and participating multilateral organizations.

30. The institutional core of the World Bank has developed around IDA and IBRD. These provide a link between transitional and long-term funding, intermediary investments and development outcomes. Designating the Bank as the MDTF Administrator, stakeholders have the possibility of a continuing engagement, as the Bank can bring its other products and services (analytical work, capacity building), and an evolving relationship with the Bank becoming another “donor” by providing additional grants, credit and loans. Assigning the Bank a MDTF role, donors and national authorities also bring in the Bank as a knowledge institution and broker. MDTFs are an opportunity for the Bank to provide intellectual leadership within its areas of competence.

31. The Bank is perceived to have strong management, with clear lines of accountability and an operational focus. These bring valued administrative and managerial resources to an MDTF partnership, especially in FCS. As its engagement as MDTF administrator is based on the IDA business model, meaning that funding is normally channeled on-budget and often on-treasury. This provides direct support to national authorities and legitimacy to their systems and procedures, and builds their capacities, in line with Paris Principles for Engagement in Fragile States and Situations, which bilateral donors support. Furthermore, improved public sector capacities are instrumental for all MDTF stakeholders, including the Bank itself, to enable MDTF objectives to be achieved. Accordingly, building and/or increasing public sector capacity has been an objective for all Bank-administered MDTFs in FCS (ARTF, LRTF, MDRP, Sudan MDTFs, Iraq ITF). In several countries the emergent public sector is adopting some Bank’s procedures when rebuilding the state, which is an important and sustainable impact of MDTFs (ARTF, Iraq ITF, MDRP-Rwanda, Sudan MDTF).

11 The total number of active trust funds at the end of FY09 reached 1,045 (2009 Trust Fund Annual Report).
4 Features of MDTFs in FCS

32. MDTFs developed to meet the specific challenges of FCS. They integrate political and technical processes within a partnership framework, enabling the building of political consensus, policy dialogue, the pooling of resources and risk and program delivery.

33. There are three key sets of stakeholders in an MDTF: (i) national authorities, (ii) the donors, and (iii) the multilateral actors, primarily the UN system and the World Bank, including in their role as Administrator of the Fund. Other actors have been involved in various roles in different MDTFs: regional development banks as contributors, partner agencies or on management committees; international NGOs and national civil society organizations (ARTF, MDF, MDRP). Private sector companies have participated in MDTFs in FCS, usually as monitoring or fiduciary agents and as implementers.

34. The political foundation of an MDTF is a series of inter-linked bilateral agreements between individual donors, and the community of donors and national government/national parties to a peace instrument, at the highest political level, based on a set of mutually agreed objectives and commonly held interests. The substance of those agreements may evolve, reflecting changes in the context. However, the agreements must be sustained over time.

35. The MDTF is a channel to implement a set of mutually agreed objectives and commonly held interests. If these (equilibrating) agreements are not sustained over time, the MDTF can become vulnerable to in particular donor political agendas and pressures as in the case of the Sudan MDTF-National. Donors may also lose high-level political interest, such as with the IRFFI and was with the MDRP. In such cases, the Bank also becomes vulnerable as risk-sharing further loses equilibrium. The Bank as MDTF administrator then risks to be left to deal with the resultant reputational risk.

36. Three levels of political agreement usually define the partnership: (i) a political agreement between donors and national government; (ii) a decision on which of those objectives will be achieved through the MDTF, in light of the fact that trust funds usually channel only a small percentage of total flow of assistance into an FCS, and (iii) a decision on which organization will administer the fund. The selection of MDTF administrator is normally done by national authorities in consultation with donors, based on two sets of considerations. The first is the intrinsic administrator requirements. The other is contributions to the larger post-conflict situation.

37. The roles of stakeholders vary according to the purposes and contexts in which MDTFs are designed. They depend on the resources and capacity stakeholders bring to the table, and the agency they show in exercising those roles. Accordingly, Bank-administered MDTFs in FCS have somewhat different governance structures, but the general one consists of (i) a deliberative body that sets policy, generally with participation by national authorities, (ii) a funding decision body made up of contributing donors and usually national authorities, (iii) a project review body, and (iv) a secretariat that services the other three bodies. Some MDTFs combine into one body the functions of policy
deliberation, funding decision making, oversight and financial and implementation monitoring (MDF, LRTF, TDRP, Sudan, Haiti). Other MDTFs have a dedicated committee for funding decision (ARTF, MDRP). 12

38. MDTF partnerships are characterized by interdependence between stakeholders, and by dynamic and unequal relationships and roles that change to reflect internal and external conditions. MDTF relationships in FCS show three general patterns: (i) neither the partnership nor technical implementation can be sustained when the framework political agreements break down; (ii) donors usually play the prominent role making funding decisions 13 and often play a role in building the MDTF portfolio, through providing technical inputs in the project approval process; and, (iii) national governments may play a more assertive role over time, as their capacity strengthens and conditions improve.

39. The ability of national governments to play a more central role in MDTF partnerships depends on the level of stability and legitimacy they enjoyed nationally and on their capacities (political and institutional) to exercise a leading role. Commitment to the partnership also depends on convergence over time between the interests of the government and their perception of what the MDTF can deliver. Collaboration, therefore, depends on matching common interests at the political level.

40. Once the higher level agreements are achieved and the MDTF is established, the balance and roles in the relationship tend to change:

- High level attention should continue, for example through a consortium process.
- Country level policy dialogue and decision-making on strategic direction is ongoing with the governance structure, between donors, government/parties to the peace instrument and the World Bank.
- Donors assume performance and fiduciary oversight roles, consistent with requirements of domestic planning instruments and systems.
- The primary operational relationship is established between the Bank and levels of the client Government/parties.
- The existence of a political agreement and invitation of the principals to administer creates a demand and opportunity for the World Bank to exercise intellectual leadership, consistent with its positioning as a “knowledge Bank”.

41. The Bank exercises the dual roles of manager and intellectual leader, through two parallel and inter-related fora/processes in an MDTF: Operational level, between government and the Bank as the leading partners in the operational process; and Policy, through the policy dialogue fora between the Bank, Government and donors.

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12 See Annex A, Section 1.2.2 for more specific definitions of stakeholder roles according with general patterns.
13 Donors are part of the funding decision making body of most MDTFs, including those of the case studies for this study. This is not, however, always the case. For example, in the ARTF neither the donors nor the national authorities make funding decisions, role which is delegated to the Management Committee composed of four multilateral agencies.
Various needs and purposes converge into MDTFs. As such, as an instrument for international cooperation, a MDTF has multiple purposes:

- **Expanding participation, political support and resources.** MDTFs provide a set of objectives, structure and a consensus-building environment around which stakeholders can gather. The impact has been to expand opportunities for participation, and to increase political support and resources. Fragile state situations, especially post-conflict, are often politically sensitive and involve high risks. Many donors, especially the smaller ones, do not have the capacity to work bilaterally in these contexts. Also, the consensus-building setting creates a framework for collaboration, where political tensions may have otherwise limited interaction;

- **A mechanism for policy dialogue** and, therefore, a forum for consensus building within which a number of governments and/or institutions formally come together to discuss, establish and possibly change policies, principles, criteria, and rules for expending pooled resources (e.g. funds, human resources, political support) to achieve common objectives;

- **An instrument for political visibility,** where governments and/or institutions invest in linking political objectives to resource prioritization. The political content being negotiated range from implementation of peace agreements and post-disaster reconstruction, to global climate change, education or health policies. Given the scope of the partnership, a MDTF brings political attention to the situation. Normally a MDTF occurs at a point in a state’s history when it is particularly weak and vulnerable, and can therefore function as a state building and/or regime legitimizing instrument. On the other hand, a MDTF may also pose political risk if it does not deliver as expected and the authorities may face questions about this delivery mechanism, what may contribute to destabilize a volatile situation;

- **A pooled funding instrument,** into which a number of bilateral organizations and/or institutions deposit funds into a single account for the purpose of supporting commonly, agreed objectives;

- **A mechanism for risk-sharing** in very volatile situations, which makes the use of MDTF Administrators’ fiduciary management an important resource to mitigating risks in countries that may have serious levels of corruption and where public finance management is weak and with poor oversight from political and auditing/legal institutions. Furthermore, donors are willing to let their funds be used for activities that they otherwise would not simply because the political risk sharing is seen as highly desirable – perhaps the most important risk-sharing aspect;

- **A harmonizing instrument.** MDTFs expand resources available for post-crisis rehabilitation and reconstruction to the intended beneficiaries, efficiently and effectively. This includes reducing various kinds of transaction costs: getting economies of scale in the administration, planning and overall management of the funds; reducing information and uncertainty costs through better coordination of donor resources, harmonization of rules and procedures for disbursing and using the funds, alignment of activities with national priorities and activities of other actors involved in the rehabilitation and reconstruction efforts, and agreeing on the overall objectives and hence focusing activities on producing results against those. A MDTF
function as a forum for inter-donor discussion and coordination, and a forum for entering into dialogue with national authorities;

- **An instrument for increasing capacities for aid management and national implementation.** Most donors have a scarcity of human resources dedicated to high-risk situations and handing over resources to a MDTF Trustee-Administrator means that the administrative costs of managing the funds are reduced while buying administrative services from a reputable multilateral organization. For national authorities, a MDTF is a coordinated and harmonized channel of resources and a platform from which to request more funding. MDTF resources, especially when untied, are more amenable to national programming and can strategically function as gap filler; and,

- **An instrument for establishing a model of good governance.** MDTFs are established under principles of transparency and accountability, are structured and follow procedures coherent with such principles. MDTFs provide an unparalleled openness on funding and disbursement that permits resources tracking by its stakeholders as well as scrutiny of its decision making process. MDTFs tend to be highly visible in FCS, due to their official status within a peace process, or that they are the most important forum for engagement between the national government and other stakeholders. Their composition is broad and decisions are made mostly based on consensus. MDTF decision on priority and funding is publicly available. The visibility of a MDTF also attracts greater scrutiny to its operations and finances, and increase public demand for information about activities. Visibility, therefore, contributes to the need for accountability and to show results that is often greater than other modalities that might be implementing simultaneously, and may even be larger in funding terms.

43. A large volume of lessons have emerged with the growing use of MDTFs in FCS. Annex A of this report is dedicated to lessons learned compiled from document review and personal interviews. These lessons derived from the underlying assumption that FCS context and external factors, stakeholder roles and dynamics, funding structure, Bank management and institutional support, influence the performance of MDTFs in FCS.
5 MDTFs and the World Bank

44. **Trust Funds, including MDTFs in FCS, are a significant and rapidly increasing business line for the World Bank.** Their growing importance and political visibility in FCS contexts has changed, and continues to change, the Bank’s architecture on the funding side, and over time also on the organization and its agenda:

   a. The balances between grants and loans, between core and non-core, non-predictable sources of funding are shifting;

   b. Lines of authority and accountability are moving - internally, the vertical and horizontal matrix, and segmentation of business processes, and externally with the role of donors in the governance of MDTFs;

   c. The information base – the data and country portfolio information – for Bank’s management to make assessments and strategic decisions;

   d. Incentives and career tracks for staff; and,

   e. The kinds of partnerships that the Bank enters into at the national level to deliver MDTF interventions, including how those partners influence the effectiveness of MDTF operations.

5.1 **Complementing IDA**

45. **MDTFs helped open and consolidate the World Bank’s roles in FCS.** As graph 2 shows, the rapid and continuous rise in MDTFs now provide a significant share of total World Bank support to FCS, in 2009 surpassing IDA funding for the first time. The Bank’s strategic objectives in FCS are, therefore, becoming more dependent on MDTFs. As the financial data indicates, because MDTFs offset the decrease in IDA’s commitment to Fragile States by a much larger share, total World Bank support to FCs increased through MDTF contributions.

46. **MDTFs have enabled the Bank to provide support to places IDA could not have reached at the desired stage,** such as Afghanistan, Bosnia, Iraq, Timor-Leste, the West Bank and Gaza, Sierra Leone and Zimbabwe. In these and other situations, MDTFs both co-financed and bridged IDA investments. MDTFs provide the Bank with expanded opportunities to engage in politically sensitive contexts, pre-conflict scenarios, post-disaster and post-conflict environments. They also enable the Bank to play roles in activities outside the Bank’s traditional areas, namely support to relief, security, and specialized peace-building operations, all of which are sanctioned by OP 8.00.

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14 See Annex A, Section 1.1.2 for examples of the Bank combining support instruments for responding to emergencies and crisis.

15 For examples of such activities, see Activities within World Bank Core Competencies in the Context of Crisis and Emergencies. OPCFC, 14 August, 2008.
47. However, there are also cases where IDA has enabled the entry of MDTFs, such in Liberia, Brazil and Indonesia, among others.\textsuperscript{16} In Liberia, IDA and IBRD financing has been supporting activities in various areas, however, IDA allocations as well as single donor support were insufficient to cover large infrastructure projects (road network). The establishment of the Liberia Reconstruction Trust Fund (LRTF) was sought to enable the country to mobilize larger grant funding, pool funds to a sector to permit large scale rehabilitation of a trade corridor (and attract contractors) and to build on activities funded by IDA operations. In turn, LRTF is co-financing IDA.\textsuperscript{17}

48. In Indonesia, where the Bank has had a lending history through IBRD, IDA and other instruments, the Multi-donor Fund for Aceh and Nias was mainly to assist Government with donor coordination, in view of the scale of donations after the tsunami disaster in 2004. The Trust Fund became a Bank-managed MDTF mostly because of the Bank’s reputation through IDA and IBRD. In Brazil, the Pilot Program to Conserve the Brazilian Rain Forest (1992-2009), for the reduction of the deforestation rate in the Amazon, was established due to the global nature of deforestation and international efforts in climate change. Donors’ interests in policy inputs, monitoring and reporting on a global policy item were therefore the main propeller for this MDTF.

49. The complementarity between IDA and MDTFs can be clearly seen in the Bank’s State and Peacebuilding Fund, designed to open doors for IDA operations. The Fund provides financing for countries in arrears, condition which hinder the possibility of IDA credit provision, and make available small grants for urgent activities not easily funded under regular IDA credit or grant operations.

50. From the viewpoint of funding source, IDA and MDTFs complement each other in the continuum through which donors can fund the Bank. MDTFs channel grant funds only while IDA provides both grants and loans. However, the sources of grant funds that are channeled through IDA and MDTFs as well as how funds are allocated are different. IDA financing is large-scale lump-sum contributions negotiated every three years with the donors, who normally have to take this through their own budget process.

51. Funding for MDTFs are mostly yearly allocations from humanitarian and development cooperation budget lines already approved by parliament and hence under the administrative decision making of an aid agency or Ministry of Foreign Affairs. These allocations are normally free standing, although they should be prioritized according to the development cooperation planning of each donor. Donors’ ability to mobilize MDTF funds is, therefore, more flexible and more adept for channeling funds into unpredictable situations and emergencies. However, funding to MDTFs from each donor can change from year to year, which affects funding predictability of MDTFs.

52. On the other hand, a single MDTF can finance activities in various areas (e.g. relief, reconstruction, development) and sectors prioritized by donor’s political bodies, enabling

\textsuperscript{16} There are many examples of MDTFs being established in typical IBRD and IDA countries since the early 1990s. See Trust Fund Partnership and Trust Funds Annual reports.

\textsuperscript{17} For example, the LRTF provides continuity to activities initiated under the Emergency Infrastructure Project Supplemental Component and the LRTF co-finances the Urban and Rural Infrastructure Rehabilitation Project.
donor agencies to fund MDTFs from different own budget lines and to contribute towards achievement of donor’s given priority sectors.

53. **The relationship between MDTFs and IDA has thus far been marked by complementarities.** Trust Funds complement and support different types of Bank’s work. Currently one third of the Bank’s knowledge products are supported by BETFs, such as the Analytical MDTF in Zimbabwe, among others. IDA also benefits from the analytical work, technical assistance and other capacity building support provided by these MDTFs. Trust Funds, including MDTFs in FCS, have also been gap filling for IDA’s Performance-Based Allocations, when recovering states are no longer classified as fragile (e.g. Iraq, Nigeria). Global Partnerships particularly seems to be covering this ground.

54. **Consultation with MDTF stakeholders internally and externally to the Bank indicates that the relationship between IDA and MDTFs are not always clear.** Nor is the impact of MDTFs in the institution well defined. Questions have arisen as to whether MDTFs compete with IDA, if they weaken or complement IDA, what is their contribution to the institution’s reputation. Given the strong MDTF constituency within the institution and with donors, the better question is perhaps how the World Bank and its donors can strengthen the complementarity between IDA and trust funds, including MDTFs in FCS, to fulfill the institution’s mission of poverty reduction in general and its performance in FCS in particular.

### 5.2 Changing Corporate Dynamics

55. **Since the World Bank increasingly relies on MDTF to channel its support to FCS, MDTFs actually provide resources that better align the institution with its mission of reducing poverty.** However, MDTFs as a modality are still evolving, generating some imbalances in the institution and frustrations, internally within the Bank and externally.

56. **MDTFs do not fully fall under the normal Bank’s governance and oversight procedures.** Operational Policy (OP) and related Bank Procedure (BPs) 14.40, “Trust Funds”, regulates trust funds, while MDTFs in FCS normally are regulated by two additional policies: OP/BP 2.30, “Development Cooperation and Conflict” and OP/BP 8.00, “Rapid Response to Crises and Emergencies”. MDTFs established using World Bank’s procedures may also follow other policies that regulate standard Bank operations.

57. **MDTFs in FCS are regulated under the Bank’s general Trust Fund policies.** OP 2.30 regulates those MDTFs operating under conflict situations such as the case of MDRP operations in the Great Lakes Region. OP 8.00 can be applied to FCS, but also to Bank operations under emergencies in countries not classified by the Bank as a Fragile State, such as the post-tsunami MDTF in Indonesia.

58. **According to OP/BP 14.40, MDTFs can be initiated by Bank’s task team leaders (TTLs) and be approved by the Vice President of her/his relevant managing unit. The approval by the Board may be required only in the case of large trust fund proposals and/or where the

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18 *Managing Trust Funds: An Update and the Way Forward*, World Bank, 10 May, 2010

19 See section 1.1.3 of Annex A for a background discussion on the Bank’s operational policies for FCS.
financing mechanisms or governance or partnership arrangements are unusually complex or high-risk. Otherwise, trust funds are governed by Administration Agreements between the Bank and the donors, Grant Agreements between the Bank and the grant recipients. Once the MDTF is established, funding allocations are done according to the MDTF governance procedures agreed to by the parties.

59. Activities are implemented by governments or partner agencies authorized by the parties. When activities are implemented by a partner agency such as a UN agency, the Bank transfers through an administrative agreement its fiduciary responsibility to the implementing agency. In such cases, the Bank retains a reporting and other roles agreed to with the donors as manager of the MDTF secretariat.

60. When the Bank retains supervisory role over implementation, as is the case when government is the implementer, TTLs obtain project approval from the line managers. If activity is to be implemented at the country level, approval by Country Director or Country Manager also needs to be obtained. TTLs supervise and report to line managers. The Bank in turn report to MDTF donors, according to provisions in the Administration Agreements between the Bank and the donors.

61. Unlike standard Bank projects, trust fund projects do not need Board approval. Trust fund resources are also reported separately from other Bank funding and have not necessarily been visible on the Bank’s resource/expenditure data that Country Directors and Managers, Vice Presidents and Board members look at. Given the scale and spread of fund trust funds have reached within the Bank, high level management have been missing an important piece of the pie when making country as well as higher level strategic decisions.

62. Cognizant that trust funds were growing rapidly and evading the full grasp of decision makers, the Board approved in late 2007 the Trust Fund Management Framework (TFMF), followed in early 2008 by the update of OP 14.40. The TFMF aimed at mainstreaming trust funds into the Bank’s strategies and business processes. The TFMF rests upon the following three pillars: (i) enhanced strategic focus and selectivity, (ii) strengthened risk and results management, and (iii) enhanced operational efficiency and sustainability. An update of the TFMF implementation was presented to the Bank’s Board in May 2010, to provide information on the implementation of the reforms undertaken and on their impacts.

63. Since the TFMF approval, MDTF activities are increasingly being incorporated into the CAS and other Bank planning and reporting instruments, such as those for the annual meetings and country portfolio reviews. Moreover, Vice-Presidency Units managing trust funds now review their trust fund portfolio in light of their overall strategy and activities.

64. While the Bank has dedicated operational policies for trust funds, it has only one fiduciary framework that applies to all Bank operations. Regardless of the context and

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environment under which MDTF operations in FCS are implemented, they have to follow
the Bank’s fiduciary principles and procedures. This limits the Bank’s ability to deliver the
full range of services required in FCS, especially in meeting short-term engagements
(activities delivered in less than a one-year cycle).22

65. **Instruments such as OP 8.00, together with other policy changes in the World Bank, widened the scope of Bank engagement in FCS.** They have provided tools for bringing
more flexibility, timeliness, and simplicity to Bank response in emergency situations.
However, existing instruments are seen to be reaching their limits in terms of efficiency of
implementation in FCS.23 Bank reviews and staff assessment in connection with this study
indicate that while rapid response operations are processed more quickly, the actual
delivery of Bank assistance has not accelerated in the same way. The added flexibility on
the use of alternative implementation arrangements in weak-capacity environments is still
hampered by Bank rules and procedures and by national authorities’ lack of capacity to
implement faster.24

66. **The consensus view, inside and outside the World Bank, is that MDTFs are “the
instrument of preference“ for engaging with FCS.** This is supported by stakeholder
interviews and the existing literature. The issues that are raised deal with (i) how to
improve the partnership with the UN; (ii) a clearer definition of the roles that the Bank
wishes or should take on in the context of MDTFs; and (iii) a better understanding of how
far Bank management wishes to engage in FCS – that is, how deep into the political and
emergency dimensions of these situations does Bank management really want to go. This
has implications for the kinds of instruments that the Bank needs to have in place to play
those roles well, including how MDTFs are expected to become more efficient and
effective delivery and policy instruments. Regarding the latter there is a question of
whether the Bank prefers to continue innovating with regards to MDTFs, being willing to
take more operational and perhaps also political risks by making MDTFs more flexible, or
whether the Bank prefers to accept the limitations that current policies and instruments
set, and focus on tweaking and improving within the current parameters.

67. **Changes to MDTFs have implications for all the partners.** If the overall risk profile of the
MDTFs changes, there need to be discussions on the nature of this risk, how to share it
among the partners, and overall how to manage it and what it means if the international
community takes upon itself more of the risk in a high-volatility and conflict affected
situation (moral hazard problems, insurance costs). But there is another dimension,
perhaps equally important, and that is if the World Bank as an institution wishes to take
on the linked-in management costs and reputational risks of becoming more risk exposed.
FCS demand more senior management attention and technical skills, meaning that deeper

22 The Bank has recently opened up to other fiduciary frameworks, the Bank-UN’s *Fiduciary Principles Accord*
being an example. In such cases, the Bank does not execute and Governments do not implement MDTF
activities.

23 See Annex A, Section 1.2.4 for further details on lessons from OP 8.00.

and riskier FCS engagements will require a further disproportionate allocation of Bank staff resources compared with the IDA and other funds allocated to FCS.  

5.3 Donors Dynamics

68. MDTFs enable donors to exercise greater influence over policy choices and funding allocation in FCS. However, donors’ tendency to exert influence over fund administration through, for example, preferencing and micromanagement diminishes the efficiency of the mechanism and challenge MDTFs’ ability to function as a tool for harmonization. Moreover, donors perceive the Bank’s fiduciary and risk management frameworks as a comparative advantage, yet donors tend to underestimate their requirements when forming expectation on the speed of MDTF delivery in very fragile environments.

69. The donor practice of preferencing and setting timelines in MDTFs undermine MDTF’s governance. Donors who express “preferences” in terms of which parts of an MDTF portfolio they wish to finance retain some funding decision making outside of the mechanism’s governing bodies and chain of decision making. Some donors use preferencing to leverage a supervision role that implies they are a direct financier to a line ministry. However, since funds commingle, administrators are not obliged (or even able) to track funds to donors. It is essential that donors accept this up front.

70. Preferencing is normally guided by donors’ desire to align MDTF funding with their domestic development aid strategy or with projects and programs whose implementation are seen as successful, such as the National Solidarity Program/ARTF. In doing so, these donors may be “crowding out” other donors by claiming that it is largely or in the aggregate only those donors who are preferencing who provide funding for the successful or visible activities, undermining the entire partnership concept of the MDTF.

71. Preferencing may create rigidities for the decision making when managing the funds. Preferencing “locks in” resources and decisions as some MDTF resources are not freely available for programming, but also may increase pressures to disburse to “preferred” instead of “needed” activities. These practices allow donors to make allocation decisions while shifting a greater share of accountability and risks to the Administrator. Mutual accountability becomes unbalanced. While MDTFs are meant as a risk-sharing mechanism, in practice the World Bank often ends up with increased responsibilities and with low level of burden-sharing and assumption of risk by the contributing donors.

72. Reputational risks due to portfolio performance and external factors are mostly absorbed by the Bank. At the same time, performance depends on many factors. Most of these are of the known kind, and projects are typically structured to handle them. But

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25 In the MDRP, the Bank ended up contracting a team to monitor and manage its support to the national demobilization and reintegration program in the DRC that at its peak counted ten persons. These were on a daily basis monitoring activities on the ground, pushing and cajoling national actors and international implementers to ensure proper and faster progress. While technically the team did not have implementation responsibilities, it clearly assumed a strong role in pushing the program forward. The team members were therefore staff who had to be able and willing to work on the ground and could handle the kinds of conflictual situations that a DDR program often raises – a task considerably different from the standard Bank TTL monitoring visits.
MDTFs introduce the additional dimension of its own governance system, where donors, national authorities and various other stakeholders may have a voice in decision making, formulation of operating principles, quality assurance and reporting systems, all of which may influence the actual efficiency and effectiveness of the overall trust fund portfolio.

73. Lessons emphasize that keeping project design realistic and simple is important in FCS particularly. However, portfolio composition may face pressures from donors who might push for quick selection of projects, allocation and disbursement of funds and attempts to influence project design (development objective, scope, timeline). MDTFs are also driven by political rather than objective assessment as expressed through preferencing. These factors distort the Bank’s objectivity in building a portfolio aligned with needs and realities on the ground.

74. The Bank should communicate better the limitations and provide realistic expectations regarding MDTF performance. Unrealistic or conflicting expectations by donors are a factor contributing to controversies surrounding some of the MDTFs, such as the South Sudan MDTF. This is particularly the case regarding the speed of implementation, the scope of the portfolio and the extent to which a World Bank administered MDTF can meet broad coordination and political dialogue objectives. Additionally, donor preferencing and micromanagement of a portfolio significantly limit governments’ ownership and ability to align project design with its foreseen capacity for implementation, which undermines the very purposes of a partnership-based pooled mechanism.

75. A disproportionate share of the costs associated with establishing and administering MDTFs are absorbed by the Bank, including fiduciary and risk management. Since the global MDTF review of 2006, Bank and donors have been aware that a significant share of the running costs of MDTFs was being absorbed by the Bank, as a result of the unrealistically low administration fees charged by the Bank. According to the TFMF implementation update, the World Bank is currently recovering 94% of costs associated with administering trust funds. This is due to the revised fee structure for Bank administration that was introduced in 2008. Delivery of results with the kinds of quality and documentation that the international community demands is much more costly than in standard development environments, and now the Bank is charging more realistic administration fees and implementing a full cost-recovery policy.

76. However, the relative contribution of MDTFs to the Bank’s operating costs is a topic that the Global Partnership and Trust Fund Operations Department is currently studying. According to this Department, around 25% of the Banks operational costs rely on Trust Funds while about 12% of MDTFs staff costs are supported by Bank overhead costs. It remains that the institution needs to more systematically factor in costs associated with running MDTFs, and especially to ensure that FCS operations are resourced at the appropriate level to provide speedier delivery of activities.

26 Post-Crisis Multi-donor Trust Funds, Scanteam, April 2007. The cost absorption by the World Bank has also been addressed in subsequent country-specific MDTF reviews (e.g. Afghanistan, Indonesia, Sudan and the Great Lakes’ MDRP).

**77. MDTFs tend to increase risk aversion within the World Bank.** While OP 8.00 has provided Bank staff greater leeway, MDTFs increase the number of stakeholders to which MDTF management and staff are accountable (donors, national government, Bank management, external stakeholders). The time costs of coming to agreement thus increases, and quite dramatically on more controversial matters. Since MDTFs normally have to work under intense time pressures, many staff feel it is better to go with solutions that can get quick agreement rather than being innovative and take risks.

**78. Donors show acceptance of risk as shown by their funding pattern outside of MDTFs.**28 However, when each donor has to respond to particular demands from own head offices, the incentives to negotiate own concerns are poor, resulting in the MDTF as a mechanism risking ending up with a long range of discrete agendas that may at times create situations that become costly to resolve29. This also means that departments within the Bank become highly cautious, to avoid possible problems down the road, leading some Bank TTLs to be concerned over the high transaction costs involved in managing trust funds30. This tendency is strengthened by the Board’s message that trust funds need to be brought under general World Bank management principles, where the World Bank in fact only has one fiduciary management framework and no alternative risk management framework that can be offered.

**79. Donors need to balance their requirements for MDTF management and their expectations of MDTF performance.** Donors’ desire for, and acceptance of, the Bank’s strict fiduciary management framework for MDTFs is at the same time a barrier to the alignment between the political cycle of state building in FCS, the expectations it creates, and the MDTF project/porfolio cycle. In FCS the political cycle tends to be shorter, more intense, contested, demanding project cycles to be tighter to the political cycle than in other contexts. Portfolio design, and particularly where state-building is a desired objective, is highly influenced by political objectives and timetables.31 The Bank is further squeezed into the roles of following donor’s expectations regarding scope of activities and complexity to be covered by the portfolio, quick delivery and disbursement, within difficult conditions, in low capacity environments. At the same time, the Bank as a matter of policy tries to channel resources through the local public administration. The public sector may not have procedures, such as for public finance management or procurement, that are fully acceptable, however, so the Bank’s rules and regulations may therefore be applied, or – getting the worst of two worlds – a combination of national and Bank

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28 Such as bilateral channels or to organizations with lower levels of transparency and fiduciary guarantees and standards than the Bank (e.g. NGOs and international NGOs).

29 When one donor joined the Multi-Donor Fund for Aceh (MDF), the inclusion of its mandated anti-terrorism clause required nine months of negotiations with the other MDF partners before a wording was finally agreed.

30 One TTL noted that it took ten months and 200 E-mails between the field and various offices in Washington just to process the proposal for a USD 6.7 million trust fund (Scanteam 2009a, p. 191).

31 The LRTF is a case where decision on portfolio composition and project design, large infrastructure rehabilitation in the absence of local contractors to meet large-scale bidding demand, and political milestone (Presidential election) generated unrealistic pressures on the Bank. The lesson is that more attention to sequencing, and especially the need for quick wins, remains highly relevant for delivery of urgently needed services to the population and for improving alignment between project and political cycles.
procedures. Either way, when the inevitable delays occur, it is the Bank and its rules and procedures that get blamed even though it is exactly the Bank’s fiduciary management framework donors seek.

80. **National authorities take political risks of slow delivery.** The other side of the coin is that slow implementation also undermines the credibility of national authorities, who typically are under tremendous pressure and expectations for “quick wins” and delivering “the peace dividend” or other visible benefits from collaborating with the international community. It is therefore important that the World Bank as MDTF Administrator in FCS is able to strengthen its management of expectations regarding the complexity, scope and pace of delivery and create mechanisms for better mitigating reputational risks.

81. **Donors should take responsibility for understanding MDTFs**, providing knowledge management within their agencies and orientation for personnel on MDTFs as a mechanism and lessons learned. This can improve the effectiveness of MDTFs in FCS by adjusting expectations, clarifying stakeholders’ roles, and planning for resources allocation to the mechanism.

### 5.4 Knowledge Management

82. **Knowledge on MDTFs is being acquired and transferred within the World Bank between:** (i) generations of Trust Funds implemented over time; and (ii) Trust Funds that are being implemented concurrently, including across regions. There is less evidence that incorporation of knowledge has been systematic or has improved performance, from MDTF design to portfolio composition, management, partnership dynamics and operations.

83. **Seventeen years of engagement with MDTF in FCS has increased competency within the Bank, comprised of staff that have worked with either MDTFs or in FCS contexts, and increasingly both.** These persons are spread throughout the World Bank and comprise a motivated informal network seeking to increase their knowledge of FCS and MDTF operations in these environments, through which a large amount of information is flowing. Experienced personnel are regularly consulted during the development of new funds, and for problem solving with existing operations.

84. **Knowledge instruments specific for FCS context have begun being developed only recently.** As part of the implementation of the agreed framework for strengthening the World Bank’s Rapid Response and Long-Term Engagement in Fragile States (March 2007), OPCFC designed and provides a **Core Operation Course on Fragility and Conflict** for Bank staff and relevant external participants. The course focuses on communicating key policy and operational guidance and in building participant’s skills in areas critical to working in the unique circumstances of fragility and conflict. The course has been run 10 times since 2008, training a total of 254 people, of which 186 Bank staff, including staff from the Bank’s International Finance Corporation, and 68 from outside the Bank from organizations such as the UN, OECD, NATO, DFID, Norad, Danida, and the African and Islamic Development Banks.
85. The limited number of Bank staff who have undergone this training course is indicative of the demand for knowledge in FCS operations within the Bank. This limited demand may in turn point to either perception by Bank staff that FCS is not core Bank business or underestimate the challenges staff may face in these situations, or both.

86. Regardless, the transfer of knowledge of MDTFs in FCS is taking place amongst an increasing number of staff on an ad hoc basis. The efforts to build institutional knowledge and ensure incorporation into MDTF design, strategy, management decision-making, operations, Bank’s planning and evaluation instruments are insufficiently structured. The transfer takes place largely within informal networks, between practitioners and based on personal knowledge, contacts and initiatives. These networks are effective conduits, but are time consuming and selective in the knowledge they transfer. They depend on the personal awareness, networks and initiative of individual MDTF personnel, and on reciprocal goodwill within the network to share information. There is no assurance that the main issues and lessons will be captured or that what is being transferred is appropriate to the context. Knowledge management is poorly structured and therefore learning by new “entrants” to MDTFs in FCS is not as efficient and effective as it should be.

87. There is a demand within the Bank itself for the consolidation, in both the Bank’s roles in FCS and the use of MDTFs, and on the gathering and dissemination of MDTF knowledge in these contexts. With the increasing reliance on MDTF for FCS support, concern is building among staff experienced in operation in fragile environments on the Bank’s ability to provide intellectual leadership in FCS. Demand on staff has been increasing as the number of Bank operations in FCS go up, without corresponding increase in knowledge instruments specific for FCS. An important factor limiting the accumulation and transfer of knowledge is the lack of a centre of leadership on MDTFs in FCS, or institutional core that coordinates the knowledge and information base on MDTF institution wide.

88. The Concessional Finance and Global Partnerships (CFP) Vice Presidency is the World Bank Group’s unit responsible for mobilizing and managing concessional and grant financing. Within CFP, the Global Partnership & Trust Fund Operations department (CTPFO) is the unit responsible for creating, disseminating and monitoring the policies and business processes of the Bank-administered Trust Funds. CTPFO is also tasked with assisting in developing and managing the Bank’s partnerships and trust funds business operations by serving as a liaison between external and internal clients on strategy, policy, program management, and best practices. Additionally, the department is to provide training and support to trust fund users and managers.

89. MDTFs operating in FCS fall within the responsibility of CPF/CTPFO. Since they operate in FCS, the operations of these MDTFs also count on the support of the OPCFC, which is the corporate focal point for coordinating the Bank’s response to FCS. Other

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32 FCS staff are often overloaded delivering programs where there is a premium for early results, what limits their ability to take time out for training. However, operational efficiency in FCS operations depends on staff being knowledgeable in areas critical to working in fragile and conflict circumstances.
network and regions in the Bank support FCS operations through dedicated work programs in their specialized areas.

90. **Within the Bank, support to MDTFs in FCS is therefore mainly tasked to CTPFO, supported by OPCFC and other networks.** The literature review and interviews for this study shows that the compilation of lessons on MDTFs in FCS and their dissemination has been led by OPCFC. The CPF/CTPFO has focused on monitoring trust fund policy implementation and on fiduciary management issues. The work of these departments has been complementary, but cooperation between them needs to be further strengthened to ensure optimum complementarity of efforts and incorporation of knowledge within the institution.

91. **The Trust Fund Accreditation course provided by CPF/CTPFO is a good example of the need for improved cooperation.** Task Team Leaders and other personnel with MDTF management and program responsibilities are required to complete an accreditation course, before qualifying for duty.\(^{33}\) This course and resource materials, which are an important entry point for conveying knowledge on MDTFs in FCS, cover procedural issues regarding Trust Fund operations. However, the courses neither prepares staff for the diplomatic task and political dimension that working in MDTFs in FCS entails nor conveys lessons learned produced over the years on MDTFs in FCS particularly. In this regard, OPCFC’s Core Operation Course on Fragility and Conflict should be an integral part of the Accreditation course, and become a requirement for staff assigned to work in FCS.

92. **Other Bank departments also need to take better advantage of existing knowledge on FCS within OPCFC and the Bank’s Development Research Group (DECRG).** For example, current training material and courses on standard Bank’s knowledge instruments such as Portfolio Management, Portfolio Reviews, and Project Completion Report seldom address fragility, pre- and post-conflict and conflict contexts. Conflict and situation analysis, the interactions between project/portfolio and their external environment, are not an integral part of training materials for Bank staff working in FCS. Although the Bank’s Independent Evaluation Group (IEG, formerly OED) has been evaluating MDTFs in FCS, the unit has not yet developed a methodology for evaluating Bank operations in FCS, and therefore taking FCS environment into consideration.

93. **OPCFC is currently establishing a focused program of research, knowledge and learning (RKL).** The program seeks to anchor its scenario planning framework in an improved understanding of structural and country-specific factors that contribute to institutional and governance fragility, and to strengthen consensus on approaches to fragility and conflict. The RKL program has the possibility of becoming a resource for the incorporation of FCS knowledge, including MDTFs, into the Bank’s knowledge instruments, including incorporating FCS knowledge into standard instruments.

94. **Interviews for this study shows that there is an expectation by Bank staff that OPCFC should be the lead unit providing leadership and coordination for MDTF operations in FCS.** The demand is growing and the unit is not sufficiently resourced to be able to

\(^{33}\) Accreditation is required under BP 14.40, Annex B - *Staff Eligibility to Administer Trust Funds* (2008).
respond to the level of expectation. Moreover, there are multiple ongoing efforts within the Bank to compile information on trust funds, including MDTFs in FCS, to support operations and strategic decision making. These include internal and external lessons learned exercises, reviews and evaluations of MDTFs in FCS that have been carried out by OPCFC, the Quality Assurance Group, IEG, the Social Development unit of the African Region, CPF/CTPFO and research conducted by DECRG. These efforts reflect a growing recognition of the importance of MDTFs to the Bank. However, the initiatives appear uncoordinated, stove-piped, and there is some reluctance to share information.

95. **Strengthening coordination on knowledge management in FCS operations within the World Bank, including MDTFs, and better structuring the dissemination of knowledge would be an important contribution for increasing MDTF performance in FCS.** MDTFs are complex partnerships working in challenging environments. Providing staff with the benefit of experience and knowledge of the mechanism, as well as possible challenges and solutions to operational issues specific to FCS, prior to their engagement is imperative to enable them to manage expectations and contribute to the effective operational performance of MDTFs.

5.5 **Partnership with the United Nations**

96. **The relationship between the Bank and the UN is marked as much by tensions and negative competition, as by examples of virtuous competition and successful collaboration.** Negative competition undermines collaboration and deprives FCS of a more effective international partnership, and can contribute to sub-optimal MDTF operational performance. Technical concerns about the interoperability of World Bank and UN systems were largely resolved by the 2008 Global Framework Agreement and Fiduciary Principles Accord. However, the Bank’s rapid expansion into FCS situations has created areas of overlap as well as complementary areas with the UN. The movement of donor funding through MDTFs creates incentives for competition rather than collaboration.

97. **There has recently been some discussion of a pre-defined and predictable division of labor between the World Bank and United Nations in FCS, often linked to predictability of funding.** Formulas usually position the United Nations in security, humanitarian and early recovery roles, with convening, recovery, state-building and development roles assigned to the World Bank. A fixed division of labor overlooks both the uniqueness of each FCS context, and the full scope of capacities that the UN and the World Bank can bring into those situations. However, an understanding on effective rules of engagement between the Bank and the UN to define their contributions on a case by case basis has not been fully achieved.

98. **The UN system has unique capacities that the World Bank does not have.** The UN has strong field presence to attend to its various mandates and can bring country knowledge, experience and network to a partnership, which are valuable assets to the World Bank, especially in places where the Bank has had no prior presence on the ground or has been absent for a significant period of time. Moreover, UN procedures, systems and framework agreements with an array of UN and partner organizations enable the UN to start implementing activities fairly quickly. The UN, therefore, can bring additional
implementation capacity, to complement Bank financed activities implemented through government institutions.

99. Most FCS MDTFs are implemented in contexts where the United Nations is playing an active role and has a long term country presence; in humanitarian operations, providing good offices to peace negotiations and in peacekeeping, peace building and development. The UN’s mandate places it in political, security and humanitarian roles where the Bank is restricted, and it has unique capacities that the World Bank does not possess, including country specific knowledge related to political processes. Partnering with the UN, therefore, has potential to expand the scope of the overall service package being offered by the international community. Where effective, it has also been proven to expand the operational capacity of Bank-administered MDTFs. For example, UN implemented projects accounted for 50% of disbursements in the MDTF in Southern Sudan in 2007, and 92% in 2008.

100. The UN is a critical partner to the Bank in FCS, whose political mandate is very restricted. In managing MDTFs, the Bank relies on its partners to exercise political activities and roles necessary for the effective performance of MDTF operations. While many of these functions are performed bilaterally by MDTF donors, some functions require multilateral interventions or are mandated to the UN. For example, the key trans-border problem that the MDRP was intended to address was the combatants on foreign soils (COFS). In the Democratic Republic of the Congo, MONUC was the major actor with regards to cross-border repatriation of COFS, since it had a formal mandate (UN Security Council resolution) and the force presence on the ground to both implement and enforce. Additionally, UN Security Council resolutions gave the UN mandate to conduct and support DDR in Burundi, including support to SSR.

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34 For further discussions on the Bank-UN partnership through MDTFs in FCS, including unique capacities of the UN, see section 1.2.3 of Annex A.

6 Bringing Partnerships Closer Together

101. **MDTFs represent a significant donor investment in the World Bank’s engagement with FCS, and toward innovation.** MDTFs have enabled increased flow of resources into FCS, contributing to stabilization, improved security and good governance. They provided a channel for policy dialogue and financing for donor countries. For national governments, MDTFs brought additional financing, generated political visibility and legitimacy, as well as high level access to international fora. MDTFs opened the possibility for and strengthen the ability of multilateral organizations to contribute to state building and partake in the delivery of peace dividends.

102. **The World Bank has responded as a proactive partner.** The Bank has made important contributions to the debate on the links between development and conflict and to the knowledge base for improving the performance of MDTF. The Bank has also undergone institutional changes to adapt its policies, organization, structure and procedural framework for engaging in FCS.

103. **The ability to improve MDTF performance in FCS has been a concern of the donors, national governments, the Bank and other partners, such as the UN.** The Bank has made policy changes dedicated to improving the efficiency and effectiveness of its engagement in FCS, such as OP 8.00, procurement and human resources. While policy changes have had a positive impact on MDTF operations, they have not delivered the desired level of operational efficiency critical to an effective response in an emergency and crisis situation. Lessons show that further efforts must be made to bring greater flexibility, timeliness, and the simplicity needed for engagement in FCS. As a partnership-based modality, improving MDTF performance in supporting the needs of FCS is by default a joint endeavor.

104. **From the Bank side, improvement to the Bank’s engagement with FCS requires first clarification from the Bank’s Board on the roles the Bank should play in FCS, the level of engagement the Bank needs to have, how much risk it can take, which instruments to use and for what purposes.** In this context, the MDTF is a key instrument; one which requires Board decision and institutional effort to ensure that MDTFs are as flexible and rapid-disbursing as possible.

105. **There is a need for the Bank to recognize that trust funds play different roles within the institution and in shaping the Bank’s partnerships.** The scale of grant funds channeled through Trust Funds has substantially increased in the past decade. This

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36 The World Bank's Development Research Group’s (DECRG) research under Paul Collier to study the economics of civil war, crime, and violence opened up the global debate on the economic causes and consequences of conflict and links between conflict and poverty. DECRG has also made important contributions to engendering peace building and reconstruction efforts (DECRG’s work has been mainly supported by donors through trust funds). The Bank has commissioned numerous studies and reviews of MDTFs, which have all been made publicly available.

37 In July 2010, OPCFC proposed to the Bank’s Board a revision of OP 2.30, “Development Cooperation and Conflict”.

additional source of funding often complements Bank core business by co-financing IDA, doing pilots, supporting knowledge products, etc. However, when it comes to FCS, MDTFs often are core funding, which sets this class of trust funds apart.

106. MDTFs in FCS contribute a much smaller percentage of additional funding to the Bank than FIFs, but they demand much greater corporate resources and flexibility. However, the Bank’s Board has made FCS a priority area for the World Bank, regardless of the percentage of fund MDTFs in FCS represents within the institution. Currently, 86% of the trust funds contributions to the Bank are made to FIFs, a mechanism in which the Bank mainly plays a financial administrative role. On the other hand, trust fund contributions to FCS are provided within a very different partnership arrangement, one which requires the Bank to play multiple roles, such as financial administrator, funding and policy convener and intellectual leadership. The objectives of MDTFs in FCS are closed linked to stabilization and security, an important agenda for MDTF donors and national governments. The governance arrangements of MDTFs in FCS translate the high political stakes for these actors, which normally produce closer and tighter partnership, but also higher expectations on the Bank’s performance as one of the leading actor on the mechanism.

107. MDTFs in FCS operate in low capacity environments, are more vulnerable to external conditions and require a faster pace of delivery than traditional Bank operations. This requires the Bank to acquire new skills and operational approaches. MDTFs in FCS have tested the Bank’s staff profile and operational procedures to the limit, and generated new operational and human resources policies. Yet, lessons show that existing instruments have provided MDTF’s operations in FCS with their maximum efficiency. Lessons particularly indicate that, if short-term response is to remain a part of Bank portfolio in FCS, then the Bank needs to go further than OP 8.00 and other changes in policy the Bank has produced since 2007. The Bank is therefore faced with a choice between innovation or the status quo as far as its basic approach to FCS operations is concerned.

108. The Bank’s Board needs to more deliberately and strategically set out its roles in FCS – and define and create a business plan for managing MDTFs in these situations, within the spectrum of support to FCS, from short-term (activities within one-year cycle) to development activities, and increase its capacities for effectively delivering on its roles. In defining it roles in FCS, decisions should be made on institutional strengthening or change to better adapt the Bank responses to the needs of fragility. In doing so, the World Bank should either accept the limits of the current business model for engaging with FCS (OP 8.00 and others), and position within those limits, or create a new and differentiated business model for FCS that expands the scope of the Bank’s work and how the institution work.

109. If the World Bank opts for a differentiated, more flexible business model for FCS, it needs to develop different procedural frameworks, including an alternative fiduciary and risk management model. The Bank would need to reach an agreement with MDTF donors to enable the mechanism to achieve greater flexibility and a faster pace of implementation. Among other things, this would entail developing a different fiduciary management framework for MDTFs in FCS. Increasing risk margins in MDTF operations could be counter-balanced with increased budget for mentoring and supervision. Overall,
a “FCS mission model” at the country level would be needed for ensuring timeliness of delivery of short-term objectives. This would demand adapting staff profile, human resources policies and Bank recruiting procedures to the new business model in FCS. In turn, these measures may increase the cost of running MDTF operations.

110. If the World Bank decides not to change its business model, then it should clearly define its roles within the limits of the existing policy and operational frameworks, and focus on improving performance within these limits. This would mean, for example, that the Bank should step back from quick-delivery commitments and instead broaden and strengthen its partnerships, to enable short-term interventions to be delivered through other mechanisms and actors.

111. Whatever scenario the Bank decides to follow, improving Bank’s response to situations of fragility and its performance in managing MDTFs is needed. Incorporating FCS knowledge into Bank’s training instruments is a must. This would also help to enhance cooperation between the Bank’s different departments to enable staff on the ground to operate at a faster pace. The Bank would also need to increase its ability to attract sufficient staff with appropriate level of experience and spread in profiles to postings in FCS.

112. The Bank would need to reach agreement with donors to better define their roles in MDTF governance. MDTFs have to become much more light-footed in their governance modalities, so for example much less donor voice on operations and no preferencing would increase efficiency and effectiveness in the funding allocation process, portfolio management and pace of disbursement. Steering away from MDTF micromanagement, donors’ in-country resources should focus on the policy and political dimensions needed to support MDTF operations in FCS.
7 Recommendations

The following are recommendations to the World Bank and the MDTF donor community. Recommendation to other MDTF stakeholders, such as governments and the UN, are not included since this study did not include sufficient consultations with these stakeholder groups.

7.1 Recommendations to the World Bank

1. FCS is a priority area for the World Bank, and MDTFs are now essential for attaining Bank strategic objectives in FCS. To further improve the performance of MDTFs in FCS, the Bank and its shareholders must define more clearly which roles and responsibilities the Bank should take on in FCS and, therefore, how MDTFs can be better tailored to these tasks.

2. Acknowledging the importance of MDTFs in fulfilling its objectives in FCS, the Bank needs to design a business model that recognizes that FCS operations require the Bank to take on more administrative and quality assurance tasks, some situations requiring more hands-on and quasi-implementation roles.

3. The Bank needs to go further than OP 8.00, to enable quicker delivery and faster disbursement. Increasing risk tolerance is required to make MDTFs critical tools for flexibility. The Bank, therefore, needs to reach an agreement with donors to derive at alternative fiduciary and risk management for MDTFs in FCS and to ensure appropriate corporate response to deliver them.

4. Strategic choice and business plan need to be clearly communicated by the Executive Directors and senior management, so that there is unified narrative on the Bank’s role in FCS and the use of MDTFs. This narrative, that FCS operations are a core Bank business and institutional priority, does not currently exist and it is contradicted by operational realities and human resource policies.

5. Increasing the pace of MDTF implementation and, accelerating project processing and implementation requires staffing MDTFs with sufficient number of personnel with knowledge of Bank rules and procedures, established institutional network, and a background in emergency and crisis.

6. The Bank needs to ensure country teams in MDTF operations in FCS receive ongoing support of personnel specialized in political economy and conflict analysis to guide portfolio decisions (sequencing, project/portfolio development and adjustments).

7. Attracting more senior Bank staff to FCS operations require different criteria for recruitment, career promotion, and career development options, such as selection of posting, more guarantees for postings after FCS post, and enable staff families to remain in the US.

8. The Bank needs to enhance knowledge management of FCS and coordination of efforts within the institution. The Bank should mandate and resource OPCFC to play the role of a centre of leadership on MDTFs in FCS.
9. The World Bank must recognize that building partnerships, particularly but not exclusively with the United Nations system, is critical to improving both MDTF performance and to expanding the Bank’s core competencies in FCS. Once the Bank defines its business plan for MDTFs in FCS, it should discuss with the UN to clarify their possible roles in MDTFs, clarity which will enable improved partnerships, and the framework that supports it.

10. The World Bank should negotiate with donors to reduce or avoid preferencing, and create conditions for donors to use it more productively. The Bank could, for example, develop a common framework for allocations (not binding) amongst donors, Government and the Bank, and then preferencing becomes more a process whereby donors can associate themselves with a particular area within an overriding strategy, moving the targeting of preferencing away from projects. Preferencing would then develop towards a means of communication, whereby donors could be empowered to safeguard their core priorities in a developing portfolio, led increasingly by Government priorities.

11. The Bank needs to consistently use political economy analysis and conflict analysis to guide portfolio decisions in FCS.

12. Institutional capacity in the public sector should become a central concern for Bank MDTFs. The focus should be on institutional capacity to design policy, and plan and execute budgets efficiently. This may call for the Bank to assist ministries/agencies with medium-term capacity building programs, with MDTF funds or leveraged from other Bank resources in the context of a CAS or ISN.

### 7.2 Recommendations to Donors

1. Donors need a better appreciation of the complementarities between IDA and MDTFs to strengthen MDTF partnership and roles division within. In addition, they need to support the fact that they, and national governments, do mandate various roles to the Bank as MDTF Administrators and as an institution. In doing so, it is expected that donors’ perception of role conflicts (the Bank wearing many hats) will be diminished, in situations where MDTFs co-finance IDA and in cases where the Bank mostly rely on MDTF funds (e.g. countries where arrears have not been cleared) to strengthen its position of convener and intellectual leader.

2. Donors should support the World Bank in effectively performing the roles they assign to it as MDTF manager and focus on contributing strategic inputs and oversight, moving away from direct fund management.

3. Donors should take responsibility for understanding MDTFs, providing knowledge management within their agencies and orientation for personnel on MDTFs as a mechanism and lessons learned.

4. Donors should end the practice of project and program preferencing within MDTFs, as it limits the fund’s flexibility and effectiveness and undermines key advantages of this modality.

5. More predictable funding is critical for IDA and MDTFs in FCS. However, donors should take particular care that their allocation decisions between IDA and MDTFs do not erode
the stability of the Bank’s institutional core. MDTFs are non-core and less predictable source of funding than IDA, which makes FCS more vulnerable.
Flexibility in the Face of Fragility: Programmatic MDTFs in Fragile and Conflict-Affected Situations

Volume II: Annexes
Project: Study of Programmatic Multi-Donor Trust Funds in Fragile and Conflict-Affected Situations
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Disclaimer
This report and its annexes are the responsibility of the consultants and do not necessarily reflect the views of the World Bank or any other organization or persons consulted. The team assumes responsibility for any errors or omissions, and for the interpretation and analysis.

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## Acronyms and Abbreviations

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<tbody>
<tr>
<td>AAA</td>
<td>Analytical and Advisory Activities</td>
</tr>
<tr>
<td>ADB</td>
<td>African Development Bank</td>
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<tr>
<td>ANDS</td>
<td>National Development Strategy (ARTF)</td>
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<td>ARTF</td>
<td>Afghanistan Reconstruction Trust Fund</td>
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<tr>
<td>BETFs</td>
<td>Bank-executed trust funds</td>
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<tr>
<td>BP</td>
<td>Bank Procedure</td>
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<tr>
<td>CAS</td>
<td>Country Assistance Strategy</td>
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<td>CD</td>
<td>Capacity Development</td>
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<tr>
<td>CDC</td>
<td>Community Development Committee (Afghanistan)</td>
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<td>CDD</td>
<td>Community Driven Development</td>
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<tr>
<td>CPA</td>
<td>Comprehensive Peace Agreement (Sudan)</td>
</tr>
<tr>
<td>DAC</td>
<td>Development Assistance Committee (OECD)</td>
</tr>
<tr>
<td>DDR</td>
<td>Disarmament, Demobilization and Reintegration</td>
</tr>
<tr>
<td>DECRG</td>
<td>Development Research Group</td>
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<tr>
<td>CFP</td>
<td>Concessional Finance and Partnership</td>
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<tr>
<td>CPF</td>
<td>Conflict Prevention Fund</td>
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<td>COFS</td>
<td>Combatants on Foreign Soils</td>
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<tr>
<td>D&amp;R</td>
<td>Demobilization and Reintegration</td>
</tr>
<tr>
<td>DRC</td>
<td>Democratic Republic of Congo</td>
</tr>
<tr>
<td>DRR</td>
<td>Demobilization, Reinsertion and Reintegration</td>
</tr>
<tr>
<td>EMUS</td>
<td>Emergency Monrovia Urban Sanitation Project</td>
</tr>
<tr>
<td>EXCs</td>
<td>Ex-combatants</td>
</tr>
<tr>
<td>FCS</td>
<td>Fragile and Conflict Affected Situations</td>
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<tr>
<td>FIFs</td>
<td>Financial intermediary funds</td>
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<tr>
<td>FY</td>
<td>Fiscal Year</td>
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<tr>
<td>GoA</td>
<td>Government of Afghanistan</td>
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<tr>
<td>GOI</td>
<td>Government of Indonesia</td>
</tr>
<tr>
<td>GoI</td>
<td>Government of Iraq</td>
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<tr>
<td>GoNU</td>
<td>Government of National Unity (Sudan)</td>
</tr>
<tr>
<td>GoSS</td>
<td>Government of Southern Sudan (Sudan)</td>
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<tr>
<td>IBRD</td>
<td>International Bank for Reconstruction and Development</td>
</tr>
<tr>
<td>ICI</td>
<td>International Compact for Iraq</td>
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<tr>
<td>IDA</td>
<td>International Development Association</td>
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<td>IEG</td>
<td>Independent Evaluation Group</td>
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<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
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<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>INCAF</td>
<td>International Network for Conflict and Fragility (OECD)</td>
</tr>
<tr>
<td>Iraq ITF</td>
<td>Iraq Multi-Donor Trust Fund (Bank-managed only)</td>
</tr>
<tr>
<td>IRFFI</td>
<td>International Reconstruction Fund Facility for Iraq</td>
</tr>
<tr>
<td>ISN</td>
<td>Interim Strategy Note</td>
</tr>
<tr>
<td>JISN</td>
<td>Joint Interim Strategy Note</td>
</tr>
<tr>
<td>LICUS</td>
<td>Low-Income Countries under Stress</td>
</tr>
<tr>
<td>LRTF</td>
<td>Liberia Reconstruction Trust Fund</td>
</tr>
<tr>
<td>MDF</td>
<td>Multi-donor Trust Fund for Aceh and Nias (Indonesia)</td>
</tr>
<tr>
<td>MDRP</td>
<td>Multi-country Demobilization and Reintegration Program (Great Lakes)</td>
</tr>
<tr>
<td>MDTF</td>
<td>Multi-donor Trust Fund</td>
</tr>
<tr>
<td>MDTF-N</td>
<td>Multi-Donor Trust Fund – National, Sudan</td>
</tr>
<tr>
<td>MDTF-S</td>
<td>Multi-Donor Trust Fund – Southern Sudan</td>
</tr>
<tr>
<td>MIGA</td>
<td>Multilateral Investment Guarantee Agency</td>
</tr>
<tr>
<td>Acronym</td>
<td>Full Form</td>
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<tr>
<td>MoF</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>MoFEP</td>
<td>Ministry of Finance and Economic Planning (Southern Sudan)</td>
</tr>
<tr>
<td>MOU</td>
<td>Memorandum of Understanding (MDTF)</td>
</tr>
<tr>
<td>MTFF</td>
<td>Medium Term Fiscal Framework (Afghanistan)</td>
</tr>
<tr>
<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
</tr>
<tr>
<td>NGOs</td>
<td>Non-Governmental Organizations</td>
</tr>
<tr>
<td>OECD</td>
<td>Organization for Economic Co-Operation and Development</td>
</tr>
<tr>
<td>OED</td>
<td>Operations Evaluation Department (now IEG)</td>
</tr>
<tr>
<td>OP</td>
<td>Operational Policy (World Bank)</td>
</tr>
<tr>
<td>OPCS</td>
<td>Operations Policy and Country Services</td>
</tr>
<tr>
<td>OPCSFS</td>
<td>Operational Policy and Country Services, Fragile and Conflict States Unit</td>
</tr>
<tr>
<td>OPRC</td>
<td>Output and Performance-based Road Contracts</td>
</tr>
<tr>
<td>PAM</td>
<td>Performance Assessment Matrix</td>
</tr>
<tr>
<td>PCF</td>
<td>Post-Conflict Fund</td>
</tr>
<tr>
<td>PCAIA</td>
<td>Peace and Conflict Impact Assessment</td>
</tr>
<tr>
<td>PCN</td>
<td>Project Concept Note</td>
</tr>
<tr>
<td>PCNA</td>
<td>Post-Conflict Needs Assessment</td>
</tr>
<tr>
<td>PEFA</td>
<td>Public Expenditure and Financial Accountability</td>
</tr>
<tr>
<td>PFM</td>
<td>Public Finance Management</td>
</tr>
<tr>
<td>PIU</td>
<td>Project Implementation Unit</td>
</tr>
<tr>
<td>PPF</td>
<td>Project Preparation Facility</td>
</tr>
<tr>
<td>PRSP</td>
<td>Poverty Reduction Strategy Paper</td>
</tr>
<tr>
<td>PTO</td>
<td>Global Partnership and Trust Fund Operations Department</td>
</tr>
<tr>
<td>RETFs</td>
<td>Recipient-executed trust funds</td>
</tr>
<tr>
<td>ROC</td>
<td>Republic of Congo</td>
</tr>
<tr>
<td>SC</td>
<td>Steering Committee (MDTFs)</td>
</tr>
<tr>
<td>SPLM</td>
<td>Sudan People’s Liberation Movement</td>
</tr>
<tr>
<td>SSR</td>
<td>Security Sector Reform</td>
</tr>
<tr>
<td>SY</td>
<td>Solar Year (Afghanistan)</td>
</tr>
<tr>
<td>TCG</td>
<td>Technical Coordination Group (MDRP)</td>
</tr>
<tr>
<td>TDRP</td>
<td>Transitional Demobilization and Reintegration Program</td>
</tr>
<tr>
<td>TFC</td>
<td>Trust Fund Committee (MDRP)</td>
</tr>
<tr>
<td>TFMF</td>
<td>Trust Fund Management Framework</td>
</tr>
<tr>
<td>TRG</td>
<td>Technical Review Group (MDF)</td>
</tr>
<tr>
<td>TTL</td>
<td>Task Team Leader</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>UNDG</td>
<td>United Nations Development Group</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
</tr>
<tr>
<td>URIRP</td>
<td>Urban and Rural Infrastructure Rehabilitation Project</td>
</tr>
<tr>
<td>USD</td>
<td>United States Dollar</td>
</tr>
<tr>
<td>VPU</td>
<td>Vice Presidential Unit</td>
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<tr>
<td>WBG</td>
<td>World Bank Group</td>
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</table>
Annex A: Lessons from Bank Experiences

1.1 The World Bank and MDTFs in FCS

In its Operational Policy (OP) 14.40, “Trust Funds”, the Bank defines a trust fund as a financing arrangement set up with contributions from one or more donors and, in some cases, from the World Bank Group. The Bank establishes and administers trust funds as a complement to International Development Agency (IDA) and the International Bank for Reconstruction and Development (IBRD) financing to promote development and aid effectiveness by leveraging its capacity and development knowledge.

A trust fund is, therefore, a model platform to enable international cooperation. Partnership is the core principle of programmatic multi-donor trust funds (MDTFs) including in fragile and conflict situations (FCS). MDTFs are established on the basis of a political agreement between the national Government and international development partners with multilateral organizations, such as the World Bank and the UN system and others, playing supporting and facilitating roles. Stakeholders identify common objectives and interest around which they will collaborate, contribute and share responsibilities. The process often involves compromise and trade-offs. For example, in exchange for political and financial support for a post-conflict transition, donors usually request a role in policy development and decision-making on fund allocation, within the MDTF framework.

Partnership is the essence of a MDTF’s raison d’être; it come into being as a result of existing common interests between actors to achieve a set of policy objectives in a joint fashion. Partnership is present in a MDTF’s funding basis (funding from more than one donor), decision making arrangement (governance bodies), and implementation arrangements (fund management, implementation channels and actors). The outputs and outcomes brought about by MDTFs are delivered in a spirit of partnership. A MDTF is, therefore, shaped by the internal partnership and performs according to internal and external interactions and conditions.

There are generally three sets of actors that join up to make a MDTF happen: (i) national authorities, (ii) the donors, and (iii) the multilateral actors, primarily the UN system and the World Bank, though the African, Asian and Islamic Development Banks have been involved in some MDTFs. In most cases, other actors that have legitimacy in the context of the post-conflict and post-disaster rehabilitation and reconstruction normally do not take part in MDTF governance. The roles of MDTF stakeholders vary according to the purposes and contexts MDTFs are designed, the resources stakeholders have and make available to exercise their roles and responsibilities and to the enabling condition for them to exercise roles. However, there is a pattern on role distribution across programmatic MDTFs in FCS. Definitions of stakeholder roles according with this general pattern can be found in Annex Three, “Roles of MDTF Stakeholders”.

The World Bank has been responsive to demand and opportunities that partnership through an MDTFs entails, and in moving fragile states to the centre of its corporate strategy. FCS are now a core business, and MDTFs are a/the principle modality for entry. Among other benefits for the Bank, MDTF involvement often provides a foundation on which the larger portfolio can be built. Overtime, the Bank built up its ability to partake in MDTF partnerships:
The Bank began programming in FCS early into the post-Cold War era, in response to donor and client requests;

MDTFs were an early program model of choice, as they broadened the scope of participation in politically sensitive contexts. MDTFs also allowed the Bank to work in context where its other product lines could not be used;

The Bank launched a process for more robust engagement, beginning in the mid 1990s which moved FCS to the core of its strategic agenda by the end of the decade;

Simultaneously, the Bank took action to establish a policy framework, supporting Operational Policies and institutional structures, and allocate resources;

The Bank’s conceptual understanding of “development” also expanded significantly, into non-tradition areas related to poverty reduction, social services and conflict prevention;

MDTFs have been confirmed as an instrument of choice for working in FCS contexts, through usage and demand. The Bank has also adapted its other instruments to ensure that MDTFs are integrated into, and leverage, the overall Bank portfolio;

The Bank significantly changed its investment profile, allocating greater resources to FCS programming, in addition to resources it administers; and

While moving into high profile convening and coordinating roles with donors and clients governments, the Bank has also acted to reform its legal structures to open the possibility for new partnerships in MDTF and fragile state programming, such as the legal agreement with the UN.

There has been a process of engagement and response (internally dynamic), in which the World Bank strategy, policy and institutional structure, operational policies and resource allocation have constantly evolved and improved. By engaging, the Bank also had an impact on the overall international approach to fragile states (externally dialectic). In particular, the Bank has played important roles providing intellectual leadership and convening stakeholders. Lending it capacity to FCS interventions has also significantly expanded the global pool of support available.

Looking at lessons learned from the partnership constituting MDTFs and the World Bank’s role in particular, a constant interaction between three factors becomes evident:

- Difficult, often extreme external conditions (politically sensitive, poor security, low capacity in state and society), that challenge everyone, not just the Bank;
- The limits imposed by the World Bank’s mandate and profile in engaging in FCS; and
- The need to adapt its policies, operational procedures and institutional arrangements, to find a balance between (the often conflicting and contradictory) requirements of working in FCS contexts and the requirements of its mandate and institutional standards that were evolved for different contexts.

The Bank’s growing engagement in fragile and conflict-affected state contexts still evolves within these tensions. They remain at the core of discussions about the Bank’s role and value added in fragile and conflict-affected states. However, as a partnership-based institution, the Bank’s ability to increasingly become a “fragile state” organization, and consequently better adapt Bank-administered MDTFs to the challenging demands of fragile and conflict-affected environments, depends not only on the Bank. The priorities of its member states also play a deciding role. A deeper learning has been taking place both by the Bank and by its international partners in adapting their joint efforts to support conflict affected and fragile countries. The remaining challenges of increasingly matching the needs of reconstruction
and development in fragile situations demands institutional understanding and changes by all sides of the partnership.

1.1.1 World Bank Policy Development for MDTFs in FCS

The Bank’s involvement in post-conflict situations took on a new dimension in the 1990s with the set up of Multi-Donor Trust Funds (MDTFs). The first unconventional Bank-administered MDTFs in post-conflict situation were in the West Bank and Gaza, the Technical Assistance Trust Fund (1993–1997, extended to 2001), aimed at bringing implementation capacity to the Occupied Territories and at strengthening Palestinian capacity to develop and implement policies, followed by the Holst Fund (1994–2001).

The Holst Fund, aimed at supporting the establishment of a Palestinian Authority, was the legal precedent for the Bank’s MDTFs in transitional countries. In 1993 the West Bank and Gaza was not a sovereign state, nor was it a member country of the World Bank group or a territory for which another member country had expressed interest in acting as guarantor. Therefore, neither the IBRD nor IDA could lend to West Bank and Gaza. The practical solution to this constraint was the Bank’s establishment of a MDTF. The legal basis for the Bank’s ability to act as administrator for the trust funds was produced by the Bank’s Legal Department.¹ The legal basis was that the Bank was acting on behalf of its member countries. This legal opinion was later incorporated into the Bank’s operational policy through OP 2.30: “or, in the absence of a government in power, Bank assistance may be initiated by requests from the international community, as properly represented (e.g. by UN agencies)...” That was the basis, and the precedent, for subsequent MDTFs in Afghanistan, Iraq, Timor-Leste and elsewhere.

The Bank’s engagement in West Bank and Gaza also established other precedents for future Bank involvement in post-conflict countries through the use of MDTFs. With the Holst Fund the Bank set the precedent of not accepting earmarked contribution for budget support. Instead, the Bank would keep a record of each donor’s “preferred” contributions, and report to the donor community on aggregate expenditure by sectors. The use of international firms as Financial or Fiduciary Management Agents to monitor MDTF funds also began with the Holst Fund. Private firms have since been assisting the Bank in monitoring operations in various Bank-run MDTFs, including those in FCS, such as in Afghanistan, Sudan, Iraq, MDRP in the Democratic Republic of Congo (DRC) and in Angola. The partnership between the World Bank and the private sector for MDTF management in FCS thus started early on.

In 1995, the Bank was asked to take the lead with the European Commission in planning and coordinating international assistance for post-conflict recovery in Bosnia and Herzegovina, where 16 Bank projects for more than US$ 350 million were approved in 1996 (World Bank, March 2002). The latter marked a record for the Bank in terms of speed of activity approval in FCS. An MDTF was established upstream of Bank lending, followed by emergency lending mobilized more rapidly and across a wider range of activities than previously undertaken. The West Bank and Gaza and Bosnia programs formed the basis for a new post- 

conflict framework which shaped the Bank’s upcoming operational policies for engagement in conflict and for regulating trust funds.

In 1995, the World Bank put in place its first dedicated operational policy directly addressing natural disaster and conflict, namely, Operational Policy (OP) 8.50, “Emergency Recovery Assistance”. However, in defining “emergency” as an extraordinary event of limited duration, OP 8.50 did not represent a rupture with past Bank conception. Accordingly, the policy excludes serious economic dislocation caused by external economic shocks or other situations justifying development policy lending. In 1997, the Bank’s Board approved OP 14.40, “Trust Funds”, aimed at regulating all trust fund operations, including MDTFs in FCS. Also in 1997, the Bank established the Post-Conflict Unit and Post-Conflict Fund, which represented a development towards creating in the institution a focal point for policy development, cross-country learning, and the development of expertise. The same year, the Board endorsed the “Framework for World Bank Involvement in Post-Conflict Reconstruction”, with an emphasis on “do no harm” approaches.

In 1997, the Bank also approved its Strategic Compact, reforms intended to enhance traditional financial services by positioning the World Bank as a creator and broker of knowledge and source of technical assistance and advice on development issues. They were introduced at the same time as the Bank was expanding its role in FCS. Knowledge brokering on development policy, fragile state situations and MDTF operations emerged as a core elements of the Bank’s MDTF service package.

In 1998, the Operations Evaluation Department (OED) of the Bank carried out the first assessment of the Bank’s post-conflict reconstruction. Among other things, it concluded that although post-conflict reconstruction was a central issue for the Bank as represented by the significant portion of the institution’s portfolio - 16% of Bank lending was already tied up in post-conflict settings and thus affecting its core activities, the Bank was addressing the special needs posed by civil conflict on an ad hoc basis.

The evaluation further noted that the institution’s existing operational policy was not tailored to appropriately and timely respond to many types of emergencies or crisis-triggering events; it was rather designed to support the financing needs for post-natural disaster reconstruction. The evaluation recommended revision of OP 8.50 to adequately adapt Bank’s emergency policy to a wider scope of post-crisis support, both in post-conflict and natural disaster reconstruction. The report emphasized the need for the Bank to better define its role in post-conflict reconstruction, taking into account the institution’s comparative advantage in coordination and funding mobilization as well as in the two areas of strongest Bank performance, macroeconomic stabilization and rebuilding physical infrastructure.

In 1999, the World Bank’s Development Research Group (DECRG) began a research program under the direction of Paul Collier to study the economics of civil war, crime, and violence. The widely-circulated publications from this study opened up the global debate on the economic causes and consequences of conflict, later published in *Breaking the Conflict Trap: Civil War and Development Policy* (Collier et al, 2003). The Bank’s research re-affirmed the links between fragility, violent conflict and poverty.

Several developments took place in 2001, moving the Bank’s post-conflict reconstruction agenda forth. In January this year, OP 2.30, “Development Cooperation and Conflict” was
approved. In response to the OED evaluation and findings from DECRG and the Post-Conflict Unit, OP 2.30 defines the Bank’s approach to conflict-affected countries, not just post-conflict. The new policy recognizes that the Bank’s role might extend beyond post-conflict reconstruction to a more proactive role in conflict-vulnerable and affected countries. It called for Bank assistance to minimize potential causes of and be sensitive to conflict, while acknowledging there was much to learn in this area.

A Task Force was established in November 2001 to take a fresh look at the Bank’s approach to countries across a broad spectrum of poor performance and vulnerability, known as the ‘low-income countries under stress’ (LICUS) initiative. The work of the task force brought a more nuanced approach to the focus on good governance, policy reform and service provision in circumstances of chronic instability. In essence, it articulated the need for some form of engagement, even if at a very low and modest level, that could offer some, even dim, possibility of policy reforms and change. Subsequently, the Fragile States Unit is established in the Bank.

As a result of these initiatives, grant-based funding instruments for post-conflict operations was established by the World Bank, such as Project Preparation Facility, LICUS, Conflict Prevention Fund, besides of the Post-Conflict Fund. These funds, in combination with other IDA products, have all been used to support MDTFs in FCS, enabling quick disbursing operations and expediting project preparation while MDTFs are being established (e.g. Timor-Leste, Sierra Leone, Sudan, and West Bank and Gaza).

In 2002, the Bank, in partnership with the international community – bilateral donors, national governments, UN agencies, and international Non-Governmental Organizations (NGOs) launched the larger Demobilization and Reintegration program thus far. The Multi-country Demobilization and Reintegration Program (MDRP) for the Great Lakes region was an innovative approach to coordination long before the Paris declaration was approved. It broke in fact new ground as it went beyond donor coordination. The MDRP structure gathered together a wider number of actors with different institutional mandates and cultures, expertise, interests, and expectations.

Generating agreement around this regional approach to the Great Lakes region’s Demobilization & Reintegration question was a major achievement not only for the Bank, but also for its partners (Scanteam, 2009). The regional approach of the MDRP was enabled by the recent change in the World Bank’s conceptual understanding about the links between conflict and poverty as well as global consensus in this respect. The program also signified the pattern of Bank and donors engagement in wider partnerships to tackle regional and global issues as exemplified by the increasing number and scope of regional and global partnerships that has since developed through MDTFs.

Fragile and conflict-affected states have moved higher on the World Bank’s strategic agenda. By 2008, MDTFs represent 11% of World Bank’s held assets. In addition, FCS demanded a high degree of flexibility on the side of the institution. In February 2007, OP/BP 8.00 “Rapid Response to Crises and Emergencies” replaced the old OP/BP 8.50, providing clearer and more comprehensive guidance to MDTF country teams as well as other emergency operations. It provides measure for quicker decision making and more delegation of authority; increases the percentage of possible retroactive financing from 20 to up to 40%;
authorize more flexible balancing between ex-ante and ex-post controls and risk mitigation measures that for example delegate higher level of authority to Bank procurement staff.

In 2008, the World Bank and the UN reached agreement on a Partnership Framework for UN-Bank cooperation in a crisis and conflict context. In the past, lengthy negotiations between the Bank and the UN took place in connection with the signing of Partner Agency and Administrative Agent agreements to enable UN management and implementation of Bank-administered MDTF activities. The length of these negotiations was a reason for significant implementation delay in MDTF activities in FCS, and created unproductive tension between the UN and the Bank (Sudan MDTF-S, Indonesia MDF, MDRP). This happened in context when the Bank assumes full fiduciary responsibility for MDTF funds and the Bank’s fiduciary guarantees to MDTF donors are based on the use of Bank’s rules and procedures. Since World Bank and UN rules and procedures are not identical, negotiations took place to adjust UN procedures to Bank’s requirements. The Partnership Framework can eliminate such delay as it establishes that the Bank in fact can rely on UN fiduciary standards.

The UN-Bank Partnership Framework addresses fiduciary and related issues for cooperation in crisis and conflict contexts and will, inter alia, set forth criteria for when the Bank can rely on fiduciary requirements of UN agencies and programs when retained by the borrower or the Bank for implementing recovery activities financed by the Bank or Bank-administered funds. This framework can have a significant impact on MDTF operations in facilitating implementation by UN Agencies, thereby improving implementation capacities in the aftermath of peace accords or natural disaster.

Assistance to FCS has moved to centre of the World Bank’s strategic agenda. The World Bank has made support to fragile states and transition from conflict to peace one of its six priority areas. The Bank’s deepening engagement in FCS is also demonstrated in resource flows (please see Chapter Three of the Main report).

### 1.1.2 Evolving Policy Framework for Supporting FCS

The development of the World Bank’s conceptual and operational engagement with fragile and conflict-affected states reflects global trends. There was a shift in the dynamics of violent conflict after the Cold War (shift in focus from inter-state to intra-state conflict) and a more permissive international environment for intervention (decline in Cold War competition). Conceptually, the international community began to make a specific linkage made between conflict and development, noting that state fragility was a key determining factor contributing to conflict. As a result, fragile states moved to the centre of the development agenda. These trends are summarized in Agenda for Peace (1992) which is a call for international action lead by the UN. The linkage also brought fragile and conflict-affected states within the World Bank’s mandate.

A further conceptual shift occurred after the 9/11 attacks that increased the relevance of fragile state interventions. The link between conflict and development and fragility and conflict remained explicit, 9/11 further placed fragile states inside of the international security concerns, particularly for western donors. The premise was that fragile states could be captured by non-state groups, and used as a staging area for operations. There were also

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Growing concerns about the security implications of poor governance and transnational crime. In Larger Freedom: Towards Development, Security and Human Rights for All (UN 2005) brings together the threads of conflict, fragility, security and development, and places them within the scope of “national interest”.

Some of the key events promoting the development of Conceptual Shifts in international response to change in the dynamics of violent conflict are:

**Summary of Conceptual Shifts 1992 to 2010**

- *Agenda for Peace* (1992) outlines an activist UN agenda for the prevention, mitigation and resolution of violent conflict, and post-conflict recovery;
- High visibility failures (Somalia, Bosnia, Rwanda) during the 1990s leads to reform of UN peacekeeping system (*Report of the UN High Level Panel of Peacekeeping Operations, 2000)*;
- Emergence of peacebuilding as a development activity;
- *Millennium Development Goals* (2000), sets global development targets;
- *Responsibility to Protect* (2001), presents the legal case for humanitarian intervention; and,

Changes to the international development agenda were accompanied by the emergence of new principles and modalities to deliver assistance. The Rome Declaration (2003), Paris Declaration (2005) and Accra Agenda for Action (2008) established a verifiable framework for “good” assistance, focusing on national ownership, alignment and harmonization. Among other effects, these principles: (i) encouraged a move away from focusing on projects to programs, and (ii) places an emphasis on engaging national development policy; at the same time as (iii) the linkage between fragility and conflict directed attention to state building. The principles were reflected in the emergence of pooled aid modalities with the focus partnership and policy-level dialogue, including Budget Support, SWAP, MDTFs and other variations, for delivering assistance.

International changes were expressed in new aid architecture at the country level, driven by the ownership, alignment and harmonization principles, and often situated inside of a peace agreement or internationally sanctioned transitions. The Millennium Development Goals, national development strategies, and Poverty Reduction Strategy papers, combined with Government-led donor coordination forums, often provide a framework at the national level.

**Summary of Milestone Changes in Aid Effectiveness**

- The *Monterrey Meeting: The International Conference on Financing for Development, 18-22 March 2002* in Monterrey. This first United Nations-hosted conference to address key financial and development issues.
- The *Kimberley Process Certification Scheme* (2000), a joint government, industry and civil society initiative to stem the flow of conflict diamonds.
- PRSP national planning system adopted in the early 2000s
- The OECD *Rome High Level Forum on Harmonization* (2003), to expand harmonization and country-led efforts to streamline donor procedures and practices.
The OECD DAC Paris Declaration on Aid Effectiveness (2005) expands commitments to recipient country leader harmonization and alignment and establishes a monitoring system.

The OECD DAC Principles for Good International Engagement in Fragile States and Situations (2007).

The Accra High Level Forum and the Accra Agenda for Action (2008), assessment of progress and further aid reforms.

The combination of these changes was critical to the World Bank’s movement into fragile states. They created a new operational environment with demands, opportunities and incentives, at the same time as new delivery modalities began to emerge.

Significant change has subsequently occurred since the mid-1990s in the Bank’s understanding of the causes of conflict and how it impedes development. Within the Bank, separate, yet interlinked initiatives related to violent conflict, state fragility and aid effectiveness help to expand the Bank’s conceptual parameters, policy framework, operational policies and its program repertoire, resulting in the World Bank: (i) moving aggressively to program in fragile state situations; (ii) the combining of post-crisis programming with MDTF modalities and the growing role of the Bank as a convener in FCS, and; (iii) integration of MDTFs into World Bank and Government lead planning systems (CAS and Poverty Reduction Strategy Paper, PRSP), where such modalities exist. A corresponding understanding of the need to strengthen the Bank’s organizational capacities to work with FCS took place.

Within the past decade, in addition to trust funds, the World Bank developed a number of instruments for supporting fragile and conflict states. Additionally, a number of standard Bank instruments have been developed and adapt for supporting fragile and conflict states:

- **Watching Brief**: Allows the Bank to maintain a minimum level of engagement, monitoring evolving socioeconomic conditions and prospects for change, and to thus be in a better position to re-engage when conditions permit. As part of the Watching Brief, the Bank may support additional activities at the country’s request;

- **Conflict Analysis**: guides the need for revising Bank-supported operations in the country. The OPCFC has developed a Conflict Analysis Framework to help Bank teams analyze more systematically the links between development and conflict when preparing strategies, policies and programs.

- **Peace and Conflict Impact Assessment (PCIA)**: a micro-level analysis that can evaluate the impact on peace and conflict of interventions (projects, programs, policies) in conflict affected areas and sectors;

- **Interim/Transitional Support Strategy**: a short- to medium term Bank assistance strategy for a country in transition from conflict that does not have a Country Assistance Strategy;

- **Country Assistance Strategy (CAS)**: the standard multi-year framework for planning at the country level;

- **Analytical and Advisory Activities (AAA)**: a standard Bank instrument for supporting country operations;
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- **Poverty Reduction Strategy Paper (PRSP):** a macro planning framework, done in coordination with the IMF, Donors, the recipient Government and others in national society;

- **Debt relief,** many countries emerging from conflict also have high external debt levels that can be a serious, and frequently unsustainable, drain on their resources. The Bank has worked with the IMF to help these countries access debt relief, especially under the Heavily Indebted Poor Countries Initiative, as soon as the necessary conditions are in place to assure that the freed resources will be appropriately used;

- **Pre-arrears clearance grants:** a framework for the provision of pre-arrears clearance grants to post-conflict countries with large and protracted arrears. Previously, IDA resources could not be used to support the early recovery efforts of countries in arrears, thus delaying at a critical time IDA’s support for peace processes and immediate post-conflict recovery efforts;

- **Post-Conflict Progress Indicator (PCPI):** In response to the challenges posed by the special circumstances of post-conflict countries, the IDA13 agreement endorses a new methodology to enable the Bank to more systematically calibrate IDA’s response to the different post-conflict phases. Performance is measured by a set of indicators designed specifically for post-conflict countries, and allows for the provision of exceptional levels of IDA resources to eligible countries for up to three years, after which they phase down during years four and five to their regular performance-based norm, followed by a return to IDA’s regular allocation process;

- **Exceptional IDA allocations:** Post-conflict countries, eligible for exceptional IDA allocations based on PCPI ratings, may receive up to 40% of their IDA allocation as grants for a limited period, once their arrears have been cleared.28 Furthermore, in special cases, grants could be made available to territories within member countries that are under UN administration on an interim basis; and

- **Grant-based funding instruments for FCS,** such as Project Preparation Facility, LICUS grants, State Building Fund, and Capacity Building Trust Fund.

In most cases, the Bank has been combining instruments in responding to country’s needs. Examples of combining support instruments for responding to emergencies include:

- West Bank Gaza: the US$ 23.6 million Technical Assistance Trust Fund, 12 donors, aimed at bringing implementation capacity to the Occupied Territories and strengthening Palestinian capacity to develop and implement policies; the US$ 269 million Holst Fund (with 27 donors) coupled with a US$ 380 million trust fund from Bank net income, the Public Financial Management Reform Trust Fund (“the Reform Fund”), set up in 2004 to support PA’s effort to reform the public sector;

- Bosnia: US$ 150 million trust fund for emergency projects (US$ 25 million in grants, US$ 125 million in concessional loans);

- Kosovo: US$ 60 million two-year trust fund financed from Bank net income, following initial PCF funding for priority community-driven projects and recurrent education and health expenditures;

- Timor-Leste: US$ 80 million Multi-donor Trust Fund for Timor-Leste (TFET) started with US$ 10 million of Bank grant from net income, and initial Post-Conflict Fund funding

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3 Amounts referred are cumulative.
following a joint assessment mission. In addition, the Consolidated Support Program (CSP) and the Transitional Support Program. While the TFET was a multi-donor fund supporting program activities, the CSP and the TSP have been multi-donor frameworks for pooled budget support funding;

- Sierra Leone: administration of a US$ 12 million multi-donor trust fund for disarmament, demobilization and reintegration, in tandem with a US$ 25 million IDA credit for the reintegration of war-affected populations;
- Greater Great Lakes Region: total cost of US$ 451 million: US$ 260 million from donors through the MDTF plus US$ 191 million from IDA, and where the IDA later added a further US$ 50 million for the DRC program. The needs assessment for the regional program was financed by an IDA grant, identifying the main issues to be addressed, the costing, and the instruments, but also a “division of labor” between the two funding windows of the overall MDRP: the IDA grants and the donor MDTF grants;
- Iraq: The Bank mobilized resources to help Iraq clear the country’s arrears so the country could access IDA credits and grants; US$ 573 million MDTF, and US$ 608 from IDA;
- Indonesia: USD$ 25 million in grant aid from Bank management to support the establishment of the MDTF and other activities. US$ 595 million MDTF;
- Sudan: Together with the UN, Bank grant financed the Joint Assessment Mission to determine the reconstruction needs and the Bank assisted the Government in preparing the Sudan Poverty Eradication Strategy Concept Note. US$ 10 million in grants from the Bank’s Capacity Building Trust Fund and the LICUS Fund to cover costs associated with project start-up activities; US$260 million for the MDTF-N and US$ 521 million for the MDTF-S; and

1.1.3 Bank Operational Policies for MDTFs

The World Bank has a dedicated Operational Policy (OP), and related Bank Procedures (BPs), to regulate trust funds, namely, OP 14.40, “Trust Funds” of July 2008 (replacing the statement dated February 1997). OpMemo, “Application of Procurement Plans to Trust Fund Grants” of August 2004 also applies to MDTFs. In addition, MDTFs in FCS are regulated by two Operational Policies. These are:

- OP 2.30, “Development Cooperation and Conflict” (January 2001), which conceptual background was laid out in Post-Conflict Reconstruction: The Role of the World Bank (2001), endorsed by the Executive Directors as A Framework for World Bank Involvement in Post-Conflict Reconstruction;
- OP 8.00, “Rapid Response to Crises and Emergencies” of March 2007 (replacing OP 8.50, Emergency Recovery Assistance, dated August 1995), which conceptual background was laid out in Toward A New Framework for Rapid Bank Response to Crises and Emergencies and Strengthening the World Bank’s Rapid Response and Long-Term Engagement in Fragile States, both of March 2007; and
- MDTFs established using World Bank’s procedures and MDTFs in FCS may also follow other Operational Policies that regulate standard Bank operations, such as OP 7.30,

In OP 2.30, the Bank recognizes that economic and social stability and human security are pre-conditions for sustainable development. It further recognizes the spillover effects of a country in conflict on its neighbors and, therefore, the regional implication of conflict.

The main premise of the Bank’s work in relation to conflict-affected countries is its mandate. The Bank is an international organization with a mandate, defined in its Articles of Agreement, to finance and facilitate the reconstruction and development of its member countries. In view of its mandate, which explicitly prohibit the Bank from interfering in the domestic affairs of a member or from questioning the political character of a member, the Bank does not engage in peacemaking or peacekeeping, which are functions of the United Nations and other organizations.

The Bank is also precluded to provide direct support for disarming combatants and to provide humanitarian relief, which are functions assumed by other donors.

Partnership is a principle of Bank engagement in conflict-affected countries. In alignment with the Bank’s mandate, OP 2.30 establish that the Bank shall work in close collaboration with government authorities, civil society and private sector entities, and bilateral and multilateral agencies, particularly the United Nations and other international and regional institutions that have the major responsibility for peacemaking, peacekeeping and security, humanitarian assistance, and reconstruction and development.

In OP 2.30 the Bank recognizes the different stages of state consolidation countries undergoing conflict and in transition from conflict may be. This OP clarifies that the Bank may engage with the government in power, but also with de facto governments (OP 7.30), or, in the absence of a government in power, Bank assistance may be initiated by requests from the international community, as properly represented (e.g. by UN agencies), and subject to the prior approval of the Bank’s Executive Directors. The later has been the case of Bank assistance to West Bank and Gaza, Bosnia and Timor-Lest for example. In such cases, Bank’s resources and facilities may be used only for the benefit of its members.

In its policy, the Bank recognizes three categories of conflict-affected countries: those vulnerable to conflict, those in active conflict, and those in transition from conflict. Bank engagement is different under these categories. Bank engagement or re-engagement with these types of conflict countries can vary from changes in the design of these operations to financial assistance (grants) to activities in other countries beyond those directly engaged in hostilities, given the host country’s permission. However, Bank support depends on evidence of strong international cooperation and the potential for a well-defined role for the Bank. Finally, be closely aligned with the objectives and sequencing of priorities of peace accords and rehabilitation plans agreed to by parties to the conflict.

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4 According to its Articles of Agreement, only economic considerations should be relevant to the Bank’s decisions.

5 As defined by OP 7.30, a “de facto government” comes into, or remains in, power by means not provided for in the country’s constitution, such as a coup d’état, revolution, usurpation, abrogation or suspension of the constitution.
OP 8.00 significantly widened the scope of Bank engagement in conflict and post-disaster, compared to its predecessor, OP 8.50. It does so by broadening the definition of “emergency” and the applicability of rapid response instrument to encompass major adverse economic and/or social impacts resulting from an actual or imminent natural or man-made crisis or disaster. Bank’s engagement in crisis and emergencies has also been extended to activities outside the Bank’s traditional areas, namely support to relief, security, and specialized peace-building operations.

Bank and partners resources channeled through MDTFs can, therefore, be used to not only to rebuild and restore physical assets but also the means of production and economic activities, essential services; establishing and/or preserving human, institutional, and/or social capital, including economic reintegration of vulnerable groups; facilitating peace building; assisting with the crucial initial stages of building capacity for longer-term reconstruction, disaster management and risk reduction; and supporting measures to mitigate or avert the potential effects of imminent emergencies or future emergencies or crises in countries at high risk.

The principles underlying the new Bank’s policy on rapid response to crises and emergencies are the same as the ones for OP 2.30, which are alignment with the Bank’s mandate, partnership and coordination of efforts, focus on the Bank’s core development and economic competencies, and application of Bank’s standards of fiduciary and financial management oversight.

OP 8.00 also recognizes that a new mode of institutional response is needed to achieve the objectives underlying Bank’s support to FCS. The new policy and its accompanying BP 8.00 provide tools for bringing the flexibility, timeliness, and simplicity that are especially critical to an effective response in an emergency situation. Concurrently, other policy changes in the Bank (e.g. human resources), aiming at increasing the quality of Bank support on the ground, represent concrete efforts to aligning the institutional response to the needs of emergency situations, including addressing previously identified setbacks in the establishment, operationalization and delivery of MDTFs in FCS.

As identified in OP 8.00, the ability for the Bank’s rapid response to function as such relies on three risk mitigating measures: intensified supervision, delegation of decision making authority to task teams and country based Bank officials, and high management support within the Bank. Combined, these measures can enable country teams to make use of Bank resources (staff in the region and at headquarters, streamlined procedures) to simplify and accelerate project processing and implementation within a comfortable risk zone. This requires that supervision budgets for crisis and emergency operations to be higher than those in normal operations and that higher level of management in the Bank be more proactive to ensure staff on the ground receives the level of support needed to retain decisions locally and apply the desired rapid response from the institution.

Under emergency situations, the Bank is open to alternative implementation arrangements for early recovery and operations that include capacity-building measures, including grants to public or private entities. In weak-capacity environments, the Bank may adopt appropriate partnership arrangements with the relevant international agencies, including the UN, for implementation of such activities. In exceptional circumstances, the Bank may execute start-up emergency activities at the request of a recipient country either under a Project Preparation Facility advanced on grant terms or a trust fund grant. This has been the
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1.1.4 Scope of MDTFs in the World Bank

The Bank is now involved in FCS activities in all regions: Latin America and the Caribbean (Guatemala, Colombia, Haiti), Middle East and North Africa (West Bank and Gaza, Iraq and Lebanon), East Asia and Pacific (Cambodia, Timor Leste), South Asia (Afghanistan, Sri Lanka, Tajikistan), Europe and Central Asia (Armenia, Georgia), and in numerous African countries such as Angola, Burundi, DRC, Liberia, and Rwanda. Out of the 35 countries classified by IDA as Fragile States, the World Bank participates in MDTFs in 33 of them.

As noted in the 2009 Trust Fund Annual Report, the World Bank Group’s trust fund portfolio has grown in size and complexity. Between FY 2004 and FY09, the stock of trust fund assets held by the World Bank Group grew exponentially, from US$ 8.6 billion to US$ 86.6. Sixty seven percent of the increase resulted from new Financial Intermediary Funds such as the Global Fund to Fight AIDS, Tuberculosis, and Malaria (GFTAM) and International Finance Facility for Immunization (IFFIm).
IDA-eligible countries remained the primary beneficiaries of trust funds, receiving more than half of total disbursements in FY08. On a regional basis, the largest share of disbursements continued to go to Africa (32%) followed by Global Funds (20%), South Asia (16%) and East Asia and Pacific (14%). The health and social services sector received by far the largest share of disbursements (42%), followed by public administration and law (15%).

Between FY04 and FY09, total IDA and MDTF commitments to FCS amounted to US$ 16.5 billion, of which US$ 6.1 billion were MDTFs commitments to FCS. Out of the total commitments to FCS in the past eight years, nine countries account for 92% of the total MDTF grant commitments: Afghanistan, Burundi, Cameroon, Democratic Republic of Congo, Liberia, Sierra Leone, Sudan, Timor-Leste and West Bank & Gaza.

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7 MDTF grant commitments are cumulative from inception of the MDTFs (approx FY01) to the end of FY09.
8 Data matrix “MDTF Grant Commitments and IDA Commitments to Fragile States (FY01-09)”, prepared by OPCFC, 12 January, 2009.
1.2 Lessons Learned from MDTFs in FCS

The following is a summary and analysis of main lesson collected from two sources: documentation and personal interviews. From documentation, both general lessons on MDTFs and from case-study MDTFs were collected. The compiled lessons can be found in Annex Two. These lessons were cross-checked and complemented by personal interviews. A list of persons and documents consulted can also be found in Annex Two.

1.2.1 Context and External Factors

Fragile and post-conflict environments are characterized by fluid political situations, low state capacity and high program risk. Ongoing insecurity may restrict access to project sites. Popular expectations for a peace dividend are not balanced with actual delivery capacity of Government, but at the same time as weak institutions are being strengthened. These factors, and others, will affect every aspect of MDTF operations, from policy dialogue and expectation management to the composition of the portfolio and obstacles encountered during implementation. However, the Bank and donors tend to consistently underestimate their impact, contributing to performance problems downstream (Iraq ITF, Sudan MDTFs, MDRP).

Identification of the critical external factors, their analysis within each country context, and their interplay is highly relevant for the effective performance of a MDTF. These factors must be understood as evolving conditions and, therefore, the need for continued monitoring. The main external factors identified are:

1. Needs to be addressed by the MDTF;
2. Existing capacities and enabling conditions to deliver priority activities;
3. Political will or commitment by the MDTF stakeholders; and
4. International politic dynamics surrounding the support for the MDTF.

Realistically matching the priority needs to be addressed by the MDTF with the country’s absorptive capacities in the public, private and civic sectors are essential to ensure the effectiveness of a MDTF and continued stakeholders’ support. Matching needs, capacities and enabling conditions (e.g. security, access to project sites) is crucial for managing expectations and to keep in equilibrium expectations on capacities and conditions on the one hand and pace of disbursement and of delivery on the other. Realistic expectation of the pace and scope for implementation of operations is crucial for sustaining stakeholders’ cohesiveness and support to the MDTF.

Peace instruments or stabilization process are usually comprised of multiple agreements and a framework for negotiation on unresolved issues, with milestones for implementation. Clarity on the linkage between the MDTF with political agreements is important to achieve realism when establishing the objectives of the mechanism, funding prioritization and maintaining consistency between existing capacities and enabling conditions on the one hand and pace of delivery (project design, scope, and timeline) on the other. Agreement between stakeholders on the boundaries of the political and operating parameters of a MDTF is necessary for the effective performance of the instrument. Maintaining understanding about these boundaries is important for risk-sharing among stakeholders and for keeping in perspective the role distribution within the MDTF partnership to enable the MDTF to achieve desired results.
MDTFs based on clear political agreements between the critical stakeholders have a greater chance of success. Agreement between national authorities, donors, and beneficiaries on the purpose of the MDTF partnership and on what the MDTF is to achieve positively affects funding predictability, risk mitigation (vulnerability and isolation) and may improve leverage, through integration of MDTF activities into the reconstruction program (ARTF, MDF, MDRP-Rwanda).

Where those agreements do not exist at inception or quickly lose cohesion, the MDTF becomes overloaded with mandates and expectations it was not designed to handle. In such cases, a MDTF can become a forum for political grievances and wider negotiation among governance members, becoming vulnerable to distortions and to internal and external pressures (Sudan MDTF-N). The center of discussion among partners moves from achieving the objectives of the MDTF to larger political questions. Otherwise, critical stakeholders abandoned the task of providing strategic guidance to the MDTF, creating disequilibrium on the burden- and risk-sharing in the partnership (Iraq ITF).

Ceasing to represent a consensus between critical parties, the MDTF also cease to be an instrument for jointly delivering on agreed objectives to become a political leverage instrument in itself. Given disagreement between critical stakeholders – a number of donors and recipient government, the MDTF Administrator is expected to play a mediating role.

For the Administrator, the lesson is that whether insufficient agreements exist to form a core for partnership and the MDTF thereby loses strategic focus, the Administrator becomes vulnerable as risk-distribution further loses equilibrium. The tendency is for the MDTF to, among other things, suffer from funding insufficiency and the Administrator to be left alone to handle reputational risk. Vulnerability for the Administrator further increases when relations with the country concerned limits the ability of the institution to leverage its services, limiting roles performance.

Where it exists, MDTFs should be integrated into and support the larger aid architecture (a National Development Strategy, PRSP or relevant planning and/or coordination instrument). Where these instruments are emerging or maturing over the course of an MDTF’s operational life, care should be taken to adapt and ensure integration. Beyond improving relevance and coordination, overarching coordination forums are the appropriate place for stakeholders to resolve larger political issues outside of the MDTF’s mandate and, therefore, avoid importing them into MDTF discussions.

The World Bank plays an important role convening stakeholders and providing intellectual leadership. Many FCS are dependent on international assistance and/or political support, particularly in the early period. The quality of assistance, therefore, has a direct and significant impact on both development outcomes and conflict dynamics. In these situations, the World Bank often plays an important intellectual role shaping the development models or approaches that will be used, with long term consequences for what emerges.
Lessons from MDTFs

An MDTF may become delinked from the peace instrument that created it. This can occur when the peace process itself begins to falter and the political support of stakeholders erodes;

External tensions, not directly related to the MDTF but linked to the larger political context and the interests of stakeholder, are imported into the MDTF, politicizing MDTF technical and policy discussions;

The absence of a clear nationally-led coordination and policy framework, bringing coherence to the international presence, defining the role of an MDTF and serving as a broader platform for dialogue, reducing the possibility that external tensions will be imported – overloads the MDTF with mandates and expectations;

Lack of cohesion in the donor position and/or clear political support to the MDTF can undermine the position of the Administrator, and may encourage competition and tensions with other implementers;

Furthermore, when a normal lending situation does not exist (e.g. arrears not cleared), the World Bank cannot leverage its position as Administrator or a convener against its larger portfolio;

The tendency is for the MDTF to lose its strategic focus, suffer from funding insufficiency, and for roles in the partnership to become distorted: donors engaging in micro-management and the Bank becoming isolated in the role of risk management (MDTF performance). When a MDTF governance cease to function as a partnership and starts demanding the Administrator (the World Bank) to fulfill the role of political mediation between the critical national actors, high level management attention within the Administrator’s institution is needed to manage reputational risks.

1.2.2 Stakeholder Roles

The roles of MDTF stakeholders vary according to the purposes and contexts MDTFs are designed, the resources stakeholders have and make available to exercise their roles and responsibilities and to the enabling condition for them to exercise roles. There is, however, a pattern on role distribution across programmatic MDTFs in FCS. The following definitions of stakeholder roles are in accordance with this general pattern.

Roles of National Authorities

The role of National Authorities in the MDTF can vary in each case. Some of the possibilities are:

- They are represented on MDTF governance bodies and partake in dialogue; in some cases their pre-approval of MDTF funding decisions is required.
- They closely involved in decisions regarding the objectives and goals of MDTFs, as well as policies and strategies.
- They can exercise strong influence in the selection of MDTF Trustees and Administrators and the selection of implementation instruments and agencies.

In most cases, national authorities influence MDTFs in two ways: (i) through formal representation on MDTF governance bodies, and; (ii) through dialogue, pre-approval of MDTF funding decisions. In most MDTFs, national authorities have formal decision-making power, as is the case for instance in the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) and the two Sudan MDTFs and the International Reconstruction Fund Facility for Iraq (IRFFI), but this is not always the case. In the ARTF/Afghanistan for instance, the Management Committee of four multilateral agencies is the funding decision making body. The Donors Committee consists of donors that provide minimum US$ 5 million per year,
plus two seats to smaller donors on a rotational basis. As of October 2005, the Government meets with observer status in both committees, but they have no formal decision making power. However, in all cases national authorities are closely involved in decisions regarding the objectives and goals of MDTFs, as well as policies and strategies, linked to aid harmonization agenda. They also exercise strong influence in the selection of MDTF Trustees and Administrators and the selection of implementation instruments and agencies.

In all MDTFs, projects require formal clearance by the national authorities and in many MDTFs Governments take part in the MDTF program/project cycle, from program/project design, monitoring of progress, to evaluations of MDTF activities (as is the case for the FTI Catalytic Fund, the ARTF/Afghanistan, the Multi-Country Demobilization and Reintegration Program – MDRP, the Sudan MDTFs, the IRFFI, and the MDF-Indonesia).

The roles Governments play in MDTFs depend, to a great extent, on their political commitment to the objectives of the MDTF and/or their capacity to exercise a leadership role. Government membership in MDTF governance mechanisms has the potential of strengthening ownership and leadership. However, this is not a guarantee, as is demonstrated in the Sudan MDTF-National, where disagreements between donors and Government on broader issues affect MDTF-N implementation. Regardless, including national authorities in MDTF governance structures provides a safety net to donors, as well as to the Fund Administrator, in terms of risk sharing. It also provides access to national authorities, and as such opportunities for policy discussions.

Roles of Donors

Donors that contribute to a MDTF have formal decision making power and constitute the majority of voting members in Bank-led MDTFs as well as in global MDTFs, including the FTI. They influence the selection of Trustees, Administrators and are involved in the full decision making cycle. Donors also exercise strong influence in deciding the architecture of the governance structures and their constitution, the objectives and goals of the MDTF, the MDTF’s funding criteria, policies and strategies, and progress monitoring.

Although the role of national authorities is increasing in importance, MDTFs decision making bodies are dominated by donors. The general rule is that donors that contribute to a MDTF have formal decision making power. As a result, donors constitute the majority of voting members in Bank-led MDTFs as well as in global MDTFs. They influence the selection of Administrators and are involved in the full decision making cycle. Donors exercise strong influence in deciding the architecture of the governance structures and their constitution, the objectives and goals of the MDTFs, the funding channels (on- or off-budget), the selection of implementation instruments and agencies (as members of approval committees), the MDTF policies and strategies, and progress monitoring.

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9 The one exception is the Iraq Trust Fund, where the Donor Committee has more general policy functions but not involved in individual project reviews.

10 This, however, is not always the case. In the ARTF, for example, funding decisions is a role delegated to the Management Committee composed of four multilateral agencies. In the Iraq ITF the Donor Committee has more general policy functions but not involved in individual project reviews and selection.
Roles of Trustees

The roles and responsibilities of a MDTF Trustee are similar to those of a banker, but they manage grants, not loans. A Trustee’s function within a given MDTF is to manage the money that has been contributed according to agreed terms.

The roles and responsibilities of a MDTF Trustee are similar to those of a banker. Within the types of MDTFs addressed here, Trustees manage grant funds (versus ‘loans’). A Trustee’s function within a given MDTF is to manage the money that has been contributed according to agreed terms. MDTF Trustees assume full or partial fiduciary responsibility of MDTF funds vis-à-vis donors (and, in some cases, recipient authority). They are responsible for entering into an agreement with MDTF donors and are responsible for performing the functions set forth in such an agreement, which may also entail engaging in fiscal agreements with Supervising agents (see below), in consonance with the relevant Trustee’s rules and regulations.

The “whom” the Trustee is accountable to is implicated by the type of fund structure. In the case of a country-specific MDTF, the Trustee holds funds contributed by donors to a specific national authority. As such, Trustees are responsible for managing grant funds on behalf of donors and recipient authorities. For these funds, the resource allocation decision-making bodies need to be either represented or designated by these two stakeholders (donors and national authorities). However, this is not the case for FTI and most global funds.

Among other things, Trustees are responsible for opening and managing the MDTF account and establishing and maintaining appropriate records and accounts to identify the contributions, make commitments to be financed out of those contributions, and document receipts and disbursements of the funds. Trustees report directly to the MDTF funding decision making body or the body designated in the agreements with the contributors, providing unaudited (normally in a quarterly basis) and externally audited financial reports (annually).

Roles of Administrators

The Bank’s roles in administering a trust fund can vary, depending on the type of fund. The Bank always performs some financial or administrative roles, and may also perform one or more operational or partnership support roles. Based on these roles, the Bank categorizes trust funds into three types:

1. **Recipient-Executed Trust Funds** — funds that the Bank passes on to a third party and for which the Bank plays an operational role—i.e., the Bank normally appraises and supervises activities financed by these funds;
2. **Bank-Executed Trust Funds** — funds that support the Bank’s work program;
3. **Financial Intermediary Funds** — funds that involve financial engineering or complex finance schemes, or where the Bank provides a specified set of administrative, financial or operational services.

In programmatic MDTF in FCS, which falls under Bank’s classification of Recipient-Executed Trust Funds such as the ARTF, MDF, Sudan, and LRTF and Bank-Executed Trust Funds such as the one in Zimbabwe, MDTF Administrators manage the operational aspects of a MDTF. In the majority of cases, they are responsible for the administration of all operational aspects of a MDTF and oversee the portfolio. This normally includes developing and updating work
plans, setting the procedural framework for the MDTF operations and ensuring this is adhered to, project processing, engaging in grant agreements with implementers, monitoring and evaluation of MDTF activities, and management of the MDTF Secretariat. Financial and activity reporting to donors is the responsibility of the Administrator for a given MDTF, who in turn must assure compliance by all organizations receiving MDTF funding.

The Administrators exert great influence on the performance of MDTFs as most MDTF funds are implemented using the policies, rules and procedures of its Administrators. This ranges from financial management, including procurement rules and conditions for retroactive funding, own standard procedures for supervising and monitoring MDTF projects, to project processing procedures (e.g. appraisal, approval, conditions for effectiveness). The Administrator’s policy also defines whether MDTFs enable or preclude earmarked contributions from donors. MDTF operations demand the support of various units or departments within the Administrator (e.g. legal, technical, procurement, financial). The dedicated capacity and level of management support within an Administrator’s institution/organization is thus crucial for MDTF operation to perform in efficiently and effectively.

MDTF Administrators can exert influence on the entire decision-making chain, due to the many roles they play. Administrators can influence the governing structures of MDTFs by proposing structure and membership. They can affect decisions on MDTF funding as they chair or sit on funding decision making committees, and are responsible for managing MDTF Secretariats. Administrators have full access to information within a MDTF and, therefore, exert influence over the flow of information between stakeholders. Additionally, most Administrators use their own staff to manage and administer MDTF operations. Staff working with MDTFs is, therefore, regulated by the Administrator’s human resources policies; their reporting responsibility is ultimately towards the Administrator. In the majority of MDTFs, the Secretariat is mostly run by Administrator’s staff.

**Roles of Fiscal Agents**

A Fiscal Agent, also known as Partner Agent, is an agency designated by the MDTF decision making body to take on the operational roles for a stipulated part of the MDTF funds and activities. The difference between an Administrator and the Fiscal Agent is mostly in scope of responsibility. While the Administrator is responsible for most operational issues of an MDTF portfolio, the Fiscal Agent is responsible exclusively for the operational issues of only those projects/countries assigned to them by the MDTF donors.

MDTF activities are regulated by the administrative framework of the Administrator. The Trustee’s fiduciary guarantees (and related transaction costs) to donors are linked to the donors’ selection of Administrator. In most MDTFs, the Trustee and the Administrator are the same institution. When MDTF donors designate a Fiscal Agent, the Trustee has either to accept the administrative framework of the Fiscal Agent or donors have to waive the fiduciary guarantees of the Trustee pertaining to the particular funds that will be transferred to the Fiscal Agent. In the past, this has been a contentious issue between the World Bank and the UN, which has recently been resolved.

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11 In some Bank global funds, such as Education for All-Fast Track Initiative, Partner Agents are known as Fiscal Agents or Supervising Entity.
A Fiscal Agent Agreement is World Bank terminology for an agreement between a MDTF Trustee and a Fiscal Agent (or Partner Agent). It is used when the Trustee of a MDTF receives funds from donors but transfers them to one or more agencies that assume full fiduciary responsibilities for the funds transferred. This works as a "pass-through" arrangement, such as where funds were passed from the Afghanistan Reconstruction Trust Fund (ARTF) to UNDP’s Law and Order Trust Fund of Afghanistan or when the Sudan MDTF-Southerner passed fund for UNDP implementation of the The Rule of Law Sector Capacity Building of the Sudan Judiciary. This means that the Donor Agreements between the Bank (as Trustee-Administrator) and the Donor explicitly note that the Trustee is only a Fiscal Agent and will pass on the funds to the actual fiduciary agent, where the latter provides all reporting and management of the funds. The Trustee hence provides no assurance to the MDTF donors on how the funds will be used.

Fiscal Agent Agreements transfer:

1. Fiduciary responsibility for the funds transferred from the Trustee to the Fiscal Agent;
2. Administrative responsibility for the funds transferred from the Trustee to the Fiscal Agent; and,
3. Oversight responsibility for the funds from the Trustee to the fund’s decision making body or designated body in the agreement with donors.

The reason for such an arrangement is to enable the simplification of the transfer of funds for the donors, where one share may be for the MDTF itself and another share for pass-through to other fiduciary agents. This is normally done when the implementation of MDTF activities is best served through different channels and thereby different agencies, which also means under different procedures. This has especially been the case in post-crisis situations (post-conflict and post-disaster) when capacity is an important issue. In such cases, project implementation through different agencies not only increases capacities, but also the speed of implementation.

Roles of Implementers

Also called the “executing agency” the roles and responsibilities of MDTF implementing organizations vary according to the nature and specificities of the program or projects to be implemented. However, implementers are to comply with the MDTF requirements and procedures and these are specified in the grant agreements. MDTF Administrators have mandates limiting implementation channeling (i.e. on- or off-budget and -treasure). MDTF Administrators tend to follow government preferences concerning implementation, but donors can also exert influence.

Government institutions are typical grant recipients. In the case of Bank-administered MDTFs, the bulk of the MDTF implementation takes place through and by governments, mostly on-budget and often on-treasure, although the Bank also implements off-treasure (e.g. the MDF-Indonesia). Other organizations can and has also participate in MDTF implementation, such as NGOs (for example in the ARTF, MDRP-Great Lakes and the IRFFI-Iraq) and universities (as was the case in the MDF-Indonesia). Although donors often express interest in increasing the participation of international NGOs, and local NGOs to a lesser extent, in MDTF implementation this has not happened to their satisfaction. NGOs have also a shared interest in implementing MDTF activities, especially since they consider MDTFs to
present a lighter administrative burden than some of the bilateral donor procedures (Praxis Group, 2009). However, NGOs often find MDTF objectives and procedures restrictive. For example, NGOs had difficulty accessing the MDTF-SS as projects were focused on sector-wide provision of basis services and infrastructure, beyond the capacity of an NGO to deliver.

As mentioned, Administrators tend to follow government preferences concerning the selection of implementers and governments are often hesitant on selecting NGOs. One reason is that some governments doubt about participatory approaches and are uncertain about the actual result of what NGOs implement. However, in Afghanistan where the ARTF uses a large number of NGOs, other reasons account for the sometimes tense relationship between government and NGOs. One reason is NGOs crowd out the private sector, specifically in the construction sector. NGOs are tax-exempt while civil engineer contractors have to pay taxes and thus provide revenues to the Government. Construction work performed through NGOs entail a loss of revenue opportunity to the government. Additionally, Governments sometimes see NGO-implementation as threatening their legitimacy: once Governments are established in the aftermath of a conflict, they see basic service delivery as their task and not that of NGOs, not least of all because they need to build credibility through providing visible benefits to the population. In other cases, Government may perceive NGOs as a form of political opposition, and be reluctant to support them.

**Roles of the Secretariat**

The function of a MDTF Secretariat is to service both the governance bodies of MDTFs and the MDTF Administrators. The roles and responsibilities of MDTF Secretariats vary from fund to fund, as do their profile and size. They can be located inside or outside the Administration institutions and the costs varies from 2-7% of the total fund.

The roles and responsibilities of MDTF Secretariats vary from fund to fund, as do their profile and size. In most cases, an MDTF Secretariat services both the governance bodies of MDTFs and the MDTFs’ Administrators. In many cases, MDTF Secretariats receive and review project proposals, and work with the Governments to develop the proposals through their various stages. They ensure consistency with the development framework, and prepare the documentation for the MDTF decision making bodies. They produce work plans for MDTFs, review program and project progress reports and recommend actions to be taken to respond to identified opportunities and/or address constraints. They are responsible for the preparation and use of performance monitoring instruments, and thus play a key role in the quality assurance and oversight of the portfolio. Secretariats are normally tasked with knowledge sharing, communications and outreach. In some cases, Secretariat staff provides technical advice to national implementing partners (as has been the case in the MDRP/Great Lakes). In some MDTFs, Secretariats issue instructions to disburse money to grant recipients while at the same time implementing performance based funding of grants and being tasked with resource mobilization (e.g. GFATM, GAVI).

The Secretariat in most MDTFs are located and partially integrated inside of the Administrator’s institution, but in some cases they are independent from the Administrator and located outside (e.g. in the GFATM, CIFF, GAVI). MDTFs bear the costs of Secretariats, which in most cases varies from 2% - 7% of total fund. In the case of UN managed trust funds, the costs are borne by the overhead charged to the fund in line with normal UN
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procedures. In Bank-managed funds, the Bank has at times made a point of charging low rates (originally two% in the MDRP/Great Lakes and the MDF/Indonesia), and/or stating that only actual costs will be charged (e.g. in the MDF/Indonesia). There is also the fact that some of the internal Bank costs of running the MDTFs are not charged to the MDTF (e.g. legal costs or the costs for using Bank units for IDA and MDTFs at the same time, while charging most of the costs to IDA). But actual costs of running MDTF Secretariats are often much higher than originally budgeted.

One thing is that the Bank has been slow in staffing up Secretariats. Also, actors have at times wanted more support services from the Secretariats. The clearest example is the MDRP, where the Secretariat provides DDR skills, which has led to an agreement with donors to increase the total Secretariat budget to about 7% of funds available. The attitude of the donors is that they prefer Administrators to budget realistically and charge what it takes to do the job well, and that higher cost levels are acceptable if well explained, given the challenges and quality of work that is being delivered (Scanteam, 2007).

The Roles of Monitoring Agents

Fiscal or Monitoring Agents support the role of an MDTF Trustee and/or Administrator through playing monitoring roles in MDTFs, mostly financial oversight roles. In most MDTFs, Monitoring Agents are under the administration of the MDTF Trustee-Administrator.

In MDTFs that provide budget support, Monitoring Agents have been assigned responsibilities for the financial oversight of those funds provided through governments’ systems. In these cases, Monitoring Agents trace donors’ moneys as they enter into governments’ systems, tracking funds all the way to the final recipients (payroll recipients). They verify and control disbursements and expenditures, and are normally also asked to build capacity – systems and skills – in core ministries or public bodies (Holst Fund/West Bank & Gaza, ARTF/Afghanistan). Having a Monitoring Agent or Financial Management Agent may be a pre-condition for Bank-led MDTFs that provide budget support (Holst Fund/ West Bank & Gaza, ARTF/Afghanistan), and many MDTFs that channel funds on-budget (Sierra Leone, MDRP/Great Lakes). Monitoring Agents have also been assigned activities and financial monitoring roles in very fragile situations (Southern Sudan MDTF).

In the absence of staff at country level, MDTF Administrators have used Monitoring Agents to monitor implementation (GFATM, called Local Fund Agents). These Agents are responsible for providing recommendations to the Secretariat on the capacity of the Agents chosen to manage Global Fund financing and on the soundness of regular requests for the disbursement of funds and result reports submitted by fund recipients. This has also been the case when fund administration is done remotely, due to conflict situation (WB Iraq ITF).

Various private companies have supported MDTFs in numerous countries. UNOPS has also provided monitoring agent services (GFATM). KPMG is the Monitoring Agent for the MDTF in Sudan, under the Multi-country Demobilization and Reintegration Program (MDRP) Trust Fund, KPMG was a financial monitoring agency for the program in Angola and set up a management unit in the Democratic Republic of Congo to handle accounts. PricewaterhouseCoopers (PWC) is the Monitoring Agent for the MDTF in Sudan and in Afghanistan (ARTF). PWC was the Financial Management Agency for the Amnesty Commission Project in Uganda, supported by the MDRP. Additionally, DFID has used PWC for managing a fund for elections in Kenya. Deloitte & Touche manages the Rapid Envelop
Fund for HIV/AIDS, an interim grant mechanism to support innovative interventions by CSOs in the response to dealing with HIV/Aids in Tanzania. These and other organizations are providing services to GFATM in various counties.

Other Stakeholders

More and more, non-voting donors and local civil society organizations are also given observer status (MDF-Indonesia, the Global Environmental Facility – GEF) or voting status (GFATM) but usually restricted to the general policy forum (EFA FTI).

Donors, governments and Administrators have increasingly recognized the need for MDTF governing structures to become more inclusive. The trend in Bank-administered MDTFs is to include a broader base of national stakeholders in their governing structures, including donors that historically do not participate in MDTFs but provide large-scale funding sources to post-crisis. Some Global funds have also been inclusive to other actors besides fund contributors, but their participation is restricted to the policy dialogue bodies. This is the case of infoDev, GEF and the EFA FTI. However, in other Global funds (GFATM, the City Alliances, GAVI) recipient governments and civil society play a larger, more formal role, including allocation decision.

1.2.3 Stakeholder Dynamics

MDTFs are complex, tightly integrated partnerships. The performance of the mechanism is influenced by: (i) the manner in which roles, responsibilities, burdens and risk are shared between the partners; (ii) the performance of each stakeholder in those roles; and, (iii) the interaction between the stakeholders within the mechanism and its external context and conditions. MDTFs are constantly interacting with their environment. The partnership is, therefore, porous. Stakeholders’ knowledge of the mechanism affects performance as roles can be better understood and defined, resources for performing roles planned, expectations better managed.

In broad-based partnership such as those constituting MDTF governance (and even more in Regional and Global Partnerships), roles and responsibilities have been difficult to define and accountabilities illusive. The lessons show that:

- Donors are strongly mobilized at the inception phase of an MDTF and become less and less involved, expecting the Administrator/Secretariat to increasingly assume greater responsibilities, including those that it was not supposed to deal with, such as playing political roles (MDRP, Sudan MDTFs, Iraq ITF); and
- Bilateral donors do not seem to fully understand the demands a MDTF partnership put on them, and thus do not maintain a consistent resource commitment (staff and time) necessary to fully play their roles (ARTF, MDRP, Sudan MDTFs, Iraq ITF).

MDTF partnerships are characterized by changing, evolving, interdependent and unequal relationships. Generally, there are three levels of agreements defining relations within a MDTF:

- A political agreement between donors and recipient government on mutually agreed common interests, at the highest political level;
- A decision on which of those interests will be achieved through the MDTF; and
- A decision on who will lead the implementation of these interests.
The political foundation of an MDTF, therefore, is a series of inter-linked bilateral agreements between individual donors, and the community of donors and recipient government/national parties to a peace instrument, at the highest political level, based on a set of mutually agreed objectives and commonly held interests. The substance of those agreements may evolve over time, reflecting changes in the context. However, the agreements must be sustained over time. In the absence of such agreements, the World Bank as Administrator cannot hold the partnership together.

Once the higher level agreements are achieved, the balance and roles in the relationship tends to change:

- High level attention should continue, for example through a consortium process.
- Country level policy dialogue and decision-making on strategic direction is ongoing with the governance structure, between donors, government/parties to the peace instrument and the World Bank.
- Donors assume performance and fiduciary oversight roles, consistent with requirements of domestic planning instruments and systems;
- The primary operational relationship is established between the Bank and levels of the client Government/parties.
- The existence of a political agreement and invitation of the principals to administer creates a demand and opportunity for the World Bank to exercise intellectual leadership, consistent with its positioning as a “knowledge Bank”.

The Bank exercises a dual role (manager and intellectual leader) through two parallel and inter-related fora/processes in an MDTF: Operational level, between government and the Bank as the leading partners in the operational process; and Policy, through the policy dialogue fora between the Bank, Government and donors.

Donors have a prominent role in MDTF funding decisions (LRTF, MDRP, TDRP, MDF, Sudan MDTFs and Iraq ITF). The exception has been the ARTF, where the Management Committee composed of four multilateral agencies is the funding decision making body. There is generally no contention regarding the prevalent role of Donors in funding decision making in MDTFs, as long as decisions are made in dialogue with Governments prior to donors’ funding approval and according to national priorities.

MDTFs have had a major impact on the relationship between donors and multi-lateral agencies. MDTFs shift accountability from the donors to the funds’ Trustees, Administrators, Fiscal/Partner Agents and Implementers, while donors assume an oversight role. MDTFs require donors and Recipient Governments to cede some power to a mechanism led by a third party. As a result, donor expectations of results for pooled funding mechanisms have often been high and unrealistic, especially in terms of how fast certain results can be achieved (e.g. Sudan MDTFs, Iraq IRFFI, MDRP-Democratic Republic of Congo). The lesson is that, as MDTF Administrator in FCS, the Bank needs to strengthen its management of expectations and create mechanisms for better mitigating reputational risks.

The Bank, as MDTF Administrator, needs to play multiple roles, resulting in perceptions of role conflicts (ARTF, MDF and MDRP). This sometimes refers to MDTF funds being used

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12 However, as ARTF financing is moving towards more discretionary financing, towards projects and programs, donor preferencing can diverge from government priorities.
as topping-up to projects receiving IDA funding and other times to the dominant decision making role of the Bank as it concomitantly performs as (i) MTDF co-chair, (ii) Fund contributor and thus a vote on the funding governance body, (iii) Administrator and thus responsible for preparing all MDTF meetings including finalizing documentation for discussions.

Some donors seem to forget that once the World Bank is selected as Administrator, it will by necessity have to use its own procedures and standards for overseeing the projects. This provides incentives to Governments to put forward projects that will be easily approved, and activities already vetted by IDA fill that bill.

One of the underlying reasons to use MDTFs in FCS, was the insufficient capacity in governments, both donor and recipients, to manage international aid. “Third actors” needed to come in to increase existing capacities. The many roles exercised by the Bank have been a concern to donors. This is also the case for some Global Partnerships such as the Education for All – Fast Track Initiative. However, donors and recipient governments do mandate various roles to MDTF Administrators and they do so because they need to delegate responsibilities so that they can cope with their own mandates and functions or shift their resources to larger issues. Given the lessons that most Bank-managed MDTFs do fund activities in accordance with the MDTF and Recipient Governments’ priorities, and that donors play a prominent role in funding approval, identifying the underlying issues for perception of role conflicts remains needed to strengthen the partnership between the Bank and donors.

The partnership with national authorities has to a large extent been a function of the political stability and leadership capacity of the partner government. In countries where governments have legitimacy and cohesion, governments are better able to play a stronger leading role in the MDTF. During the transition phase, and especially when governments have not achieved political stability, the MDTF plays a more dominant role, tending to be donor driven. Transitional regimes tend to focus on extending their power base; MDTF objectives, and especially the policy dimensions attached, and the government interests (securing core area of state security) are not always aligned (Sudan MDTF-SS, MDRP-Burundi and Democratic Republic of Congo).

Government ownership can expand over the operational life of an MDTF, as Governments consolidate, strengthen their capacity, gain understanding of fund procedures and become more confident and assertive. Political capacity tends to advance more quickly than institutional capacity (project implementation). Some MDTFs have shown the flexibility to promote greater ownership (ARTF, MDRP-Rwanda, Indonesia MDF).

Preferencing and earmarking undermines all the above fora/processes. It is the result of an incompatibility between donor modalities and the principles of a trust fund, and aid effectiveness. The demand from donors for preferencing does not appear to have diminished over time. All stakeholders are expected to cede some authority for a pooled mechanism to function. When preference is used, donors, from a political level above the MDTF, negate this balance and bi-pass the MDTF governance structure, including:

13 The multiple roles of the World Bank in FTI, can be found in Annex B of the Mid-Term Evaluation of the EFA Fast Track Initiative, Draft Synthesis Report, 30 November 2009.
• Policy dialogue and decision-making on strategic direction and priorities;
• National ownership in the original identification of priorities; and
• Undermining the intellectual leadership of the Bank, and its planning instruments.

**Preferencing erodes the pursuit of high level political agreement on common interest, by allocating resources according to particular bilateral interests.** It undermines the quality of the partnership, eroding the agreement sealing the partnership from the highest (common political agreements) to the lower levels (project). In preferencing donors undermine the partnership principles and transform the MDTF into a funding and implementation mechanism for their own national priorities.

**The agreement to establish an MDTF managed by the World Bank is an invitation for the Bank to enter the country as an Institution, and not just as an MDTF Administrator.** It is expected that the Bank will function as a governance mentor, bringing its experience and knowledge on fragile and conflict-affected situations, human resources and package of products and services. The effectiveness of the Bank in its role as administrator is influenced by the opportunity to come as an institution and therefore, leverage its roles and resources internally. It creates a virtuous circle, in that an MDTF can provide the basis to improve other service offerings. If the Bank does not see MDTFs as part of the total service package, the affect is to isolate the MDTF role and weaken its own leadership.

Partnership is a principle of Bank engagement in conflict-affected countries. In alignment with the Bank’s mandate, OP 2.30 and OP 8.00 establish that the Bank shall work in close collaboration with government authorities, civil society and private sector entities, and bilateral and multilateral agencies, particularly the United Nations (UN). In performing its role as MDTF administrator in FCS, *the World Bank closely adhere to its mandates and main policy principles of government ownership, full alignment with national development strategy and partnership with government and international donors.*

**The UN system has unique capacities that the World Bank does not have.** The UN has strong field presence to attend to its various mandates. The UN can bring country knowledge, experience and network to a partnership, which are valuable assets to the World Bank, especially in places where the Bank has had no prior presence on the ground or has been absent for a significant time. Moreover, UN procedures, systems, presence on the ground, and framework agreements with an array of UN and partner organizations enable the UN to start implementing activities and disburse fairly quickly. The ability of the UN to implement on-budget, off-treasure as well as off-budget, can expand implementation capacities, besides of speeding the pace of implementation (Iraq, Sudan MDTF-S).

**The political mandate of the UN makes the UN a critical partner to the Bank in FCS, whose political mandate is very restricted.** The UN, for example, has a mandate to provide services when national authorities are not able to dispense their responsibilities, typically in emergency and fragile state situations. The World Bank is involved in activities in FCS that are highly political in nature (e.g. Demobilization and Reintegration, state building). In managing MDTFs, the Bank relies on its partners to exercise political activities and roles necessary for the effective performance of MDTF operations. While many of these functions

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14 For a list of these activities, see *Activities within World Bank Core Competencies in the Context of Crisis and Emergencies: A Good Practice Note.* Operations Policy and Country Services, OPCFC August 14, 2008.
are performed bilaterally by MDTF donors, some functions require multilateral interventions or are mandated to the UN. For example, the key trans-border problem that the MDRP was intended to address was the combatants on foreign soils (COFS). In the Democratic Republic of the Congo, MONUC was the major actor with regards to cross-border repatriation of COFS since it had a formal mandate (UN Security Council resolution) and the force presence on the ground to both implement and enforce. Additionally, UN Security Council resolutions gave the UN mandate to conduct and support DDR in Burundi, including support to SSR.\(^\text{15}\)

**Partnering with the UN has potential to expand the scope of the overall service package being offered by the international community.** The Bank and UN relationship is marked as much by tensions and competition, as much as by examples of successful collaboration. Negative competition undermines collaboration and deprives fragile and conflict-affected states of a more effective international partnership, with broader scope of action. For example, the UN was heavily involved in early MDRP design and expected a genuine partnering role, but as UN agencies took on implementation tasks, they became treated more as contractors than as policy equals. On the other hand, UNICEF and UNHCR partnership with the MDRP in Rwanda was constructive. UNICEF, among other organizations, assisted the Rwanda Demobilization and Reintegration Commissions with the identification and provision of care for child EXCs, while UNCHR provided support to refugees identified as non-EXCs while the MDRP provided support to dependents of ex-armed group members.

The Bank’s expansion into fragile and conflict-affected environments has created areas of overlap as well as complementarily with the UN. The 2008 UN-WB Framework Agreement created the potential for resolving previous technical concerns about the interoperability of different institutional systems. The deeper issues relates to perception that the World Bank has moved into areas of activity traditionally within the mandate of the UN.

**The World Bank’s approach to the partnership with the UN tends to be “Bank-centric”;** the level of engagement tends to be more technical and less at the management or political levels. This is partially because the Bank does not fully understand the UN system as far as MDTF administration is concerned, leading to misinterpretation of positions, and undermining existing internal UN organizational arrangements for managing MDTFs. However, partnership is not about technicality: it is about generating common vision and cooperation in the implementation of common objectives.

**The value added of a “two window” MDTF model at the operational level is unproven.** The IRFFI (Iraq) is still the only example of a two window fund, managed simultaneously by the World Bank and the UN under a common governance structure. The scope of the IRFFI was unique among MDTFs. It linked ownership, strategic direction and oversight, coordination, and implementation into an integrated system with broad implementation capacity. The IRFFI’s design gave the two Administrators: (i) a common framework for governance and activity, (ii) the potential for complementary sequencing (UNDG ITF quick implementation combined with the World Bank ITF’s medium term focus); (iii) the ability to target quick implementation priorities while simultaneously building sector capacities, and; (iv) a complementary program tool kit (direct implementation and working through the state

\(^{15}\) UN Security Council resolution 1524 of 21 May 2004 and UN-SCR 1719 of 25 October 2006 both gave the UN mandate to conduct and support DDR in Burundi. The UN Integrated Office for Burundi (BINUB) mandate includes support to SSR (UN-SCR 1719), and the Peace-building Fund also supports SSR in Burundi.
as well as NGOs). However, early on security considerations prevailed and then there was no systematic effort to understand and use the comparative advantages of a single facility with two Administrators. The WB ITF and UNDG ITF had good communication and coordination, but essentially functioned as two independent funds under one governance structure. The potential value added of the “two window” model, therefore, was not achieved.

The architecture of an MDTF should be context-specific, but if a two-window model is seen to be appropriate, donors should build upon the lessons from the IRFFI in Iraq for improving the value added of the “two window” model for maximizing the effectiveness of the model as a coordinating forum, especially the potential for complementary sequencing, and to strengthen the relationship between the Bank and the UN. Consideration could be given to an option based on:

a. Two funds, two Administrators but unified Governance composed of two bodies: Steering Committee and a Management Committee. The Steering Committee, a policy dialogue body between Donors and Government, and to provide strategic inputs and support to the Administrators and to the Management Committee as needed;

b. Resource mobilization done co-jointly, with the allocation between the funds being decided by the Management Committee, which would meet regularly, mandated with the responsibilities of: (i) Review proposals and decision-making on funding allocations; (ii) Global oversight of financial management and program performance, including generating analysis for strategic and policy decisions; and (iii) Coordination of resource mobilization and ensuring fund predictability.

c. The two funds shall have a unique Technical Committee, well resourced and with responsibility to provide expert assessment and guidance on: (i) funding proposals; (ii) strategies and annual program proposals, before consideration by the Management Committee; and other forms of punctual analysis as required.

d. Each of the Administrator’s Secretariats shall have a dedicated staff with coordination function, paid by the MDTF.

e. Donor’s demand for coordination should be continued. Effectiveness of coordination, therefore, shall be a measurable dimension of the Administrators’ performance.

MDTF Secretariats have been critical to effective management of MDTFs, tying the components together, ensuring flow of information, timely decision making and implementation follow-up. (see “Bank Management and Institutional Support” below).

1.2.4 Funding Structure

MDTFs tend to be highly visible in fragile state situations, due to their official status within a peace process, or that they are the most important forum for engagement between the recipient government and other stakeholders. This situation occurs because MDTF’s are not the most important funding instrument as most funds are channeled outside of the mechanism, but rather a centre of political dialogue, normally with high level representation.

MDTFs provide entry points for engagement for donors and for the Bank. MDTFs expand resource mobilization, providing a mechanism for donors that might not otherwise be present to contribute. For the Bank, it provides an opportunity to extend engagement with non-member countries.
The mechanism should be designed to fit the particular MDTF objectives and country context. The latter is particularly important in post-crisis environments: FCS require flexible funding to meet unpredictable changes, yet funding predictability is needed to enable flexibility. The need for delivering peace dividends, rebuilding livelihoods and infrastructure quickly require mechanisms that can deliver results on the ground fast. This demands joint efforts by various agencies and quick processing and disbursement abilities of the mechanism.

The scope of funds and of the partnership within a MDTF influence the mechanism’s effectiveness as a coordinating forum for reconstruction activities in FCS. MDTFs receiving sufficient scale of funding, mobilized by a wider spread of donors have a better chance to promote funding and activities coordination and avoid the use of different approaches that may contribute to conflict (e.g. provision of different benefits). The participation of non-donors to governance meetings strengthen coordination (MDRP, ARTF and the Indonesia MDF).

As a harmonizing instrument, the equity of burden-sharing among partners is important. However, in many MDTFs, the “80-20” rule holds: 20% of the donors provide about 80% of the funding (ARTF, MDRP, MDF). This imbalance makes the mechanism vulnerable to political shifts in donor capitals, and predictability and timeliness in their disbursements. It may also expose the more generous donors to a sense of others not contributing their fair share, or resentment among smaller donors who feel marginalized. Broader-funding based MDTFs do better in terms of providing predictability and harmonization (policy, risk-sharing).

The increasing share of donor funds that are preferred undermines the basic principle of a trust fund. In all Bank-administered Trust Funds, donors are able to express preference but not ear-marking. This applies to both project and recurrent cost windows of MDTFs. While some preferencing is due to political decisions at head offices, others are a function of agency concerns of visibility and accountability. The result is a danger of rigidity in resource allocations, potential divergence with government priorities, and a "squeezing out" of other donors from feeling an ownership and partnership with the popular projects that are becoming funded largely through preferred funds.

One of the immediate and more complex challenges faced early in the post-conflict reconstruction period is the rebuilding of public sector institutions and capacity to manage the reconstruction and the transition to development. Building and/or increasing public sector capacity has been an objective for all Bank-managed MDTFs in FCS (ARTF, LRTF, MDRP, Sudan MDTFs, Iraq ITF). State building is a medium- to long term objective and funding predictability is important for building public sector institutions and management capacities. Donors need to provide MDTFs aimed at capacity development in the public sector with predictable funding within a horizon of five years.

MDTFs tend to transfers responsibility and risk from the other partners to the World Bank (portfolio performance, institutional, political), rather than equally sharing it between the partners. Mutual accountability appears weak. MDTFs, therefore, distribute risk, but the distribution is uneven. For the Bank, MDTFs may concentrate responsibilities and certain risks rather than spreading them.
MDTFs can increase risk aversion within the World Bank, working as a disincentive for staff to take risk and innovate. Staff understands that MDTFs increase the number of stakeholders to which the Bank is accountable (donors, national Government, Bank management, external stakeholders), curtailing their willingness to innovate and taking controlled risks. Staff ability to innovate can also be affected by various Donors attempting to influence project design (development objective, scope, timeline). Moreover, the highest level of fiduciary requirement among various stakeholders becomes the MDTF standard: the Bank’s fiduciary standard. The effect can be to stifle risk taking and innovation, precisely in the kinds of environments where they are needed the most.

The Bank cannot provide alternative risk management frameworks for FCS. In fragile and conflict-affected context, donors usually provide significantly more funding through bilateral channels or to organizations and institutions with lower fiduciary guarantees and standards than the World Bank. Donors, therefore, show acceptance of risk. However, the World Bank only has one fiduciary management framework and no alternative risk management framework can be offered. In this regard, the Bank cannot calibrate its instruments between contexts or provide an alternative to donors.

At the same time, the experience of Bank personnel shows that MDTF funds have been used to generate operational flexibility, and especially when co-financing IDA. A Special Project window funded from a MDTF, for example, provides flexibility to a MDTF at the programmatic level (MDRP). They function as an instrument to diminish operational contingencies and therefore the uncertainty experienced in fragile and conflict-affected situations. They can be used to pilot programs, to capitalize on small windows of opportunities towards peace and stability, to buffer possible conflict by extending program benefits beyond the target group, and to extend implementation capacity by enabling project execution by different agencies and institutions.

Poor performance creates political and reputation risk for all in the partnership. Client Governments/parties assume risk (political) before their own societies, when performance influences their credibility and legitimacy during the transition period. Donors have the least accountability to their responsibilities within the MDTF. Risk is more tied to responsibility back to their domestic systems and constituencies, and to their own objectives for entering the MDTF (political risk in their relationship with the recipient Government/parties).

Lessons consistently show that realistic costing of administering and quality assuring large-scale programs in fragile and conflict-affected situations needs to be reviewed (ARTF, Indonesia MDF, Iraq ITF, Sudan MDTFs, MDRP). Delivery of results with the kinds of quality and documentation that the international community demands is much more costly than in standard development environments, and overhead costs should reflect this.

1.2.5 Bank Management and Institutional Support

As an MDTF Administrator, the World Bank is a "good practice" actor when it comes to disseminating information on its activities and particularly in FCS; there are no other donors that provide anywhere close to the same level of information available and make it public. The Bank has also played a significant role, with the UN, in establishing standards for MDTFs.
One of the immediate and more complex challenges faced early in the reconstruction period is the rebuilding of public sector institutions and capacity to manage the reconstruction and the transition to development. Building and/or increasing public sector capacity has been an objective for all Bank-administered MDTFs in FCS (ARTF, LRTF, MDRP, Sudan MDTFs, Iraq ITF). Since the establishment of OP 2.3 in 2003, the Bank recognizes the importance of doing a comprehensive analysis of public sector reform and capacity building in post-crisis settings to guide it operations, including MDTFs. Consistently applying this understanding remains relevant:

- A capacity assessment may be difficult to carry in the immediate aftermath of a conflict/crisis, though ideally it could be a component of a Post-conflict Needs Assessment. A more comprehensive capacity assessment may have to be done in steps. But without realism in terms of what the public sector can do and the time required for building capacity, the MDTF program may be designed based on incorrect assumptions, and unrealistic expectations may be created (Iraq ITF, Sudan MDTFs).

- A capacity assessment is, therefore, critical for two reasons. The first is to identify what can be delivered in the short run of direct services and goods to a population that often is in great need. This would include the different levels of public administration, and the inter-linkages between them. The other is as a foundation for prioritizing the capacity development that MDTFs fund.

The need for the World Bank to strengthen its institutional and organizational capacity and staffing response for improved outcomes in FCS has been recognized by the Bank itself and other donors. As Administrator of challenging programs like programmatic MDTFs in FCS, the Bank must continuously and critically assess if own systems and procedures are appropriate to the objectives being pursued. High-risk fast-moving environments require, among other things, flexible, delegated and operational decision-making systems, rules and corporate culture that can speedily respond to unpredictability, and the Bank is still some ways off from this situation.

The Bank has made important adjustments to support staff and operations in FCS. OP 8.00 significantly widened the scope of Bank engagement in conflict and post-disaster by broadening the definition of “emergency” and the applicability of rapid response instruments. Bank’s engagement in crisis and emergencies has also been extended to activities outside the Bank’s traditional areas, namely support to relief, security, and specialized peace-building operations.

OP 8.00 recognizes that a new institutional response is needed to achieve the objectives that underlie the Bank’s support to FCS. The new policy and its accompanying Bank Policy (BP) 8.00 provide tools for bringing more flexibility, timeliness, and simplicity to Bank response in an emergency situation. Concurrently, other policy changes in the Bank such as human resources, aiming at increasing the quality of Bank support on the ground, represent concrete efforts to aligning the institutional response to the needs of emergency situations, including addressing previously identified setbacks in the establishment, operationalization and delivery of MDTFs in FCS.

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Lessons from implementation of Rapid Response to Crisis and Emergencies (OP8.00) demonstrate that the World Bank has strengthened its institutional response through:

- Increasing management attention to Bank performance in responding to crises and emergencies and reinforcing support to country teams, such as through the Rapid Response Committees, and increased resources and operational guidance to staff by OPCS and the Regions.

- The Bank’s strategy to strengthen its engagement in fragile and conflict-affected situations has resulted in good progress in addressing critical staffing constraints in these countries: 68% increase in the number of World Bank Group international staff above the GE level in fragile and conflict-affected countries. Moreover, the Bank’s new overseas assignment package, approved by the Board in May 2008, now differentiates between locations to further support assignments in fragile states and includes a Fragile States Premium.

As also identified in OP 8.00, the ability for the Bank’s rapid response to function as such relies on three risk mitigating measures: intensified supervision, delegation of decision making authority to task teams and country based Bank officials, and high management support within the Bank. Combined, these measures can enable country teams to make use of Bank resources (staff in the region and at headquarters, streamlined procedures) to simplify and accelerate project processing and implementation within a comfortable risk zone.

Lessons from implementation of OP/BP 8.00 also show that rapid response operations were processed more quickly. However, a similar acceleration did not occur in the actual delivery of emergency assistance. The added flexibility on the use of alternative implementation arrangements in weak-capacity environments was still hindered by both Bank rules and procedures and by governments’ inability to adapt to a faster pace.

While the Bank has improved its operational procedures, further institutional support remains necessary to achieve the intended outcomes of OP 8.00. Lessons show that increase in supervision budget to enable intensified supervision is gradually taking place (Burundi) but not consistently across MDTF operations in FCS. Delegation of decision making authority to task teams and country based Bank officials has been counteracted by increasing risk aversion within the institution, and particularly Bank staff working with MDTFs. High management support within the Bank has not produced the necessary speed in institutional response to enable country teams to accelerate delivery of Bank emergency assistance.

The Bank’s Board has made it clear that it wants to align trust fund operations with “normal Bank” procedures (in connection with the updating of OP 14.40, approved by the Board in 2008). A number of staff interpreted the signals from the Board as implying that working in high-risk environments is not going to be rewarded. On the contrary, it can easily become a career killer. This because aligning with normal Bank procedures contradicts the very gist of OP 8.00. Moreover, “normal Bank” procedures were designed for environments with much higher capacities and external certainties than they are found in operations in FCS. It would make it important that Bank high management make clear what policies and intentions actually are.
There is still a challenge to attract sufficient numbers of experienced Bank staff to posts in FCS and therefore support MDTF operations on the ground. The Bank has since 2008 introduced significantly improved financial and non-financial incentives to attract Bank staff to FCS posting. These incentives include, among others, assignment premium bonus, fragile state premium, rest and recuperation, country manager position at Grade GH, and support for spouse career. Moreover, the Bank’s Human Resources department, together with OPCS and others established a FCS Community of Practice to ensure support to staff on the ground, increase FCS network within the institution, and to monitor the effectiveness of support to staff working in FCS.

Bank staff appreciates the incentive package the Bank has been providing since 2008, but remain focused on career development. There is a clear understanding that career development comes from engagement with Bank core business, regardless of which environment they are working. There is also a general perception that working with MDTFs in FCS brings add career risk but bring no additional career reward, regardless of the personal and professional risk.

Bank engagement in FCS has increasingly relied on MDTFs, staff perception that MDTFs are outside of Bank’s core business generates challenges to increasing the quality of Bank’s presence on the ground in FCS. This challenge is compounded by the different human resources regulations for Trust Funds and the Bank as well as source of fund to cover personnel. Trust Fund regulation does not allow dual time staff; Bank staff needs to give up their position (contract) in the institution if they are to become a MDTF staff. Given that a MDTF has a determined lifespan it is not a source of stable employment. Moreover, there is no guarantee position if and when staff returns to Bank payroll.

Many postings in FCS are considered non-family postings, posing a challenge to recruitment. Given profile of more senior Bank staff, inability to work in FCS while family members remain in the United States (family visa is tied to staff posting), presents an additional challenge to bringing experienced Bank staff to the ground.

Bank-managed MDTF Secretariats have overall been regarded by donors and independent evaluations as staffed with competent and dedicated staff. The Secretariat has been critical for running MDTFs, bringing together resources in the partnership, tying the components together, ensuring flow of information, timely decision making, and implementation follow-up.

MDTF staff have developed a number of "good practices" that address different operational problems, such as having the Operations Manual as a "living document" on the fund’s website which has allowed the fund to show how it has adjusted its operational policies as decisions are taken (MDF) and the “Matrix of Roles and Expectations within the Partnership”, a framework for distribution of responsibilities among MDTF partners (MDRP). The Terms of Reference (TOR) or a memorandum of understanding (MOU) for strategic alliances between the Bank and ally agency(ies), which is not legally binding but lays out the expectation, roles and responsibilities between partners, is another example of innovative practice by MDTF Secretariat issuing from lessons learned (TDRP).

Bank MDTF Secretariats are a combination of Bank staff, seconded and externally recruited staff. Because of this, there is a need for more training in procedures, more support from experienced Bank staff in the start up phase, and consistent strong commitment by Bank
management to MDTFs. There is a need for better definition of training and development across the lifetime of the MDTF, covering (i) start up, (ii) implementation, and (iii) exit/hand over phases.

- Key skills include senior trust funds experience and in particular knowledge of Bank rules and procedures; project cycle management; information and communications; legal; accounting and procurement; and once activities start up, monitoring and evaluation. Hand-over to national authorities needs to be planned, and capacity to continue MDTF activities verified. Procurement Agent and a Project Accounting Agent should be recruited immediately upon the establishment of the MDTF, and also consider a parallel contract for capacity building and training support with linkages in TORs of the Agents and the trainers.

- In addition, the MDTF office needs specialized skill set: strong political sensitivity; diplomatic and communications skills; knowledge of strategy, operational design, and partnerships specific to FCS; and resilience, energy, and operational creativity.

In almost all cases, MDTF Secretariats have been under-staffed and sometimes late in getting staff in place (ARTF, MDF, MDRP, Iraq ITF). The costs of Secretariats need to be more realistic as well. Donors appear willing to pay what it costs to get a fully staffed and competent Secretariat in place. Lessons pinpoint to the importance of ensuring that key MDTF team is on the ground from the earliest possible date and that adequate administrative and operational support staff is in place and trained/fully conversant in Bank operations to support the MDTF in the field.

The Partner Agency model creates flexibility for MDTFs by inviting in new implementation arrangements such as for off-budget projects. The use of Partner Agency depends on the environment in which the MDTF will operate and on existing capacities. Where deemed appropriate, the legal work for getting Partner Agency arrangements in place have taken considerable time (MDRP/Special projects, MDF/off budget projects, Sudan MDTF-SS). Inquire through HQ support units in OPCS about constraints to and precedents in these partnerships in order to extract maximum value and avoid problems. In particular, lessons shows that it is important that the expected role of UN Agencies (if any) has been agreed prior to presenting the MDTF to the Board and that operational arrangements have been clarified during early MDTF discussions.

The Bank’s growing emphasis on, and emerging lessons from, the application of a Community Driven Development approach in conflict settings suggests that it has considerable potential to rebuild the social fabric of communities and perhaps to make communities more resilient to conflict. Most Bank-administered MDTFs fund Community Driven Development activities (ARTF, MDF, Sudan MDTFs, and the MDRP in Rwanda resourced from the approach).

Bank managed MDTFs are not paying sufficient attention to overall performance tracking above the Outputs level; performance Frameworks for MDTFs have poorly defined higher-level results and indicator sets (ARTF, MDF, MDRP, Sudan MDTFs, Iraq ITF). Some indicator sets are too complex and focused on lower-level issues, including tracking inputs rather than results. Cross-cutting concerns, in particular gender, conflict sensitivity and distributional outcomes are also not tracked, and missing opportunities to incorporate lessons into project implementation in a timely manner. These, however, are skills and time intensive issues,
where the donors and national authorities also need to contribute to the burden sharing and learning.

While the Bank has improved its operational procedures (OP 8.0), the Bank’s Board has made it clear that it wants to align trust fund operations with normal Bank procedures. This message has been sent in connection with the updating of OP 14.40 in 2008. Although the new trust fund operational framework recognizes that the policies and procedures that apply to trust funds vary, depending on the trust fund type, the different environments and purposes in which the trust fund is to work is not recognized. There is, therefore, no differentiation made on the use of policies and procedures for MDTFs working in the FCS. The Bank may therefore be negating its own work at becoming more relevant in fragile state environments by removing flexibility and risk-taking gained through OP 8.00. A number of staff interpret the signals from the Board as implying that working in high-risk environments is not going to be rewarded but on the contrary can easily become a career killer. This would make it important that Bank’s Board and high level management make clear what policies and intentions actually are.

1.2.6 Effectiveness of the Mechanism

Rebuilding the state, both in terms of its operations and developing its capacities, have been addressed by most World Bank-administered MDTFs in FCS and assisting in building government capacities, legitimacy and leadership. Whether direct service delivery or infrastructure investments is the second most important task depends on circumstances, the needs identified and the role the MDTF is to play within the overall reconstruction effort. However, most MDTFs address both service delivery and infrastructure investments.

When looking at MDTF performance it is useful to think in terms of "first round" and "second round" effects. Since most MDTFs are Bank-administered on-budget financing, direct service delivery becomes a "second round" effect. Some of the discussions (and criticisms) of MDTF performance should therefore look at the "value chain" of the MDTFs from this perspective, taking into account lessons from absorptive capacities in FCS (timing, not just the level, of financial support). In several countries the emergent public sector is adopting the Administrator’s procedures when rebuilding the state, which is an important and sustainable impact of MDTFs (ARTF, Iraq ITF, MDRP, Sudan MDTFs).

Bank-managed MDTFs support alignment with national priorities. Budget support is "best practice" in this respect and is strategic both for rebuilding the state, and delivering critical services to the population at large. Project support is less strategic, partly because the share of MDTFs in overall investments is usually limited, but also because the role of MDTFs in national investment activities is poorly specified. As governments improve their own planning, the value of untied funds in Bank-administered MDTFs is appreciated and exploited.

The ARTF is the first MDTF in FCS that is transforming itself into a medium-term funding instrument: The change should be welcomed, as it provides an anchor for longer-term predictable financing for reconstruction and development activities. The ARTF also offers a lesson that MDTFs co-managed by World Bank and linked to support for public finance management, can be the best trade-off between, on the one hand, the need to build
capacity of the host government and the need for coordinated policies and, on the other, the need for prudent management of aid funds.

In FCS situations, the political cycle tends to be shorter, more intense, contested, demanding the project cycle to be tighter to the political cycle than in other contexts. In FCS, MDTFs often support peace accords, which have specified political milestones (Sudan MDTFs, MDRP). In these cases, there are expectations among beneficiaries that the MDTF will also be a channel for delivering peace dividends. Most MDTFs in FCS support a state building agenda, where political milestones such as election are important (Afghanistan, Iraq, Liberia).

**Portfolio design is highly influenced by political objectives and political timetable.** Often, different stakeholders perceive objectives differently, although the timetables tend to be fixed. For example, while the MDTF administrator may perceive large-infrastructure projects as a means to deliver on longer-term objectives, the same perception may not be held by recipient Government. The political pressure to deliver service in connection with political objectives may generate a lack of alignment between the political cycle, and the expectations that it creates, and the project cycle (Liberia LRTF). There is an overall lack of clarity about the actual requirements of the project cycle, leading to unmet expectation and risk for all stakeholders. **The political and portfolio cycles need to be brought into closer alignment, and expectations must be realistic.**

**Three main factors affecting portfolio composition: preferencing, pressure to allocate funds, and political objectives of the stakeholders.** Portfolio composition undergoes pressure from donors, who press for quick selection of projects and allocation and disbursement of funds. MDTFs are also driven by political rather than objective assessment as expressed through preferencing. These factors distort the Bank’s objectivity in building a portfolio aligned with needs and realities on the ground. They also undermine the need for portfolio composition to be guided by political economy analysis (project design, sequencing, timeline, sectors to be prioritized according to readiness).

Fragility brings greater sensitivity of a MDTF’s portfolio to the political cycle and, therefore, the need for political economy analysis to guide MDTF operations. The Bank does not yet enable better alignment between political and portfolio cycles and does not consistently bring its intellectual leadership capacities to MDTF portfolio management.

**The portfolio is difficult to alter once projects are approved.** There is some flexibility in redesign; however, it is very difficult to close and reallocated resources. This reinforces the need for strong analysis to guide portfolio composition. Personnel are not always taking into consideration that they are actually working in a fragile state environment, and using standard complex project design. More attention to sequencing, and especially the need for quick wins, remains highly relevant. This is for delivery of urgently needed services to the population, and for aligning the project and political cycles.

Lessons emphasize that keeping project design realistic and simple is important as well as making explicit space for periodic and mid-term reviews during supervision to allow for component or project restructuring when needed, as fluid post-conflict settings evolve. Lessons note the need to be realistic on commitments about deliverables and timelines by providing realistic schedules upfront and frequent updates to all stakeholders is critical. The trade-offs between simplicity and complexity, and pace of implementation and capacity
development and absorptive capacity are understood by most staff, although the political dynamics of MDTFs do not always let them respect it. Expectation management at design is therefore advised.

When it comes to **project approvals and disbursements**, lessons indicate that a number of factors come into play:

- The importance of not only planning for rapid launch of projects but for the rapid establishment and launch of the “umbrella” MDTF itself;
- While the time required to “activate” the MDTF is affected by both timeliness of donor pledges and by speed and nimbleness of Bank preparation, and therefore potentially subject to improved efforts by both donors and the Bank, the time lag between project effectiveness and first disbursements highlights an opportunity for Bank country teams to actively intervene to improve the speed of project launch and thus hasten the delivery of early results; and
- Resources can be mobilized and efforts accelerated to quickly design and approve an emergency project, but an equally rapid project launch and delivery of first results is harder to achieve.

The most common reasons for delays in the actual delivery of Bank emergency assistance in FCS, including MDTFs, have been: 17

- **Delays in effectiveness.** Despite improvement that came about with OP 8.0, 31% operations reported an effectiveness delay flag, which means that three months after approval, these projects had not yet been declared effective;
- **Delays in establishing adequate implementation arrangements to support delivery.** These arrangements could include, as appropriate, implementing through direct grants to any public or private entity, as well as to UN agencies and Non Governmental Organizations (NGOs); contracting fiduciary agents and consultants, and, on an exceptional basis, using limited Bank execution of early start-up emergency activities. Although Bank teams tried to use these alternative implementation arrangements to augment the weak capacity of counterpart agencies, these efforts were often unsuccessful in getting rapid response projects quickly off the ground;
- **Delays in establishing Partner Agency Agreements.** The FPA will have more immediate implications for operations financed through Multi-donor Trust Funds (MDTFs) or from special funds whose provisions allow for its use (for example, the State and Peace Building Fund);
- In several operations, implementation delays resulted from complications related to the government’s selection and hiring of fiduciary or procurement agents to augment the lack of procurement capacity among counterpart agencies;
- In the context of the Bank’s emphasis on governance and anticorruption and the recent experiences with fraud and corruption cases, many Bank staff and managers are highly risk averse;

17 Compiled from Rapid Response to Crises and Emergencies (OP8.00) Progress Report, OPCS, Fragile States Group, 6 April 2009. Lessons from other sources also corroborate, such as reviews from the case-study MDTFs and internal Bank lessons learned exercises.
Within the same fund, differences have occurred as a function of which government office is the counterpart, how good the ministry-specific systems are, and how well the ministry is prepared to implement according to agreed-upon guidelines; and

Implementation conditions in FCS, such as insecurity, rapid turnover in the public service, constrained private sector capacity, restricted access to project sites, and a limited supply of goods and technical staff.

Four of the case study MDTFs supported community-based development projects (ARTF, MDF, Iraq ITF and Sudan MDTF-N). Internal and external assessments of these Community Driven Development (CDD) projects found that CDD implementation through local structures, small scale projects in secure areas, with broad geographic distribution, was much more effective than large infrastructure in insecure areas, with high visibility, but outside of the protection of communities and depending on imported goods and contractors.

1.3 How the Bank Learns from MDTFs

MDTFs in FCS are knowledge intensive. Performance is conditioned by the ability of stakeholders to generate, share and use knowledge, both locally and from bringing global knowledge into unique national situations. Pooling and expanding access to knowledge in high risk environments, therefore, should be a further comparative advantage of the MDTF model.

Institutionally, the Bank has made a significant investment during the past decade in becoming a “knowledge Bank” and a learning organization. The Strategic Compact (1997) reforms, introduced at the same time as the World Bank was expanding its role in fragile states, were intended to enhance traditional financial services by positioning the Bank as a creator and broker of knowledge and source of technical assistance and advice on development issues. The Bank was responding to its assessment that there was:

- Strong demand for global knowledge and learning on key development topics and customized to local contexts;
- Rapid expansion of institutions worldwide that are capable of producing and disseminating knowledge; and
- Important technological changes that open up new possibilities for delivering knowledge and learning products.

Lessons from Iraq

The World Bank ITF has been implemented under difficult conditions that affected every aspect of implementation. The IRFFI’s Terms of Reference (2003) were based on a set of assumptions about the conditions needed for successful implementation, including improved security conditions, political stability and the ability to place personnel in the field. None of these assumptions materialized. Rather, the IRFFI was confronted by a serious escalation in violence and political instability that peaked in 2006 and only showed signs of improvement in later 2007, five years into implementation.

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18 In addition, MDRP programs in Rwanda relied on community-based organizations to strengthen its reintegration efforts.

The IRFFI Administrators were challenged to learn and adapt, in a context where direct access to information and Iraqi stakeholders was limited. The Bank has used regular project monitoring and evaluation, combined with portfolio-level and external instruments (Financial Monitoring Agent Reports, Country Portfolio Reviews, Supervision Missions, Joint Supervision Missions, regular Performance Reports to donors and independent external evaluation). The documentation indicates that:

The Bank has made a significant investment in learning through the IRFFI experience:

- The *Interim Strategy Note* process is the focal point for strategy development. Three successive ISNs have been based on integrated lessons learned from the WB ITF and other elements of the Bank’s Iraq portfolio, including AAA and IDA;
- The 2008 Stocktaking process identified learning from the previous two ISNs, largely but not exclusively based on WB ITF performance, which were integrated into the third ISN (2009 to 2011);
- There were particular lessons on implementing infrastructure projects under insecure conditions, capacity development at the institutional level and increasing the flexibility of Bank procedures; and
- In this regard, the WB ITF feedback loop extended beyond the fund mechanism, into design of the overall Bank portfolio and strategy for Iraq.

As a stakeholder to MDTFs, the World Bank intends to add value by making available to stakeholders and clients its global knowledge and experience:

- Global knowledge in MDTF best practices, for project design, MDTF management and administration. These relate to internal operations;
- Externally, the World Bank is supposed to contribute global knowledge on reconstruction and development and fragile states into the national context, including through its participation in a Joint Assessment Missions, PRSP and CAS, which are part of the MDTF enabling environment; and
- Specific analytical and technical expertise that can be embedded into an MDTF portfolio, such analytical services and capacity development.

The World Bank provides these services in a context where the capacity of MDTF stakeholders and clients may be limited. Access to knowledge, therefore, should improve the performance of other MDTF stakeholders in performing their roles. In turn, the Bank performance will be influenced by how well it functions as a learning and knowledge organization. For MDTFs, the framework for assessment includes:

- The effectiveness of feedback loops built into an MDTF processes;
- How well the Bank is able to synthesize, share and use the knowledge generated, internally and with external clients and stakeholders; and
- Whether knowledge is then reinvested into future MDTFs.

There are multiple learning instruments for MDTF. These include normal instruments built into the project by the implementing agency, and those that are specific to the MDTF. Some MDTFs, therefore, have specifically designed instruments and benefit from Bank’s standard leaning tools:

- *Trust Fund Accreditation*; Task Team Leaders and other personnel with MDTF management and program responsibilities are required to complete an accreditation
course, before qualifying for duty.\textsuperscript{20} This course and resource materials cover procedural issues regarding Trust Fund operations;

- \textit{Core Operation Course on Fragility and Conflict; }designed and offered by OPCFC, the course focuses on communicating key policy and operational guidance and in building participant’s skills in areas critical to working in the unique circumstances of fragility and conflict. It encompasses two modules: classroom presentations and simulation exercises, which aims at enabling participants to apply knowledge gained in the first module;

- Since 2008, OPCFC has trained 186 Bank staff and 86 external participants from organizations such as the UN, OECD, NATO, DFID, Norad, Danida, and the African and Islamic Development Banks.

- \textit{Peer review and feedback} during the project development phase, and the preparation and revision of project Concept Notes;

- \textit{Regular project monitoring and evaluation with the implementing organization} as built into the project design, including the Implementation Completion Report;

- \textit{Reporting to donors through the MDTF governance structure}, usually in the form of regular \textit{Progress Reports} presented to donors and the client Government. The reporting serves the purpose of accountability and transparency;

- \textit{A Country Portfolio Performance Review,} which assist the Bank to (a) learn from implementation experience to improve both the implementation of the existing portfolio and the quality of projects entering the portfolio; (b) reinforce borrower ownership of Bank-financed projects; (c) develop the design of the Bank’s Country Assistance Strategy; and (d) ensure the continued relevance of projects in the portfolio for sector strategies.\textsuperscript{21}

- \textit{Supervision Missions} done by the World Bank, \textit{Joint Supervision Missions} conduct by the Bank with donors, client governments and others;

- \textit{Project monitoring} as conducted by the Financial Monitoring Agent, conducting independent site visit and verification of implementation.

- \textit{Independent external evaluation,} as commissioned the World Bank and/or stakeholders.

- \textit{Analytical and Advisory Activities} (AAA). To complement its new policy on conflict, the Bank has been developing a set of analytical tools and interventions to better address the challenges of conflict prevention and reconstruction. Key among these has been the path-breaking research on the economics of conflict, as well as capacity and experience in a number of areas relevant for conflict-affected settings. MDTFs also deploy from thematic AAA.

- \textit{Lessons Learned exercises and Thematic Workshop,} as conducted on a periodic basis;

- \textit{Operations Policy and Country Services,} particularly the \textit{Fragile and Conflict States Unit} through production of working papers and internal advisory services;

- \textit{Development Research Group} (DECRG), through publishing research on conflict and fragile states and related thematic areas;


\textsuperscript{21} OP 13.16 - \textit{Country Portfolio Performance Reviews,} 1994
- **Independent Evaluation Group**, which have been conducting evaluations of Bank engagement in FCS, including MDTF operations at country, regional and Global levels; and,
- Quality Assurance Group though providing internal lessons learned exercises and advisory services.

Instruments at the higher level, which have their own performance assessment frameworks, include:

- World Bank country planning documents into which MDTFs are increasingly being integrated, including a Country Assistance Strategy or Interim Strategy Note; and
- **National Development Strategies**, which are often accompanied by a *Poverty Reduction Strategy Paper*, or an *Interim PRSP*.

As part of the World Bank’s Matrix Reform and Knowledge Strategy, the Bank has established formal knowledge management networks within the institution to (i) improving ability to create, capture, and share knowledge with clients through integrated global practices; (ii) managing knowledge products as a portfolio for greater impact; and (iii) strengthening the Bank’s role as a global connector of external knowledge. Such networks derive and extend access to knowledge to Bank personnel, from the Bank’s Board of Governors and the Executive Directors of IBRD/IDA, IFC and MIGA through the Corporate Secretariat Vice-Presidency, to Bank staff on at headquarter and on the ground.

Training is an inherent part of the Bank’s career development. Overtime, Bank staff is trained in the various Bank’s products, instruments and approaches. Staff learning takes place formally through training courses and informally, through thematic networks and peer learning.
Annex B: Lessons from the Literature Review

The first Chapter of this annex, Case Study MDTFs, gathers information from document review, commented and updated by some of the country teams. The other chapters contain lessons learned compiled from literature review only.

1.4 Case Study MDTFs

1.4.1 ARTF/Afghanistan

Sources:

- Comments from Afghanistan Country Management team

The Afghanistan Reconstruction Trust Fund (ARTF) is a multi-donor trust fund administered by the World Bank and funded by 31 donors, mobilizing over US$3.6 billion and disbursing over US$3 billion as of 20 April 2010. During the eight years since it was established in 2002, the ARTF has been the main source of pooled financing for the Government of Afghanistan’s core budget. The ARTF finances recurrent budget and priority investments that were first in the Government’s reconstruction program, now in the National Development Strategy (ANDS). To date, more than US$2 billion has been disbursed to the Government of Afghanistan to help cover recurrent costs, such as civil servants’ salaries, and over US$1 billion had been made available for investment projects.

Originally to close in June 2006, the ARTF has been extended till June 2020. ARTF funding is increasing. While funding for the recurrent budget has stabilized and is foreseen in the Medium Term Fiscal Framework (MTFF) to phase out in the years to come (according to the framework of the newly introduced ARTF Incentive Program, see below), funding for projects has increased, particularly in recent years. Projects include agriculture and rural development, justice, private sector development, capacity development, education, urban development, transport and energy.

Results Assessment of Recurrent Cost Funding:

In order to track results from ARTF funding, the donors and government agreed to a Performance Assessment Matrix (PAM) for the ARTF. It contains five general areas of concern: public finance management; aid effectiveness and mutual accountability; education; health; and public administration reform. The selection of the areas for performance monitoring are based on the nature of the ARTF program itself, with a focus on overarching administrative systems including aid coordination, and then including results in the two sectors that are to benefit the most from the recurrent cost funding, namely health and education. The performance of the projects under the investment window is reported on directly by the projects and therefore not included in the PAM.

The matrix is quite comprehensive. Under the first area addressing PFM, there are four sub-areas, covering revenue mobilization/fiscal sustainability, budget execution and in particular getting the budget aligned with service delivery priorities, PFM and combating corruption, and linking budget and strategy. There are a total of 20 indicators, with baseline values for SY 1384 and annual target values through SY 1388.
The aid effectiveness area is divided into two main sections: on the government’s PFM system, and predictability of ARTF funding, thus addressing the donors’ responsibilities as part of mutual accountability. A total of seven indicators track progress. There are five indicators in the education sector and nine in the health sector. The ten indicators tracking public administration reform addresses the structure of government, human resources management – civil service performance management and merit-based appointments – and capacity development.

The first PAM results matrix was presented to the donors in October 2007, and an update was provided for the meetings in March 2008 and 2009. As the program matures, it is believed that the value of the matrix will increase since it will be possible to see progress over time, but also fine-tune and improve particular indicators if this is felt to be needed. The PAM is thus a flexible tracking instrument that can be adjusted by changing the sub-areas and the indicators that are used to measure progress as the program itself evolves, or even change/ include new sectors, if the parties agree.

In addition to the PAM, which largely provides a set of snapshots along some specific indicators, Afghanistan has also carried out two Public Expenditure and Financial Accountability (PEFA) assessments. This provides a more broad-based assessment of the larger PFM system. The first one was done mid-2005 while the second one was recently published based on the field work done at the end of 2007.

The PEFA contains a standard set of 28 indicators tracking the government's PFM across six areas: (i) credibility of the budget, (ii) comprehensiveness and transparency of the budget, (iii) the link between policy and resource allocations, (iv) predictability and control in budget execution/disbursements, (v) accountability, recording and reporting, and (vi) external scrutiny and audit. There are also three indicators for tracking donor practices. The overall findings of the 2007 assessment indicates that GoA’s PFM system have improved.

At the same time, donor performance deteriorated along two of the three indicators and was stable on the third. Donors have good practices as far as their budget support is concerned where support is well communicated and disbursements are in line with forecasts. This refers largely to the ARTF, which confirms ARTF performance along these dimensions. But donors are still channeling most of their resources on the outside of the budget and provide limited and unreliable data on this.

It is interesting to note that Afghanistan scores very well compared not only with low-income countries but also middle-income countries. It scores well above the average for both these groups concerning (vi) external scrutiny and audit, and higher than both groups on (iv) predictability and control in budget execution/disbursements, and (v) accountability, recording and reporting, and just above on (iii) the link between policy and resource allocations, and (vii) donor practices. It was well below the average on (i) credibility of the budget. This is in part due to the major gaps that remain between budgeted and actual disbursements on the government's investment budget. As the costing of the ANDS improves and becomes more realistic, PEFA scores will undoubtedly improve.

These ratings must be seen in the context of where Afghanistan was only five years ago, where it had to rebuild its systems and capacities almost from scratch. The country's achievements are thus quite impressive, notwithstanding the challenges that remain.
Efficiency and Effectiveness:

Waldman (2008) notes that of the US$ 25 billion that in principle have been committed by the donors for reconstruction and development, less than half have actually been committed. When it comes to the ARTF, commitments and disbursements are now moving very well, where promised funds are delivered and results are being produced. The ARTF is thus a "best practice" case in this field. Waldman notes that over half the aid is tied, while all ARTF funds of course are un-tied and on-budget. He goes on to note that "in some large contracts there are up to five layers of international or national sub-contractors, each of which usually takes between 10-20% profit on any given contract but in some cases as much as 50% .... Procurement and tendering processes are rarely transparent" (op.cit., p. 18). Compared with these and other cases pointed to by government officials, the ARTF funding clearly is both an efficient and effective funding mechanism.

The PAM and the PEFA reviews complement each other since the PAM is a tool designed around the ARTF specifically, while the PEFA takes a broader PFM view and builds on international "best practice" standards for assessing country performance. Together these instruments allow the parties to verify efficiency of the recurrent budget support, and the effectiveness in terms of achievements. Based on the results from the PAM and PEFA, complemented by studies like Waldman, Integrity Watch Afghanistan (four studies are contained on the bibliography here) and others, the ARTF Recurrent Window must be rated as highly satisfactory.

As of December 2008, ARTF donors, management and the Afghan government agreed upon a new framework for the recurrent cost window known as the ARTF Incentive Program. Structured much like a tranch policy-based budget support program, the scheme puts in place financial incentives for meeting certain pre-agreed benchmarks on an annual basis in line with the budget cycle. The benchmarks pursue reforms in the areas of revenue collection, public finance management, public sector reform, anti-corruption and private sector development. Two cycles of the program have been successfully completed by government, which sees the IP as an opportunity to avoid a fragmented policy debate with donors, and to strengthen the role of the Ministry of Finance in setting a government-wide policy direction. (See attached doc for the full results of the first two cycles.)

Results Assessment of the Investment Window:

Community Based Development

The three CDD programs NSP, NRAP and MISFA can all point to impressive results in terms of Outputs achievements, and have laid strong foundations for further improvements. They are having positive impacts in particular in three fields:

They provide critical inputs for local development in the form of small-scale finance and infrastructure investments;

They provide capacity building but also political mobilization and participation and thus organizational development, strengthening voice and empowerment of social groups that often are not heard – women in particular. This is carried over into concrete results in the form of real resource access as well as allocation decisions by the population;
They strengthen the links to and legitimacy of national authorities at local level, which is important in a country coming out of conflict and with a central administration that is still fragile yet having to address fissures and distrust across the nation-state.

While the first dimension is easy to measure and report on, it is the latter two that may be the real value-added of the programs and that may justify continued funding and expansion. This is because the latter functions are important in three critical areas of Afghanistan’s current development.

The first is the contribution to “nation building” and building a service-oriented and accountable state. Getting resources down to community level and ensuring a continued flow of services and support is going to be important for unifying and solidifying Afghanistan as a nation.

The second is building local governance and empowering local communities to take responsibility for own development. This is also going to be a slow and step-by-step process that will require continued external support and pressure while building local capacity along a number of dimensions.

The third is the contributions the two above processes will make towards local ability and willingness to promote local stability, reconciliation and peace. This is the most difficult, unpredictable and thus risky part of CDD – but perhaps also the one with potentially the highest pay-off.

The projects need to address questions of governance, including corruption and the equity of distribution of gains, more aggressively, requiring better monitoring and evaluation.

The question of the legitimacy of local governance bodies also should be looked at. There are an increasing number of initiatives that wish to reach down to community or village level, and somewhat different approaches are being taken. The NSP has supported the establishment of Community Development Committees (CDCs), yet NRAP believes CDCs cannot be a party to a binding contract. The Education Quality Improvement Program (EQUIP) is setting up community-based School Management Committees, while the Ministry of Agriculture seems uncertain which local body to use for its National Program for Food Security. Proposals for using local shuras or maliks in various roles exist as well, creating uncertainty as to the institutional stability and future of the various bodies.

**Capacity and Infrastructure**

The current project portfolio shows a heavy bias towards CDD projects, where the three projects discussed in the previous chapter plus the RWSS together account for over two-thirds of the ARTF Investment Window allocations of nearly US$ 892 million.

Regarding capacity development, the three on-going projects – CSCB, MCP and TAFS – have total allocations of US$ 46.5 million, and a closed project supporting financial capacity adds another US$ 4 million. The CD portfolio, where only the MCP is really forward-looking, thus makes up only 4% of the ARTF Investment Window. If one adds the EQUIP project in a larger sense of capacity development, total allocations are US$ 79 million – just under 10%.

There are six active infrastructure projects. Together the infrastructure program has allocations of about US$ 188 million, just over 14% of the total. The new power project in
particular reflects the GoA’s increased focus on infrastructure, where the ANDS emphasizes the need for new investments in power.

**Assessment:**

The ARTF has funded public sector CD in the form of senior level managers on short- to medium-term contracts. This was done through the AEP-LEP projects, later merged in the CSCB and now merged and further developed into the MCP. The projects have successfully recruited qualified Afghans to take on policy advisory and senior decision-making responsibilities (AEP) and management and senior technical posts (LEP) in key institutions in Kabul. These staff contributed to improved performance of the public sector during these difficult years of transition, have reportedly helped develop better instruments and processes, introduced more modern approaches to public sector management, and been key supporters of public administration reform measures such as merit-based recruitment and advancement, and priority reform and restructuring. Most of these contributions are stated as observations and anecdotal evidence as there has been no results reporting or systematic mapping of such outputs or outcomes.

These projects have not been well coordinated with other CD activities. The different pay scales caused some frictions and supposedly interference in some of the recruitments. As gap-filling measures they were never intended to be sustainable but the MCP is now restructuring and unifying the approach to align better with general public policies.

The ARTF contribution to CD has been marginal in terms of immediate outputs but even less visible with regards to policies, principles and systems. While the 2005 review argued that the ARTF has some important comparative advantages in the field of CD, this avenue has so far not been pursued.

The UWSS covers Kabul and 13 other towns, with co-financing from Germany’s KfW. The project has taken three years to begin implementation, in part due to the decision to work through the normal public systems and procedures rather than establish a PIU. But weak political support, poor capacity to implement, and major delays in procurement and land acquisition are further explanatory factors. Implementing through sector institutions is expected to produce longer-term capacity improvements, and the strengthening of transparent and competitive procedures and markets. The short-term effect is serious delays in providing drinking water and sanitation services to the public. It is not clear that this was a carefully considered trade-off, but this merits analysis as the longer-term effects may turn out to justify the approach taken. Right now this must remain an open question.

EQUIP has in a short period of time become an important national program, active in all 34 provinces, supporting local-level grants for improving educational quality, increasing girls’ attendance rates, building schools, strengthening the Ministry’s monitoring and quality assurance capacities. It has produced a menu of standard school designs that other donors find are more efficient and effective. They are therefore redirecting their school building resources to EQUIP, strengthening the coherence and management of this important part of the Ministry’s sector development plans.

As of April 2010, CDD projects have received over two-thirds of the US$ 1.3 billion allocated through the ARTF investment window to date (including no longer active projects). The pipeline, however, reflects a broadening of the ARTF’s scope of activities, with a greater
focus on infrastructure and agriculture in particular. This in turn reflects the government’s big push, since the ANDS, on these areas, which it claims have not received sufficient share of donor funding. Given the large funding increase foreseen over the coming years, mainly thanks to an increase in US contributions, the ARTF has developed a Financing Strategy through a working group with both ARTF donors and the government. The Financing Strategy – prompted by an earlier independent evaluation of the ARTF – sets out the funding envelope over a three year forward looking period, and the financing priorities for the ARTF. This enables the government to carry out longer-term planning and budgeting while also providing for a more transparent and multilateral decision-making process. The ARTF Financing Strategy is also set to incorporate the new government priorities to be set out in the Kabul Conference in July 2010. Once agreed, the Financing Strategy will also provide a platform for stronger results tracking in the ARTF Investment Window generally, with some donors advocating specifically for a PAM-plus.

Nevertheless, it is still true to say that the ARTF needs to continue to strengthen attention to overall performance tracking above the Outputs level, and cross-cutting concerns, in particular gender, conflict sensitivity and distributional outcomes. These are skills and time intensive issues, however, where the donors and authorities also need to contribute to the burden sharing and learning, though the ARTF can play an important role as knowledge manager and institutional memory.
1.4.2 MDF/Indonesia

Sources:

- Five Years after the Tsunami: Continuing the Commitment to Reconstruction. MDF Progress Report, December 2009.

The Multi-donor Fund for Aceh and Nias (MDF), was established in March 2005 in response to the devastation by the tsunami that hit Aceh in December 2004 and the earthquake on Nias in March 2005. The MDF has received contributions from 15 funding sources, for a total of about US$ 685 million in grant resources. The MDF was originally to close in June 2010, but has now been extended till the end of 2012.

The MDF has allocated US$601 million to 21 projects as of September 30, 2009. Approximately 73% of funds allocated to projects are on-budget and therefore channelled through the Government of Indonesia’s national budget. The remaining funds are implemented by the United Nations Development Programme (UNDP), the World Food Programme (WFP), the International Labour Organization (ILO), and non-governmental organizations. Approximately 66% of allocated funds have been disbursed (US$ 399 million) to projects.

Only 7% of the funds remain unallocated, or approximately US$ 47 million. New allocations with a focus on economic development, some remaining strategic infrastructure needs and strengthening local capacities. Many of the MDF projects that were initiated at the start of the program are drawing to a close. As of September 30, 2009, three projects have closed, and another 14 projects are currently scheduled to close in the next year.

The Government of Indonesia put in place key instruments and actors to ensure national leadership and ownership of reconstruction in Aceh and Nias. BAPPENAS, the national planning agency, produced a Master Plan for Rehabilitation and Reconstruction (MPRR), which was a good inventory of known needs when carried out in 2005, but the Government’s Mid-term Review (MTR) in 2007 recognized the need for considerable updates in terms of targets.

While the MPRR defined key parameters, operational priorities were set by reconstruction agency BRR through its day-to-day management and knowledge of funding gaps. While adhering to principles of participatory planning, which it was recognized might slow down some reconstruction efforts, this was seen as worthwhile to ensure local ownership. This approach has been justified when comparing actual performance in Aceh with other known international disaster responses.

Aceh’s reconstruction has been supported by unprecedented levels of aid, but also an international community that was not always very listening and respectful of national and local preferences, and which was slower to disburse than expected. These problems were compounded by Indonesia’s own early public finance bottlenecks.

The actual portfolio evolved over time, as six project groups. The first one tackled community recovery with almost 45% of available resources already at the first SC meeting. A subsequent group of five projects were off-budget, addressing an assorted set of issues but...
without any particular focus. During the fall of 2005 the BRR requested funding for an Immediate Action Plan of four projects, and six months later presented an analysis showing a need for large-scale and structured support for a "missing middle infrastructure" program, which MDF took on early 2006. During the spring of 2006 projects providing further support to local development were agreed to. It then took more than a year before a program of support to economic and capacity building was put in place during the fall of 2007.

The MDF contributed 10% of the overall reconstruction funds, and its contributions have supported the GOI’s efforts and provided a forum for dialogue with central, provincial and local governments, and other major stakeholders on the broader sectoral strategy on reconstruction.

BRR closed as scheduled in April 2009 as its mandate came to an end. BAPPENAS has been tasked to coordinate the remaining reconstruction efforts with provincial government and all relevant line ministries. After the closure of BRR, the MDF works closely with BAPPENAS and the Governments of Aceh and North Sumatra to identify and respond to remaining needs in the reconstruction process. This evolving role for the MDF will continue until it closes in December 2012.

**Results Achieved (as of Sept. 30, 2009)**

- Source: Five Years after the Tsunami: Continuing the Commitment to Reconstruction. MDF Progress Report December 2009.

1. **Community-Based Settlement Rehabilitation and Reconstruction Project (REKOMPAK):** The community-driven approach used in the project has proved effective in rebuilding houses within a limited timeframe and resulted in a strong sense of ownership from the beneficiaries. On average, more than 99% of the targeted houses have been built or rehabilitated. The occupancy rate of rehabilitated houses is 100%, while an increase in occupancy of new houses is evident over the past year and is now at 91%. All 126 targeted villages have completed their Community Settlement Plans (CSPs) and received their first installment of funds. Second installments have been disbursed to 120 villages (95%), with 5 villages receiving reward funds for excellent performance. The project has also strengthened capacities for the local communities and local economy through various trainings related to business and technical management. In addition, the project stimulates the local economy through job creation and encouraging the support of local businesses.

2. **Community Recovery through the Kecamatan Development Program (KDP):** Experience has shown that community-based recovery programs often yield results more quickly than top-down models, and are also more likely to lead to sustainable solutions. Communities that are involved in project design feel a great deal of ownership and pride in the program. The Government has recognized the advantages of community-based programs as a fast and flexible mechanism. The majority of MDF funding disbursed through KDP (more than 90%) has been used for infrastructure development. Funds have also been used to stimulate the local economy by providing micro finance, purchasing raw materials from local suppliers and hiring local communities to do the construction activities. Furthermore, the project also strengthened the capacity of local communities, placing a large emphasis on gender disparities.

The project received a one year extension and will formally end its operations on December 31, 2009. Overall, the project has provided planning, training and capacity building support
to over 6,000 communities in Aceh and Nias, and approximately 3,000 villages received MDF-financed block grants.

3. Community Recovery through the Urban Poverty Project (UPP): In general, the project has completed its activities and met most of its objectives. Overall, 99% of the grants have been implemented. The project has spent approximately 94% of its allocated funds, reaching all disaster-affected households in the target areas with improved services. The project applies a planning and implementation mechanism to ensure that women’s needs are represented.

Achievements in block grant implementation in many areas surpassed initial planned targets. The preliminary results of the women’s empowerment program (P4-NAD) have been encouraging. Women that have participated in this program have significantly improved capacity to direct activities, administer proposals and accountability reports and to manage relationships with other stakeholders.

4. Kecamatan-based Reconstruction and Rehabilitation Planning Project in Nias (KRRP): The project has completed its community-driven selection of beneficiaries for houses, schools and local government offices and has commenced the construction of houses in all nine sub-districts of Nias and Nias Selatan. While construction of houses, schools, village offices, and infrastructure continues to encounter problems due mainly to the remoteness of the project locations, in general housing construction has made significant progress, and work is ongoing in the construction of schools, office buildings and infrastructure. The cultural heritage program under this project participates in the school improvement program, providing more knowledge on Nias cultural heritage to students and teachers, as well as to the community in general.

5. Reconstruction of Aceh Land Administration System Project (RALAS): The Partner Agency agreed to an initial extension of the project until June 30, 2009, to facilitate an orderly project closure, and the project was closed on schedule on June 30, 2009. Overall, the project contributed modestly to restoring land rights and rebuilding land administration system in the province. Weak management, especially in the areas of oversight and direction setting, procurement, program planning, and monitoring and evaluation led to significant delays and affected overall implementation progress. As of closing a total of 222,628 land title certificates had been distributed to land holders, of which 63,181 were issued in the name of women or jointly in the name of women. Cumulatively, BPN surveyed 275,945 land parcels and notified 272,912 land parcels.

6. Banda Aceh Flood Mitigation Project (BAFMP): The activities implemented by the Banda Aceh Flood Mitigation Project are substantially finished with full completion expected before the end of 2009.

In early 2006, the project installed 11 flood valves to prevent tidal flooding and to drain one of the most flood-prone areas of Banda Aceh. This reduced the occurrence of flooding after rains and during high tide, and led to increased community satisfaction. Construction is complete on the three pumping stations of the main civil works contract. All flood valve installations are done, and the remaining drainage works is expected to be completed by the end of 2009.
Pilot waste management activities have started in several villages. These activities include collecting and removing household waste to municipal waste pick-up points. Motorized 3-wheel waste collection vehicles are used in this process, and participating communities undertook a study tour with Local Government for community waste management, composting and recycling.

7. Infrastructure Reconstruction Enabling Program (IREP): All five IREP consultant teams were mobilized by May 2007. IREP has prepared all projects implemented by IRFF. Additionally, IREP consultants provided technical input to provincial and district governments relating to the design and implementation of infrastructure projects. IREP consultant teams continue to provide support to the IRFF program. The Management Consultants are responsible for overall quality assurance and monitoring and evaluation of the works. An independent Consultant firm was appointed to oversee the Financial Management of the project. The progress of these two teams largely depends on the progress of the other three consultancy teams providing infrastructure technical support.

8. Infrastructure Reconstruction Financing Facility (IRFF): IRFF utilizes local investment plans and the IREP strategy to identify possible projects for implementation. Environmental impact assessments and associated management plans ensure that environmental safeguards are in place. All required Environmental Assessments have already been completed. Projects have shown significant progress over the past year with most of the sub-projects now completed and all remaining projects under construction. The portfolio achieved 76.8% physical progress by September, 2009. Of the 53 sub-projects, 41 have been completed, with 12 projects at various stages of implementation.

9. Lamno-Calang Road Maintenance Project: The project was completed by December 31, 2007, and a completion report was submitted. The lack of government funding, expertise and equipment resources needed to undertake this emergency maintenance work within the limited timeframe when it was needed underscores the importance of this project. The Lamno-Calang Road is the main transportation route for materials to the west coast. This project is seen as a great success, and, though relatively small, a key investment in the reconstruction and recovery process.

10. Sea Delivery and Logistics Programme (SDLP): Transportation of goods to remote destinations throughout the affected areas, including beaches in Nias and Simeulue, has been a major benefit of this project. The project transported a total of 98,185 mt/ 256,006 m³ of relief and reconstruction cargo from its inception in 2006 to March 2007. The project has now shifted focus to training programs that build necessary skills to continue the work done to date. Training modules in administration and support functions to the ports have been developed based on international curricula and training commenced on the 16th December 2008. This component of the program complements the reconstruction of ports in Aceh and Nias through other Multi Donor Fund projects. Training is delivered with links through the University of Syiah Kuala, whose aim is to include certain modules of the training into their Master’s Business degrees and BKPP.

11. Tsunami Recovery Port Redevelopment Program (TRPRP): This project carried out assessments and studies of sea ports in Calang, Meulaboh, Sinabang and a river port in Lamno, as well as the redesign of these ports. In Gunung Sitoli the project reviewed a
previous design so that works could be tendered. Temporary wharves in Calang and Sinabang were completed, enabling better docking conditions and storage of cargo. All works for this project were completed by December 2007.

12. Capacity Building for Local Resource-based Rural Roads (CBLR3): The project is making good progress in enhancing the capacity of district Public Works and local small scale contractors. Local Resources-based Road Works methods generate employment in local communities and strengthen local governments’ and contractors’ capacity to rehabilitate and maintain their rural roads. The project also maintains roads funded by PWD and BRR located on the same networks in Nias and Nias Selatan.

On-the-job training activities continue, and formal training programs were conducted during this year with technical and social facilitators on planning, managing and implementing road maintenance at the community level.

In addition to promoting gender equality in contracts and agreements, the project endeavors to create a conducive environment for the participation of women.

13. Support for Poor and Disadvantaged Areas (SPADA): In general, SPADA block grants complement local government resources for health and education, and link community needs with local government priorities. Districts report improved health of young children and mothers in some SPADA locations. Infrastructure projects create access to water, markets, health, education and other communities and improve the livelihoods of many. The participatory process accompanied by technical assistance helps build capacity of communities, local governments and consultants. And several local governments have adopted regulations to integrate the SPADA participatory planning mechanism into their regular planning process.

14. Support to Strengthen the Role and Capacities of Civil Society Organizations (CSO): The establishment of resource centers (one in Aceh and one in Nias) has enabled civil society and organizations to more effectively communicate their individual or institutional needs, and the community now has a platform where they are formally able to request assistance. The small grants issued have resulted in social facilities that benefit the whole village, including early childhood facilities in Nias and Aceh and a public well in Nias. Small grants have also facilitated increases in income in communities through various economic activities such as goat farming, local wood-waste handicraft production and chili farming in Aceh and cocoa farming and pig farming in Nias. A number of women’s initiatives have been supported by the CSO project, including sewing cooperatives in Aceh. The women describe an increase in self-confidence as they have been able to secure additional income from their activities and as they now have means to engage with their groups in meaningful and productive ways.

15. Nias Islands Rural Access and Capacity Building Project (RACBP): The project was approved by the MDF Steering Committee in September 2009, and the Fiscal Agency Agreement between the Partner Agency and the Trustee of the MDF was signed in October. The project is in start-up phase, preparing for implementation.

16. Aceh Forest and Environment Project (AFEP): The project has continued to scale up its core activities including monitoring and reporting illegal forest activities, training and equipping forest and community rangers, mitigating human-wildlife conflicts, and
strengthening partnerships with the Forestry Service, Conservation Service, police, local NGOs and forest communities. Through the efforts of AFEP and other partners, the formation of a cohesive forest management network is beginning to take shape in Aceh. Developing joint activities has generated positive results with the police, the Aceh Green and TIPERESKA initiatives, the Forestry Service and other partners. In particular, the project has achieved success in translating its illegal logging field monitoring reports into on-the-ground action by other actors.

The project has developed a curriculum and materials on environmental awareness for schools, trained teachers, and established student ecoclubs with over 6,100 members across Aceh. At the community level the project has supported village and mukim-level spatial planning processes and initiated community nurseries to improve sustainable tree-crop based livelihoods.

In November 2009 the project completed analysis of forest monitoring data showing changes in forest cover across Aceh since 2006. This data is used to support the Government of Aceh in its reporting on the status of Aceh’s forests. A large animal survey was also completed during 2009.

17. Tsunami Recovery Waste Management Programme (TRWMP): Phase 1 of the project began with US $ 14.4 million marked for disaster recovery activities, including creating immediate employment, restarting essential services, clearing debris and recovering recyclable materials for use during the rehabilitation and recovery process, as well as resuming municipal waste collection across eight districts in NAD-Nias to reduce potential environmental and health-related risks. During Phase 2 (effective September 2007), the program aimed to safeguard investments by building sustainability into program interventions with an additional US $ 9.98 million grant to extend the project to the end of 2009 and expand to a total of 13 districts. Phase 3 for US $ 15 million currently extends the project to the end of 2010 and enables construction of three priority permanent landfills together with limited essential rehabilitation works elsewhere.

The program continues to be relevant, running well and delivering on its development objectives. Currently, 1,377 households are able to restart cultivation on agricultural land cleared of tsunami waste.

Ten interim landfills/dumpsites have been upgraded or rehabilitated with more than 26 hectares of waste cells constructed. To date more than 288,155 m³ of municipal waste has been collected. Approximately 30% of this has been recycled with the remainder being properly disposed.

18. Technical Assistance to BRR and BAPPENAS: The project’s support has contributed to the enhancement of BAPPENAS’ capacities to develop policies and programs and to monitor and complete rehabilitation and reconstruction activities after the closure of BRR. To date, the project has overseen and facilitated commencement of the BKRAN/Steering Committee’s provision of technical support. It has continued activities started under the TA to BRR Project, and has supported RENAKSI development. A team of 13 technical assistants (TAs) will contribute to accomplishing the mandates of the Steering Committee by December 2009. In particular the TAs will provide technical assistance for managing national and international resources, as well as planning and monitoring rehabilitation and reconstruction activities in affected areas.
The project has also held 15 SIMBADA training sessions in the NAD Province and 25 districts within NAD-Nias. The trainings aim to enhance the capacities of local government to operate and maintain the SIMBADA system, and the SIMBADA applications are currently under implementation. EIA project support to BAPPEDA continues to progress, and the EIA assessments are expected to be conducted in the next months. Similarly, support to the KNOW Center has been ongoing.

19. Disaster Risk Reduction - Aceh (DRR-A): Although some planned activities were not achieved during this period, several foundation activities have been initiated. The DRR-A project assisted the Aceh Government to draft the Qanun to establish the Province Disaster Management Authority (BPBD). The Aceh Government declared the establishment of BPBD through Pergub 102/2009, but endorsement process for this is ongoing. The project also supported the local government to develop the Local Action Plan on DRR, and provided technical and financial support to successfully organize the Indian Ocean Wave 2009. DRR-A also provided support to the Aceh Government to initiate the establishment of the Aceh Platform for DRR. Training on DRR has been scheduled for the end of the year, with participants expected from both Government and non-government agencies.

20. Aceh Government Transformation Programme (AGTP): AGTP led a major reform in the local government budget process, contributing to this year’s budget approval in January 2009. Improved public expenditure flows require solid anti-corruption measures, and AGTP has worked with the Corruption Eradication Agency (KPK) and the Financial Transaction Reports and Analysis Centre (PPATK) to improve processes in support of anti-corruption. The project has also supported the Aceh Government to further extend anti-corruption awareness raising through education by integrating anti-corruption curricula in schools. All guidelines for asset transfer have been drafted and approved. The project supports BKRA operations and the development of a master plan for reconstruction activities from 2010 to 2012.

21. Nias Islands Transition Programme (NITP): The first round of transfer of asset identification and location systems from BRR is under way, and systems have been identified and installed. Although assets are being used by the local government, the full transfer process is not yet complete. The first course of intensive training on asset transfer for government staff has been held, and further training is planned. Scheduled assistance to the BKRN has been delivered, but capabilities relating to budgeting, monitoring and evaluation still need strengthening. Trainings in financial management have also commenced.

22. Economic Development Financing Facility (EDFF): The Grant Agreement for EDFF was signed on December 30, 2008 and the project became effective on March 30, 2009. The Government of Aceh has continuously supported the project through co-financing and linking to related technical agencies in order to build project ownership early on. Project implementation was delegated to the provincial government. To date the major achievements are in the capacity building component of the project, which is already showing results. The model for using strong economic evaluation criteria to select sub projects helped set a standard for designing and deciding on economic development projects.
Assessment:

The Mid Term Review (MTR) found the MDF to have been successful overall in achieving its mandate as a gap-filling mechanism responsive to government priorities.

The MDF portfolio has shown significant progress in achieving its targets during the past year as the majority of the projects are now in the mature implementation stage. Large infrastructure projects such as the Infrastructure Reconstruction Enabling Program (IREP), the Infrastructure Reconstruction Financing Facility (IRFF), and the Banda Aceh Flood Mitigation Project (BAFMP) moved into full implementation over the past year, with the majority of these projects now complete. In Aceh, almost all of the MDF housing reconstruction targets have been met, with nearly 8,000 new houses constructed and 6,999 damaged homes rehabilitated.

Several projects are nearing completion and scheduled to close at the end of 2009. Some of these (KDP, UPP) will close on schedule, but others (KRRP, TA to BRR and BAPPENAS need extensions of time to finalize their activities. Other projects will seek additional financing in the coming months for scaling up activities, often with a focus on improving the project’s exit strategy and sustainability.

Projects in the community recovery sector leveraged existing mechanisms (the KDP and UPP projects and approach) to achieve these results. This successful strategy became a model for the housing reconstruction efforts following the earthquake in Central Java and Yogyakarta in 2006, and can be relevant for reconstruction following the recent earthquake in West Sumatra.

Community recovery projects have achieved notable results in rebuilding physical assets at the community level. Housing targets have been reached in Aceh and good progress is being made in Nias. A total of 10,514 houses have been constructed and 6,999 rehabilitated, with a further 1,599 new houses under construction as of September 30, 2009. Between them, KDP, UPP, REKOMPAK and KRRP have assisted communities to reconstruct vital community infrastructure, including 1,473 kilometers of village roads, 936 bridges, and 1,473 kilometers of irrigation and drainage channels. Utilization rates for infrastructure and occupancy rates for housing are high, and surveys indicate that beneficiaries are highly satisfied with what these projects have delivered. This result can be attributed to the high degree of ownership and participation of beneficiaries in project design and implementation.

Community empowerment is an important outcome of the MDF’s community recovery projects that will have lasting impact. MDF’s Mid Term Review noted that the community recovery projects have made important contributions to community development. Capacity development for local facilitators, the creation of community processes and the sense of community ownership have important impacts far beyond specific project objectives in terms of reconstruction of infrastructure and housing.

RALAS, the MDF’s land titling program, experienced problems in implementation but has still made important contributions to the reconstruction efforts. A series of implementation and management issues prevented RALAS from performing as expected and meeting its targets, and it closed on June 30, 2009. Nonetheless, it successfully distributed 222,628 land titles to beneficiaries in Aceh. It also trained over 400 facilitators from local communities and NGOs/CSOs in community land mapping and supporting the
community-driven adjudication process and trained over 640 government personnel on community-driven adjudication.

The MDF infrastructure projects are nearing completion and are generally delivering strong results. 41 out of 53 sub projects under IRFF are now completed and at various stages of handover. These projects have provided more than 288 kilometers of national, provincial and district roads, municipal water supply systems, and the rehabilitation of three ports. The SDLP project has delivered on the infrastructure element of the project and now promotes sustainability of the investments in ports by focusing on training programs linked to the University of Syiah Kuala. The Banda Aceh Flood Mitigation Project has completed implementation and is operational, with a community garbage collection component that not only keeps the drainage system functioning by preventing garbage from clogging the drains and sluice gates, but also provides jobs and a cleaner environment. The Lamno-Calang Road Maintenance Project and the Tsunami Recovery Ports Redevelopment Programme completed their activities at the end of 2007 and have both closed.

Previous implementation challenges have been addressed but new challenges have emerged. Although some IRFF sub-projects are lagging, project consultants are working closely with contractors to improve performance, and the project in general is delivering results. A significant challenge that has emerged over the past year is that the DIPAs are consistently issued after considerable delays, affecting project implementation not only in this sector but across the MDF portfolio.

The MDF’s Mid Term Review noted that broad-based capacity building across all of Aceh and Nias has emerged as the foremost achievement of the MDF. Strengthened institutional and organizational capacity, as well as skills development, impacted primarily the public sector at provincial and district levels as well as to some extent the sub-district and agency levels. Building capacity for improved local governance is the primary objective for three projects in the portfolio (CSO, SPADA, and the CBLR3). Three other projects (AGTP, NITP and TA to BRR and BAPPENAS) that directly contribute to enhancing the efficiency and effectiveness of the recovery process have also specifically included building governance capacity to manage reconstruction responsibilities after the closure of BRR as an important outcome. In addition, almost all MDF projects include project-specific capacity building elements as a means for ensuring sustainability of the investments after the reconstruction ends.

Some projects in the MDF portfolio were designed to support government in coordinating the overall post-tsunami and earthquake recovery and reconstruction. Technical Assistance to BRR (TA to BRR) provided technical expertise to assist in coordinating the recovery and reconstruction. The MTR notes that the BRR was satisfied with the outcomes of this support. In its last year the BRR began to focus more on lessons learned and preparing for the transition to local government.

Quality of Project Design: The projects with the best designs used participatory planning, which may have taken more time but ensured proper insertion in the Aceh context, stronger ownership by the key stakeholders, which in turn led to improved implementation and hence better results (KDP, UPP, REKOMPAK, KRRP, LRRP, TRWMP, TA to BRR).

Most projects’ results frameworks (RFs) have poorly defined higher-level results and indicator sets. Some indicator sets are too complex and focused on lower-level issues, including
tracking inputs rather than results. The RFs are thus often unsatisfactory, meaning M&E systems are by and large not operational.

**Relevance:** The MDF, taking into consideration its role as "funder of last resort", has funded projects that are highly Relevant to Aceh’s recovery priorities, are generally appropriate to the local context and beneficiary needs, though the inclusion of vulnerable groups is not always good enough, while ownership/leadership on most projects is good.

**Efficiency:** Projects that had strong and committed management and clear objectives have performed well. Poor efficiency is reflected primarily in the form of major delays, largely as a function of weak management (RALAS, BAFMP, AFEP, SPADA).

**Effectiveness:** Projects with clear results frameworks and that have been able to produce their Outputs more or less to plan are showing good Effectiveness. Effectiveness problems are often due to unclear links of Outputs to Outcomes, or serious problems in delivering the foreseen Outputs.

**Impact and Sustainability:** Projects that are integrated into national programs (KDP, UPP, RALAS) are Sustainable and will over time presumably deliver expected Impact. The same can be expected for infrastructure directly owned by users (homes by families, small-scale infrastructure in communities). Larger infrastructure and general capacity building are vulnerable to future events, in particular whether new asset owners invest in systematic long-term operations and maintenance (O&M) – a key concern of the MDF over the years.
1.4.3 MDRP & TDRP/Great Lakes

Sources:

- Implementation Completion Memorandum (ICM), May 21, 2010.
- Comments from the MDRP and TDRP management.

The Multi-country Demobilization and Reintegration Program (MDRP) was a partnership between the international community – bilateral donors, UN agencies, the World Bank and international NGOs – and the seven governments in the Greater Lakes region to demobilize and reintegrate into civilian life over 360,000 ex-combatants (EXCs) as a means of stabilizing the region and contribute to a process of socio-economic development and cooperation. The MDRP was set up in 2002 and closed in June 2009. About a dozen donors and the World Bank provided over US$ 450 million over the seven year period, funding the largest demobilization and reintegration (D&R) program in terms of resources, numbers to demobilize, and actors and countries involved. Built on a regional approach, the MDRP was also to contribute to national ownership.

The MDRP Strategy estimated that the program would cost US$ 500 million. Donors were to contribute US$ 350 million and IDA the remaining US$ 150 million. The program was to consist of four components: (i) national programs, (ii) special projects, (iii) regional activities, and (iv) program management.

In the end, five national programs, 11 special projects and three MDRP-related projects were implemented in the seven participating countries at a total cost of US$ 451 million: US$ 260 million from donors through the MDTF plus US$ 191 million from IDA, though where IDA later added a further US$ 50 million for the DRC program.

The MDRP regional strategy and structure was set up to support a regional planning, financing and implementation framework for the demobilization and reintegration (D&R) of an initially estimated 350,000 combatants. Nine countries in central and southern Africa were eligible for support: the Republic of Angola, Burundi, the Central African Republic, the Democratic Republic of Congo (DRC), the Republic of Congo (ROC), Namibia, Rwanda, Uganda and Zimbabwe. Namibia and Zimbabwe never entered the program, so the MDRP in practice has been limited to the other seven countries.

The MDRP Strategy defines its key objectives as:

- Provide a comprehensive regional framework for DDR efforts;
- Establish a single mechanism for donor coordination and resource mobilization for demobilization and reintegration;
- Serve as a platform for national consultative processes that lead to the formulation of national demobilization and reintegration programs.
The key operating assumptions of the strategy were:

- MDRP DDR strategy exists within a broader framework for peace and security and cannot be a substitute for that;
- No single donor or agency can address the complexity of DDR in the region;
- Partner contributions should be based on their respective comparative advantages and Governments’ preferences (varies per country);
- Coordination is necessary to ensure that the MDRP does not operate in a political vacuum and that approaches are consistent irrespective of funding source;
- Links with other efforts aimed at enhancing security and reconstructing shattered societies is important;
- National programs are prepared, appraised, and supervised by national authorities and stakeholders, supported by interested donor and agency partners.

The key principles of the MDRP which this study looks at are thus:

- **Partnership**: Successful DDR requires a range of interventions that no single actor can provide, so different actors should join their resources and skills (chapter 6).
- **Regional approach**: The conflicts in the GLR were to a large extent trans-border in nature, so a regional approach to addressing DDR was seen as required (chapter 7).
- **National ownership**: National actors must define and take responsibility for the DDR activities, for them to succeed and be sustainable (chapter 8).
- **Institutional arrangements**: The MDRP, as a complex program with many actors with not necessarily totally overlapping agendas, required a transparent and accountable institutional set-up to ensure successful implementation (chapter 4).
- **Financial arrangements**: As a large program across seven countries that would necessarily have different timelines and require different levels of funding, the MDRP needed large-scale, long-term predictable yet flexible funding (chapter 4).

The MDRP Strategy outlines eligibility criteria for financing. These are:

- Each country must be actively involved in the regional peace process.
- The government must prepare a Letter of Demobilization Policy (LDP) showing commitments to the regional peace process, D&R, and plans for social expenditure; a national D&R program is prepared; implementation arrangements with planning, coordination and monitoring capacity and participation of relevant political and security stakeholders are in place; and with safeguards and fiduciary measures.
- The sequencing of the demobilization from government and irregular forces was to be set on a case-by-case basis. The DDR activities were to be executed by or in collaboration with UN Agencies and international NGOs, both in partnership with local NGOs.

**MDRP - Results Achieved (from MDRP ICM, 2010)**

**DEMOBILIZATION.** A total of 279,263 combatants were demobilized through MDRP-supported national programs and special projects (see Table 9), which vis-à-vis the targets represents 78% cumulatively for all country programs. However, an explanation of what the figures represent is important. Numbers of combatants to be demobilized could only be estimated given that, at the time the MDRP was designed, no one knew how many fighters
there were in the different rebel groups and armies; thus, the numbers noted as “targets” were actually projections or ceilings rather than targets. Angola and Rwanda, for example, which according to the table show achievement rates of 93 and 83% respectively, processed all eligible beneficiaries and members of foreign armed groups that had come forward so the rate of achievement was in effect 100%.

DRC, Burundi and RoC did register shortfalls, however, these were due to: (a) resistance on the part of different factions in the DRC to demobilize the hard core elements of their forces (including the Republican Guard and combatants loyal to RCD Goma and MLC); (b) an incomplete peace process in Burundi and stalled negotiations, which saw demobilization of the last rebel force, the FNL-PALIPEHUTU, begin in April 2009 after the Burundi Program was closed; (c) government-run disarmament operations in the Pool region of RoC – which preceded D&R activities – only launched in February 2009, resulting in reluctance on the part of the government to downsize the national armed forces before the Pool rebels disarmed; and (d) the lingering problem of the FDLR in the eastern DRC, estimated to number about 5,500, which account for the differences in the Rwanda numbers. These factors were all outside the control of the MDRP. It should also be said that before the closure of the MDRP, new financing was put in place for the DRC, Burundi and Rwanda to enable those countries to complete their caseloads. Beyond the numbers, the biggest hurdles in demobilization were observed in the DRC. Eventually, the problems were resolved, but it took almost 18 months for all demobilization sites (called orientation centers or COs) to become operational, which affected downstream reinsertion and reintegration activities, and also contributed to a funding shortfall. The funding crisis, in turn, further delayed project activities and reintegration in particular.

**REINSERTION.** The MDRP did well in terms of providing reinsertion support (transitional cash payments for the most part) to beneficiary groups: the program reached 82% of the target by program closure. While distributing cash payments is more straightforward technically than reintegration support, it posed a significant challenge in the DRC due to the size of the country, the dispersion of beneficiaries, the country’s limited infrastructure and the complete absence of a rural banking system. However, the project established a payment method through the country’s cell phone system, which is now considered innovative and best practice. An independent audit of EDRP cash payments found a remarkably low error rate of 0.2%, which was significantly less than the target. Reinsertion benefits varied across countries.

**REINTEGRATION.** At a glance and looking purely at the figures, achievements on reintegration would appear disappointing. But looking more closely at the numbers reveals a more positive picture. As indicated in Table 10, by the program’s close, 232,107 EXCs had received reintegration assistance through MDRP-supported programs, which represents 67% of the “target.” Angola would appear to account for the biggest proportion of the shortfall (~40,000 ex-combatants), followed by the DRC (~18,000), RoC (~15,000), Burundi (~13,000) and Rwanda (~6,000). However, if one takes into account the following factors, the reintegration achievement would actually jump to 90%:

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22 The wording in the Regional Strategy was “Preliminary figures indicate that potentially 350,000 ex-combatants could be demobilized and reintegrated under the MDRP.”
Adult Ex-Combatant Beneficiaries of DDR programs, by gender and country

<table>
<thead>
<tr>
<th>Country</th>
<th>DDR Process</th>
<th>Beneficiaries</th>
<th>Target</th>
<th>% Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Male</td>
<td>Female</td>
<td>Total</td>
</tr>
<tr>
<td>Angola</td>
<td>Demobilization</td>
<td>94,052</td>
<td>3,338</td>
<td>97,390</td>
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<td></td>
<td>Reinsertion</td>
<td>52,721</td>
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<td>62,716</td>
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<td>Reintegration</td>
<td>92,297</td>
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<td>133,662</td>
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<td>Demobilization</td>
<td>25,767</td>
<td>516</td>
<td>26,283</td>
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<td>Reinsertion</td>
<td>23,022</td>
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<td>35,000</td>
</tr>
<tr>
<td></td>
<td>Reintegration</td>
<td>21,012</td>
<td></td>
<td>35,000</td>
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<td>CAR</td>
<td>Demobilization</td>
<td>6,380</td>
<td>1,176</td>
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<td></td>
<td>Reinsertion</td>
<td>7,533</td>
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<td>7,565</td>
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<tr>
<td></td>
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<td>7,556</td>
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<td>7,565</td>
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<td>DRC</td>
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<td>99,404</td>
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<td>102,014</td>
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<td>120,000</td>
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<td></td>
<td>Reintegration</td>
<td>52,172</td>
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<td>90,000</td>
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<td>ROC</td>
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<td>0</td>
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<td>Reinsertion</td>
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<td>11,000</td>
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<td>Reintegration</td>
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<td>Reintegration</td>
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<td>Uganda</td>
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<td></td>
<td>Reintegration</td>
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<td></td>
<td>n/a</td>
</tr>
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<td>MDRP</td>
<td>Demobilization</td>
<td>269,417</td>
<td>9,846</td>
<td>279,263</td>
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<td>Total</td>
<td>Reinsertion</td>
<td>244,597</td>
<td></td>
<td>298,991</td>
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<tr>
<td></td>
<td>Reintegration</td>
<td>232,107</td>
<td></td>
<td>346,227</td>
</tr>
</tbody>
</table>

**Source:** MDRP Quarterly Reports

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23 These represent the revised targets although the original estimates of 55,000 and 300,000 for Burundi and DRC respectively were not officially changed in the project legal agreements.

24 UNITA forces originally estimated at 105,000 but only 97,297 eligible. Of these, only 62,716 were eligible for reinsertion support within the time period provided, while 28,600 vulnerable community members targeted through a parallel EC grant are included in the reintegration figures.

25 In the case of Burundi, and in contrast to other countries, no adjustments were made to reinsertion and reintegration targets to compensate for the fact that typically 20% of ex-combatants do not actually claim their benefits after demobilization. Thus demobilization, reinsertion and reintegration targets were all the same.

26 The project further demobilized 28,383 local militia (Guardiens de la Paix and Combattants Militants) of an estimated 30,000 (i.e. 95% of the target).
(a) For Angola, the reintegration figure represents those registered in the project’s MIS as having completed all phases of reintegration, rather than opportunities created and ex-combatants in the process of reintegration, which is what the DRC and other programs recorded. The number of opportunities created in Angola was actually 148,000; thus, by the same standards as other programs, it actually exceeded its goal.

(b) Reintegration follows demobilization. Political stalemates led to demobilization being stalled in RoC, Rwanda and Burundi, and accounted for some of the shortfall in reintegration in the DRC. If one considers the numbers actually demobilized, which is the maximum that a given program can re integrate, reintegration targets for Burundi, Rwanda and RoC would fall by about 10,000, 5,000 and 16,000 ex-combatants respectively, thus affecting achievement rates significantly.

A further consideration is that in the case of the DRC, the EDRP under budgeted and ran out of funds in late 2006, thus bringing to a halt its reintegration activities; additional IDA financing was mobilized to support the EDRP, but it took longer than expected to put the resources in place.27

**Gender and MDRP**

**Female, Disabled and Chronically Ill Ex-Combatants.** In contrast to the approach to children, the MDRP took a mainstreaming approach to gender, the disabled and the chronically ill, i.e. national programs and special projects set objectives and allocated budgets to deal with these groups rather than having gender and D&R special projects. In 2005, the MDRP commissioned a gender desk study as well as country-specific gender stocktaking that culminated in a Joint MDRP-UNIFEM Gender Workshop in Kigali in November 2005. The workshop confirmed weaknesses in services to women but at the same time served to generate demand for gender expertise and political will to address the issue. The MDRP’s response was the Learning for Equality, Access and Peace (LEAP) Program, which aimed to strengthen gender-responsive D&R programming across MDRP countries. LEAP was launched in mid 2007 toward the end of the program. However, within a few years, LEAP was able to: (a) identify some innovative ways to strengthen gender approaches in D&R (e.g., through two pilot projects in DRC on improving the socio-economic livelihood and psychosocial well-being of female victims of gender based violence GBV); (b) contribute to increased understanding of gender and D&R through analytical work; and (c) provide TA to implementing partners and project counterparts on the gendered aspects of D&R at the national and regional level. A follow-up LEAP Program with broader scope and coverage in Sub-Saharan Africa was subsequently designed and is currently under implementation.

Reaching and meeting the needs of female and disabled ex-combatants was not easy. In Rwanda, which was the only country to have surveyed these groups, a baseline survey carried out in 2005 found 25% of female ex-combatants to be unemployed compared to 20% for their male counterparts; a follow-up survey two years later indicated that the number had increased to 57.9% for females and 27.2% for males. Also in Rwanda, survey data revealed that as many as two in three disabled ex-combatants were unemployed. The program responded in a number of ways including: (a) advocating for female ex-combatants

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27 One of the conditions of additional financing for example was that the Government had to repay almost US$ 6 million as a result of ineligible expenses and misprocurement.
to apply for additional reintegration support; (b) lobbying for a new law that makes the Government responsible for providing residences to the severely disabled; after the law was enacted the project established housing for 162 of the 176 ex-combatants that qualified;\textsuperscript{28} and (c) facilitating GTZ and JICA bilateral contributions to support the disabled in terms of vocational training and provision of prosthesis.

As for the other MDRP countries: (a) in Angola, over and above the original targets of the project, the ADRP prioritized vulnerable groups in the last two years of the operation with the use of an EC grant, providing specialized support for female and disabled ex-combatants and the widows, young children and certain groups of wives of eligible ex-combatants, most of whom were not registered as part of the demobilization process;\textsuperscript{29} (b) in the DRC program, few female or disabled EXCs were demobilized because it was reportedly more attractive for these to stay in the army than enter civilian life (because of the social status associated with being in the military) and the program was unable to resolve institutional issues around their certification and registration of the disabled; (c) in Burundi, disabled ex-combatants received targeted medical assistance but there were significant delays in contracting implementing partners and purchasing prosthetic materials (despite substantial technical support from the MDRP);\textsuperscript{30} (d) in RoC, neither females, the disabled or children received serious attention according to Secretariat staff;\textsuperscript{31} and (e) in Uganda, the project was reportedly weak in terms of providing gender-sensitive assistance and support to the disabled.\textsuperscript{32}

Assessment of MDRP Activities and Results (End-Review, January 2010)

Financing and Governance

Donors and the World Bank guaranteed substantial resources to the high-risk MDRP even before any programs were in place. This provided a strong political signal to the parties on the ground, which was helpful for mobilizing support for DDR action.

Pooling of donor resources and making them available under a common set of administrative procedures was a major advantage. But the risk of donor volatility was made apparent during the MDRP, and needs to be discussed with the donor community.

The Advisory Committee (AC) and Technical Coordination Group (TCG) were constructive meeting places for debating policy issues, new ideas and learning. More policy discussions should over time have been moved to the field, giving more voice to local partners, and more thought and resources given to how to follow up. Joint Supervision Missions were a good mutual learning and oversight mechanism that built shared understandings and thus strengthened the partnership. It was demanding to organize, interest and participation from donor capitals decreased over time, while local partner participation could have been stronger.

\textsuperscript{28} Rwanda ICR.

\textsuperscript{29} Angola ICR.

\textsuperscript{30} ICR does not provide information data on gender outputs or outcomes.

\textsuperscript{31} TTL for RoC project, personal communication.

\textsuperscript{32} Uganda ICM.
The MDRP as an important regional program should have been more visible inside the World Bank organizational structure. The Secretariat itself faced two challenges: Bank staff often reported to Sector Managers making MDRP leadership at times complicated, and many MDRP staff were hired from the outside. The use of external technical expertise strengthens the ability to address multifaceted problems, but these staff had limited knowledge of Bank operating practices. More time and resources should have been invested up front to ensure that such staff are properly trained, integrated and function well in the program context.

Over time, location of the Secretariat should have been reviewed. A Secretariat based in the region empowered to engage at policy level with national counterparts and a smaller office back in Washington would be in line with the Bank’s decentralization. Especially in a fragile country context where issues may move fast and the ability to take quick decisions may depend on having one’s nose close to the ground, a visible and high-level field presence may be helpful.

Given the complexity, risks and challenges associated with working in fragile and conflict-affected environments, and D&R in particular, the World Bank should review its policies, procedures, instruments and staffing in terms of adequacy for operating and administering such ambitious interventions as an MDRP, and in particular has to commit senior management time to such programs.

**Portfolio Results**

The GLR provided a daunting environment for the logistically complex D&R operations, yet the national programs largely met the *demobilization and reinsertion* targets.

The delays in program implementation experienced in some countries were mainly caused by political stalemates or weak management, though in some cases joint donor action, such as in the DRC, overcame such obstacles.

**Reintegration** is more complex and long-term than simple reinsertion, and while a DDR program normally cannot do full-term reintegration, monitoring systems and support should have been in place to ensure that national authorities could continue to track progress.

Livelihoods support must be realistic and market-friendly so as to reduce disappoints and possible abandonment of the DDR process by EXCs, though livelihoods viability is primarily dependent on dynamics in the larger economy.

Technologies and other support services provided for DDR efforts (ID cards, monitoring systems, databases), should as far as possible be compatible with and contribute to larger national systems, both to provide value-added to the EXCs, but also to contribute to improving larger systems and thus ensure sustainability of DDR-initiated ones.

In order to reach special groups, earmarked resources must be set aside and targeted skills and programs employed to ensure that group-sensitive approaches are employed. This was successful in the case of child soldiers but less so when it came to female EXCs, despite being an early identified group, as significant assistance only came later in the program.

Quality assurance is expensive and management intensive. As with special groups, M&E requires dedicated resources and attention. In order to track performance, databases need to be set up with clarity on which variables the program wishes to track (a fairly minimalist
approach is the most realistic), preferably with consistency across countries if program similarity makes this logical and possible.

The management of such a large M&E program, and the capacity building necessary for the individual programs to be able to manage and implement it, is a task that is possible to contract out, at least partially, where different models or contracts can be used.

**Partnership**

The MDRP Partnership was broad-based, innovative and ambitious since it was addressing security, political and development issues at the same time. With hindsight it is clear that not enough thought had gone into its design, both with regards to roles and responsibilities between the different partners, but also concerning the size and skills of the Secretariat. The responsibility for ensuring that the administration of the Partnership worked lay with the Administrator, yet senior management in the Bank at times did not pay close enough attention to this.

Donor commitments varied by donor, across MDRP countries, and over time as political priorities and thus own staff resources shifted. The most important role was on the ground, yet that was often the weakest link in donor staffing with high rotation, few staff, most commitments made at HQ level but not always fully communicated to the field.

Host governments generally welcomed the DDR resources but were sensitive to the policy dimensions attached. Stable/strong governments were better able to enter into such partnerships while transitional regimes are more vulnerable: they are asked to address what is often a pillar of their own power base at a time when the state is particularly weak. The ambitions of the partnership must therefore be scaled to the ability local authorities have for addressing this core area of state security: for regimes that feel exposed, SSR and cross-border issues may be second-order to plain political survival.

For a complex and multi-party collaborative partnership like the MDRP, roles and expectations need to be made explicit and operational in order to work. A dedicated framework like the Roles Matrix prepared by the MDRP is an excellent tool that should be designed early in the program, with objectives, indicators, target values, responsibilities spelled out and accountability instruments agreed to. This should be discussed and approved by the governing body, and be part of the overall program Results Framework/s, and monitored and reported on as part of overall the program’s deliverables.

**Regional Approach**

The regional approach of the MDRP ensured coherence of DDR in the region as well as broad-based understanding of the DDR issues, including the need for large-scale and flexibly programmable funding. Generating agreement on this regional approach to the GLR DDR was a major achievement.

Despite the regional vision, it was easier to produce the country-specific outputs than the regional ones. The cross-border results require continued effort and focus, and unless the benefits are perceived to be significant on both sides of the border, it is difficult to sustain the interest. There is also a hierarchy of concerns where the national ones come first, and where parties therefore are at different stages in addressing their challenges (Rwanda had largely managed its internal DDR, DRC was still in the middle of a big DDR process).
The MDRP was an efficient and effective mechanism for mobilizing and coordinating financial resources for DDR, ensuring transparent funding allocations, consistent financial management and harmonized reporting.

The joint learning events provided for efficient sharing of own experiences (peer learning), dissemination of new knowledge, but also was the most useful arena for building trust and cross-border relations.

For implementing countries, there may be some economies of scale on the learning and access to resources, but the cross-border transferability of “lessons learned” from joint knowledge events is limited: they must still be adapted to the national context.

For donors, the advantages are more obvious: mobilization of funds, planning, and financial and performance reporting can be standardized and at no additional cost a donor country can participate in and track dynamics in a series of countries.

National Ownership

National ownership as a principle for the MDRP program was essential. However, it should have been operationally defined so that the various dimensions could be better addressed: government versus broader national ownership; policy versus implementation dimension, the contextual understanding and its dynamics over time.

The importance of the concept lies in the clarity on who should be in the driver’s seat and define policies, priorities and programs.

A broader concept of national ownership would have ensured that not only government officials but also a broader set of stakeholders be present who can help make DDR happen. Experience shows that actors such as civic organizations and local governments can play a key role in implementation, in particular when it comes to reintegration. Opposition groups and potential spoilers should be brought in to build trust and improve the likelihood of successfully implementing a DDR program.

Capacity Development

DDR implemented through a national ownership approach should assume that there will be important capacity constraints. Depending on circumstances, this might entail doing a first needs assessment, identify critical gaps, and in close dialogue with local stakeholders prepare a CD strategy that encompasses political, management, technical and physical capacity needs. The strategy, to be credible, will require an action plan, resources, defined monitorable deliverables and staff for implementation.

While CD is a long-term development concern and questions should be asked to what extent a time-limited and focused DDR program should allocate resources to this area, DDR programs tend to last longer than expected and forward looking CD programs can thus be good value for money.

CD is skills and management intensive, which becomes an argument for more permanent presence in the field. This is a costly decision so needs to be carefully considered – but should be weighed against realistic alternatives for delivering the DDR objectives.

Linked in with this is the more general issue of knowledge management. The MDRP produced a number of studies and thus new knowledge in a number of fields important to
DDR: gender, special rebel groups, lessons from demobilization exercises. In addition are the evaluations produced in a number of the countries. Together this constitutes a significant contribution to our knowledge, and joint mechanisms are useful vehicles for this. In the MDRP, other actors and in particular the donors and UN bodies could probably have contributed more actively. An extended capacity development/knowledge generation program would have allowed for more systematic programming of both hands-on knowledge but also more research-based insights.

**Longer-term Impact and Looking Ahead**

The regional dimension of the MDRP was to a large extent a success, but also a child of its times: the GLR grabbed widespread attention until the crisis subsided and its regional-political role fell. While it was able to generate high-level political support in the early phase, this commitment on the donor side decreased – a dynamic which is to be expected but needs to be borne in mind when setting up such complex mechanisms. Temporary joint mechanisms like the MDRP are therefore generally better at addressing technical concerns, so expectations need to be realistic when it comes to results that depend on political action and decision.

Upstream (policy, SSR) and downstream (sustainable reintegration) links to DDR need to be systematically identified and as far as possible established. While implementing such linked-in programs are beyond the scope and time horizon of a DDR process, the Impact and Sustainability of steps taken under DDR will increase with the inclusion of DDR into these broader agendas.

Funding for important public goods like peace and stability requires more predictable and equitable funding than the ad hoc trust fund mobilizations of the MDRP. This is a challenge for the international community in general.

Joint mechanisms are vulnerable to loss of institutional memory and “lessons learned”. The MDRP, as an important DDR program, needs to ensure that a repository for the institutional memory is found.

If the World Bank wishes to continue playing a lead role in DDR, it should look critically at the experience of the MDRP to assess whether it has appropriate systems, staffing policies, procedures and instruments when it comes to supporting what is presumably the most high-risk activity the Bank engages in.

**The TDRP**

The Transitional Demobilization and Reintegration Program (TDRP) for the Great Lakes Region (GLR) is a regional facility that follows on the Multi-Country Demobilization and Reintegration Program (MDRP). The MDRP, established in 2002 and closed in June 2009, was a comprehensive framework and large-scale program that responded to Africa’s nine-country regional war waged out in the Democratic Republic of Congo (DRC).

The broad rationale for the TDRP is the unfinished DDR agenda in the GLR, namely the existing caseload of combatants that remain to be demobilized or reintegrated and the potential new caseloads of combatants. Consistent with the MDRP, the ultimate strategic objective of the TDRP is to enhance the prospects for stabilization and recovery in the Great Lakes Region. Specific program objectives are:
To support the successful implementation of existing D&R programs in the region through the provision of financial and technical support;

To expand D&R programming coverage by providing emergency response financing for new or ongoing D&R operations where funding gaps have been identified and the Government concerned has requested assistance; and

To facilitate a platform for dialogue, information exchange and learning on D&R in the sub-region with a view to addressing the regional aspects of conflict, improving the quality of on-going D&R efforts, reducing duplication of efforts across the Great Lakes Region, strengthening coordination on D&R policy and programming, and generating policy advice for future programs.

The original seven countries that participated in the MDRP – Angola, Burundi, Central African Republic, DRC, ROC, Rwanda and Uganda – are eligible to participate in TDRP-supported activities. Grant financing to Governments, however, will only be available to countries that meet the eligibility criteria of all contributing donors to the TDRP MDTF. Other countries outside the GLR may be eligible for technical assistance on an exceptional basis but such support must be approved by the TDRP Trust Fund Committee. The TDRP will support two types of activities:

- Projects that have been established and financed (including through IDA, single country trust funds or both), have already gone or are going through the Bank’s standard project processing, but have identified a funding shortfall; or
- New projects that have yet to be put in place or be processed in the Bank system. In the case of the latter, once a potential project has been identified, the proposed project must go through Bank standard processing, in this case using the Operational Policy 8.0 for emergency operations. Proposals for financing need to be based on demand identified by task teams working in cooperation with country counterparts.

The following types of activities would be eligible for financing: (a) demobilization; (b) reinsertion; (c) reintegration; (d) support to special groups; (e) complementary community activities; and (f) program management and implementation. D&R operations will be executed by the respective government or an agency designated by that government. In addition, the TDRP will support various types of activities to address regional aspects of conflict, maintain engagement with other organizations active in D&R operations in the GLR, improve inter-organizational coordination and sharing of experiences, support capacity building and technical assistance to governments and implementing agencies, and further the analytical agenda and policy work on D&R themes.

Regional work will be mostly Bank-executed and managed by the TDRP Technical Team. However, strategic alliances with other organizations as well as discrete sub-projects implemented and managed by specialized agencies will be sought. Strategic alliances could be established for activities such as: (a) co-financing analytical work, research and publications; and (b) co-organizing, co-financing and co-hosting events and discussion forums to generate learning and policy advances. Strategic alliances would be Bank-executed activities.
1.4.4 The Sudan MDTFs

Sources:

5. Comments from the Sudan country team at Head Quarters.

The two Sudan MDTFs have a common origin in the CPA. However, the funds were established as independent operations with their own governance structures and resources. During the Interim Period, the international community approached Sudan as one country, although they work through two systems at the National level and in Southern Sudan that have distinct needs.

Articles 15.5 through 15.11 of the Comprehensive Peace Agreement’s (CPA) Wealth Sharing protocol called for the creation of two Multi-donor Trust Funds (MDTFs) during the Pre-interim Period, one for the Government of National Unity (GoNU) and the other for the Government of Southern Sudan (GoSS) (Article 15.5). The MDTFs were to serve as a channel for international resources, and provide immediate support to the priority areas of “capacity building and institutional strengthening and quick start/impact programs identified by the Parties” (Article 15.6). The CPA also directs the funds to support urgent recurrent and investment budget costs (Article 15.7) and to flow through government systems (Article 15.8).

The National Multi-donor Trust Fund (MDTF-N) was subsequently established to support GoNU, focusing on reconstruction and development of war-affected Northern states, where focus is given to the “Three Areas”. The Multi-donor Trust Fund for South Sudan (MDTF-S) supports the GoSS’s recovery and development programs.

Guiding principles for prioritization:

<table>
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<tr>
<th>MDTF-N</th>
<th>MDTF-S</th>
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<tr>
<td>Support priority national investments to consolidate peace;</td>
<td>Establish an effective core of public sector administration – core</td>
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<tr>
<td>Support state- and locality-level investment programs, especially in</td>
<td>capacity to plan/ finance GoSS programs with key</td>
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<td>war affected zones;</td>
<td>accountability mechanisms in place;</td>
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<tr>
<td>Focus on pro-poor rural development;</td>
<td>Access to basic services – consolidate peace and generate social</td>
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<td>Make decentralization work;</td>
<td>capital through rapid scale-up of education/health programs;</td>
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<td>Lay the groundwork for good governance: private sector; civil</td>
<td>Put priority sector programs in place, including basic</td>
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<td>society, support to media and rule of law.</td>
<td>infrastructure (roads, electricity, water);</td>
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<td></td>
<td>Facilitate transition from subsistence-based livelihoods to</td>
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<td></td>
<td>development-oriented economy - support to agriculture and</td>
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<td></td>
<td>private sector development;</td>
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<td></td>
<td>Harmonization of development assistance.</td>
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Key priorities:  
“Three Areas”, other war affected areas in Northern States, marginalized urban areas, the East, and, once peace is established, Darfur.

Cross-cutting strategic objectives:  
Ownership and capacity building;  
Enable GoSS to prioritize recovery and development needs;  
Harmonization of development assistance.

The MOU established that the MDTFs should be linked with the respective government budgets. Reflecting the resources available as a result of growing oil revenues, each project should in principle be co-financing the respective governments, with the GoNU and GoSS contributing at a 2:1 matching rate. All MDTF-N projects are included in the GoNU’s budget, and all MDTF-S projects are included in the GoSS budget. Projects must also be consistent with poverty alleviation and peace-building objectives of the respective government. A programmatic approach was to be applied in the framework of multi-year investment programs and sector-wide initiatives.

The MDTF-S and the MDTF-N have a common foundation process, tied to the CPA. Both are governed by a tree-tier governance structure comprised of: (i) the Sudan Consortium, (ii) the Oversight Committees (OCs), and (ii) the World Bank as the trust funds Administrator and thus manager of the Technical Secretariats that service each MDTF. While the two funds work towards common goals, they operate independently of each other. Accordingly, the MDTF-S and the MDTF-N have parallel governance structures that are similar in design and principle, but which operate independently. Information sharing and collaboration are built into the structure.

MDTF-National  
Overall Analysis of the Portfolio (Scanteam, 2007b and 2009)

The reasons behind the lag in time between MDTF-N establishment and effectiveness of projects were discussed in the previous Sudan MDTFs review (Scanteam 2007). Establishment problems were related to overestimation by GoNU, donors, World Bank and UN agencies of how quickly MDTF projects could start delivering outputs to beneficiaries (this is also evident on the project’s budgeted disbursement forecasts, which assumed projects would hit the ground running). Implementation capacities at GoNU were overestimated and the implications for GoNU and other implementing partners to work with World Bank procedures, and especially at local levels, underestimated. The political dimension of these procedures and relationships between MDTF partners were not taken into account fully. All parties responsible for project implementation - Administrator, donors, GoNU, and UN agencies, had inappropriate capacities on the ground (e.g. insufficient number and mix of staff, understanding of local conditions for implementation) to meet the expectations of fast delivery of MDTF activities.

Technical and managerial capacities have since been built by parties responsible for MDTF-N project implementation. Greater understanding of the conditions on the ground and support for MDTF project development and management has improved. A focused approach by the TS-N to overcome implementation bottlenecks and incorporate lessons learned has been developed, and the MA has been an asset in this regard. Expectations about the feasible pace for projects to start reaching beneficiaries have thus been adjusted.
The history of MDTF-N, therefore, explains the fact that MDTF-N projects are in their initial phase of implementation. It has been a combined effect of the resourcefulness and limitations of all MDTF partners. The pace and approach through which MDTF partners have been adjusting their own resources to support MDTF-N activities can be captured through examining the enablers and constraints for project implementation to date. This will be examined below.

The common enabling factors across the MDTF-N portfolio affecting the performance of projects and their implementation are:

- Institutional commitment by the project managements teams at GoNU and the World Bank;
- Sound financial management (except for procurement capacities), and
- Technical and management support by the MA and the World Bank.

The common constraints across the MDTF-N portfolio affecting the performance of projects and their implementation were:

- Weak procurement capacities (planning, low familiarity with World Bank guidelines and thus production of low quality documents);
- World Bank delay in providing feedback to project (plans, clearances, non-objections);
- For some projects, difficult local conditions (low capacity, rainy season);
- Challenge in attracting and retaining qualified staff to project; and,
- Weak management capacities at institutional levels - GoNU.

The evaluation team’s assessment is that the MDTF portfolio is performing ‘Moderately Satisfactorily’. The best performing projects (effective only) are the National Currency, CDF, the Decentralized Health System Development and the Census. The ‘Satisfactory’ project rating for these projects reflect project management and achievements while disregarding the impact of delay in counterpart funding (Decentralized Health System Development and the Census). The worse performing project is the Capacity Building of the Judiciary due to poor management. Other projects are performing in the middle ground.

Findings (Scanteam, 2009)

The MDTF-N portfolio consisted of 12 approved and effective projects as of March 2009. There was one supplemental project pending signature of the Grant Agreement and five projects in the pipeline at the FPP stage (four new projects and one supplemental funding agreement). Projects in the pipeline were included in the MDTF-N Phase I portfolio by request of the GoNU and, therefore, under the current Donor pledges/commitments. The Oversight Committee-N approved GoNU’s request in January 2009. These latter projects are referred to as Phase 1(b) in some documentation.

Funding to the Three Areas was approximately 50% of the total MDTF-N portfolio as of early 2008. The World Bank reported “excluding MDTF-N financing for pro-peace national programs (national currency, national census, judiciary capacity building, and technical assistance facility), about 70% of remaining MDTF-N funds were targeted to the Three Areas (50%) and the East (20%) through transport, community driven development (focusing on

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33 See Annex 2.1: Funding Status of the MDTF-National Sudan Portfolio as of 28 February 2009. Also see Annex 2.5 Sources and Uses of Funds as of 28 February 2008
basic health, primary education, rural water and sanitation, and solar public lighting), and health system programs.\textsuperscript{34} The value of the national programs cited was approximately US$ 250m of the total approved portfolio of US$ 850m. Value of the MDTF-N funding to the Three Areas, therefore, was about 50\% of total portfolio.\textsuperscript{34}

Project implementation challenges resulted from insufficient and untimely provision of GoNU counterpart funding and the limited capacity of state institutions and systems. Summarizing from a meeting convened by the World Bank Technical Secretariat in January 2009\textsuperscript{35} and the Monitoring Agent’s Q3 2008 report, there were problems with:

- **Funding:** (i) Untimely and inadequate release of counterpart funds to meet project requirements, and; (ii) MoFNE decision to drop counterpart funding to some of the on-going projects;
- **Procurement:** (i) Lack of procurement and disbursement plans; (ii) Procurement and disbursement plans not updated regularly and; (iii) Incomplete submission by Project Implementation Units (PIU) of No-Objection and/or delay in Task Team Leaders’ No Objection response;
- **Withdrawal Applications:** (i) Improper filing of WAs by PIUs; (ii) Low frequency of submission of WAs, and; (iii) Slow reviewing of WAs and lack of systematic follow-up of their processing;
- **Institutional arrangements:** (i) High turnover rate, no standard salary and benefits between and across projects; (ii) Insufficient PIU staff, and; (iii) Appointed staff do not have full discretion power and/or appointed staff not fully dedicated to the project/PIU; and
- **Delayed start-up:** No up-front funds for PIU staff recruitment and training, including on financial management systems.

The Technical Secretariat advised Phase I performance improved during the Q1 2009. The MDTF-N disbursed US$ 9m, equivalent to 56\% of all disbursements in 2008. The Secretariat informants described “systematic” efforts undertaken with Government to address bottlenecks, with a focus on fiduciary-related issues (procurement and financial management). The MoFNE has started making some payments (CDF and DHSDP contracts), and the Unity Fund made some payments to components of four MDTF-N projects.\textsuperscript{36} There was also good progress made in the second half of 2008 preparing projects for Phase I (b).

The situation of the MDTF-N by the end of Phase I was fragile. Phase I gains are placed at risk by concerns over Phase I implementation and the combination of: (i) political tensions in the program environment, including linkages being made between the ICC, CPA and MDTF-N; (ii); the lack of progress on a Phase II strategic framework; (iii) deteriorating relations

\textsuperscript{34} See Annex 4.4: MDTF-N Strategic Framework for Phase II (2008-2011), para 7

\textsuperscript{35} The World Bank, *MDTF-National, Portfolio Review Meeting with Project Implementation Units; Summary of Meeting*, January 24, 2009. Participating were the MoFNE MDTF-N Unit, all Project Coordinators, and fiduciary staff from the Project Implementation Units, and the UN implementing agencies’ project teams. In addition, the World Bank will conduct shortly an MDTF-N Country Portfolio Performance Review (CPPR).

\textsuperscript{36} The total dollar value of the Counterpart and Unity Fund contributions was not available at the time of the field mission.
between the three stakeholders, including the extent to which each has met its MDTF-N obligations. Of particular concern was the erosion of the MDTF-N’s role as a platform for dialogue between the donors and GoNU, which could be institutionalized if the GoNU decides to downgrade its representation in response to low pledging levels.

Relations between the three stakeholders are at a low point, characterized by a decline in confidence along at least two lines (Donors to World Bank and Donors to Government). Of particular concern was the poor relationship between the World Bank and Donors, driven by the Donor perception that the World Bank has not provided adequate leadership to Phase II development, or consulted on what the Donors consider important political matters. Donors have also requested that the World Bank assign a Country Director to Sudan out of concern that the level of representation is too low. Relations between the Donors and Government are increasingly characterized by mutual suspicion, which undermines the ability of stakeholders to resolve contentious issues.

The MDTF-N suffered from poor performance during 2008, the result of late counterpart funding and capacity limitations in Government. Performance appears to have improved in early 2009, with a focused effort to remove bottlenecks and some improvement in Counterpart Funding disbursements.

Phase 1 (b) includes six projects of good quality, in the final stages of approval. Some initial work has been done on projects for a potential Phase II. However, progress was limited by the absence of an approved strategic plan and pledging commitments.

Government has not met its Counterpart Funding obligations. Government may have exceeded its total funding obligation. However, the concentration of resources against two projects resulted in Government not meeting its obligations against individual signed Grant Agreements, undermining overall performance. Poor communication with Donors and the Technical Secretariat meant that opportunities to adjust project forecasts were lost, and contributed to perceptions that Government actions were politically motivated.37 This was particularly the case with poor counterpart funding performance to the Three Areas, where some Donors perceive the GoNU level of commitment to development programs is low.

Government’s decision to end the Counterpart Funding system was unilateral, and not in keeping with the spirit of the MDTF-N. Government is correct that the 2/3 to 1/3 formula of co-mingled MDTF-N and GoNU contributions was not written into the CPA or MDTF-N documentation. However, the formula was maintained by mutual consent over the three years of Phase I implementation. While Government had legitimate reasons for proposing changes, given current economic conditions, Donors had a reasonable expectation that this would be done through consultation and agreement.

Government has not adequately demonstrated how a Complementary Funding system would work. Donors have legitimate concerns, given the complexity of the system, the possible fragmentation of responsibility and accountability, the possibility of a new management burden and difficulty tracking GoNU/state contributions and poor GoNU performance with the previous counterpart funding system.

37 The Appraisal was not in a position to determine whether delays in Counterpart Funding to some projects were politically motivated or demonstrated a lack of GoNU commitment to some parts of the portfolio. However, this perception is widely held among Donors.
No Donors has made committed pledges to a second phase of the MDTF-N. Delays have resulted from a combination of the political sensitivity of support to the Sudanese Government after the ICC decision, the absence of an approved Phase II plan and other technical concerns related to performance and clarifying the Government’s Complementary Funding proposal. Delays have undermined Phase II planning and contributed to the deterioration in relations.

There is no approved Phase II Strategic Plan. Discussions appeared deadlocked, with no proposals for a resolution or alternative framework. The time requirements and the political situation now make it unlikely that a full strategy can be approved and developed. There did not appear to be a proposal for resolving the situation or an alternative planning framework. As a result, the MDTF-N appeared to be drifting, with forward planning on hold and focus placed on Phase 1 (b).

Government had legitimate reasons to be frustrated over delays to Phase II planning and pledging, including low indicative pledging figures. The GoNU’s position to reduce its level of representation would fundamentally undermine the policy function of the MDTF-N, which all stakeholders claimed to value highly.

MDTF-Southern Sudan

Assessment (Scanteam, 2007b)

The most important constraint to the MDTF-S has been capacity; not only of the GoSS but also the limited capacity of the Administrator and the Donors during establishments. In this regard, the most important performance enabler has been to gradual build of stakeholder capacity:

- The size and the technical quality of the GoSS improved since 2006, including the familiarity of officials with World Bank procedures.
- The donors established a field presence by opening the JDO, and the World Bank has significantly increased its field presence, include the decentralization of TTL positions and some decision-making. Other donors, notably the EC, have established their own management structures and arrangements.
- In the process of building capacity in South Sudan has been accompanied by mutual learning. Many informants made reference to the three stakeholders not understanding each other. While addressing establishment problems a better understanding has also developed, adding to overall capacity in that it has reduced transaction costs and improved working relationship.

The lesson learned is to be realistic about what is involved in capacity development, the amount of time required and how much a government is able to implement as its capacity develops.

The overall technical performance of the MDTF-S has improved since mid-2006. Phase One disbursements have reached 40% at the end of the second quarter of 2007, compared to 15% at the same time in 2006. Projects financed by the MDTF are gaining critical momentum and beginning to show tangible results on the ground, particularly in the areas of education, health and infrastructure where projects have moved into the implementation phase. The MDTF-S, therefore, appeared in a position to contribute towards South Sudan’s development
over the medium-term. However, its contribution to meeting recovery needs will be minimal. This reflects the contradiction placed in the fund’s original mandate; simultaneous building the capacity of state institutions while at the same time expecting to deliver services through those institutions.

The key enabling factor for performance improvement has been the gradual strengthening of the capacity of all stakeholders. The size and quality of the GoSS civil service has improved at the central level, in part as a result of technical assistance and capacity development provided through the MDTF-S. GoSS ownership appeared good, as were transparency, accountability and sustainability of projects. The World Bank responded to initial performance concerns by significantly increasing the capacity of the Juba Secretariat to 13 professional and technical staff. The bank has also placed greater management and decision-making authority in the field. These measures were part of a coherent institutional response supported at the highest levels of the Bank’s management. The Joint Donor Office is established Juba, and is a unique and successful example of donor coordination which can serve as a best practice model.

Performance improvements have also been aided by two other factors. First, embedding projects teams in Ministries, and providing technical support to procurement and project management also showed positive results. Second, there has been a process of mutual learning. Through resolving start up difficulties and project development, GoSS, Technical Secretariat, Donors, the United Nations and NGOs have achieved a better understanding of each other’s systems and institutional culture. Expectations have also changed. The fund is no longer perceived by its principle stakeholders as a mechanism to support both recovery and development activities. The “recovery” expectations have been dropped, reflecting operational realities. However, shifts to do appear to have been communicated to beneficiaries and sub-levels of government, which appear to continue to expect the MDTF-S to play a “recovery” role. The result may be continuing public frustration, with accompanying political and reputation risk.

Progress achieved during Phase One may be undermined by the uncertainty over financing for Phase Two and Three. Donors and the GoSS both met their deposit obligations for Phase One. While there were delays on both sides, these were not a significant impediment to approval and implementation. However, the donors are agreeably late both signaling and confirming their pledges for Phase Two. At the same time, the financial situation of the GoSS has changed. The government anticipates a 20% revenue shortfall for 2007, which has resulted in the GoSS requesting a reduction in the counterpart matching ratio from 2:1 to 1:1. In reality, all but for MDTF-S projects were approved at less than the 2:1 counterpart match. Initial estimates show a changing the ratio will result in a cumulative deficit totaling US$ 232 million in Phase Two and Phase Three.

The MDTF-S’ current financial constraints leave the MDTF-S open to the perception that the commitments of key stakeholders are shifting. There is an urgent need, therefore, for:

- The Donors to confirm their pledges for Phase Two;
- The GoSS to clarify its financial situation and development priorities, in light of both the constraints imposed by changed financial realities as well as shifts in how the GoSS is defining those priorities two years into the CPA; and
The MDTF-S Technical Secretariat to make the necessary adjustments to the portfolio’s composition, implementation timeline and the fund’s procedures.

Information on the GoSS’ financial constraints has been available emerging back a year. Although the GoSS only presented a full assessment of the government’s situation to the Oversight Committee meeting of 10 May 2007, the issue was noted in the KPMG reports to GoSS and appears in the MA reports as early as the third quarter of 2006. However, the OC did not appear to anticipate that GoSS constraints and pledging would create uncertainty, or take early action to prevent or manage it. Of equal concern, there was a perception that commitments on the part of donors and the GoSS may be shifting. The Committee, therefore, could have been more effective as a forum to manage information, build consensus and provide strategic direction.

Engaging NGOs was identified as a priority during the MDTF-S. Subsequently, they have participated as observers to the Oversight Committee, giving them positive access to information and the decision-making process. However, the role of NGOs in MDTF-S implementation has been limited to sub-grants on four projects. The MDTF, therefore, has made limited use of NGO capacity. Obstacles to NGOs playing a greater role include the shift in the MDTF’s role to medium term development initiatives on a sector wide-basis and GoSS reluctance to engage NGOs. The effect may be to limit the implementation options open to the MDTF. At its core, limited participation reflects uncertainty among MDTF-S stakeholders on the role they expect NGOs to play.

World Bank 2010:

The World Bank sent a high level mission to Southern Sudan from February 8-20, 2010, with a mandate to (i) listen to and learn from donors, the government, stakeholders and those implementing on the ground; (ii) seek ways and means to improve MDTF-SS performance; and (iii) chart a way forward for more effective World Bank leadership in the broader donor community engagement in Southern Sudan. The mission took place in response to ongoing performance concerns, which have been identified since inception of the fund.

The World Bank mission noted there major accomplishments following a Comprehensive Portfolio Review in early 2009, including: an increase in implementation progress with a significant upturn in disbursements since June 2009; tangible progress in access to clean/safe water, training for sanitation and hygiene; access to medical supplies (over 2.5 million benefiting); delivery of textbooks; 36 pilot initiatives in forestry and crops; grants to 154 farmer groups; 12 mobile veterinary clinics; road improvements; and vocational training and assistance to small scale enterprises (details below and in annexes).

The mission found that, “starting from a low base, capacity building is gaining traction with advances in health, agriculture, water, transport and financial management. The new Unified Currency and the Fifth Population Census Projects have been successful. A 2007 Fiduciary Principles Accord (FPA) facilitating pass-through of funds to the UN is now working well. Government ownership has been good, evidenced by its contributions to the MDTF-SS projects, its high level participation in the MDTF-SS governance structure and serious engagement with the mission. After a slow start, World Bank staff in Juba has reached a critical mass, with a resident Manager.”
Regardless, objectives and performance expectations have not been met. “The MDTF-SS resources are relatively modest, not more than 20% of donors’ total collective assistance, and less than 10% of the 2005-2009 oil income resources of the GoSS. As the largest pooled fund, it has always been highly visible. Stakeholders looked to the MDTF-SS to lead Southern Sudan’s economic development and deliver results early on. Notwithstanding accomplishments, these high expectations, perceived as unfulfilled, have been the main source of frustration and disappointment. Some commentators attributed lagging performance to the application of World Bank fiduciary and contracting procedures in an environment of weak capacity. With due regard for these views, the mission found that a yet more complex set of factors and dynamics have constrained performance. It is also worth noting that, since the mission returned, the benefit of World Bank procedures has been demonstrated by the prevention of an attempt, by a British publisher, to corruptly influence procurement under the MDTF-SS-financed Education project. Acknowledging the more complex set of relevant factors, their impact on implementation and applying lessons learned are key, not only to improving MDTF-SS performance, but, going forward, to maintaining donor and World Bank relevance, efficiency and effectiveness” (World Bank 2010).
1.4.5 World Bank Iraq ITF


The International Reconstruction Fund Facility for Iraq (IRFFI) was established in 2004 to ensure coordinated, flexible and swift donor response for financing priority expenditures, including reconstruction activities, sector-wide programs, investment projects, technical assistance and other development activities.

As of December 2009, 25 donors had committed about $1.855 billion, including US$ 1.3 billion making it the second largest post-crisis MDTF. Eighteen donors had deposited US$ 464.6 million to the World Bank ITF to support 16 projects, while 25 donors had deposited US$ 1.3 billion to support 141 United Nations Development Group (UNDG) ITF projects. The IRFFI stopped receiving deposits at the end of 2009, and is anticipated to close at the end of 2010.

Results of the World Bank ITF

The IRFFI has partially met its objective of ensuring “a coordinated, flexible and swift donor response to finance priority expenditures”. With one exception, completion of the 17 IRFFI projects reviewed was delayed; by an average of 130% over the approved duration for UNDG ITF projects and 70% for World Bank ITF projects. All projects experienced some combination of a change to their objectives and/or a change or reduction in the scope of outputs. Projects related to infrastructure (water and sanitation) were particularly affected.

Delays and reduced scope undermined the outcomes and value of money of IRFFI projects. These were a partly the consequence of field conditions and deficiencies in the planning, management and oversight of some IRFFI projects, particularly for the UNDG ITF. However, performance concerns must be set in the context of larger framework conditions, which had an equally significant impact on implementation. Analysis of performance factor places emphasis on the IRFFI/MDTF model has an integrated system, linking Iraqi ownership to governance, administration, project implementation and reporting. Project performance was conditioned by the performance of each level of the system. Within this framework:

- The Government of Iraq was not in a position to fully exercise its ownership of the IRFFI, through leadership, policy direction and engagement in project approval. The National Development Strategy (2005) was an important achievement, but could only provide a technocratic framework that did not solve the deeper problems of political instability. State institutions had significant security, political and capacity constraints on their ability to act as effective counterparts. For the UNDG ITF, institutions also had difficulty absorbing and maintaining some project outputs;

- The Donor Committee did not provide adequate strategic guidance or oversight during the period 2004-2007.

- The IRFFI’s full potential to address a broad scope of recovery needs was undermined by the lack of coordination between the two facilities.

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38 Delays for World Bank ITF projects ranged between 60% and 90%, noting that the World Bank ITF projects usually had longer implementation schedules.
• The orientation of project-level reporting creates a feedback problem. Reporting has been narrative, and focused on the technical dimension of activities and outputs. The result is a significant volume of narrative information that meets the requirements of transparency. However, it is not readily accessible to stakeholders as knowledge about the situation, IRFFI performance, and to support decision-making.

Assessment of Performance:

The Efficiency rating of the World Bank ITF portfolio was Moderately Satisfactory. No project was rated Unsatisfactory, while two projects were rated as Satisfactory; the Household Survey and Community Infrastructure projects.

The technical quality of World Bank ITF Project Documents was good. All project documents had clearly developed Logical Frameworks, linking resources, activities and outputs. Project rationales were well developed and the quality of information was good. Objective and outcome statements were less well articulated. The four World Bank ITF projects reviewed were supported by good technical planning and risk assessment. Projects were supported by good baseline, feasibility studies and/or technical assessments. All projects had comprehensive risk assessments, which identified many of the challenges later encountered during implementation. The quality of planning was undermined by unrealistic assumptions about conditions, objectives, scope of works and timelines. These related to the deteriorating security situation, political instability and its affect on counterpart ministries and the capacity of Iraqi institutions. Larger infrastructure work in the WATSAN sector was particularly vulnerable, with the Education sector affected to a lesser extent.

The quality of monitoring was robust. All project had World Bank, Government and independent monitoring. Monitoring Agent reports (independent) were submitted on a regular basis and were of good quality. Monitoring systems were operational on all four projects reviewed. They added depth to information on performance problems, field conditions as well as recommendations for improvements. The technical quality of monitoring documents was good, and accurately reflected in World Bank ITF reporting to the IRFFI system. The quality of project reporting was good. All four projects were in technical compliance with reporting requirements, contributing to IRFFI transparency. Project-level reporting tended to be focused on outputs and activities, with little outcome information available. The lack of outcome information resulted largely from the fact that none of the projects reviewed was closed, although the Community Infrastructure project was near completion. However, the design of monitoring systems may result in difficulty assessing outcome at a later date. It reflects, therefore, the weakness of outcome statements in the project documents themselves.

The average implementation delay was 70%, for the four projects reviewed. The range was between 60 and 90%. Three of the four projects also experienced a change in scope, resulting in significant for WATSAN and School Construction. Deteriorating security conditions were an important cause of delays. The WATSAN particularly vulnerable, as large scale, complex and visible initiative whose counterpart had strengthening but still limited capacity. The School Construction project experienced delays and quality concerns related to security, and the difficulty in sourcing materials, contractors and project supervisors of adequate quality. As contributing factors, informants and reporting noted: Problems in the Project Management Teams, including frequent changes in staff; lengthy procedural and approval
delays within line ministries; uneven collaboration with ministries; payment delays for Iraqi Dinars; inadequate provision of advance funding from the Ministry of Finance resulting in a lack of liquidity in project accounts; Inefficient domestic banking system, and; Currency fluctuations and price escalation. As other factors, the field study observed:

- Inaccurate assumptions about conditions, leading to overly ambitious objectives, scope and/or schedules;
- Projects were implemented through government and depended on the capacity Iraqi institutions; human as well as institutional capacity for planning and decision-making, as well as resources. Initial assessment/understanding of these capacities was inaccurate; and
- Ministries were vulnerable to political instability, which had significant implications for operations (such as high staff turnover and policy change resulting from change in government).

The Effectiveness rating of the World Bank ITF portfolio was rated as Moderately Satisfactory. The rating was based on an assessment of the extent to which the objectives of the World Bank ITF are being met, and contribute to the IRFFI’s broader objective of(swift)... response for financing priority expenditures. The assessment had an element of subjectivity, balancing outcomes with what could reasonably be expected under the prevailing conditions, and noting that none of the projects reviewed was completed within the originally approved objectives, scope or schedule.

The World Bank ITF projects reviewed had a single typography; National Implementation through line ministries with the World Bank providing technical support. World Bank ITF performance, therefore, is conditioned by the quality of the relationship between the World Bank and Iraqi Government entities, as well as the implementation performance of the Government itself. The review noted the relationship between Government and the bank were strong, at the Facility level and within each of the four projects. There were instances in three projects of tensions over issues related to the procedures and performance of both parties. These were a factor contributing to some implementation delays. However, the review noted good and ongoing communication, including regular and frank meetings to resolve contentious issues. There was clear evidence that the World Bank ITF is making a contribution to Iraqi recovery, under difficult conditions.

The effectiveness of the World Bank ITF has been undermined by implementation delays and changes in project scope. All projects have been subject to delays and/or changes in scope and budget revisions. These relate back the combination of unrealistic objectives, scope of work and deteriorating conditions. The World Bank will effectively deliver fewer outputs over a longer period, in contrast to the IRFFI’s objective of making a quick impact in the recovery process. This outcome is partly mitigated by achievements in the areas of capacity development.

There was evidence that the World Bank ITF made an effort to adjust its portfolio, moving away large scale infrastructure to smaller initiatives. However, the Facility was constrained by the fact that such a large portion of its resources were committed during 2004, leaving limited flexibility to adjust the portfolio without taking the dramatic step of cancelling
projects. This left the Facility to innovate with technical adaptations to much larger political and security problems.

The rating on National Ownership for the World Bank ITF portfolio was Satisfactory. All projects were designed and implemented by Iraqi institutions, with technical support from the World Bank. All technical requirements of ownership were met (ISRB and Ministry approvals). Ministries generally showed good commitment to the projects, in the context of prevailing conditions.
1.4.6 LRTF/Liberia

The Liberia Reconstruction Trust Fund (LRTF) is a multi-donor trust fund for infrastructure. It became operational in May 2008, expected close in June 2021, to allow the fund to fully disburse over the estimated 10 years required. Current donors include Germany, Ireland, Sweden and the World Bank, through a LICUS grant. Total value of commitments and contributions is projected to be US$ 118.9 million. The LRTF is implemented under OP 8.00.

The objectives of the LRTF are to improve its basic infrastructure, aimed at:

1. Strengthen the enabling environment to increase economic growth;
2. Allowing increase access to basic services; and
3. Building public sector capacity to plan and manage development projects.

The LRTF had two approved projects as of December 2009, with a value of 32% of 2008 commitments and contributions:

- Emergency Monrovia Urban Sanitation Project (EMUS). The Oversight Committee approved full funding for the project at US$ 18.4 mil, for completion in 2013;
- Co-financing to Urban and Rural Infrastructure Rehabilitation Project (URIRP). The total budget for the URIRP was US$ 53.2 mil, of which US$ 44 mil consists of an IDA grant and US$ 19.2 from the LRTF. Closure was also estimated for 2013; and
- The LRTF website does not provide information on the project pipeline (project development status or financial projections). The pipeline was discussed at the June 19, 2009 OC meeting, with the following note: “The Government now knows that the estimated cost of rehabilitating and maintaining these roads under long-term Output and Performance-based Road Contracts is $275 million. The total available amount from LRTF is about $147, but the project costs of EMUS and URIRP plus the estimated cost of OPRC total $303, leaving a funding gap of about $156 million. Government and donors need to work together to see how they can fill the gap.”

The LRTF is administered by the World Bank and supervised by an Oversight Committee (OC) comprising GoL, contributing donors, and the World Bank. The OC agrees collectively on funding priorities within the PRS framework and approves project concepts. The World Bank then prepares and provides implementation support to projects according to its own policies and procedures, taking advantage of economies of scale with its own program. The OC meets quarterly to discuss LRTF progress.

Background of the LRTF

The objective of the rationale behind this multi-donor approach to infrastructure rehabilitation stems from the sheer scale of Liberia's infrastructure needs. The funding requirements to re-establish minimum service provision (such as electricity in Monrovia and a few secondary cities, year-round passable roads, and provision of minimum clean water) are immense. World-Bank financed feasibility studies alone – focusing on ports, airports, water supply, sanitation, solid waste, drainage, power, and roads in various towns in Liberia – identified funding gaps that amount to approximately 350 million US$.
The paramount importance of infrastructure development in Liberia was reaffirmed by the Poverty Reduction Strategy’s nation-wide consultations, which identified roads as the development priority of the citizens of Liberia.

The PRS serves as the overall framework under which LRFT allocation decisions are made, thus allowing the LRTF to provide support for meeting national priorities in infrastructure. Individual projects are aligned with the Government’s broader sectoral policies, ensuring that the LRTF contributes to meeting Liberia’s longer-term as well as its more immediate needs.

**Roles of the World Bank**

The World Bank has been able to work under permissive conditions, relative to other post-conflict states:

- The Bank has been engaged in Liberia since the end of the civil war in 2003, working jointly with the African Development Bank (ADB). Initial activities included a UN/World Bank Joint Needs Assessment (2004).

- The World Bank initially worked through LICUS supported advisory services and 15 trust funds, while conditions for normal operations were established. It played a convening role within the Government led *Liberia Reconstruction and Development Committee* (LRDC), the main forum for Government and Donor coordination. 39

- With the clearing of Liberia’s arrears (December 2007), the WB moved to a normal portfolio structure.


- The strategy notes were fully aligned with the IMF-led *Interim Poverty Reduction Strategy Paper* and *Poverty Reduction Strategy Paper* (2008), which identify infrastructure rehabilitation as one of the Government’s development priorities.

- The overall World Bank portfolio for Liberia 2009 to 2011 was estimated at US$ 503 million, of which the JCAS estimates US$ 120 million from the LRTF, or 23% of resources. The percent increases to 28, if the ADB contribution is not included. 40

- The CAS identifies potential resources from up to ten other trust funds, although it estimates dollar amounts for only three of those funds. These resources are also fully integrated into the CAS program.


40 Joint Country Assistance Strategy, Table 4, pp. 38 to 40.
1.4.7 HRF/Haiti

Established in April 2010, the purpose of the Haiti Reconstruction Fund (HRF) is to mobilize, coordinate and allocate resources for financing post-earthquake early recovery and longer-term reconstruction according with Government’s recovery program and plans. The HRF is Financial Intermediary Fund (FIF) to which the World Bank serves as a Trustee. Partner Agencies are responsible for developing and supervising activities. Initially these include the Inter-American Development Bank, the United Nations and the World Bank. Activities can be implemented by the Government, UN agencies, NGOs and the private sector.

The HRF is governed by a Steering Committee that is chaired by a representative named by the Government of Haiti. The Steering Committee consists of a representative of the Government of Haiti, a representative from each Donor making the minimum contribution to the HRF of US$ 30 million; a representative from each Partner Entity (IDB, UN and World Bank); a representative of the Trustee as an ex-officio member. Members of local governments, civil society and the private sectors can sit in Steering Committee meetings as observers. The Steering Committee has the roles of strategic orientation of the Trust Fund and funding allocation decision, among others.

The HRF is linked to the Interim Haiti Reconstruction Commission, which has the sole right to present projects for funding. The Steering Committee, therefore, make funding decision, but no member of the Steering Committee can present projects for funding.

As HRF’s Trustee, the World Bank has no instrument to intervene on HRF’s substantive issues and, therefore, no role in HRF’s development outcomes. As a member of the HRF Steering Committee, the Bank has the possibility to provide substantive inputs to the HRF. Within this country based FIF arrangement, the Bank retains reputational risk (as external stakeholders may not be aware of the formal roles of the institution) but has much less control over the mechanism.
1.5 Case Study Lessons

The following lessons have been compiled from literature review only.

1.5.1 Context and External Factors

**Afghanistan ARTF**

The ANDS and the Afghanistan Compact provide a government-led mutual commitment to improve effectiveness and results from government and donor funding. The ANDS, as a strategic vision based on the three broad pillars of Security; Governance, Rule of Law and Human Rights; and Economic Growth and Poverty Reduction, operationalized through sector-strategies and costed programs, provides a comprehensive framework for better results focus. The ANDS is an important step towards more realistic and better prioritized national agenda, but is still weak as a planning instrument. There are ongoing efforts by the government to strengthen the focus of the ANDS, notably through the establishment of three clusters of ministries led by strong ministers to flag over-riding priorities in the national strategy and to ensure internal government coordination and streamlining in those areas. The public sector also has limited capacity for implementing, monitoring and controlling its realization.

A number of studies, reports and government papers were produced in a number of donor countries that looked at the security situation and development activities in Afghanistan. The overall message was that the security situation had deteriorated and if strong measures were not taken they would continue to worsen. The causes that were given included the lack of a coherent and agreed-upon military strategy among the international partners, lack of coordination between security efforts and development activities, lack of positive engagement with Afghanistan’s neighbors, and the slow pace in building the national defense and police as credible and non-corrupt security forces. The need for much stronger coordination of international support across the "3Ds" – defense, diplomacy and development – has among other things led to the creation of the enhanced UN coordinator’s position recently filled.

One question for the ARTF is exactly the extent to which it can at all finance activities that are relevant to the security pillar. This is a challenge for the Fund because the security situation, as seen above, is seen as critical in half the provinces, and the perceived continued deterioration in the security environment is also very high on donor agendas. A key reason is that without peace, stability and at least a process pointing towards national unity and reconciliation, other development efforts will continue to face high delivery costs, uneven geographic (and hence ethnic) equity, and presumably less effectiveness – goal attainment will be impaired. So if there are ARTF-funded activities that can contribute in a positive way to strengthening the security pillar, this should be seriously considered.

One area currently under discussion is the challenge of reintegration activities designed to encourage national reconciliation and peace. Public works programs and community reintegration programs are high on the agenda. The ARTF has some pre-emptive advantage in these areas given its experience financing government programs like NRAP and NSP.

The other reason the security pillar is a challenge is that the ARTF is administered by the World Bank. It can therefore not fund activities related to the uniformed parts of the security
The ARTF would therefore have to identify relevant activities outside this constraint. The ARTF does, however, have a precedent given that NRAP has in the past focused on ex-combatants and the ARTF has passed-through financing to the UNDP for police salaries.

Some donors want the ARTF to support stabilization and development in conflict-affected areas while others do not believe the ARTF is suitable for what must be locally adapted yet quickly approved and implemented small-scale activities. There is, however, a need to ensure that stabilization interventions are appropriate over the medium term for addressing local development needs while building longer-term sustainable service delivery capacity. ARTF partners must decide if the ARTF is a relevant forum for assessing alternative political and delivery partnerships that can link development financing with security needs.

The economy has been growing 10% a year the last five years, and the government expects it to continue growing at high rates. Serious challenges exist, however: insurgency, drugs, crime and corruption. These weaken the credibility of government and its ability to impose the rule of law across the nation, undermining private investment and sustainable growth.

### Indonesia MDF

The MDF, by aligning its Recovery Assistance Policy (RAP) with the MPRR and having the BRR process all funding requests, ensured operational and policy alignment with GOI priorities.

The economy has been growing on average at 4.3% without the oil and gas sector, and 6.8% with oil and gas included (ref. Aceh Economic Update, WB 2009). Serious challenges exist, however: insurgency, drugs, crime and corruption. These weaken the credibility of government and its ability to impose the rule of law across the nation, undermining private investment and sustainable growth.

### MDRP Great Lakes

DDR support should assume that there will be important capacity constraints, do a first needs assessment, identify critical gaps, and in close dialogue with local stakeholders prepare a CD strategy that encompasses political, management, technical and physical capacity needs. The strategy, to be credible, will require an action plan, resources, defined monitorable deliverables and staff for implementation.

While CD is a long-term development concern and questions should be asked to what extent a time-limited and focused DDR program should allocate resources to this area, the opportunity cost of not addressing capacity constraints need to be assessed, also being realistic about the alternative sources for CD in that particular country context.

CD is skills and management intensive, which becomes an argument for more permanent presence in the field. This is a costly decision so needs to be carefully considered – but should be weighted against realistic alternatives for delivering the DDR objectives.

Temporary joint mechanisms like the MDRP are generally set up to address technical concerns. Expectations need to be realistic when it comes to results that depend on political action and decision (it is probably easier to provide additional capacity needed by political bodies to address such issues than to put political items on the agenda of a technical body).

Expectations of how strong and in what ways national ownership will be reflected require a
critical understanding of the national context, including the changes taking place (the dynamics). This requires a listening attitude on the side of the international community.

### Liberia LRTF


Stable external environment. Humanitarian crisis resolved, political transition on track at the time of establishment, and no significant threats to the peace process. In particular, there is a national consensus on the transition process and no spoilers capable of destabilizing it. Full integration of the LRTF into Liberia’s maturing aid architecture mean that external influences imported are positive, and appear to reinforce good performance.

### Sudan MDTFs

The Sudan MDTFs were established after the Oslo donor conference in April 2005 with an initial pledged amount of US$508 million; one fund supports the Government of National Unity, primarily in the reconstruction and development of war-affected and marginalized areas in the Northern states, and another supports the Government of Southern Sudan for its recovery and development programs. The MDTFs accounted for approximately 11% of overall pledging in support of CPA implementation. The two Sudan trust funds, therefore, have a common origin in the Comprehensive Peace Agreement. However, the funds were established with separate governance structures and operations to meet distinct needs at the National level and in Southern Sudan.

The CPA did not resolve but rather set a framework for the resolution of key conflict issues between the signatories, with international support. The CPA was an agreement between the Sudanese Government and the SPLM/A, the two main protagonists in the North South conflict, and does not mention the conflict in Darfur. Main provisions of the agreement included:

- Creation of a semi-autonomous region of Southern Sudan, within an overall federal structure but with substantial transfers of powers from national to state level;
- Democratic elections nationwide in 2009, based on a new census and electoral roll (elections delayed to April 2010);
- A referendum in the South in 2011, on whether the region should retain its semi-autonomous status, or progress to full independence;
- The establishment of a Government of National Unity (GoNU) for the country as a whole, and a Government of Southern Sudan (GoSS);
- A wealth sharing protocol, building on the emergence of oil as a major source of revenue; and
- Two multi-donor trust funds (MDTFs), one for southern Sudan, and one for other areas of the country affected by the conflict, to finance reconstruction and development.
activities.

The Sudan MDTFs were fully integrated into the CPA process:

- The MDTFs were foreseen in Article 15.5 to 15.11 of the CPA Wealth Sharing Agreement (2004), which called for the creation of two funds during the pre-Interim Period, one at the national level (MDTF-N) and one in South Sudan (MDTF SS);

- Initial MDTF design was linked to implementation of priorities of the UN and World Bank Joint Assessment Mission (JAM). Subsequently, the funds of been linked to government development strategies at both the national level and in the south; and

- Objectives were linked to implementation of CPA provisions, and funding allocated through the Sudan Consortium process.

However, the overall aid architecture for Sudan was not well developed, in part reflecting the existence of two main conflicts (North-South and in Darfur). There has been limited coordination among international entities, at both the national level and Southern Sudan. The Sudan Consortium is a policy and pledging forum, but does not play a role at the field level. No other Government-led coordination entity has been formed at the national level, and the development policy framework of both Governments has been slow to develop.

As a result, there has been fragmentation among the large international community, and a lack of consensus on respective operational roles. In the absence of broad coordinating structures, the Sudan MDTFs were: (i) privileged by their inclusion into the CPA, (ii) the most important and visible space for policy engagement between donors and the two Governments, even though they represent only 12% (approximate) of total pledging.

In addition, both MDTFs have been implemented in politically sensitive and high risk environments, characterized by:

- Uneven implementation of CPA provisions, with key provisions delayed or not implemented as Sudan moves to the end of the Interim Period in 2011 (national elections scheduled for March 2010, completion of the national census and the 2011 referendum on the status of Southern Sudan). Reporting shows increasing concern for mixed implementation performance and the ongoing humanitarian crisis in Darfur;

- The Darfur conflict has deflected attention from CPA implementation and created limits on political engagement between donors and the GoNU. The donor focus has shifted early to the situation in Darfur. Although the aggregate donor commitment to Sudan was on track with the original Oslo pledges (as of 2008), the composition shifted “massively” towards humanitarian assistance to Darfur. The MDTFs, and CPA implementation itself, compete for donor attention and resources with a more immediate and visible crisis;

- Growing tensions and mistrust between the two CPA signatories, as well as between the GoNU and the donor community. These were compounded by deteriorating relations over time at each level of the MDTF government and support structure (Donors and Government, Donors with World Bank and, to a lesser extent, the Governments and the World Bank);

- Low capacity in state and society, being particularly acute in the South where a government and state needed to be created. In this regard, the MDTF-N was
established with two ambitious yet potentially contradictory objectives; to deliver a peace dividend while simultaneous working through state institutions and building their capacity.

- Deteriorating financial conditions at both the National level and in Southern Sudan, with an impact on the amount and timeliness of Counterpart contributions. The situation begins to deteriorate in Southern Sudan in 2007 (less than expected oil revenues) and 2008 for the GoNU, tracking the decline in global energy prices. Financial crisis becomes particularly acute in Southern Sudan, which is more dependent. Both the GoNU (2008) and the GoSS (2007) announce the end of new counterpart funding, with planning implications for the pipeline;

The World Bank does not conduct normal operations in Sudan. The bank began to re-engage Sudan in 2002, after a decade of absence. Entry came with the Joint Needs Assessment (2004). An Interim Strategy Note (ISN 2008) for Sudan was developed. It also offers advisory and analytical services, and has been involved in needs assessment work related to Darfur. However, normal IDA operations are not possible, and the IFC and MIGA are not active. Sudan has outstanding arrears from 1993, now estimated at US$ 600 mil and there is no indication in the documentation of progress towards resolution.

**Sudan MDTF-S**

Support to CPA implementation in a context where the GoSS had to be created from scratch, with no previous experience in civilian government and no institutional or legal framework for a state or political governance process. SPLM/A has only a small educated and technical/professional cadre, many of whom are absorbed in GoSS representation to the GoNU. Other peace processes demonstrate the difficulties moving from being an insurgent military force to a party in government.

SPLM/A challenged to integrate all actors into the CPA/political consolidation process, at the same time as addressing high expectations for delivery of a tangible peace dividend. The political legitimacy of the CPA process and the GoSS/SPLM/A, therefore, was been tied to the dual process of expanding participation/representation and delivery of the dividend. Given its lack of experience, capacity and limited financial resources, the effectiveness of international assistance is also tied to the equation of political legitimacy.

MDTF-S channels only a small portion of the overall assistance to Southern Sudan during the Interim Period. There is a more permissive environment for international organizations in the south, and numerous donor, multilateral and non-governmental organizations are present:

- In tandem with the MDTF-N, the joint donor office is established, and a coordinating structure for international NGOs is formed;
- National coordinating structures outside of the GoSS/SPLM/A are weak, with the exception of the church, and come to be viewed as political competition;
- However, there is no overarching coordination structure, Government does not have the capacity to lead, and does not have a development policy framework until 2007/8. As such, there is neither a policy or a structure for international actors to engage the Government and each other in a coherent manner;
- Coordination and policy expectations are imported into the MDTF-N, which has
neither the capacity (convening power) nor the mandate to absorb them; and

- In the absence of consensus (definition) or roles, competition and tension emerges between international actors (particularly between the UN the WB, but also with NGOs), and GoSS appears overwhelmed managing these relationships; and

- Poor coordination consumes GoSS capacity, without necessarily improving the situation.

2010 World Bank Mission

The mission noted that conditions in Southern Sudan were not understood, leading to a program based on incorruption assumptions, particularly in relation to GoSS capacity. The problems with assumption were embedded in the CPA itself, and contributed to the World Bank over-promising on what could be delivered. “The design of the aid architecture and the MDTF-SS portfolio emanated from the CPA’s optimistic political process, broad set of mandates and fixed timetable. Once the high expectations raised by the CPA and pledging conference rhetoric met Southern Sudan’s reality, the underestimation of logistical difficulties, resource scarcities and institutional weakness and the overestimation of absorptive capacity became apparent. The design deficiencies resulted in lagging outputs. But attributing delays to modalities alone would be myopic, as project design dictates implementation modalities.”

In turn, problems with basic assumptions and planning when on to affect the design of the MDTF, and its performance over time. “At the outset, pledging events and aspirational rhetoric raised expectations. The MDTF-SS was loaded with mandates to provide: quick delivery of goods and services; quick start sector programs; capacity building for aid management, public financial management and development of regional and local programs; an efficient pass-through for NGOs, the UN and other agencies; and a platform for dialogue and shared risk management among donors and GoSS.

Early assessments proved unrealistic regarding human resources and GoSS administrative capacity, and severely underestimated logistical limitations (no roads), resource and information deficits. Critically, program and project design assumptions on the modalities and timing necessary for contracting and for access to beneficiaries did not take sufficient account of the near absence in Southern Sudan of: (i) local markets for goods and services, (ii) a private sector, and (iii) capable and willing consultants and contractors. The World Bank underestimated: (i) the efforts and timing for mobilization of operational staff and facilities; and (ii) the need for constant hands-on attention at all levels of implementation. Had these factors been considered up front, the portfolio design, implementation, procurement/contracting, fiduciary and supervision modes could have been tailored to suit the context better.

Once implementation began and realities on the ground came to bear, the MDTF-SS should have corrected to meet the contextual challenges and better manage expectations. Donors could have reallocated resources within the MDTF-SS to several tracks for rapid goods and service delivery and for public and private sector capacity building. Operational modalities for quicker delivery could then have been applied.”

The MDTF-SS mandate was based on presumptions about the political process, centering on GoSS governance capacity. Within the six year Interim Period, the CPA sought a highly
political transition from conditions of civil war to peace and good governance in one of the poorest, most war-torn places in the world. With no experience of administration and facing integration of large numbers of combatants and displaced persons, the GoSS was expected to deal with the added challenge of managing significant oil revenue. The MDTF-SS was charged with helping GoSS advance this ambitious agenda, interlinking the technical and political processes.”

The Joint Donor Team

As with the MDTF-SS, the basic assumptions underlying the JDO initiative at the time of signing the MoU in 2006 have not materialised. Among these:

- The World Bank-managed MDTF was expected to be used as a single aid instrument, allowing for strong donor coordination and alignment. But by 2007, almost half of the partners’ development assistance was taking place outside the Fund either on bilateral programmes (26%) or through other UN pooled funds (19%);
- Humanitarian needs were expected to decline gradually, with attention switching to long-term assistance as a result of peace. This has not been the case and about one-third of the partners’ expenditures still go towards humanitarian assistance (USD 110m in 2007). The role of International Non-Governmental Organisations (INGOs) hence remains crucial
- Programme management outside MDTF has remained bilateral, with JDT only having responsibility over two small funds, the Technical Assistance Fund and the Small Scale Fund. Plans for a pooled civil society fund and expectations that the Team would play a management role in the DFID-led Basic Services Fund, launched in 2006, were not met.

The evaluation concluded “the JDT has become a key interlocutor for the Government, multilateral agencies, and International NGOs over the years. Its contribution to policy dialogue and government processes has also been important. This has had a positive impact on promoting country ownership and strengthening donor alignment and harmonisation... But the proliferation of projects, including bilateral projects financed by JDT’s Donor Partners, has continued to make aid coordination in Southern Sudan difficult... In addition, competing donor approaches to the “make unity attractive” agenda and the disconnection between political and development issues have limited JDT’s ability to contribute to state building in a coherent and sustainable manner.

There were also important changes in strategic direction, in the overall context, the portfolios of individual bilateral donors. The JDT had to adjust its range of activities to match the reality of the South Sudan context, while responding to the demands of Donor Partners. Important opportunities to improve performance and align the team were missed, including in the areas of strengthening donor coordination and alignment. Donors were not able to unite within a single policy framework, and the focus of their programme effort remained bilateral. The JDT contribution towards improved MDTF-SS was assessed as “disappointing”.

World Bank Iraq ITF

The World Bank’s strategy was based on the assumption that conditions would gradually improve, which affected choices related to portfolio design.

Virtually all Bank activities are adversely affected by the continuing lack of security:

- Bank staff is unable to visit Iraq, and all discussions on projects or AAA are held outside the country (usually in the Amman office). This inhibits the ability of staff to have the
dialogue with the agencies and the project teams that normally takes place in the course of project preparation and supervision, and in the course of analytical and advisory services.

- There are very few international contractors and consultants who are willing to bid for projects in Iraq. When bids are received, these tend to be extremely high cost.
- Iraqi contractors... are also affected adversely by work stoppages. Moreover, the contracting capacity is on the decline as Iraqi contractors are losing talent to migration.
- A lack of security also affects Iraqi officials, who are often intimidated by rival groups. Many leave the project for other less visible opportunities.
- A similar problem is faced by Bank-employed Iraqi consultants and staff. They wish to remain anonymous for fear of being targeted, thus limiting their ability to provide timely hands-on assistance to implementing agencies.

The achievements of operational start-up were quickly undermined by deteriorating conditions in Iraq, which stakeholder had not anticipated. The IRFFI’s Terms of Reference (2003) were based on a set of assumptions about the conditions needed for successful implementation, including improved security conditions, political stability and the ability to place personnel in the field. None of these assumptions materialised. The IRFFI was confronted by a serious escalation in violence and instability within its first year of operations, peaking in 2006 and only showed signs of improvement in later 2007. The fund has been implemented in the midst of a high intensity conflict, with conditions showing modest improvements only after four years of operation. The IRFFI needed to address not only the affects of the 2003 conflict, but also the accumulated impact of two decades of violence and sanctions. Stakeholders entered into this environment without a clear political roadmap, consensus on recovery priorities or experience with a “two window” MDTF model.

All aspects of programming were affected; from the ability to plan, communicate, move inside the country and implement projects to maintain a management and oversight capacity. The field study found that threats to personal security were real and omnipresent. In particular, Iraqi nationals working with IRFFI projects as employees or contractors were vulnerable to targeted reprisals, in addition to being the random victims of political violence or crime when moving in public places. For projects, the implementation risk increased in tandem with the deterioration of conditions. There was an imperative for the Administrators to adapt their programs, including with “remote management” structures and donors met three times instead of two during 2004 to support start up of operations.

There have been gradual improvements to Iraq’s aid architecture, supporting the Bank:

- The World Bank was absent from Iraq for a period of 24 years, between 1979 and 2003. The bank re-engaged with Iraq in the summer of 2003 when it prepared needs assessment together with the United Nations;
- The UN-World Bank Joint Needs Assessment was the basis for the October 2003 International Conference on Iraq in Madrid. The IRFFI was established at the conference by donors and the Iraqi provisional authorities;
- Management of the International Reconstruction Fund Facility for Iraq (IRFFI) provided the bank with an opportunity for early return. By 2009, the bank had diversified its portfolio, and was managing a total value of US$ 1 billion, including IRFFI, IDA, AA and
ISRB activities;

- The World Bank supported the Iraqi National Development Strategy (2005) and formation of the International Compact for Iraq (ICI) in 2007, an overarching and Iraqi-led framework to coordinate international assistance to Iraq; and

- In 2009, the bank produced its third *Interim Strategy Note*, linking its programme into the Iraqi development strategy and international compact priorities.

A number of donors have been active in Iraq over the last 5 years. Together, the US, EU, Japan and UK have provided $27 billion to Iraq since 2003. The experience of these donors has also been mixed, with most of them facing similar problems as the Bank. In addition, they have encountered challenges associated with the model of planning and implementing projects outside the framework of the Iraqi Government (in the case of the US, by the US itself) which in many cases has resulted in insufficient ownership and lack of results.

### 1.5.2 Stakeholder Roles and Dynamics

#### Afghanistan ARTF

Over the last two and a half years, Donors have become far more engaged in the work of the ARTF. This is highly appropriate given the major financing now channeled through the fund, and the need to distribute decision-making responsibility and reputational risk across a wider group. The two key developments in this regard are the ARTF Incentive Program working group and the ARTF Financing Strategy working group. The main donors, and those with the capacity to engage with intellectual and technical assets, meet regularly in these groups with a mandate to make certain decisions that are then endorsed by the quarterly donor meeting and executed by the ARTF Management Committee. These working groups make decisions that impact on the government’s economic policy agenda, and on ARTF funding and prioritization. There remains a role for donors to provide inputs on cross-cutting themes such as ARTF and gender, conflict sensitivity, and the environment.

#### Indonesia MDF

The claim that *MDF transaction costs are increasing* over time appear probable, not due to Trustee rules but increasing risk-aversion that comes in particular from donor "group think" that lead in the aggregate to constantly increasing project quality demands.

Although the intensity of donor involvement in the MDF has lessened over time, Donor engagement in the MDF was very strong in the early days because of public interest at home and in Indonesia due to the scale of the disaster.

#### MDRP Great Lakes

Compared with initial expectations about MDRP roles, donors went from being strongly mobilized to less and less involved, expecting the Secretariat to assume political responsibilities that it was not supposed to deal with. The structuring of many of donor’s own agencies undermined coordination to support a regional approach. Donors mostly feel short in following up on the policy discussions to support DDR operations due to insufficient resource mobilization within the donors to clarify roles and carry them out.
Overall, the full potential for a fruitful partnership between the Bank and the UN on DDR still has to be fulfilled. More is needed from both sides. The UN system should be able to contribute considerably on policy issues since it is the only multilateral actor mandated to intervene with governments on disarmament, including forcibly when there is a mandated UN peacekeeping mission in country. This comparative advantage has to be far more accepted by Bank staff. On the other hand, despite years of experience in DDR, UN agencies and UNDP in particular needs to improve its performance as implementing partners.

Expectations regarding what a joint undertaking like the MDRP – which builds on a partnership and consensus model – can achieve, need to be realistic. The demands on the trustee/administrator in particular should be seen in light of what others are to contribute, and thus which results the mechanism can be held accountable for.

The MDRP Partnership was innovative and ambitious, yet a number of the partners – in particular the bilateral donors – did not seem to have fully understood the demands the partnership put on them, and thus did not maintain a resource commitment (staff and time) that would be necessary to fully play their roles.

Donor enthusiasm for the MDRP has also fallen as political priorities shift. Lack of coherence between donors’ development, defense and diplomacy branches, and incomplete links between field and head offices, as well as high rotation of staff in the field has made long-term commitment and consistency difficult to maintain. Most donors also have a focus on some or a few of the MDRP countries and thus do not have the same regional approach to the program as the MDRP Secretariat. This together has led donors to lower their sights from ambitious policy targets through the MDRP to more focus on technical deliverables, leaving the MDRP at times without strong donor support when D&R policy challenges arose.

Donor commitments varied by donor country, across MDRP countries, and over time as political priorities and thus own staff resources shifted. The most important role was to be played on the ground, yet that was often the weakest link in donor staffing due to high rotation, few staff, most funding and commitments made at HQ level and not always fully communicated to the field. These aspects of donor field capacity need to be borne in mind when designing partnership roles.

Host governments will generally welcome the DDR resources but be sensitive to the policy dimensions attached. Stable/strong governments are better able to enter into such partnerships while transitional regimes feel particularly vulnerable: they are being asked to address what is often a pillar of their own power base at a time when the state is particularly weak and thus sensitive about external influence. The ambitions of the partnership must therefore be scaled to the ability the authorities have for addressing this core area of state security: for regimes that feel exposed, SSR and cross-border issues may be second-order to plain political survival.

For a complex and multi-party collaborative partnership like the MDRP, roles and expectations need to be made explicit and operational in order to work. A dedicated framework like the Matrix prepared by the Secretariat is an excellent tool that should be designed as early as possible in the program period, with the objectives, indicators, target values, responsibilities spelled out and accountability instruments agreed to. This should be discussed and approved by the governing body, and this Results Framework should be part of the overall program Results Framework/s, and monitored and reported on as part of overall
the program’s deliverables.

National ownership as a principle for the MDRP program was essential. However, it should have been defined or explained, and the various dimensions of the concept discussed so that its operational utility could be improved (key dimensions: its importance, government versus broader national ownership; policy versus implementation dimension, the contextual understanding, its dynamics over time). The importance of the concept lies in the clarity on who should be in the driver’s seat and define policies, priorities and programs. A broader understanding would ensure that not only public authorities but also civic organizations and other stakeholders are heard and contribute to the choices made. Ensuring national ownership through broad participatory processes becomes particularly important in fragile state/post-conflict society settings.

DDR commissions or similar bodies that inform the implementation of DDR policies should not only include members from government and military, but be broad-based and include local stakeholders. This can have implications for improved practices and ensure that particularly the reintegration component is more successful.

Delegating a central role to government in a partnership to support DDR operations, from program design, to create an environment conducive to DDR, attract the necessary support from the international community throughout program design and implementation, to defining the actual roles that other partners would play for the DDR process is a good practice as long as these governments have achieved political stability.

### TDRP Great Lakes

Based on lessons from the MDRP, the TDRP will move away from a broad-based partnership (where roles and responsibilities are difficult to define and accountabilities illusive) to a network of organizations involved in DDR in the GLR. The DDRnet will include client governments, donors (contributing and non-contributing), UN partners, and implementing agencies of DDR. It will replace the MDRP Advisory Committee. Functions:

- Coordinating and sharing information on D&R and related activities
- It will be a flexible virtual entity with activities designed based on need and demand, including: mapping exercises and capacity building to strengthen expertise, knowledge and policy related to D&R and security and development, multimedia events for information exchange and learning, policy forums, strategic meetings, etc.
- It will replace some of the functions of the MDRP’s Technical Coordination Group (TCG), e.g. technical capacity building activities to facilitate technical exchange, learning and knowledge exchange between countries, drawing on lessons of what worked well with the TCG.

Terms of reference or a memorandum of understanding (MOU) would lay out the conditions for the strategic alliance between the Bank and ally agency(ies). Such an MOU or TOR would include rationale for the alliance, objectives, activities, roles and responsibilities for the respective agencies, budget and timeframe. These MOU would not be legally binding but would serve to orient and monitor the strategic alliance as well as ensure clarity as to the inter-organizational relationship.

A proposal was made to include the TDRP/World Bank into the UN-led Inter Agency Working
Group on DDR. A request to that effect was made in December 2009. This collaboration will, among other things, allow the TDRP to participate in discussions for the revision of the International DDR Standards (IDDRS).

### Liberia LRTF

The LRTF was designed in close adherence with MDTF principles and best practices; a Government-led partnership, with full alignment with national development strategy and international donors. The original precedent was LRDC framework, and appears to extend through the architecture to the LRTF.

The dynamics between the stakeholders appear positive, and have benefited from the existence of a maturing architecture, into which the LRTF is integrated. As observations:

- The LRTF was established four years into the transition process, after the initial humanitarian crisis and well into the process of establishing the aid architecture. There was an agreed policy framework, and early progress had been made on strengthening Government capacity. Roles, therefore, were largely externally defined and imported into the LRTF at inception;

- Stakeholder commitment appears high. Government leadership appears strong and donors appear engaged. Commitments have exceeded initial pledges, and deposits were made in a timely manner;

- Documentation indicates that Government has been assertive in defining the overall policy and coordination frameworks guiding international assistance. The principle of national leadership was clearly embedded in Liberia Reconstruction Conference and development of aid architecture that followed, including the LRTF. Within the LRTF, OC minutes indicate that, leadership notwithstanding, Liberia’s financial and capacity constraints and significant rehabilitation needs, mean Government had limited capacity to engage at the technical and implementation levels.

Externally, the LRTF’s mandate was clearly defined role in Liberia’s overall infrastructure strategy, under Government leadership and with the support of other international stakeholders. There does not appear, therefore, to be competition or tensions over the role of the LRTF;

There is no evidence that external political disputes are being imported into the LRTF to distract the focus of stakeholders, or adversely affect their relationship. Such issues would be managed at the higher level LRDC;

There was no evidence that the LRTF has been burdened with inappropriate expectations, outside of its mandate and capacity.

### Sudan MDTF-N

The MDTF-N was designed in close adherence with MDTF principles and best practices; a Government-led partnership aligned with the CPA priorities.

Initial commitments to the MDTF-N appeared strong, with timely donor deposits and high level GoNU representation. GoNU commitment and ownership demonstrated in the 1:2 Counterpart Contributions, which tied a significant portion of Government’s capital budget to
the trust fund.

Relations between the MDTF-N stakeholders deteriorated significantly at the political level after 2006, all three levels:

- Donors and GoNU, over the Darfur conflict, donor perceptions that the GoNU has obstructed CPA implementation and unilateral GoNU withdrawal of counterpart funding (2009), among other issues;
- GoNU and Donors, over allegations of donor favoritism in allocating funds to Darfur and the MDTF-SS, perceptions of declining donor commitment to the MDTF, delays in pledging for Phase II (2009) and the International Criminal Court (ICC) process, among other issues;
- Donors and the World Bank, on initial performance difficulties but also on the donor perception that the World Bank has not been able to deliver difficult political messages to the GoNU.
- Operational relationships (Technical Secretariat and GoNU implementing agencies) appeared functional.

By 2009, tensions between the stakeholders had become a significant, if not the key factor determining performance. While initial performance concerns that strained relations were being resolved, tensions from external issues were imported into the MDTF-N’s governance and, by 2009, operational discussions. There was no larger coordinating forum where these issues could be resolved, and the MDTF-N had neither the mandate nor capacity to address them effectively. By mid-2009, political tensions had obstructed fundamental discussions on forward planning (Strategic Plan and decision on Phase II objectives and pledging) and pipeline development.

Efforts should be made to fence-ring an MDTF from non-related external tensions. The MDTF-N was adversely affected by external political tensions. The donors and some elements of Government had an interest in supporting CPA implementation, regardless of problems related to the ICC and Darfur. Allow other tensions to enter the MDTF-N undermine those greater policy objectives.

International assistance to a peace process can expand the political space for moderate and reform elements. Conversely, the failure to demonstrate progress or tangible benefits can close space and isolate reform/moderate elements and, therefore, increase risk. The situation in Sudan was particularly complex, with the CPA consolidating the principle spoiler, hard-line elements of the NCA, in Government.

The Administrator should retain its impartiality. Stakeholders should not task the Administrator in political roles, and the Administrator should resist such roles when there is an appearance this may occur. The forum for discussion and delivering political messages should be either the Oversight Committee. In Sudan, both Government and the donors had an expectation that the Administrator would deliver political messages on their behalf.

Donor hesitation on pledging or other political decision affecting MDTF operations can be interpreted by other stakeholders as an erosion of commitment. With the MDTF-N, delays contributed to GoNU down grading its political representation, and effectively withdrawing from policy dialogue within the MDTF-N forum, at least temporarily.
Sudan MDTF-S

The MDTF-S was designed in close adherence with MDTF principles and best practices; a Government-led partnership and alignment with the CPA priorities.

Stakeholders showed a high level of initial commitment to the MDTF-S, as a mechanism to support CPA implementation. Note that the donor community and the GoSS were both highly invested in the CPA process, and in its results. Commitment was demonstrated in:

- Pledging, prompt deposits and creation of the Joint Donor Team (JDT) in Juba with office infrastructure (Joint Donor Office, JDO);
- The high level GoSS representation to the MDTF-S; and
- GoSS ownership was directly linked to the new government’s financial investment, where a significant portion of its scarce capital budget was invested, on the basis of the MDTF-S’ 1:1 matching formula. Once a grant agreement was sign, the GoSS was obligated to deposit the money, making it unavailable for expenditure to other projects.

Government, World Bank and Donors all in the process of establishing capacity simultaneously. Most internationals were not resident until 2006, when proper living facilities became available, and were commuting from Kenya or Khartoum. The stakeholders, therefore, all had limited capacity to relate and program at inception.

Tensions enter the relationship from three sources:

- Initial implementation delays, resulting from low capacity create significant reputation/political risk for all stakeholders, as expectations for a peace dividend were not met;
- The Government was unable to meet counterpart payment obligations by 2007, affecting funding of approved projects and pipeline development;
- Delays in developing a Phase II (begun in 2007 and apparently not approved until 2009), with corresponding delays in donor commitments.

Scanteam (2007) and the World Bank (2010) note that much of the tension resulted from unmet performance expectations. These resulted from the combination of planning on inaccurate assumptions and overpromising what the MDTF-SS could deliver in such as low capacity situation, using World Bank procedures. While mixed implementation of the CPA may have had an influence on overall positions, they do not appear to have been imported into the Governance process to the same extent as with the MDTF-N.

On Communications and Donor Relations, the 2010 World Bank mission noted the “MDTF-SS and its donors did not develop a strategic communications strategy to continually assess the context, share experiences, learn and manage expectations accordingly. As difficulties and delays materialized, stakeholders perceived objectives differently or focused on one objective (quick delivery), losing sight of others (capacity building for managing oil revenue). Donor alignment and coordination became dysfunctional and discordant, thus defeating a major purpose of multi-donor trust funds – harmonization. Time was lost, with focus too often on internal procedures related to donor coordination. Internal reports were not clear with inconsistent and sometimes confusing terminology. The World Bank and donors collectively missed opportunities to develop integrated strategies to inform MDTF-SS work through partners’ own bi-lateral efforts in development, security and political frameworks. When the MDTF-SS appeared to stall in 2007-2008, rather than undertake a comprehensive review and
restructuring to achieve greater effectiveness, donors created yet new funds with new processes and aired grievances publicly, fragmenting donor engagement and compounding GoSS implementation and sustainability burdens.

**The Joint Donor Team**

The initial finding was that creation of JDO improved coherence among the Juba-based donors, and provided some coordination capacity into their larger portfolios (Scanteam 2007). However, the 2009 Norad review concluded that JDT performance and results were mixed. As a result, the team made a limited contribution towards managing MDTF relations and performance improvements, which the evaluation assessed as “disappointing” (Norad 2009).

### World Bank Iraq ITF

The IRFFI was delivered in a highly politicized environment, and in the aftermath of a divisive international debate on military action. The IRFFI delivered an immediate political good to all stakeholders; participation and inclusiveness. The fund was established in a highly polarized international environment. It was a pragmatic response to a high risk situation, in which direct programming was politically and physically difficult for most donors. The fund provided a platform for dialogue, collaboration and for shifting the focus of international efforts to recovery. Donors could participate regardless of their position on military action. The IRFFI was able to play these roles as stakeholders perceived the fund as impartial, owing to its administration by multilateral organisations. In this regard, the choice of a multi-donor trust fund was driven as much by political necessity as aid effectiveness (Scanteam 2009).

The practice of ownership reflected security conditions, strengthening over as security conditions improved, the Government’s policy and institutional framework began to consolidate and the GoI became more assertive:

- Initial governance occurred through the Donor Committee, at which Iraqi provisional authorities were observers.
- The GoI only became more proactive and assertive with donors after improvements in the security situation allowed it focus on other issues.
- There was no constitutional government in Iraq until 2006 for donors and Administrators to relate to. After elections, the GoI remained focused on security issues until mid 2007.
- Amendments to the governance structure in 2007 allowed the Government membership on the Donor Committee, and representation on the DC’s Executive Committee.
- Increasingly, the two IRFFI portfolios were tied to Iraqi priorities (NDS 2005 and the ICI 2007) as these were defined.

The IRFFI, therefore, took measures to compensate for the absence of a constitutionally elected authority in 2004, and to gradually transfer leadership roles to the GoI as it consolidated.

The World Bank envisaged government to have ownership of all Bank projects and non-lending services. However, experience in this regard has been mixed. Some ministries are much more committed to the projects than others... There are ministries where neither the minister nor his senior staff is very engaged. Generally there seems to be a lack of commitment on the side of the government, and it is difficult to generate ownership. Cooperation between ministries is often hindered by partisanship and group loyalties, and it is difficult to identify and deal with one cohesive and reliable counterpart.
1.5.3 Governance Structure

**Afghanistan ARTF**

The increased role and engagement of the MoF in ARTF’s Management Committee (MC) and Donor Committee (DC) is seen as highly positive. Some donors have noted, however, that much of ARTF project financing acts as topping-up to projects receiving IDA funding. This is, however, largely a result of the fact that the ARTF is administered by the Bank and thus must adhere to Bank standards with regards to project preparations and approval. This gives incentives to the authorities to identify activities in the ANDS that have already been reviewed by the Bank. This issue has only been raised with regards to the investment window and not the recurrent window. However, there is scope for more transparency on project selection processes if this is seen as desirable by the partners to the ARTF.

The ARTF has continued to be a flexible instrument in terms responding quickly to GoA requests. But its decision making is unusual compared with other MDTFs, since donors have until recently had a limited voice. As long as fund allocations were largely rules-based – most financing was for the recurrent budget – this was not a problem. Now that financing is moving towards more discretionary financing, towards projects and programs, this is no longer a tenable model which has led to the development of the three year rolling ARTF Financing Strategy. But more voice for the donors has required that the donors themselves invest more of their senior management time in contributing to the ARTF and to provide technically qualified personnel in the field.

**Indonesia MDF**

The current *MDF governance structure* of a broad-based decision-making Steering Committee (SC) and a Technical Review Group (TRG) provides for a rational division of labor between policy and approval functions (SC) and technical appraisal and review of projects and themes (TRG).

The Co-chairs of the MDF Steering Committee consist of representatives of the Government of Indonesia (BAPPENAS), the Government of Aceh, the World Bank as Trustee, and the European Commission representing the largest donor. This body has always existed, but has been strengthened in response to a recommendation of the MTR Phase II to create an Executive Committee to streamline decision making. This recommendation was made partly as a follow up to the MTR Phase I findings that “group think” had complicated decision making. The addition of the Government of Aceh to the Co-chairs group is significant in strengthening the voice and ownership of provincial government in the MDF program. (Comment sent by the MDF country team, 4 June 2010).

Inviting in non-voting participants to SC meetings widens the stakeholder involvement, strengthens the coordination and policy functions, and provides a forum for other actors to access government and donors, which is helpful. This inclusive model is in principle good and in many respects “best practice” among MDTFs. The challenge is to identify what the different actors’ contributions are expected to be while at the same time ensuring that decision making and project discussions are not overwhelmed by too many actors and voices involved. Today donors’ voices are too numerous and dominant, however.

The *preparation and documentation* of SC and TRG meetings appear solid, with the MDF
Secretariat servicing these two key MDF bodies well. The publication of SC minutes on the web-site improves the transparency and credibility of the MDF as a mechanism for supporting GOI's own policies and priorities.

The World Bank was asked by GOI to assume the role as MDF Trustee. Its fiduciary and project management experience as well as its large program in Indonesia were contributing factors. The unusual fact that the Bank was a financial contributor to the MDF meant, however, that it has worn unusually many hats, raising questions of role conflicts. The Bank’s legal response to this question did not address several issues. One is the dominant decision making role of the Bank as (i) MDF co-chair, (ii) Fund contributor and thus a vote on the SC, (iii) Administrator and thus responsible for preparing all MDF meetings including finalizing documentation for discussions. Another is the lack of separation between Bank as decision maker and as Partner Agency. Linked with this is that the heavy involvement of Bank TTLs in shaping PADs and directly advising project management, with Bank staff being measured on things like project disbursements, means the distinction between Partner and Implementing Agency roles become blurred. This is in line with standard Bank business practices but raises questions in the context of MDTFs that the Bank needs to address.

The BRR raised principled questions about the usefulness of MDTFs due to the constraints that Trustee-managed pooled funding necessarily entail. The alternatives, however, hinge on a national actor being a credible substitute, which in most post-crisis situations of the magnitude that require an MDTF, probably will not be the case.

The MDF Secretariat is seen as hard-working, of high quality, that has serviced the full range of stakeholders well: donors, GOI, project implementers and thus indirectly the intended beneficiaries in Aceh and Nias. Information and communication has been seen as particularly valuable throughout the period, while attention to quality of project proposals and results reporting are now taking more of the Secretariat’s time.

### MDRP Great Lakes

There is always an issue regarding the appropriate role of recipient partners in a Trust Fund Committee (TFC) since decisions are taken unilaterally by the donors. In the MDRP, this was somehow addressed by having the Advisory Committee take place before the TFC, so policy issues and other matters where dialogue and consensus ought to inform funding decisions actually could be resolved beforehand. Nonetheless, the dominant voice of the donors in the context of a partnership based mechanism is a challenge. The fact that the UN was not a part of the TFC further fuelled a feeling among UN actors that the UN was not seen as a full partner in the MDRP.

Several weaknesses of the Technical Coordination Group (TCG) were pointed to: (i) lack of time for reflection on some of the topics – in particular that not all country experiences were given a chance to be discussed, (ii) too few from each country participated – there was not a possibility of building “critical mass” of skills and knowledge that could have operational impact; (iii) while there was clearly a set of priorities being addressed, such as gender, there was not a more careful long-term agenda or strategic thinking behind the meeting schedule that was to lead to for example achievements in terms of capacity building for DDR. In the MDRP’s defense national informants admitted that their own ability to participate, to find more eligible participants, and fit the TCG meetings into their own planning cycle and phase
of implementation, created major coordination and logistical challenges. While there had been several presentations on a medium-term TCG program, especially as of 2005, the final activity schedule ended up considerably short of the ambitions.

The Advisory Committee (AC) and Technical Coordination Group (TCG) were constructive meeting places for debating policy issues, new ideas and learning. However, dedicated resources and policy and knowledge management needs to be put in place if actors are to follow up on agreed issues.

The Secretariat has been the key element in the MDRP, tying the components together, ensuring flow of information, timely decision making and implementation follow-up. Location of the Secretariat should be reviewed. A Secretariat based in the region with a high-level manager empowered to engage at policy level with national counterparts and a smaller office back in Washington to service the field would be in line with the Bank’s trend towards decentralization. Especially in a fragile country context where issues may move fast and the ability to take quick decisions may depend on having one’s nose close to the ground, a visible and high-level field presence may be helpful. This would also strengthen the logic and possibilities of moving more of the AC activities and policy discussions to the field.

**Liberia LRTF**

“One of the biggest lessons learned from other World Bank-administrated funds was that the Oversight Committee’s strength is in thinking strategically and setting policy for the directions of multi-donor trusts, rather than focusing in on the operational and technical details of project implementation.” (OC meeting, May 15 2008). Minutes indicate that the OC is strategically focused.

The LRTF has a two tiered structure, comprised of a Steering Committee (strategic guidance, funding decisions and oversight), supported by a World Bank administered and managed Technical Secretariat.

One of the biggest lessons learned from other World Bank-administrated funds was that the Oversight Committee’s strength is in thinking strategically and setting policy for the directions of multi-donor trusts, rather than focusing in on the operational and technical details of project implementation.” (OC meeting, May 15 2008). Minutes indicate that the OC is strategically focused.

**Sudan MDTFs**

The Sudan MDTF’s had a three tiered structure:

- The MDTFs were embedded in the Sudan Consortium process, brings together donors, the GoNU and GoSS, as well as multilateral organizations, and representatives of Civil Society. The mandate of the consortium is to assess progress against explicit CPA benchmarks, in particular those developed in the Joint Assessment Mission Framework.
- Both MDTFs have an Oversight Committee. Originally jointly managed by an Interim Oversight Committee, separate committees were established for each fund by 2006, in Khartoum and Juba. The oversight committees are composed of Donors and Government, with observers, and mandated to provide strategic guidance, make funding decisions and provide oversight and monitoring of fund activities.
The MDTF-N and MDTF-S are supported by Technical Secretariats, administered and managed by the World Bank, and located in Khartoum and Juba. World Bank staff, in their capacity as Fund Managers head the Technical Secretariats, while operational staff were to be drawn from the World Bank, the UN, GONU, GOSS, and MDTF donors. Each TS works jointly with the GoNU and GoSS respectively to receive and review proposals and to undertake appraisals. The TSs review and monitor progress and present regular assessments against agreed benchmarks to the relevant Oversight Committee.

The TS for the MDTF-N worked out of the World Bank office in Khartoum, while the TS in Juba was located in temporary trailers in the UN compound until 2007, and supported initially by a satellite office in Nairobi. The Technical Secretariats were supported by project Task Teams, each led by a Task Team Leader appointed by the World Bank. The TTs are the backbone of the MDTF organization, with TSs facilitating and supporting the operations, liaising with the MDTF partners, and managing the Trust Fund proceeds. This facilitation role includes day to day oversight of MDTF operations and operational contacts with the Government and donor partners.

The TS, therefore, worked with a standard WB project management structure, with a small core staff located in country and the main staffing components based outside of Sudan working through country visits and electronic correspondence. Build up of staffing in Southern Sudan depended, in part, on the availability to housing and office facilities.

### Sudan MDTF-N

During the period to 2006/7, a significant portion of the OC’s energy was used to address performance issues. The committee also played an The OC was less focused on:

- The strategic guidance and policy dialogue elements of its mandate; and
- The composition of the portfolio, relying on the Administrator, working with the GoNU to provide direction on portfolio development.

GoNU ownership showed improving ownership and understanding over the initial phase, to 2007, including of the requirements of working with World Bank procedures.

Committee has difficulty preventing tensions in the program environment, but not directed related to the MDTF-N, from influencing OC deliberations. In this regard, the OC (donors and GoNU) was not able to differentiate between its role in supporting CPA implementation, and larger issues in the program environment but outside of its mandate.

The political environment in Sudan is complex. GoNU and the MDTF donors are immersed in layers of negotiations and interlinked agendas. However, it is important to "ring-fence" dialogue over the MDTF-N from issues beyond the MDTF scope. This may provide the enabling conditions for better dialogue over MDTF strategic status and direction as well as achieving greater understanding of enablers and constraints to MDTF-N implementation, and finding resolutions in partnership terms.

### Sudan MDTF-S

MDTF-S Governance structure comprised of an Oversight Committee, with representation from the GoSS and the Donors. The United Nations was given observer status. The mandate of the OC including strategic guidance, decision-making on projects and technical review of
projects.

During the period to 2006/7, a significant portion of the OC’s energy was used to address performance issues. While the committee’s actions contributed to resolution of those issues, less emphasis was placed on strategic management and planning. Two issues are cited, related to anticipating and planning for the initial performance difficulties at inception, as well as planning for Phase II and managing pledging delays and the GoSS financial difficulties as they emerged in 2007. These matters created uncertainty within the MDTF-S.

### World Bank Iraq ITF

The International Reconstruction Fund Facility for Iraq (IRFFI) was endorsed at the Madrid Conference, in response to international requests for donors to channel their resources and coordinate their support for reconstruction and development activities in Iraq. In the absence of a national strategy, initial decisions on the portfolio were made within the framework of the JAM. The IRFFI had a two tiered governance structure:

- The Donor Committee was the highest level of the Governance system, comprised of donors contributing more than US$ 10 million. Government was an observer to the committee until 2007, when it gained membership.
- In 2007, an Executive Committee, comprised of the Administrators, the Donor Chair, the GoI and supported by the Donor Secretariat, was created to coordinate the overall IRFFI process. Prior to that, a Facilitating Coordinating Committee (FCC)
- The IRFFI was created with two windows, the World Bank Iraq Trust Fund and the United Nations Development Group Iraq Trust Fund; the first time that the UN and the World Bank have jointly managed an MDTF. The two trustees were to coordinate their work
- The World Bank also engages a local Iraqi firm as a Fiduciary Monitoring Agent (FMA) to help supervise project implementation. The FMA assists Project Management Teams in building their capacity in project management, visits project sites and supports the PMTs to monitor the physical implementation of projects and the implementing agency’s compliance with the required procurement and financial management procedures.

The scope of operations and governance structure were unique among post-crisis MDTFs. The system linked ownership, strategic direction and oversight, coordination, and implementation into an integrated system with broad implementation capacity, supported by significant financial and political resources.

The Stocktaking review considered the IRFFI as it was conceived; as an integrated system where each element had responsibility for overall performance:

Weaknesses in the governance structure emerged early in the IRFFI’s operational life. These affected both the capacity of the fund to set strategic direction, as well as its potential to broaden implementation capacity: (i) the Iraqi Government had limited political and institutional capacity to “own” the IRFFI by providing direction on priorities and participate in the development and approval of projects…; (ii) the Donor Committee did meet on a regular basis between 2005 and 2007, coinciding with the deteriorating security conditions and the period of time Iraqi ownership was weakest. This was in contrast to the high level of engagement during 2004, and diminished the Committee’s potential to provide strategic direction (Scanteam 2009).
The Government of Iraq was not in a position to fully exercise its ownership of the IRFFI, through leadership, policy direction and engagement in project approval. The National Development Strategy (2005) was an important achievement, but could only provide a technocratic framework that did not solve the deeper problems of political instability. State institutions had significant security, political and capacity constraints on their ability to act as effective counterparts, with high staff turnover being a significant problem. For the UNDG ITF, institutions also had difficulty absorbing and maintaining some project outputs (Scanteam 2009).

The Donor Committee did not provide adequate strategic guidance or oversight during the period 2004-2007. Robust engagement was needed to offset limited Iraqi ownership and respond to deteriorating security conditions. The Committee did not meet on a regular basis, or provide sufficient guidance on the strategic orientation of the IRFFI and the appropriateness of some activities in light of conditions. In the absence of such engagement, risk and responsibility was shifted to the Administrators whose mandate was not suited for the task (Scanteam 2009).

Post Crisis MDTFs require a high level of engagement from Donors and the National Government. MDTFs require a robust strategic guidance and oversight from donors and Government. Greater responsibility will fall on donors to provide that guidance if Government is still consolidating at the moment when the MDTF is being established. Where neither donors nor Government are providing adequate guidance, risk and responsibility are effectively transferred to the Administrators. However, as the implementing agents Administrators are not well suited for this task. They can provide input for decision-making, but should not be expected to assume this responsibility for the principle stakeholders on whose behalf they are working (Scanteam 2009).

1.5.4 Funding Structure

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<th>Afghanistan ARTF</th>
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<tr>
<td>The ARTF was set up in the context of a temporary National Development Framework. As the country’s vision evolved through an Interim ANDS to the complete ANDS, the ARTF remained fairly constant in its structure. This has largely been because there has been little discretionary funding available for new programming. With the recent rise in donor commitments, this funding constraint no longer exists.</td>
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<tr>
<td>The contributions from the donor countries vary considerably. The five largest donors, which make up less than 20% of the donor group, have provided about 74% of the funding.</td>
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<td>Funding for the ARTF is largely coming from the Western donors that are also supporting the ISAF force. This dependence on Western donors may be a political vulnerability, and the members of the Management Committee should work on expanding the funding partners, not least of all among those Muslim states that have financial possibilities to contribute.</td>
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<td>The increasing share of donor funds that are preferenced undermines the basic principle of a trust fund. While some preferencing is due to political decisions at head offices, others are a function of agency concerns of visibility and accountability. The result is a danger of rigidity in resource allocations, potential divergence with government priorities, and a “squeezing out” of other donors from feeling an ownership and partnership with the popular projects that are</td>
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becoming funded largely through preferred funds.

On improving the predictability of resources delivered through ARTF, donors appear increasingly able to pledge a larger share of the recurrent cost window at the start of the SY. This serves to improve the predictability of ARTF funding to recurrent budget; However, on increasing national ownership, preferences have increased again as a share of total contributions, with some donors indicating real constraints in providing un-preferred funds. Added to this, the flexibility of the core budget has decreased significantly. Due to operating budget deficits, there were no discretionary resources for the core development budget in SY1387. The same scenario is projected for SY1388 and SY1389 (ARTF Performance Assessment Matrix (PAM) Progress and Challenges March 30, 2009).

The ARTF Administrator’s response to the ‘problem’ of preferencing is incorporated in the ARTF Financing Strategy, whose draft was agreed by donors in London in January 2010. The aspiration is that the Financing Strategy provides the accountability donors seek, while allowing them to continue to take credit for certain programs. It is hoped that donor preferencing will decline over time as the Financing Strategy matures and becomes better understood.

**Indonesia MDF**

The real challenge is a tendency of an MDTF to become increasingly risk averse over time by being sensitive to the least flexible member as the mechanism relies on consensus. Some Bank staff see trust funds as much more costly to access and manage because of Bank sensitivity to donor concerns. It is thus not Bank rules but rather "group caution" dynamics that begin generating the kinds of transaction costs that the BRR in particular has reacted to.

In terms of burden sharing, these appear fair as most costs are borne by the donors and some by the Trustee, little by national actors except for project processing. While the BRR, as the main government partner to the MDF, felt transactions costs were becoming too high, MDF as a coordinating body may prove once again to be highly successful for minimizing transaction costs to the local actors in Aceh and Nias as BRR disappears.

Actual donor resources mobilized, apart from Dutch and to some extent UK funds, were limited, and the risk of donor volatility was made apparent during the MDRP.

**MDRP Great Lakes**

The MDRP made funding available for DDR operations in all eligible countries before all programs and projects were designed. MDRP funding modality was well suited to a regional program as it provided predictable funding for the programs from beginning to end. This afforded greater focus on quality of design, including support to implementation capacities.

Funding for important public goods like peace and stability requires more predictable and equitable funding than the *ad hoc* trust fund mobilizations of the MDRP. This is a challenge for the international community, which should discuss this in the context of the likely trade-off between specialized funds versus creating non-sustainable “islands of excellence”.

The scope of funds and of the partnership within the MDRP made it effective as a coordinating forum for DDR activities in the GLR. It ensured that funding and activities were coordinated and approaches were harmonized in order to avoid conflict (e.g. provision of different
benefits. The participation of non-MDRP donors to governance meetings strengthened coordination. Non-donors were invited to MDRP governance meeting, except for Trust Fund meetings.

In terms of funding flexibility, some partners expressed that the contribution could have been greater if the funding model had been more flexible, having procedures and decision making more attuned to the processes on the ground. The MDTF funding was closely linked to World Bank procedures, while bilateral funding is typically more flexible. For example, when the Rwanda national program needed funding to attend to the incursions from the DRC, to enable them to integrate these EXCs quickly, they resorted to bilateral funding from the United Kingdom that could be mobilized quickly.

As a funding mechanism, the MDRP had limitations to adjust funding to sudden changes. Since programming is done early on, funding is matched to specific activities and disbursement expected to take place at planned pace. When sudden changes in the situation occur during implementation, inflexibility or slow response by the funding model can hinder implementation. This was particularly true for the IDA funds.

The Special Project window provided flexibility at the programmatic level. They functioned as an instrument to diminish operational contingencies and therefore the uncertainty in DDR operations, such as to pilot programs (Angola, DRC), to capitalize on small windows of opportunities towards peace and stability (Uganda), to buffer possible conflict by extending program benefits beyond the target group (Central African Republic, Burundi, DRC), and to extend implementation capacity by enabling project execution by different agencies (Angola, DRC) and institutions (Burundi). The Special Project window enabled DDR activity to take place where capacities for national execution was assessed as insufficient and therefore implemented by a MDRP partner (UNDP in the Central Africa Republic).

Some MDRP donors have at one point expressed desire to withdraw their contribution to the MDRP, or that their funds not to go to certain country. But, as all Bank-administered Trust Funds, donors are able to express preference but not ear-marking. This was crucial for the regional approach and worked to avoid “aid orphans” among countries in the region. The funding predictability afforded by the MDRP, however, may have provided some skewed incentives to national actors.

Actual donor resources mobilized, apart from Dutch and to some extent UK funds, were limited, and the risk of donor volatility was made apparent during the MDRP.

The voluntary nature of donor funding to collaborative mechanisms like MDTFs may leave the administrator of the MDTF vulnerable to shifts in donor priorities. One way of addressing this is trying to ensure a reasonably balanced funding profile and avoiding the “all eggs in one basket” problem when one or a few donors are totally dominant. But the formal commitment should also be clarified so that high-risk programs do not face a problem of uncertainty and unpredictability when it comes to financing.

In this connection, realistic costing of administering and quality assuring large-scale programs in difficult environments needs to reviewed. Delivery of results with the kinds of quality and documentation that the international community demands is much more costly than in standard development environments, and overhead costs should reflect this.
Sudan MDTFs

Overall pledges to the MDTFs are made through the Sudan consortium process. The Sudan MDTF’s are “on budget” and linked with the respective GoNU and GoSS budget. Every approved project was intended to include co-financing by the Government, with ideally two-thirds of the funding provided by the GONU or GOSS.

All MDTF-N projects are included in the GoNU’s budget, and all MDTF-S projects are included in the GoSS budget. For both MDTFs, all projects must also be consistent with poverty alleviation and peace-building objectives of the respective government. A programmatic approach has been applied to MDTF support for the GOSS, with co-mingling of GOSS and MDTF funds for multi-year investment programs.

Embedding the MDTFs in the government budgets was intended to enhance government ownership of MDTF-supported programs, ensure greater transparency in the application of both donor resources and government funds allocated to MDTF-supported projects, and an opportunity for development partners to engage in a dialogue on spending priorities with the governments through Public Expenditure Reviews and Poverty Reduction Strategy Papers.

The risk identified at creation of the MDTFs was that “project implementation can become hostage to the vagaries of government budgets (especially the timely release of funds), the lack of institutional capacity, and bureaucratic inertia, thus slowing down progress in achieving results on the ground” (MDTF Performance Report 2005).

Sudan MDTF-N

As of March 2009, the MDTF-National portfolio consisted of twelve projects, with one project pending supplemental funding. MDTF-N cumulative receipts were US$ 270 mil (US$ 249 mil from donor deposits and US$ 19 mil from investment income). The amount available was up from US$ 220 mil in 2007, including an amount of US$ 56 mil in deposits made during 2008 as supplemental funding to Phase 1b projects, while decisions on future funding for Phase 2 were pending. There was a funding gap of US$ 22.7 mil to fund Phase One projects, as of 16 March 2009. The gap was the difference between the appraised value of projects and available funds to complete Phase One was US$ 22.7 mil as of March 2009. Discussions were ongoing at that time within the OC on:

- Additional deposits to complete Phase I activities; and
- Forward funding for Phase II, through to the end of 2011.

Three factors were contributing to pledging delays:

- A new level of political sensitivity on replenishment of funding at the donor HQ level, following the ICC decision, but building on ongoing concerns. The Government also moved MDTF-N discussion, and all other relations with donors, to the political level;
- Donors were concerned about unresolved technical problems that affected disbursement levels in 2008 and by the lack of an agreed Strategic Plan for a Phase II. The donors these were considered the result of poor WB performance, contributing to significant tensions with the WB; and
- There is a disagreement between donors and Government on whether Government has met its past counterpart payment obligations, and on the Government’s unilateral 2009 announcement that it would not make new counterpart payment commitments.
Late pledging, and the low funding levels with the MDTF-N have been a further source of tension between the Stakeholders, interpreted by both sides as an erosion of political will. As a result, Government has lowered its level of representation, and effectively ended the role of the MDTF-N as a forum for policy discussion.

Counterpart funding to most MDTF-N project was untimely and insufficient to meet project needs. Monitoring Agent reports indicate counterpart funding began to decline in 2007 and worsened through 2008. The agent concluded that uncertain and unpredictable funding had become a significant, obstacle to implementation. The agent also reported frequent cancelation and/or contract delays resulting from insufficient funds as undermining overall performance. For its part, the GoNU cited revenue short falls as the reason for delayed counterpart payments, but also noted that the GoNU had exceeded the original commitment of 66%, although most of this was allocated to only two projects. The GoNU unilaterally advised in 2008 that it would discontinue the counterpart arrangement for any future phase funding, with significant implications for pipeline development.

Differences exist in understanding between stakeholders regarding the reasons behind delays in counterpart funding. The perceived impact of delayed contributions by GoNU on MDTF-N operations relates to the political dimension of the MDTF as it is one instrument of the CPA and therefore a peace-building mechanism. GoNU is a key actor in the MDTF-N OC and the main implementer of its operations. It is thus rightly perceived that if disagreements or problems exist regarding funding commitments then it should be taken up within the MDTF OC.

**Sudan MDTF-S**

The financial situation of the GoSS has changed. The government anticipates a 20% revenue shortfall for 2007, which has resulted in the GoSS requesting a reduction in the counterpart matching ratio from 2:1 to 1:1. In reality, all but for MDTF-S projects were approved at less than the 2:1 counterpart match. Initial estimates show a changing the ratio will result in a cumulative deficit totaling US$ 232 million in Phase Two and Phase Three.

The use of counterpart funding, requirement that GoSS deposit funds on approval of a project and long implementation delays had the impact of tying up scare capital funds, making them unproductive and not available for other activities.

**World Bank Iraq ITF**

All World Bank ITF projects, with the exception of two capacity building initiatives, were on budget, and through government instructions and systems. The IRFFI was formed under OP 8.5, and made the transition to OP 8.0 in 2007.

For project implementation, the IRFFI’s design gave the two Administrators: (i) a broad and common scope of activity, (ii) the potential for complementary sequencing (UNDG ITF quick implementation combined with the World Bank ITF’s medium term focus); (iii) the ability to target quick implementation priorities while simultaneously building sector capacities; (iv) a complementary program tool kit (DEX and NEX implementation), and (v) additional scope to the UN system for political governance and humanitarian affairs tied to Security Council Resolutions.

There was no systematic effort to understand and use the comparative advantages of the two
Administrators. There was close and ongoing technical and administrative cooperation through the FCC. However, four factors worked against developing the advantages built into the “two window” model: (i) United Nations and World Bank program were disrupted after the evacuation from Baghdad. A significant amount of institutional effort went into “regrouping” in Amman as well as adapting to the new program environment; (ii) the loss of the Secretariat, which would have been a common facility supporting synergies; (iii) there was no apparent demand from the Donor Committee or Government, and guidance or incentives to support efforts; and (iv) both the United Nations and the World Bank preferred to avoid “niches” that would restrict their activity. The reflex may have reflected higher order institutional tensions on the role of the World Bank and the United Nations in managing post-crisis MDTFs.

The IRFFI’s full potential to address a broad scope of recovery needs was undermined by the lack of coordination between the two facilities. Without a coherent effort to identify the distinct contributions that could be made by the World Bank and the United Nations, the IRFFI did not develop the synergies needed to work across the requirements of building state institutions in the medium-term, while at the same time addressing the urgent and short-term needs of recovery. This point is made noting that there were initiatives within the individual portfolios aimed at bridging the gap.

The “two window” MDTF model can respond to a broader scope of post-crisis needs that if the United Nations and the World Bank were administrating as the sole agent. The experience of the IRFFI reveals a fundamental tension inherent in many post-conflict situations: (i) how to meet the long-term challenge of strengthening state institutions, governance processes and civil society; while simultaneously; (ii) meeting and short-term needs for core public services and meeting popular expectations for improvements in daily life. The IRFFI had the tools to accomplish these tasks, in a manner not found in any previous MDTF. That these synergies were not developed limited the IRFFI’s potential scope and effectiveness. Future “two window” MDTFs should be based on:

- A coherent effort at the institutional level to define the respective contributions of the World Bank and the United Nations, and how these can be coordinated within an MDTF operational structure; and
- Oversight from donors and Government, ensuring that their operationalization is demand driven.

In the absence of Bank staff being able to visit projects, the Bank has put in place a system of third party verification by a firm hired by the Bank as a fiduciary monitoring agency (FMA) … Overall, Bank staff uniformly expressed satisfaction with the work of the FMA, although they are apprehensive that there is some residual risk. There is concern about the extent to which the agent is able to verify the transactions fully given that it too faces periodic problems with security that do not allow its staff to visit the sites. Staff also does not think that this arrangement is an adequate substitute for the Bank’s physical presence in the country and for Bank staff doing the supervision. However, since this possibility is not open, the current arrangements are the best possible. We need to consider … that it is a reasonable but not a perfect mechanism for fiduciary assurance.
1.5.5 Bank Management and Institutional Support

**Afghanistan ARTF**

The ARTF remains a "best practice" actor when it comes to disseminating information on its activities – and particularly in the Afghanistan context there are no other donors that provide anywhere close to the same level of detail. Project funding has been heavily concentrated in community-based development (CDD) activities, which have so far received two thirds of ARTF project funding.

The security pillar presents a challenge for the ARTF since it cannot finance activities linked to security services. Yet addressing insecurity is important as a worsening security situation may undermine other ARTF achievements. Of equal importance is that development activities in security-affected areas, well conceived and implemented, will support stabilization and thus long-term socio-economic and institutional development.

Finally, the ARTF is not paying sufficient attention to overall performance tracking above the Outputs level, and cross-cutting concerns, in particular gender, conflict sensitivity and distributional outcomes. These are skills and time intensive issues, however, where the donors and authorities also need to contribute to the burden sharing and learning, though the ARTF can play an important role as knowledge manager and institutional memory.

The Performance Assessment Matrix (PAM) has helped focus on actual results, with two rounds of reviews presented so far. Both the instrument as such and the documented achievements are seen as positive. A recent Public Expenditure and Financial Accountability review strengthens the positive picture as Afghanistan scores equal to or better than even middle income countries on most dimensions, pointing to high efficiency, effectiveness and expected impact from recurrent cost funding. The relevance is quickly decreasing as own revenues go up.

**Indonesia MDF**

MDF/Indonesia faced major hurdles to begin with: the on-budget projects were delayed because the government did not process the required budget execution documents. The subsequent off-budget projects required considerable legal work to get grants agreements in place. While the first problem was government's responsibility, the second was a function of Bank procedures and the lack of knowledge of how to address them initially. These problems were solved due to hard work by the Secretariat, strong support from the Bank's Country Director who is resident in-country, the pressures and support from the international community, and the government finally resolving the payments issues and providing the necessary capacity. The strong Bank presence on the ground also was critical for the projects to move. Once these bottlenecks were addressed, disbursements began in earnest, but only about nine months after fund start-up.

Bottlenecks in disbursements to projects are still an issue for various reasons. They have increased, in fact, because post-BRR implementation of on-budget projects is through regular government channels. These problems are not unique to the MDF, but impact disbursement for all on-budget projects in Indonesia. In the context of a trust fund with a limited life and mandate, however, it jeopardizes the ability of MDF projects to complete implementation within the available timeframe and raises serious issues that need to be taken into account for
any future post-disaster trust funds in Indonesia. Furthermore, now with UNDP implementing many of its projects through an “on-budget/off-treasury” modality called NEX, projects implemented through UNDP also face these disbursement issues. (Comment sent by the MDF country team, 4 June 2010).

Most projects’ results frameworks (RFs) have poorly defined higher-level results and indicator sets. Some indicator sets are too complex and focused on lower-level issues, including tracking inputs rather than results. The RFs are thus often unsatisfactory, meaning M&E systems are by and large not operational.

Quality of and commitment by management is critical to successful implementation. Project proponents should be challenged to document that this is in place.

The Partner Agency (PA) model creates flexibility for MDTFs by inviting in new implementation arrangements such as for off-budget projects. The use of partner-specific instruments should not prevent standardized reporting and performance for the trust fund as a whole, however, and these issues need to become part of the general PA agreements.

Another issue is the asymmetry in the relations between the Secretariat and Bank partnered versus other Partner Agency projects. The Secretariat will necessarily remain more Bank-compliant since the Bank is trustee. But it needs to understand well rules and procedures of the other PAs in order to ensure balanced treatment among Partner Agencies.

The Recovery Assistance Policy and Operational Manual are good starting points for “good practice” MDTF instruments. In the case of the Operational Manual in particular, the latest version contains practical guidelines that could be adapted to other post-crisis situations. Because the RAP is a formal policy document that has to be approved by all, it has been difficult to update it. High-volatility situations require that flexible ways for approving policy improvements are agreed to, to minimize time delays due to procedural issues.

The MDF has grown and adapted in size and skills composition according to the priorities of the MDF. However, some of the early needs, especially legal capacity, had not been foreseen, so there is a need to review what skills are likely to be required during the different stages of an MDTF cycle. As the focus moves towards portfolio quality assurance and results reporting, more of these activities can be done better from the Banda Aceh office.

In countries with ongoing active engagement, high quality RE projects were designed quickly by building on successful projects to respond to emergency situations (e.g. Indonesia Community Settlement Reconstruction, Project approach builds on experience of existing community-based programs (UPP and KDP).

The high quality projects were designed quickly by building on successful existing mechanisms such as KDP and UPP. The success of this approach of scaling up existing mechanisms should be one of the key lessons learned from the MDF. The projects in this initial group of “Community Recovery” projects using the CDD approach are now coming to a close. The MTR noted that the projects which are part of existing national programs, like UPP and KDP, are more likely to be sustainable. These programs have now merged into the national PNPM program that is being instituted all over Indonesia. For the Aceh housing reconstruction project, REKOMPAK, a lessons learned workshop was held in May with various stakeholders. This project in particular was replicated in Central Java under the Java Reconstruction Fund (JRF), and is being mainstreamed into government’s post-disaster
approach in Indonesia. The MDF Secretariat will be following up on lessons learned through this project and others in the Community Recovery group of projects for lessons learned. (Comment sent by the MDF country team).

**MDRP Great Lakes**

After the first two years, the MDRP lost its “status” within the Bank and became regarded as a “risky” MDTF project. This for various reasons, the MDRP experienced changes in management at the Secretariat and in the profile of the leadership of MDRP operations at country-level; declining high level management support to the MDRP within the World Bank; and, with the restructuring and decentralization of the Bank, the Program received insufficient support for internal coordination, affecting support to operations in different countries and to the regional approach.

Partners missed the presence of World Bank staff on the ground to support the operations with the pace needed and with the sensibility derived from understanding the problems a DDR operation face, many of which derive from the context of the country having undergone a long-term conflict. Prompt action and guidance would have benefited performance. According to them, despite of existing information technology available, the distance of the MDRP Secretariat and Task Team Leaders from the operation did not help to support the pace of implementation needed. Moreover, some national partners called attention that the regional funding and approach occasioned some predilection towards certain countries and operations. What they missed was the intervention of the MDRP Secretariat to secure that support to MDRP operations would happen according to the needs of the program and not to Task Team Leaders’ and donors predilection to certain countries.

The costs of running the MDRP became much higher than expected, taking nearly 6% of the funding. This, however, reflected the real costs of running a large and complex program under difficult circumstances – the original budget was unrealistic.

The Secretariat has been the key element in the MDRP, tying the components together, ensuring flow of information, timely decision making and implementation follow-up.

Three managers and thus different styles and priorities during the first three years of the MDRP were not helpful: consistency and clarity suffered. During the last four years, one management has been in charge, with beefed-up capacity on the ground as well as improved information and knowledge management capacities and systems.

The heavy use of hired-in technical staff that was later given operational responsibilities created particular challenges for the program. One thing was lack of knowledge of Bank procedures among key staff on the ground. Equally important was a schism between the cultures of TTLs that worked on DDR, and normal Bank policy-and-procedures style. The management challenge was to support individualistic DDR TTLs get difficult programs to move on the ground while maintaining good relations with donors and national DDR bodies that at times did not show much commitment to DDR or lacked the capacity to move fast.

This required a clear yet inclusive management with strong credibility and legitimacy, which should have been conferred by senior Bank management. This has not been in place since the first period, however. While the Bank ended up funding more than planned, the lack of Bank attention to a US$ 500 million program in perhaps the most high-risk field the Bank is engaged
in, in a politically volatile region of fragile states, is nothing short of surprising. The use of technical expertise hired in from the outside strengthens the ability to address multifaceted problems. But time and resources must be invested to ensure that these new staff are properly trained, integrated and function well in the program context.

The Administrator of challenging programs like the MDRP must continuously and critically assess if own systems and procedures are appropriate to the objectives being pursued. High-risk fast-moving environments require, among other things, flexible, delegated and operational decision-making systems, rules and corporate culture, and the Bank is still some ways off from this situation.

Reintegration is a more complex and long-term process, and while a DDR program normally cannot do full-term reintegration, monitoring systems should have been in place to ensure that national authorities can continue to track progress over time.

The Bank’s procedures are not set up to handle this kind of unpredictability, and senior skills and risk-takers are required to make this work. But while the Bank has improved its operational procedures (OP 8.0), the Bank’s Board has made it clear that it wants to align trust fund operations with normal Bank procedures. The Bank may therefore be negating its own work at becoming more relevant in fragile state environments by removing flexibility and risk-taking. A number of staff interpret the signals from the Board as implying that working in high-risk environments is not going to be rewarded but on the contrary can easily become a career killer. This would make it important that Bank management make clear what policies and intentions actually are.

### Burundi Emergency Demobilization and Transitional Reintegration Project

Bank executed technical assistance proposed includes enhanced supervision and implementation support due to the sensitivity and risks identified for this operation.

Through the Bank-executed part of the MDTF, a senior D&R specialist will be recruited and based in Bujumbura to provide day-to-day oversight and support to the project.

Given the emergency nature of the project and past performance issues on previous Bank operations, the task team proposes to conduct at least four supervision missions during the first year of project, followed by at least three supervision missions during the remainder of the project.

To ensure the cohesive and systematic implementation of M&E efforts, this expert will, within the first quarter of operation, develop a detailed monitoring and evaluation plan.

### Liberia LRTF

Close adherence to the main policy principles (government led partnership and full alignment with national development strategy and international donors), although state’s actual capacity to define the development agenda was limited.

Full integration of LRTF with other WB and ADB program modalities/resources (IDA, LICUS and AA), within the JCAS framework.
Sudan MDTFs

The main performance issue for the World Bank with both the MDTF-N and the MDTF-SS has been capacity in the field. The situation has been more acute for the MDTF-SS, due to much weaker government capacity and a poor operating environment.

For the MDTF-N, Scanteam (2007) concluded:

- The pace of implementation was undermined by low Government capacity. Also, doubts were expressed about the political commitment of some members of the Government of National Unity to the CPA process. The slow pace of implementation, and ongoing negotiations on outstanding political issues was creating political tensions.
- In this context, the MDTF-N had difficulty establishing a field presence in Khartoum. It experienced difficulty recruiting staff for the secretariat. Many recruits came from the UN system and did not have adequate training with WB procedures.
- Only limited capacity was placed in the field. The TTLs and procurement officers were located outside of Sudan. Also, decision-making capacity was placed outside of Sudan, limiting the Bank’s ability to engage in policy dialogue with other stakeholders.
- The World Bank’s presence, therefore, was thin during the start up period when it was establishing relations, systems and procedures.

For the MDTF-SS:

- The World Bank lacked physical infrastructure, a situation faced by all members of the International Community.
- Only a small core staff was placed in Juba, with management, TTLs and procurement working on a remote and visiting basis.
- The Juba-based staff did not have sufficient capacity or authority to established relationships, develop the initial project proposals in a timely manner, make decisions in real time situations, or respond to the much higher than anticipated capacity development requirements of the GoSS.

For the MDTF-N, the review concluded “the Bank has taken steps to improve its institutional support to the MDTF considerably as the MDTF TS is currently much better resourced. Confirming findings from the June 2006 Review, the TS continues to be staffed with highly competent and dedicated professionals.”

For the MDTF-SS, the review concluded “the key enabling factor for performance improvement has been the gradual strengthening of the capacity of all stakeholders. The size and quality of the GoSS civil service has improved at the central level, in part as a result of technical assistance and capacity development provided through the MDTF-S. GoSS ownership appeared good, as were transparency, accountability and sustainability of projects. The World Bank responded to initial performance concerns by significantly increasing the capacity of the Juba Secretariat to 13 professional and technical staff. The bank has also placed greater management and decision-making authority in the field. These measures were part of a coherent institutional response supported at the highest levels of the Bank’s management. The Joint Donor Office is established Juba, and is a unique and successful example of donor coordination which can serve as a best practice model.”
Performance improvements have also been aided by two other factors. First, embedding projects teams in Ministries, and providing technical support to procurement and project management also showed positive results. Second, there has been a process of mutual learning. Through resolving start up difficulties and project development, GoSS, Technical Secretariat, Donors, the United Nations and NGOs have achieved a better understanding of each other’s systems and institutional culture. Expectations have also changed. The fund is no longer perceived by its principle stakeholders as a mechanism to support both recovery and development activities. The “recovery” expectations have been dropped, reflecting operational realities. However, shifts to do appear to have been communicated to beneficiaries and sub-levels of government, which appear to continue to expect the MDTF-S to play a “recovery” role. The result may be continuing public frustration, with accompanying political and reputation risk.“

World Bank 2010:

The mission observed that the Bank had significantly increased in its Juba field capacity by 2008, including the placement of a resident manager.

| World Bank Iraq ITF |

The Bank has made several changes in its procurement and disbursement procedures to speed up implementation. These changes are generally appreciated by staff (and presumably the client). Still, several Bank TTLs mentioned cumbersome Bank procedures as impeding implementation. There is perhaps a need for taking stock on a portfolio basis and devising procedures that are applicable for all projects. Some of the aspects that may need to be considered are: adopting national local bidding procedures; more liberal use of invited bids on limited shopping in view of limited domestic contractor capacity; establishing local currency accounts; decentralizing all procurement and disbursement to the field (Amman).

As with other crisis or post-crisis situations, Bank procedures (OP/BP 8.00) allow for considerable flexibility in the design and implementation of projects in view of the emergency... While the policy flexibility has allowed the Iraq team to process projects rapidly, some projects have been criticized by external reviewers (QAG and others) for poor quality. Some staff feel that there is a disconnect between what Bank Management expects staff to do in post-conflict situations (quick response) vs. what other parts of the Bank (Networks; QAG, and later IEG) require. These concerns have also been raised by other country teams applying OP/BP8.00, who point out that emergency projects have been evaluated in comparison to a normal Bank project with no regard for the exceptional context.

In practice, there is considerable confusion surrounding this issue, some possibly created by the teams themselves. It must be clear that there is a difference between emergency processing/implementation under OP/BP8.00 and questions of substance in regard to design of emergency operations. Labeling a project as an emergency for processing expediency may be inconsistent with sophisticated or complex policy and institutional goals that are built into the project. Whether a project is formally labeled as an emergency project or a normal project, the country context indicates the need for realism in design (simplicity of objectives and components) and the implementation plans.
1.5.6 Effectiveness and Operational Issues

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The ARTF is the first post-conflict trust fund that is transforming itself into a medium-term funding instrument. This is an exciting change, and one that should be welcomed as it provides an anchor for longer-term predictable financing for better-programmed and coherent reconstruction and development activities.

The ARTF has the pre-requisites in place for carrying out this successful transition: a government that is committed to improved medium- and long-term planning and implementation, and an international community that is willing to stick with a partner even in a conflict-affected situation.

In Afghanistan, where the ARTF covers both budget support and project financing, the much larger budget support component is doing well, while some projects met problems. The first projects were co-financing arrangements and thus benefited from project management and disbursement systems being in place. Some of the subsequent projects took longer because management teams and systems had to be established, and some of the capacity building projects were not well designed. In WB&G, the Holst Fund experienced initials delays with both budget support and project activities, largely because it was breaking new ground in both areas. Budget support has since then performed as expected, and the MDTF’s flexibility was shown when it was able to quickly fund emergency activities in response to Israeli closures. The more recent funding problems are due to the deteriorating political and security situations and not the MDTF itself. (Scanteam, 2007a)

The projects need to address questions of governance, including corruption and the equity of distribution of gains, more aggressively, requiring better monitoring and evaluation. By the end of SY 1386 (March 2008), CDD projects received over two-thirds of the US$ 752 million allocated over the ARTF investment window.

The question of the legitimacy of local governance bodies also should be looked at. There are an increasing number of initiatives that wish to reach down to community or village level, and somewhat different approaches are being taken. The NSP has supported the establishment of Community Development Committees (CDCs), yet NRAP believes CDCs cannot be a direct party to a binding contract. The Education Quality Improvement Program (EQUIP) is setting up community-based School Management Committees, while the Ministry of Agriculture seems uncertain which local body to use for its National Program for Food Security. Proposals for using local shuras or maliks in various roles exist as well, creating uncertainty as to the institutional stability and future of various bodies.

The Monitoring Agent has provided valuable training and verification services, but these are less needed as GoA own funding increases and MoF systems and skills are put in place. The MA’s document-based verification also cannot uncover more sophisticated ways of defrauding the Treasury. As the MoF has now established its Internal Audit department, the ARTF could restructure the MA contract to focus on support to Internal Audit with tougher audit controls, including perhaps a direct concern for addressing corruption.

The three CDD programs NSP, NRAP and MISFA can all point to impressive results in terms of Outputs achievements, and have laid strong foundations for further improvements.
They are having positive impacts in particular in three fields:

They provide critical inputs for local development in the form of small-scale finance and infrastructure investments;

They provide capacity building but also political mobilization and participation and thus organizational development, strengthening voice and empowerment of social groups that often are not heard – women in particular. This is carried over into concrete results in the form of real resource access as well as allocation decisions by the population;

They strengthen the links to and legitimacy of national authorities at local level, which is important in a country coming out of conflict and with a central administration that is still fragile yet having to address fissures and distrust across the nation-state.

The ARTF has funded public sector capacity development (CD) in the form of senior level managers on short- to medium-term contracts. This was done through the Afghan Expatriate Program (AEP) and Lateral Entry Program (LEP), later merged in the Civil Service Capacity Building (CSCB) and now to be followed by the Management Capacity Program (MCP). The projects have successfully recruited qualified Afghans to take on policy advisory and senior decision-making responsibilities (AEP) and management and senior technical posts (LEP) in key institutions in Kabul. These staff contributed to improved performance of the public sector during these difficult years of transition, have reportedly helped develop better instruments and processes, introduced more modern approaches to public sector management, and been key supporters of public administration reform measures such as merit-based recruitment and advancement, and priority reform and restructuring. Most of these contributions are stated as observations and anecdotal evidence as there has been no results reporting or systematic mapping of such outputs or outcomes.

These projects have not been well coordinated with other CD activities. The different pay scales caused some frictions and supposedly interference in some of the recruitments. As gap-filling measures they were never intended to be sustainable but the MCP is now re-structuring and unifying the approach to align with general public policies.

The ARTF contribution to CD has been marginal in terms of immediate outputs but even less visible with regards to policies, principles and systems. While the 2005 review argued that the ARTF has some important comparative advantages in the field of CD, this avenue has not really been pursued.

The Urban Water Supply and Sanitation (UWSS) program is to cover Kabul and 13 other towns, with co-financing from Germany’s KfW. The project has taken three years to begin implementation, in part due to the decision to use the national systems and procedures rather than establish a PIU. But weak political support, poor capacity to implement, and major delays in procurement and land acquisition are further explanatory factors. Implementing through sector institutions is expected to produce longer-term capacity improvements, and the strengthening of transparent and competitive procedures and markets. The short-term effect is serious delays in providing drinking water and sanitation services to the public. It is not clear that this was a carefully considered trade-off, but this merits analysis as the longer-term effects may turn out to justify the approach taken. Right now this must remain an open question.
EQUIP has in a short period of time become an important national program, active in all 34 provinces, supporting local-level grants for improving educational quality, increasing girls' attendance rates, building schools, strengthening the Ministry's monitoring and quality assurance capacities. It has produced a menu of standard school designs that other donors find are efficient and effective. They are therefore redirecting their school building resources to EQUIP, strengthening the coherence and management of this important part of the Ministry's sector development plans.

**Indonesia MDF**

The MDF has thus followed GOI leads in terms of focus; has mobilized resources to quickly address strategic programs when they have been presented; has flexibly moved between on-budget and off-budget modalities; has provided active and increasing support also to Nias; and is experiencing faster disbursement rates after a very slow start-up. Accepting the role as "funder of last resort" has made the MDF finance projects that in hindsight may not have been of great importance, but (i) it has been politically important that the GOI could count on a large-scale fund like the MDF to fill critical gaps, and (ii) overall the MDF portfolio has addressed strategic program areas in a flexible and reasonably expeditious manner.

Limiting MDF expenditures only to areas affected by the tsunami was problematic in a post-crisis situation, and especially in the early period may have caused unnecessary questioning of the equity and hence legitimacy of the fund as a supporter of Aceh development.

For the MDF, focus should be on assisting projects deliver better against key quality criteria: Good Governance; Environmental Sustainability; and Equity of benefits. This should be ensured through making resources available for planning and implementation, by having the MDF itself make the desired results clearer, and helping the projects include these quality criteria in their M&E systems and reporting.

While project preparation in many instances became a long process in order to address all the MDF concerns, the real time loss was getting projects ready for effectiveness, which is a function of the Bank's processing criteria. This is a step that Bank studies have identified as a concern, and one where little progress has so far been made.

The main achievement of the MDF is the broad-based but often under-reported capacity building across all of Aceh: for institutional, organizational and skills development; to the public sector at provincial and district levels and some to municipal and agency levels; and some to civil society and the private sector.

There is no overarching strategy or action plan regarding capacity building in Aceh, so MDF and other CB support becomes ad hoc and project specific. Support to public sector capacity is the best structured, but even here there is no clarity on priorities; how to ensure strengthening of relationships and critical common functions across different administrative levels and boundaries. CB for the private sector has been weak, though may improve substantially once the EDFF and LEDP become operational.

Being able to use projects and approaches that were active on the ground avoided delays and adaptation costs (KDP, KRRP, LRRP). Using local skills avoids delays, adaptation costs, and makes it easier to use participatory and inclusive processes for planning and implementation, which strengthens project delivery (community recovery projects).
"Quality at Entry" remains important: well planned projects have led to local engagement and ownership which leads to better implementation and hence good results. But project design should be as simple as possible given the issues at hand. Complex projects with interdependent components generate bottlenecks. In these projects strong management with capacities to identify and address such problems is important.

However, a post-crisis situation poses many risks and unforeseen changes, so providing a rigorous planning framework before implementation has started up and the practical problems have been identified may not always be feasible or efficient. Allowing projects to start up based on key principles and then developing the more detailed planning framework three months into implementation, as suggested in the M&E mid-term study (Particip 2006) is sensible and realistic.

Time cost may be important to stakeholders, but if there is a likely time ⇒ quality/ relevance trade-off – for example because participatory planning may require more time – the option should be put to the stakeholders for decision. Even in a post-crisis situation the experience seems to be that they prefer the slower but better quality project approach. There are furthermore examples of participatory planning speeding up implementation, thus actually improving efficiency (REKOMPAK in particular).

Capacity building inevitably becomes a core concern in any post-crisis situation. This should thus be made an explicit concern from the beginning, both at the level of the individual intervention (many MDF projects had CD components), but also at the strategic level of the fund as such.

Capacity building is recognized as a significant on-going need but one that is beyond the life and more importantly the mandate of the MDF. The mandate of the MDF was specifically on reconstruction, and indeed some donors have expressed disappointment in the limitations of the mandate. However, the donors have also always been in agreement on the scope of the mandate, in spite of its limitations. Long-term capacity building was beyond the MDF mandate, and should not be the measure of success. Nevertheless, there are many important lessons to be drawn from MDF’s efforts in capacity building that could hopefully contribute to discussions on how best to address these needs within the context of a trust fund such as the MDF with a specific mandate and limited timeframe.(Comment sent by the MDF country team).

Post-crisis situations imply volatility and uncertainty. Quality assurance and monitoring are therefore more important than otherwise. At the same time, management time is at a premium. It is therefore important to quickly establish good, robust but simple and cost-effective monitoring and evaluation frameworks and systems that are as standardized and compatible across projects as possible.

Quality of and commitment by management is critical to successful implementation. Project proponents should be challenged to document that this is in place.

Projects with international/external TA are vulnerable to delays. Such projects should build in provisions for delays of arrival and actual start-up of such staff.

As in all projects, designing a realistic hand-over and exit strategy is critical for longer-term sustainability and impact.
MDRP Great Lakes

The regional approach of the MDRP ensured the broad-based understanding of the DDR issues, including the need for large-scale and flexibly programmable funding from the donors. Generating agreement around this regional approach to the Great Lakes Region (GLR) DDR question was a major achievement.

Despite the regional vision, it was easier to produce the country-specific outputs than the regional ones. The cross-border results require continued effort and focus, and unless the benefits are perceived to be significant to both parties, it may be difficult to sustain the interest. There is also probably a hierarchy of concerns where the national ones come first, and where parties therefore are at different stages in addressing their challenges (Rwanda had largely managed its internal DDR, DRC was still in the middle of a big DDR process).

In the MDRP/Greater Lakes, the Bank has largely been successful with its support to the national DDR commissions and the larger-scale financing of demobilization and reintegration packages. But the small-scale Special Projects have come in for considerable criticism. The issue was partly getting implementation agreements in place, and partly complaints by partners on the ground that the Bank’s quality demands were unrealistic given the need for speed, the size of the projects, and the circumstances under which they were being implemented. One issue was if the Bank had enough field presence to make the right decisions fast enough. Another was the Bank’s commitment to national ownership in the face of weak capacity to take decisions. The result was that government-led committees that were to give approvals on project proposals caused some major delays. (Scanteam, 2007a).

The delays in program implementation noted in some countries, mainly caused by political stalemates or management issues, prevented full results achievements. In some cases joint donor action (DRC) overcame stalemates and ensured progress. More effort needs to go into reducing delays as timing is a fundamental aspect of efficient D&R.

Livelihoods viability of D&R packages offered need to be market-friendly and realistic so as to avoid disappoints and possible abandonment of the DDR process by EXCs.

In order to reach special groups, earmarked resources must be set aside and targeted skills and programs employed to ensure that group-sensitive approaches are employed. This was successful in the case of child soldiers but was largely absent when it came to female EXCs, despite being an early identified group.

COFS, as a cross-border issue, is highly political. The ambitions of the MDRP in this area may therefore not have been realistic.

Quality assurance is expensive and management intensive. As with special groups, M&E requires dedicated resources and attention. In order to track performance, databases need to be set up with clarity on which variables the program wishes to track (a fairly minimalist approach is the most realistic), preferably with consistency across countries if program similarity makes this logical and possible.

The management of such a large M&E program, and the capacity building necessary for the

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41 As of 30 June 2006, the MDRP MDTF had disbursed about US$ 47 million to the Special Projects.
individual programs to be able to manage and implement it, is a task that is possible to contract out, at least partially, where different models or contracts can be used.

The joint learning events provided for efficient sharing of own experiences (peer learning), dissemination of new knowledge, but also was the most useful arena for building trust and cross-border relations.

For implementing countries, there may be some economies of scale on the learning and access to resources, but the cross-border transferability of “lessons learned” from joint knowledge events is limited: they must still be adapted to the national context.

**TDRP Great Lakes**

The need for institutional knowledge preservation after the closure of the TDRP is clear. And in the unlikely event of a lingering need for some regional DDR facility for the Great Lakes region, the TDRP would transfer this role to an African institution. Thus the TDRP will: (a) identify the best placed institutional body to house the experience, expertise and materials gleaned over the last 6-10 years of D&R experience and continue any required regional coordination; and (b) build the capacity of that institution through involvement in partner meetings and specific technical activities and discussions, amongst other activities.

It should be noted, however, that a number of lessons learned from the MDRP have been taken into account in the Transitional Demobilization and Reintegration Programme. The new program aims, among other things, to **improve the link between World Bank- and UNDP led active ties**. When ex-combatants are registered, for instance, they are handed over to other development programs. Even though such changes are welcome, the contextual challenges to reintegration will remain prevalent.

**Liberia LRTF**

Sensitivity to limited Government capacity in OC meetings. Discussions attempt to target and pace projects in a manner that does not overwhelm capacity.

**Sudan MDTF-S**

*From the documentation*, the causes of operational challenges relate to the combination of: (i) mutual lack of understanding of stakeholder systems, procedures and expectations; (ii) insufficient World Bank capacity in Sudan, inappropriate Task Team structure and inappropriate operating procedures; (iii) weak state counterpart systems, procedures and human resources. These problems were compounded in Southern Sudan, where the GoSS had no previous experience in civilian government. While the World Bank expands capacity and changes procedures during 2006/7, important GoNU and GoSS capacity and procedural concerns are still being cited as the major source of implementation delays in 2008/9. Governments, has had greater difficulty than the World Bank in adapting (summary observation from the WN Annual Performance Reporting)

Summary of Lessons Learned from the Annual Sudan MDTF Progress Reports (covering both MDTF-N and MDTF-S)

The reporting describes three operational phases common to both MDTFs:

- *Establishment* of the MDTFs in 2005 (creation of the Governance structure and the
Oversight Committee, initial work to develop the pipeline and initial strengthening of Government systems); 
- **Consolidation** of fund operations in 2006 (strengthening of inadequate World Bank and Government capacities and further development of the pipeline), and; 
- **Results** by 2007, with the first projects approved, under implementation, and supported by enhanced World Bank and Government capacity.

Within these three phases, issues related to the capacity and procedures (of all stakeholders) are the key determinant of performance.” Both funds experience significant start up and implementation delays, being more acute in the South were institutions were weaker, dependence on the MDTF-S higher, and commitment of scarce Government capital budget to the fund greater:

- The mean time for project establishment to review of the first Concept Notes was 9.4 months for the MDTF-S and 21.9 months for the MDTF-N; and
- The mean time from development from Concept Note to first disbursement for the National fund was 11.4 months for the MDTF-N and 12.1 months for the MDTF-S, outside of expectations for “rapid impact”.
- The 2007 study Delivery Speed observed “low implementation capacity and fragile counterpart institutions … means project launch and implementation working through government is time consuming.

There might also be a fourth phase. The 2007 reporting describes performance of both funds as “strong”. However, there is a deterioration of performance in late 2007 and into 2008, resulting from the combination of late counterpart funding and lack of capacity to develop and manage new projects coming through the pipeline. Pledging delays affect pipeline development (operational level) and overall stakeholder confidence.

2005 Progress Report:

The MDTFs face a number of challenges and risks, including:

- Fragility of the peace and the need to consolidate peace throughout Sudan;
- The overall security situation, which poses risks for operations;
- Weak implementation capacity and perception of slower than expected progress;
- Fiduciary aspects of project implementation;
- Difficult working and living conditions in Southern Sudan and the Three Areas; and
- Management of donor, NGO, and government expectations to counter the ultimate risk of disillusionment with the MDTFs as effective mechanisms for delivering the peace dividend.

2006 Progress Report:

There are substantial tradeoffs and tensions between on the one hand ownership of projects and capacity building, and on the other hand the pressure to implement quickly and deliver results– particularly in a post conflict environment. The reality is that the capacity of inexperienced government institutions to implement is usually low. Although putting implementation in the hands of an experienced external agent such as a contractor will speed up implementation, it will not foster ownership or build capacity. The imperative to extend support to the poorest regions is obvious, but the serious capacity limitations need to be addressed requiring support from external agents (consultants, advisors, contactors).

Despite these problems, and with the endorsement of Governments, the TSs have chosen to
foster ownership and build capacity as the only way to achieve sustainable implementation of development programs, but this has in the short run been at the cost of speed. At the same time it is acknowledged that technical assistance to government units was not always readily available in either the North or the South. As noted above, the Technical Secretariats therefore plan to boost their staffing (particularly procurement and financial management expertise) early in the 2007 to ensure that timely assistance can be provided. Another important step taken by the MDTFs, in collaboration with the two Governments, to improve the speed of implementation has been to increasingly seek the assistance of United Nations agencies and NGOs in supporting project implementation.

A key lesson, also related to supporting government institutions to build their capacity and take ownership of implementation, is that because of the difficult circumstances facing project planning and implementation, outcomes cannot be easily planned or predicted. Hence over-promising results is fraught with risks, and it is therefore also important to establish effective communications with all stakeholders to inform them about results achieved, challenges facing implementation and the strategies to be used to address the challenges.

The risk of financial mismanagement and corruption of various kinds is high, especially given high levels of resources and limited government capacity. Continuous vigilance is necessary and hence, as mentioned above, procurement and financial management specialists will be appointed to TSs for both MDTFs.

Focusing attention on capacity building in Governments runs the risk of crowding out the nascent local private sector and civil society. The solution is to sub-contract activities to non-government entities, but this requires Government management and procurement skills that need to be strengthened.

Finally, risks associated with the timely availability of Government contributions from the budget for the co-financing of projects will become increasingly important as implementation of MDTF programs accelerates. Actions have and are being taken to mitigate these risks. One crucial step is to ensure allocations in future budgets; these have been made by both Governments. A second step is timely advice from the TSs about funding needs.

2007 Progress Report:

Trade-offs between Ownership/Capacity Building/Sustainability and Speed of Implementation. There are substantial tradeoffs and tensions between, on the one hand ownership of projects and capacity building, and on the other hand the pressure to implement quickly and deliver results, particularly in a post conflict environment. The reality is that the capacity of inexperienced government institutions to implement is usually low. Although putting implementation in the hands of an experienced external agent (such as a management consultant or contractor) will speed up implementation, it will not foster ownership or build capacity. The imperative to extend support to the poorest regions is obvious, but the serious capacity limitations in these regions need to be addressed requiring inevitably support from external agents (consultants, advisors, contactors) until local capacity has been strengthened.

Adequate Technical Secretariat Staffing to Support Ownership. Despite the problems of
generating ownership, the Technical Secretariats have chosen (with the endorsement of Governments) to foster ownership and capacity building as the only way to achieve sustainable implementation of development programs. Of course this strategy has in the short run been at the cost of speed of implementation. At the same time it is acknowledged that technical assistance to Government units was not always readily available in either the North or the South. The Technical Secretariats therefore boosted their staffing in 2006 and 2007, particularly in procurement and financial management expertise, as well as with locally recruited technical staff to ensure that timely technical assistance could be provided to Governments. Another step taken by the MDTFs, in collaboration with the two Governments, was to improve the speed of implementation by increasingly seeking effective assistance from United Nations agencies and NGOs in support of project implementation which has been particularly relevant in the South.

Effective Communications on Program Constraints and Results are Critical. A key lesson is that, because of the difficult circumstances facing project implementation, the timing of outcomes cannot be easily predicted. Hence, over-promising results at a specific time is fraught with risks, and it is therefore also important to establish effective communications with all stakeholders to inform them about results achieved, challenges facing implementation and the strategies to be adopted to address the challenges.

High Fiduciary Standards are essential. The risk of financial mismanagement and corruption of various kinds is high; especially given the large volumes of money transacted and limited government financial management capacity. Continuous vigilance is necessary, and hence, as mentioned above, procurement and financial management specialists were appointed to TSs for both MDTFs.

Public Sector Focus Risks Crowding out the Private Sector. Focusing attention on capacity building in Governments runs the risk of crowding out the nascent growth of the local private sector and civil society. The solution is to sub-contract activities to nongovernment entities, but this requires Government management and procurement skills that need to be strengthened, as well as the preparedness by governments to contract out some activities.

Counterpart Funding needs to be Reliable. Finally, risks associated with the timely availability of Government contributions from the budget for the co-financing of projects will become increasingly important as implementation of MDTF programs accelerates. Actions have and are being taken to mitigate these risks. One crucial step is to ensure allocations for MDTF projects in future Government budgets. These allocations have been made by both Governments. A second step is timely advice from the Technical Secretariats about funding needs.

2008 Progress Report:

2008 report does not have a lessons learned section. After reports of improved performance in 2007, performance decline in late 2007 and 2008 for both MDTFs. Principle reason is start up delays is untimely counterpart funding, limited government capacity and personnel, , and inadequate project management capacity, particularly for auditing and procurement.

Monitoring Agents have added important value to accountability, transparency, and generating information and analysis to support both decision-making and operational improvements.
It is necessary to be realistic about what is involved in capacity development, the amount of time required and how much a government, and in post-conflict situation particularly, is able to implement as its capacity develops. This especially when public institutions are being built from scratch, as was the case in South Sudan. The political impact of bringing in new procedures, as is the case of an MDTF, into an already functioning government must also be taken into account. In this regard, time is needed to build thrust between MDTF staff and public officials, understanding the rationale behind the new procedures as well as building public official capacities to use them.

Where public capacities are low, stakeholders should design alternative implementation channels to government institutions in the short-term, but always working within the framework of the government’s strategy and taking the necessary measures to ensure ownership. In this regard, recovery and development activities in low capacity environments have unique requirements, and there needs to be a differentiated approach.

As additional lessons learned:

- Expectation management in the establishment phase is essential. Expectations on the mandate, timelines and deliverables must be realistic and clearly communicated, particularly to beneficiaries.
- Ensure donors capacities are rapidly built to match the evolving demands of the roles they assigned to themselves in MDTFs.
- Ensure the MDTF Secretariat has a robust field capacity in the establishment phase. These means not only placing the management and project staff in the field at inception, but ensuring that they have the appropriate tools, institutional support and decision-making authority.
- The performance of MDTFs is influenced by the relationship between the MDTFs’ Oversight Committees and Technical Secretariats, which should be reliable and supportive.
- Allow for the Administrator’s personnel to play a closer role in implementation than would be the case in higher capacity situations.
- Ensure that any needs assessment includes an operational plan that allows for priorities to be established at the outset.
- In low capacity situations, place senior international technical personnel within the government at start up. Include the relevant planning and advisory capacity, as well as procurement and project accounting, which have been the most significant bottlenecks in the MDTFs.
- Embedding project teams into ministries has been proven to significantly improve project performance.
- High priority needs to be given to basic government systems, such as financial management, payroll systems, procurement and project management.
- Ensure that the initial concept of operations clarifies the relationship between the UN and the World Bank, including the necessary legal instruments for collaboration are established before inception.
Although MDTF projects are consistent with peace-building objectives, greater conflict analysis of project activities is needed, especially concerning sequencing. The sequencing of CDF implementation, for example, should be guided by a conflict analysis to ensure investments will be inclusive of neglected groups, such as nomadic populations. While MDTF donors can and have contributed to conflict analysis, the World Bank should ensure more systematic support to TTLs and Project Managers in this regard.

**MDTF-N**

Project implementation challenges resulted from insufficient and untimely provision of GoNU counterpart funding, and the limited capacity of State institutions and systems.

- Funding, untimely and inadequate release of counterpart funds to meet project requirements, and the GoNU unilateral decision to drop counterpart funding from some projects;
- Procurement, the lack of procurement and disbursement plans, or failure to update procurement plans, and incomplete submissions
- Withdrawal applications, improperly completed or late delivered applications, or slow review and release and lack of systematic following.
- Institutional arrangements, high turn-over, poor conditions of work, insufficient and untrained staff, no discretionary or decision making authority.
- Delayed start up, with no staff no funds for PIU staff recruitment or training, including on financial management issues.
- (Scanteam 2009, based on World Bank Portfolio review meeting with Government and donors (24 January 2009).

**World Bank Iraq ITF**

Working in Iraq has been challenging for the Bank Group and other donors ... the effectiveness of assistance has been hampered by issues related to both the country’s operating environment and the approach followed by the donors. Operating environment issues - which also affect the Government’s ability to execute its own investment budget - include: the fragile political and security situation; the unstable policy and institutional environment; the Government’s weakened institutional capacity, and weaknesses in Iraq’s banking system. Issues related to the approach of the Bank to Iraq include their selectivity of assistance as well as business processes and fiduciary arrangements which have been unfamiliar to Iraqi counterparts and are challenging for Ministries with limited capacity.

The key lessons for this ISN from past experience are: (i) for planning purposes, it should be assumed that progress in the security situation over the next two to three years would continue to be slow and incremental, with a significant risk of reversal due to the outstanding sensitive political issues yet to be addressed; (ii) despite the mixed results obtained thus far in terms of institution building in Iraq, it continues to be an imperative for the Bank’s engagement with Iraq, and its delivery should be customized to the varied needs encountered and to the Bank’s own ability to meet those needs; (iii) interest and engagement on the part of ministries and implementing agencies should be a criterion for Bank support; (iv) more selectivity is needed in terms of the ability to identify and seize opportunities as they arise to achieve concrete results; (v) the design of new investment projects, analytical products, and institution-building activities should support reform efforts that do not
overtax Iraq’s existing capacity and that more clearly reflect the country’s current political and security situation; and (vi) additional flexibility is needed in the design and programming of Bank assistance, in the scope for experimentation with alternative implementation arrangements, and in the way IFC conducts its field appraisal of projects (ISN 2009).

However, performance concerns must be set in the context of larger framework conditions, which had an equally significant impact on implementation. Analysis of performance factor places emphasis on the IRFFI/MDTF model has an integrated system, linking Iraqi ownership to governance, administration, project implementation and reporting. Project performance was conditioned by the performance of each level of the system (Scanteam 2009).

Large scale, complex and visible MDTF infrastructure projects have heightened risk in the midst of ongoing conflict. Experience in other MDTF countries (Sudan and Timor-Leste) indicates that these projects are difficult to manage in limited state capacity environments, even when the security environment is permissive (Scanteam 2007). However, the combination of limited capacity, ongoing violent conflict and distance management faced by the IRFFI further hinders implementation. The approach of the Community Infrastructure Project appears more effective; risk reduction through small scale works targeted in relatively stable areas. A complement would be to focus on building institution capacity for quick start up when conditions stabilize more broadly (Scanteam 2009).

Bank-related issues refer to the focus of Bank assistance; and Bank processes and Bank assistance to Iraq has largely responded to the country’s multiple reconstruction needs as identified in the 2003 Joint Needs Assessment carried out jointly with the United Nations (and later reiterated by the National Development Strategy). The downside of this approach is that the Bank’s assistance program may not have been sufficiently selective, being to some extent driven by the highly charged and visible international focus on Iraq at the time. While the Bank did not want to put ‘all its eggs in one basket’, the Bank has been involved -both in terms of financial support and AAA - in virtually every sector in Iraq without sufficiently clear engagement criteria. Implementation ... proved difficult. ... the Bank could have better managed expectations and assumptions as results were lower than expectations given the weakened institutional capacity, and what ended up being a worsened security situation over the implementation period. A greater sense of pragmatism and adaptation to the Iraqi context would have enhanced the impact of the Bank’s assistance efforts.

While procurement and disbursement procedures were adapted to Iraq’s circumstances, the Project Management Teams still find Bank processes and fiduciary arrangements challenging, as highlighted during the consultation process. To respond, the Bank provides regular training on Bank procedures, such as financial management and procurement. The Bank also uses its most flexible procedures for emergency situations and addresses implementation issues as they arise, as well as through the CPPR mechanism (CPPR 2007).

Iraq’s policy and institutional environment has not been conducive to a smooth implementation of the Bank Group’s assistance program. Main bottlenecks include: (i) weakened capacity of ministries and implementing agencies as a result of the large-scale departure of talented professional staff; (ii) likewise, pre-existing private capacity to a large extent eroded by the exodus of skilled professionals; (iii) lack of familiarity with World
Bank procedures and approaches to project management; (iv) a decision-making process hampered by an atmosphere of uncertainty and by a history of overly centralized processes; (v) lengthy procedural delays and inability or unwillingness to delegate functions within ministries; and (vi) frequent changes in leadership leading to turnover in government counterparts at all levels. Furthermore, private sector development activities by IBRD and IFC are further constrained by incomplete legal and regulatory frameworks, weak enabling environment for businesses, limited financial capacity of project sponsors, insufficient understanding of the requirements of project finance, and unavailability of financial statements and feasibility studies of projects.

Counterpart engagement has been uneven across ministries and implementing agencies. In addition, lack of qualified human resources combined with frequent changes in ministry staff slow implementation and often setback progress.

Weaknesses in the banking system have contributed to delays in payments to local contractors, becoming a major impediment to project implementation (ISN 2009).

The Bank has summarized the crosscutting issues and suggested actions in a matrix. Issues include the following: (i) insecurity (a major issue, although outside the scope of the CPPR); (ii) project financing shortfalls due to Iraqi dinar appreciation and price increases; (iii) delays in making Iraqi dinar payments to contractors; (iv) weak project management capacity and high PMT staff turnover; (vi) lengthy processes within ministries to approve bidding documents and award and sign contracts, and insufficient delegation of authority to PMTs; and (vii) declining number of bids in response to tenders.

Lack of a central government counterpart that oversees the Bank’s portfolio and that can work across ministries to address project bottlenecks and troubleshoot as needed.

Project financing shortfalls due to currency fluctuation and price escalation. As a result of both Iraqi price increases and Iraqi dinar appreciation (trust fund grants are denominated in US dollars), several projects are now facing serious financing shortfalls that will significantly reduce project scope and impact.

Delays in making payments to contractors. Payments to contractors can be made directly by the World Bank or by PMTs using a local project account, which is then reimbursed by the World Bank. Due mainly to Iraq’s weak financial sector, the World Bank has had difficulty in making direct payments in Iraqi dinars to contractors (payments in US dollars are handled differently in the banking system and have not experienced unreasonable delays). A number of projects have also had difficulty in making payments from local revolving accounts, because the Ministry of Finance has delayed establishing the account or has restricted the account size causing cash-flow problems. Payment/disbursement delays can have multiple and serious negative affects, resulting in implementation delays and loss of contractors’ confidence in timely payment, which could increase future bid prices.
1.5.7 Lessons from Haiti

Top Ten lessons from Haiti:

1. **BUILD ON COMMUNITY-BASED PROCEDURES** - communities represent the social capital upon which recovery is based. Community representatives, organizations and leadership should be involved in all key activities such as land reallocation, settlement planning and housing construction/repair.

2. **CONSTRUCT SETTLEMENTS, NOT SHELTERS** - the initial rush to provide shelter can result in rebuilding structures, not communities. In addition to structures, attention must be paid to local infrastructure (water, sanitation, transport, electricity, waste management) as well as social and religious facilities.

3. **SEQUENCING IS NECESSARY** - once the relief phase has ensured that basic needs are met and disease risks are minimized, recovery investments need to be sequenced, e.g. reconstruction of settlements plus short-term livelihood development (cash-for-work), then rebuilding of social facilities (schools, hospitals, community and religious centers), then support for longer-term livelihoods.

4. **INVOLVE LOCAL GOVERNMENT FROM THE START** - local governments, along with communities and NGOs, are often the first-responders following a disaster and they are accountable for eventual management of the reconstruction process. Strong local governments should be acknowledged leaders in the recovery (e.g. the provinces of Central Java and Yogyakarta) while weaker local governments (e.g. Aceh) may require significant capacity building.

5. **COORDINATE AND MANAGE PARTNERSHIPS** - a multitude of well-meaning NGOs, donors and government agencies may want to contribute to the recovery process but, if uncoordinated, they can work at cross-purposes. The Disaster Management Law gives the Government the mandate to ensure that NGOs and donors support the Government's reconstruction program. The international community can facilitate this coordination through mechanisms such as the UN DRR Working Group and multi-donor funds.

6. **PAY ATTENTION TO THE MIDDLE LEVEL OF INFRASTRUCTURE** - there can be an inclination to focus on either micro (community-level) or macro-infrastructure such as trunk roads, water supply and power lines. It is equally important to plan for the provision of the secondary level of infrastructure that links the trunk to the rural community or urban neighborhood.

7. **MINIMIZE ENVIRONMENTAL DAMAGE FROM THE BEGINNING** - future costs from environmental damage can be minimized by considering environmental impact from the very outset, e.g. ensuring that debris is recycled and/or properly disposed or by sustainably sourcing reconstruction materials. Green recovery guidelines exist and can be adapted to each disaster situation.

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42 Contribution sent by Mr. Josef Leitmann, Program Manager, Haiti Reconstruction Trust Fund, on behalf of the Country Team (May, 2010)
8. **BE FINANCIALLY PREPARED** - reconstruction can be delayed if adequate financing is not available. This can be overcome by: a) reconfiguring existing projects in the disaster-affected area; b) drawing on government sources of standby financing; and c) mobilizing external assistance from donors and NGOs that can flow outside of the government budget to support government policies and programs.

9. **TRANSPORTATION AND LOGISTICS ARE CRITICAL** - reconstruction requires the movement of people and goods. Roads, ports and airports, along with vehicles, ships and planes/helicopters, need to be in working order or restored on a priority basis.

10. **INTEGRATE RISK REDUCTION** - building back better includes the hardware and software to increase the resilience of communities to future disasters, e.g. earthquake-resilient housing, construction of escape routes, installation of early-warning systems, community awareness programs and preparedness facilities, etc.

### Key Decision Points

1. **Establish early the best mechanism to manage the recovery.** Clear modalities of operation will be critical.

2. **Speed should override detailed planning** in the early phase. “Cluster approach” can help establish clarity on leadership.

3. **Hold (monthly) decision meetings with international partners** and protect the time of senior government officials.

4. **Tracking the money and results needs to be started early.** A strong and detailed Damage and Loss Assessment is critical to effectively allocate resources later.

5. **Establishment of a Multi-Donor Trust Fund** can help reduce fragmentation of aid.

6. **Allow for flexible PFM arrangements.** Projects do not need to be channeled through country systems if the regular budget cycle makes efficient implementation difficult.

### 1.5.8 Lessons from Speed of Delivery Study

**Case studies:** ARTF, MDF, MDRP, Sudan MDTFs, Iraq IRTF, MDF


For 84% of the Bank-executed (BE) projects analyzed the time elapsed between project concept review and first disbursement was 12 months or less; for recipient executed (RE) projects, 53% of projects fit into this category. This difference is consistent with general observations from country teams that the low implementation capacity and fragile counterpart institutions in post-conflict settings necessarily means that project launch and implementation working through government is time-consuming.

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To determine if there has been a pattern of improvement over time in the speed of project launch for recipient-executed projects, the data were arranged starting with the oldest MDTF and moving progressively later in time. For recipient-executed projects the mean time from concept review to first disbursement tended to be longer for earlier MDTFs (mean 18.5); for more recent MDTFs (created in 2004 and 2005) the elapsed time tended to be shorter (mean 10.6 months). This suggests an improvement over time, perhaps partially supported by better Bank practices in supporting recipient national partners in project design and launch.

**Sudan:** But this conclusion seems at odds with the general perception that the performance of the Bank-administered MDTFs in Sudan has been extremely, painfully, slow. This seeming contradiction is in fact explained more empirically when we also include the data measuring the time period between the creation of the MDTF and the review of project concepts – a period which required a mean of 9.4 months for the MDTF-South and an astonishingly slow 21.9 months for the MDTF-North. Indeed, the largest divergence of all is found in that earliest phase, as illustrated in the following graph which presents the maximum and minimum values for each key milestone for recipient-executed RE projects. These data demonstrate

- The importance of not only planning for rapid launch of projects but for the rapid establishment and launch of the “umbrella” MDTF itself; and

- While the time required to “activate” the MDTF is affected by both timeliness of donor pledges and by speed and nimbleness of Bank preparation, and therefore potentially subject to improved efforts by both donors and the Bank, the time lag between project effectiveness and first disbursements highlights an opportunity for Bank country teams to actively intervene to improve the speed of project launch and thus hasten the delivery of early results.

It is noteworthy that a 2006 analysis of emergency projects Bank-wide showed that emergency projects overall took an average (mean) of 5.9 months from concept review to approval, reduced more than 66% from the 20.6 month mean registered for non-emergency investment lending projects – but the difference for the time between project approval and effectiveness was less than 50%, down to 3.3 months from 6.2. Thus, we see the same stubborn challenge regardless of funding source:

- Resources can be mobilized and efforts accelerated to quickly design and approve an emergency project, but an equally rapid project launch and delivery of first results is harder to achieve. We note that the substantial policy and operational procedure changes provided in the Bank’s 2007 Rapid Response policy (OP/BP 8.00, 27 February 2007) offer specific mechanisms to further reduce the time lags we have analyzed here.
1.6 General Lessons Learned

The following lessons have been compiled from literature review only.

1.6.1 Context and External Factors

Capacity to absorb aid productively is limited in the four to five years after a conflict, but then improves— in fact, there is a transitional phase during which absorptive capacity itself is recovering. [...] Although further disaggregated analysis is required to confirm these results, they do call attention to the need to match disbursement patterns with the absorptive capacity in post-conflict countries, the need for all donors to pay increased attention to the timing, not just the level, of financial support in post-conflict countries and the design of such support. (The Role of the World Bank in Conflict Development, 2003)

The most important external factors when assessing MDTF design and effectiveness were seen to be the following five (Scanteam, 2007a):

- **Needs to be addressed**: MDTFs are usually established subsequent to a PCNA, which tends to identify a wide range of needs. These can usually be grouped into the three major categories: (a) Basic services that need to be provided to the affected population (food, health, education, water, access roads etc), (b) Social and economic infrastructure rehabilitation (investment activities), and, (c) Capacity development, largely the (re-) building of the state and its operations, in line with the DAC’s "Fragile States..." Principle 3, "Focus on state-building as the central objective". The relative importance of the categories in terms of what the MDTFs should fund may have an impact on how the MDTF should be structured.44

- **Political Will or Commitment**: commitment by key stakeholders to address the needs and support the efforts that are going to be funded by the MDTF. Peace processes typically do not benefit all stakeholders equally. Some MDTFs have been implemented in situations where some stakeholders have been pressured into accepting the peace instrument. Other important actors may be entirely outside the peace process, or their participation in the conflict may be driven by motives that are not really addressed in the peace process. A number of the actors involved in a conflict may themselves be problematic for consolidating a stable democratic peace (warlords, movements with human rights abuse records, etc). The support by the international community is meant to provide an incentive for groups to join the peace process, and to strengthen the commitment of those already involved. This dimension is dynamic and will influence the MDTF.

- **Existing Capacities to Deliver**: The capacities to deliver key decisions and services vary considerably. After a natural disaster, the time-urgency to get supplies to the affected population may be great but the local capacity to deliver may also be good: national capacities may be intact and able to lead the recovery efforts (Indonesia). In a post-conflict situation, the capacity of the public sector may be badly degraded, and the

44 Some have argued that these needs are the ones that arise from the conflict and not the ones that caused it. The MDTF may therefore not be addressing key aspects of what a post-conflict fund ought to focus on. This argument is in line with the earlier observation (section 9.4) on the lack of a more continuous and dynamic conflict monitoring capacity within the MDTF.
private and civic sectors may be weak (Iraq) or have a reasonable capacity (Afghanistan, WB&G at the start-up of the trust funds). In some cases, peace agreements have mandated new governments and administrative capacities to be established virtually from scratch (Timor-Leste, South Sudan). These very different situations mean that there needs to be a realistic assessment of actual ability to deliver, by the public sector – national, regional and local levels – and by the civic and private sectors. In addition to what exists locally, there are often externally provided capacities in place in the form of the UN system and international NGOs.

A capacity assessment may be difficult to carry in the immediate aftermath of a conflict, though ideally it could be a component of a PCNA. A more comprehensive capacity assessment may have to be done in steps. But without realism in terms of what the public sector can do and the time required to build capacity, the MDTF program may be designed based on incorrect assumptions, and unrealistic expectations may be created.

A capacity assessment is therefore critical for two reasons. The first is to identify what can be delivered in the short run of direct services and goods to a population that often is in great need. This would include the different levels of public administration, and the inter-linkages between them. The other is as a foundation for prioritizing the capacity development that MDTFs fund.

- **The Security Situation:** The experience to date indicates that the single most important factor in determining the success of an MDTF, is the security situation. Most funds are not operating in post-conflict situations, but rather in environments where conflict is ongoing (Iraq, Afghanistan, Sudan, Democratic Republic of the Congo, Palestinian Territories), or where countries still experience instability and the potential for violence in the future (Timor-Leste). In several countries, assumptions that the security situation would improve over time have proven incorrect. The presence or potential for violence creates both risks and operational limitations, which must be shared between stakeholders, and mitigated. MDTF administrators must track risk and take program decisions based on their assessment of whether security conditions are improving or deteriorating. Conflict assessments are thus a necessary activity for MDTFs at the strategic and project levels.

- **International Political Context:** Regional and international political dynamics have an influence on MDTF design. One example was the discussion on Iraq where donor interest in having both the UN and the Bank engaged was important for the final IRFFI structure. There have also been discussions regarding the MDRP/Great Lakes, where the strict focus on DDR and “ring-fencing” the financing for this raises questions about how to address the necessary and related security sector reform (SSR) issues. While these differences tend to resolved once the MDTF design has been accepted, there may be points in a process where the actors may re-assess the situation to see if other options may be more helpful.

Critical external elements that must explicitly be taken into account include (Post-Conflict MDTF Operations: Practitioners’ Advice from Field Teams. October 2007):

- **Political milestones and associated risks** – events mandated in peace agreement, planned or unforeseen leadership changes, election campaigns and votes, etc.
• operational issues both cross-cutting and project-specific – procurement, cash flow and financial management, contract management, monitoring and evaluation, arrangements for implementing agencies, monitoring agents.

• Enabling environment for implementation – staff working conditions, communications strategies, office support, mechanisms for responsive support from HQ.

Most post-conflict MDTFs are linked to a JAM process that provides an overview and costing of needs. A JAM may serve as a pledging instrument and for planning an overall recovery and development strategy. However, JAMs tend not to be focused in terms of strategy, priorities and sequencing. In contrast, and MDTF cannot carry the full burden post-conflict transition. Rather, they are more focused on catalytic activities. In this regard, a JAM may not be sufficiently focused for an MDTF. Different evaluations (Sudan and Iraq) find that responding to a broadly focused JAM reports contributed to unrealistic expectations, and over-extended and fragmented portfolios.

Regarding the establishment of the fund, most funds have evolved from PCNA processes (WB&G, Sudan, Iraq, Timor-Leste) and/or political decisions (Bonn /Afghanistan, Tokyo/Timor-Leste, Madrid/Iraq), and have largely been put in place according to the planned timetable. The MDRP/Great Lakes took a long time because there was a need to bring seven national governments and nearly a dozen donors around the table, agree on the main objectives and the program structures. Since MDTFs have usually been established with a sense of political urgency, they tend to be put in place quickly – in some cases within the space of just a few months (MDF/Indonesia, TFET/Timor Leste etc). (Scanteam, 2007a)

Service delivery has tended not to be the priority focus for MDTFs, however. Rebuilding the state, both in terms of its operations and developing its capacities, have been addressed by five of the funds looked at above (Holst & Reform in WB&G, ARTF/Afghanistan, TFET & CSP-TSP/Timor Leste. In addition CBTF/Sudan and AIAF/Afghanistan are also state-building). All the other Bank managed funds have provided on-budget financing and thus were building government legitimacy and leadership, though the funding has then been used to address the critical service needs by funding social sector services and the rebuilding of infrastructure. (Scanteam, 2007a)

Whether direct service delivery or infrastructure investments is the second most important task depends on circumstances, the needs identified in the PCNA and the role the MDTF is to play within in the overall reconstruction effort. However, most MDTFs address both service delivery and infrastructure investments. While some MDTFs have service delivery as a second order priority at the outset (TFET/Timor-Leste, MDF/Indonesia, Iraq ITF, Sudan MDTFs), they eventually support such services through policy dialogue and/or project financing. If it is possible for an MDTF to channel resources that complement own efforts at local level (NSP and NEEP in Afghanistan, UPP and KDP in Indonesia), these activities should be given high priority by an MDTF, again because of the visible and early benefits to large population groups. This also contributes to the MDTF priority of re-establishing the stability and legitimacy of the state (Scanteam, 2007a).

When looking at MDTFs, it is therefore useful to think in terms of "first round" and "second round" effects. Since most MDTFs are Bank-administered on-budget financing, direct service delivery becomes a "second round" effect. Some of the discussions (and criticisms) of MDTF
performance should therefore probably look at the "value chain" of the MDTFs from this perspective. Questions that need to be addressed include what the primary focus of the MDTF should be (what are other actors doing, or what should other actors do, given comparative advantages)? What should realistically be expected of an MDTF against the three needs once a choice has been made on funding channel and Administrator? What are the trade-offs, how can they be handled, and is it poor handling of trade-offs that is at issue, or unrealistic expectations? (Scanteam, 2007a)

For national authorities, MDTFs can increase and untie funding and provide political visibility. International support can bring legitimacy to the overall peace process, both nationally and internationally. On the other hand, MDTFs can be a tool for donor influence. They can create political risk for parties to a peace process and donors alike when the MDTF does not deliver on expectations, particularly the delivery of short-term peace dividends that are visible to the affected population. (Scanteam 2007a)

For donors, MDTFs reduce information, coordination, administrative and various access costs. They provide the ability to support fragile and failing states in a joined-up manner. MDTFs reduce fiduciary and political risk exposure when interaction involves possibly corrupt and/or abusive parties to a post-conflict process. (Scanteam 2007a)

For the Bank, administering an MDTF is in line with its focus on strengthening the institutions and processes of governance, and promoting economic growth. Involvement can provide re-entry into countries that have not been eligible for Bank support for a time, including helping address arrears and thus assist countries become eligible for IDA support. (Scanteam 2007a)

MDTFs channel most funds to the public sector: operating costs including civil services salaries, capacity development and public goods infrastructure. Most resources tend to go to primary service levels in the social sectors, thus potentially reaching the groups most in need, reflecting a positive distributional profile. (Scanteam, 2007a)

Funding for livelihoods development and self-directed community development tends to be limited, and appears more ad hoc. (Scanteam, 2007a)

There is little in the way of systematic analyses and hence goals and operational targets with respect to cross-cutting issues, including gender. The lack of conflict analyses as an integral part of MDTF risk management is of particular concern. (Scanteam, 2007a)

MDTFs have provided an aligned and harmonized approach to financing, in particular in situations where there is lack of state capacity that may prevent direct budget support. MDTFs can also provide a forum for policy dialogue and joint decision-making process in which partner countries can exercise increasing ownership and leadership. Still, MDTFs can often be overambitious in terms of what they can deliver, and cannot be expected simultaneously to build state capacity and deliver public goods and services in a timely manner. Start up time and costs are often underestimated and most MDTFs have failed to provide adequate management and technical personnel on the ground. (OPM/IDL (2008) Evaluation of the Implementation of the Paris Declaration: Thematic Study)

The findings also revealed the limitations of the Bank (and international community) to control for exogenous factors in countries where rapid response operations are implemented: insecurity, rapid turnover in the public service, constrained private sector capacity, restricted
access to project sites, and a limited supply of goods and technical staff. While the policy allows use of alternative arrangements in immediate post-conflict situations, such an approach should be carefully calibrated to ensure against undermining state-building, creating long-term aid dependency, and reducing the legitimacy of the state in the eyes of its citizens. Thus, there is a need for frank engagement with governments and development partners, particularly at the country level, to design early interventions that support the legitimacy of the state, rather than undermine it (Rapid Response to Crisis and Emergencies (OP8.0) Progress Report 2009).

If key national actors manage to reach agreement among themselves and with international actors on priorities and core functions, the government budget process can be given a central coordinating role. It is evident that sufficient government budget is essential if the government is to provide the core services that citizens expect. In addition, it would greatly reduce transaction costs – and thus the burden on scarce capacity – for the government if aid were to be channelled through the government budget. [...] Ghani and Lockhart have made an explicit plea to focus on the budget as the central instrument of policy. 45 Multi-Donor Trust Funds, co-managed by the host country, World Bank and/or United Nations Development Programme, and linked to support for public finance management, are options for achieving shadow alignment where the budget procedures are not considered robust enough yet for general budget support. (Clingendael Conflict Research Unit (2009): Strengthening Governance in Post-Conflict Fragile States)

Human security concerns should drive the international engagement, but cooperation should be dependent upon the delivery of development results. The emphasis for international interventions needs to be on what works International actors need to work in tandem with the political realities on the ground. Development actors need to reach out more to beneficiaries to ensure ownership and legitimacy. Capacities in analysis, advance warning, operational response and strategic response frameworks all need to be increased. (Understanding and Responding Effectively to Deterioration in Fragile and Conflict-Affected States, 8 April, 2009)

Regarding the political dimension of a MDTF, they often face two challenges. The first is that sovereign states are not like to cede their own decision-making authority into a pooled mechanism. The willingness of Governments to join forces also at the political level is, therefore, crucial; there needs to be genuine acceptance that the potential gains of adopting a MDTF justify the ceding of some state authority, and that the problem is of such a complexity and magnitude that a broader partnership can bring not only financial but political advantages as well. National actors’ perception of synergies to be had from bringing in the different members of a coalition (e.g. donors, the UN, the World Bank, NGOs, private sector) both on the technical and convening power side is also important as collaboration entails trade-offs in terms of political visibility and gains. Continued national ownership, from the establishment process to implementation, needs to be in place for a MDTF to achieve longer-term strategic significance, and therefore not become merely a technical exercise. (Scanteam, 2010)

45 Ghani and Lockhart (2008), pp. 135–139
1.6.2 Stakeholder Roles and Dynamics

MDTFs should primarily be considered as a good risk management vehicle. The main reason for asking the UN or World Bank to administer MDTFs is their ability and capacity to work in such high-risk environments. The burden-sharing between the parties needs reviewing, however, because in particular the Bank is applying standards and instruments that may be too demanding of its own performance. The donors, when signing MDTF agreements, should accept more of the risks associated with applying these funds in post-crisis situations. (Scanteam, 2007a)

Establishment of MDTFs has been unproblematic. The selection of Administrator has usually been made by national authorities in consultation with donors, and in most cases not contentious. (Scanteam, 2007a)

The major difficulty with fund establishment has been the legal agreements with donors. Donor commitments have been forthcoming quickly, but occasional donor insistence on legal language addressing particular concerns has meant considerable time and effort to find formulations acceptable to all donors. This has caused important delays. In the case of MDF/Indonesia, one issue led to a several months’ delay due to disagreements between donors on wording, before the final agreements could be signed. (Scanteam, 2007a)

Funds deposits have generally occurred without major delays, and no MDTF activities have been held back due to lack of donor deposits. (Scanteam, 2007a) [But, activities have been held back due to lack of donor deposits in Sudan and problem with the MDRP]

MDTFs with one-time pledges have not faced problems, but multi-year budget support commitments are in some cases not forthcoming as easily as expected. This exposes the Bank as Administrator to additional risk and funds mobilization costs, and may weaken the credibility of the MDTF as instrument. (Scanteam, 2007a)

The "core" group of MDTF donors is limited, possibly posing some vulnerability problems for the mechanism. In each MDTF there are additional donors that support for reasons of geographic, cultural, political proximity.

Different donors have a range of expectations regarding MDTFs, and even within a given donor organization there may be competing concerns, meaning MDTF administrators face complex donor expectations. On the other hand, the dominant role of the MDTF administrator may pose problems for donor visibility and hence willingness to support MDTFs. (Scanteam, 2007a)

Bank-UN relations have largely been constructive, based on agreed roles, such as in Iraq, Timor-Leste, Afghanistan. When the UN has taken on the role of Partner Agency under a Bank-administered fund, this has required considerable work to address fiduciary responsibilities and clarity regarding formal relations between the parties – questions that are still not fully resolved and that at times have generated controversy. Where questions of roles and in particular perceptions of mandates have not been to both parties’ satisfaction, relations have at times been complex and even contentious (MDRP/Great Lakes). Disagreements have also surfaced regarding UN project performance. Steps are now being taken to ensure better use of each agency’s skills and taking advantage of complementarities. (Scanteam, 2007a)
Ownership of MDTF programs needs to be as broad as possible. Bank MDTFs have strong anchors in the public sector, and the Bank has systematically supported the involvement of non-state actors in policy development, project implementation in a number of MDTFs, but subject to government acceptance. [...] Civic and private sector actors have limited voice and visibility, in part due to weak own capacity but often due to active exclusion by the state. (Scanteam, 2007a)

Some MDTFs have staff seconded or funded directly from bilateral donors or UN agencies. This can be advantageous for several reason, such as bringing other stakeholders more tightly into the MDTF, shortening the recruitment process and allow the Bank to tap into skills that other actors have and that are often scarce in the Bank system and it makes the costs of running the MDTFs lower. But it also makes the Bank vulnerable to the agency delivering on the promise. In MDF/Indonesia, the M&E specialist was funded by a donor who provided three alternative candidates, allowing the Bank to choose, leading to a quick placement of an important skill. In the Sudan MDTFs, the tardiness or non-delivery on promises has hurt MDTF performance. (Scanteam, 2007a)

National authorities have both formal and informal means of influencing MDTFs, though the formal role is often weak. Donors tend to have the dominant formal role both in deliberative and funds allocation bodies, and their earmarking of funds to the UNDG Iraq ITF is an additional means of influencing decisions. (Scanteam 2007a)

The Administrator (UN or Bank) has a range of responsibilities that are critical to MDTF performance. But the multiple roles have raised concerns of possible conflicts of interest, in particular regarding the UN-managed Iraq TF, as noted above, but also regarding the considerable co-financing of existing Bank-funded projects. To a large extent, however, these multiple roles are one reason the multilateral agencies can function efficiently and effectively in these difficult situations, though the issues are real and require further reflection. (Scanteam 2007a)

Secretariats are critical to running MDTFs, and are seen to have delivered quality services to the MDTF partners. In almost all cases, whether UN or Bank managed, secretariats have been under-staffed and sometimes late in getting staff in place, and budgets that may be too low. The costs of secretariats need to be more realistic. Donors appear willing to pay what it costs to get a fully staffed and competent secretariat in place. (Scanteam 2007a)

Clarify the operational arrangements for UN agencies during early MDTF discussions, and ensure that expectations and decisions are not dependent on agreements not yet in existence; validation that desired structures and procedures are allowable under Framework Agreements or special waivers must be done not only at country level but at HQ level, to avoid plans or expectations in-country that are later not supported by HQ. (Post-Conflict MDTF Operations: Practitioners’ Advice from Field Teams. October 2007)

To manage expectations, beginning even at the PCNA and donors’ conference stage, include a public information/communication officer (EXT) in the core MDTF team to assist government and Technical Secretariat in preparing periodic press releases and conducting public information campaigns to inform government, population and press of program objectives, accomplishments to date, etc. (Post-Conflict MDTF Operations: Practitioners’ Advice from Field Teams. October 2007)
Panelists felt that about one quarter of Recipient Executed projects had scope for improvement in the value added by management and donors. (Recipient Executed (RE) Projects QAG (April, 2008)

- Slightly less than half of the Recipient Executed projects had undergone any kind of Quality Enhancement Review or peer review process; projects undergoing a Quality Enhancement Review were more likely to be fully satisfactory or better than those that did not.
- In some cases, task teams indicated that the project’s development objectives were over-stated to meet donor expectations.
- Bank staff provides technical expertise and are responsible for the technical quality of RE projects. Only in a few rare cases, did donor representatives have relevant technical expertise which helped improve project quality. However, the basic purpose of the governance arrangements is to ensure consistency with the strategic objectives of donors and the Bank; donors are not expected to review the technical aspects of project design and implementation. In that context, the lack of a peer review process, noted earlier, becomes more significant.

More collaboration between international organizations in terms of scenario planning for deteriorating or potentially deteriorating situations is necessary. Cooperation between political, security, humanitarian and development stakeholders is key. The Bank should benefit from more use of the UN’s political analyses, and more inclusion of regional organizations in its interventions. (Understanding and Responding Effectively to Deterioration in Fragile and Conflict-Affected States, 8 April, 2009)

The World Bank’s mandate of apolitical technical development interventions needs to be seen in an inherently political context in fragile deteriorating environments.

The World Bank should use its convening authority to bring stakeholders together, including where possible the actual and potential spoilers. (Understanding and Responding Effectively to Deterioration in Fragile and Conflict-Affected States, 8 April, 2009)

In most MDTFs, the recipient Government is assigned a/the prominent role in the governance system, within the concept of “national ownership”. This is done in various ways, ranging from the objective and principles of the fund being tied to the recipient Government’s policies, priorities and planning process, to roles assigned and vote distribution within the mechanism, to implementation channel through government’s structures and systems. However, experiences with MDTFs show that the recipient Government’s commitment and capacity to guide the MDTF greatly influences its ability to exercise ownership. (Scanteam, 2010)
1.6.3 Governance Structure

Reach early agreement on MDTF governance structure most suited to the environment in which the MDTF will operate. Governance tasks to consider are (i) policy dialogue; (ii) resource allocation; (iii) activity approval; and (iv) secretariat services. (Post-Conflict MDTF Operations: Practitioners’ Advice from Field Teams. October 2007)

The Bank-administered MDTFs have somewhat different governance structures, but the general one consists of (i) a deliberative body that sets policy, sometimes with participation by national stakeholders, (ii) a funding decision body made up of contributing donors and sometimes national authorities, (iii) if there is project funding involved, a project review body, and (iv) a secretariat that services the other three bodies. (Scanteam, 2007a)

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If MDTF funding is for budget support only, a two-tier governance structure consisting of a Council and a Management Committee should be sufficient. If the MDTF is to provide project funding, a Project Committee should be established to provide flexible, directive support for quick project approvals. (Scanteam, 2007a)

In cases of absence of a national policy forum, MDTFs – as the only pooled/joint mechanism – is often expected to take on this role. If no alternative is possible, the MDTF policy forum could temporarily provide this service, but should preferably support the development of national deliberative and decision making structures and processes, to ensure more correct division of labor and roles for the key actors. (Scanteam, 2007a)
1.6.4 Funding Structure

Although further disaggregated analysis is required to confirm these results, they do call attention to the need to match disbursement patterns with the absorptive capacity in post-conflict countries, the need for all donors to pay increased attention to the timing, not just the level, of financial support in post-conflict countries and the design of such support. There is a strong a priori case to focus most initial post-conflict assistance on building absorptive capacity, which by its very nature will not involve large disbursements, and budget support especially to meet the recurrent costs of new administrations while they build up their revenue generating capacity, rather than more complex and ambitious projects that will burden absorptive capacity. (The Role of the World Bank in Conflict Development, 2003)

The scope of the fund and of the partnership within a MDTF makes it effective as a coordination forum for targeted activities. The participation of non-MDTF donors and others (e.g. civil society, national and multilateral agencies) to governance meetings strengthen the coordination drive of the mechanism, and can, among other things, provide incentives for formal membership into the funding mechanism. (Scanteam, 2009a)

MDTF designs should be as simple as possible. Where feasible, single-fund MDTFs are the simplest to manage, but may not be optimal under all conditions. If two separate funds are seen as the best option, care should be taken to ensure that the coordination between the two is optimal with regards to (a) relevance to national needs and policies, (b) division of labor and complementarity of activities funded, (c) joint services and instruments wherever feasible, (d) joint reporting and interaction with national stakeholders and donors. . (Scanteam, 2007a)

As a harmonizing instrument, the equity of burden-sharing among partners is important. However, in many MDTFs, the “80-20” rule holds: 20% of the donors provide 80% of the funding. This imbalance makes the mechanism vulnerable to political shifts in donor capitals, and predictability and timeliness in their disbursements. It may also expose the more generous donors to a sense of others not contributing their fair share, or resentment among smaller donors who feel marginalized. Broader-funding based MDTFs do better in terms of providing predictability and harmonization (policy, risk-sharing) (Scanteam, 2009b)

A comparison of Recipient Executed project quality suggests that competition for resources from multi-country trust funds may contribute to higher quality, compared to RE projects financed by single-country MDTFs that may in some instances have been perceived as an entitlement for that country. (Recipient Executed (RE) Projects QAG, April, 2008)

Ensure that implementation and financing modalities have been clearly defined. In particular, it is important that the expected role of UN Agencies (if any) has been agreed prior to presenting the MDTF to the Board and that operational arrangements have been clarified during early MDTF discussions. (Post-Conflict MDTF Operations: Practitioners’ Advice from Field Teams. October 2007)
1.6.5 **Bank Management and Institutional Support**

Instruments like the Medium-term Fiscal Framework (MTFF) improve the potential for enhanced predictability of donor resources, accountability of own efforts in fields like revenue mobilization, and makes the overall public sector funding picture better available and thus open to public scrutiny and debate in a way that is quite novel to the country.

Looking ahead, while the Bank has been actively involved in a wide range of **Disarmament, Demobilization and Reintegration** (DDR) programs in many different post-conflict settings, there has been no comprehensive evaluation of lessons learned and development of best practice guidelines. What there is constitutes scattered and largely anecdotal evidence and lessons but little systematic analysis and distillation of practice. (The Role of the World Bank in Conflict Development: 2003).

One of the immediate and more complex challenges faced early in the post-conflict reconstruction period is the rebuilding of public sector institutions and capacity to manage the reconstruction and the transition to development. Although some lessons can be gleaned from scattered reports, reviews and internal evaluations, there has been no comprehensive analysis of public sector reform and capacity building in post-conflict settings—this is urgently needed. (The Role of the World Bank in Conflict Development: 2003).

The Bank’s effort in recent years to strengthen its support for **good governance, anti-corruption and the rule of law** is an additional and important element in mitigating conflict risks. The law can be an important tool for empowerment and inclusion, can play a major role in making societies less vulnerable to violent conflict, and can contribute to effective reconstruction and development programs in post-conflict countries. Continued analytical work on the role of legal systems in conflict-affected countries can add considerable value to the Bank’s work. (The Role of the World Bank in Conflict Development: 2003)

An Independent Evaluation Group (IEG) evaluation of the Bank’s Low-Income Countries Under Stress (LICUS) initiative, which identifies organizational capacity as a major constraint to implementation. The need for a strengthened organization and staffing response has been recognized by other donors as well as the Bank as a crucial issue for improved outcomes in fragile states. (The Role of the World Bank in Conflict Development, 2003)

Lessons that emerged from Bank experience with post-conflict reconstruction included: engage early and deploy a strong field presence; coordinate aid, establish partnerships with other donors, and agree on respective roles of each donor; and adapt services and products to post-conflict situations. These lessons are relevant for effective Bank and donor assistance to post-conflict countries. (Lessons Learned from World Bank Experience in Post-Conflict Reconstruction. OED, 2004)

The Bank should improve its internal capacities to support MDTFs (Scanteam, 2007a):

- Management should ensure support to MDTFs and other fragile states teams;

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46 See Annex A, Fragile States: Policy Commitment and Principles for Good International Engagement in Fragile States and Situations. Draft, OECD.
- The Regions should provide sufficient resources to allow MDTFs to staff up quickly with necessary skills in critical fields (legal, accounting, procurement, communications), and overall trust funds management.

- The Bank should establish a "one-stop-shop" that can provide access to its "best practice" and "lessons learned" experiences, documents, and an inventory of key personnel that can provide advice and guidance to MDTF staff;

- The Bank’s human resources policies should be revised so that staff hiring, promotion and incentive schemes ensure that qualified and committed staff are identified and allotted to MDTF postings.

In line with the above, the Bank should further develop standardized instruments for operating MDTFs (Scanteam, 2007a):

- Donor funding agreements;
- MDTF staffing profiles with job description templates;
- Staff training program, both for Bank and externally recruited staff;
- Standard operational documents (Operations Manual, strategy templates, simplified Project Concept Note and Project Appraisal Document templates);
- Simplified criteria for acceptable administrative and accounting systems and capacities for implementing agencies for smaller off-budget projects.

Effective field presence and detailed country knowledge are important in the difficult environment of fragile states, to enable strong dialogue, capacity-building, and donor coordination, and to mitigate fiduciary and reputation risk. However, 71% of fragile states have either no internationally recruited staff (IRS) or only one IRS placed in the field. Most fragile state situations, therefore, can benefit from stronger support in the field. (Scanteam, 2007a)

Existing Bank human resource policies do not reflect working conditions in post-conflict environments. The Bank finds it difficult to attract top performers to these environments, given family concerns and career development issues, and the Bank does not have a roster of qualified staff that can be posted quickly into MDTF operations, either internally or externally. (Scanteam, 2007a)

The Bank’s current field staffing does not adequately reflect lessons learned regarding the importance of field presence in fragile states. In these difficult environments, effective field presence and detailed knowledge of country circumstances are especially important to enable strong dialogue, capacity building, and donor coordination, and to mitigate fiduciary and reputational risk. Consultations with country directors and country managers (CMs) indicate considerable limitations to the “mission model” of working in fragile states: periodic visits from Washington or Regional offices do not substitute for a robust, ongoing presence on the ground. In addition, recent research finds that in fragile states the amount of supervision is critical to the achievement of development results. However, the World Bank undertakes less, not more, supervision in these high-risk environments. In addition, staff in the field working on fragile states require a specialized skill set: strong political sensitivity; diplomatic and communications skills; knowledge of strategy, operational design, and partnerships specific to fragile states; and resilience, energy, and operational creativity.
Consultations with country teams also identify the need to better organize support from corporate departments to avoid corporate “churning”, rapidly unblock specific problems arising at the country level, and access precedents from other countries that relate to policy and strategy, legal issues, fiduciary problems, or partnership issues. In response, Management will strengthen the Bank’s capacity to provide institutional back-up to fragile states by strengthening Network work programs, establishing rapid response teams in legal and fiduciary functions and developing stronger capacity, for strategy and operational support, in the dedicated central and Regional units. (Strengthening the World Bank’s Rapid Response and Long-Term Engagement in Fragile States, 2007)

It is often difficult to attract top performers to these challenging environments. Family and career development issues were the strongest concerns staff expressed. The paper recommends a set of actions to improve incentives for staff.

- **Management priority**: sustained priority by Senior Management to fragile states and to attracting strong performers to work on them.
- **Proactive recruitment**: intensified case-by-case recruitment, including customizing offers through an agreed flexible menu of incentives to meet individual and family needs; and piloting occasional use of senior staff for high-level urgent response.
- **Career development**: Grading CMs in fragile states consistent with country program coordinators and CMs in non-fragile states environments; revisiting promotion criteria with Networks to better recognize the skills acquired in fragile states posts and making service on both fragile and non-fragile states mandatory for promotion; and strengthening the reentry process, including through guaranteed shortlisting for appropriate posts upon successful completion of the field assignment. (Strengthening the World Bank’s Rapid Response and Long-Term Engagement in Fragile States, 2007)

Bank policies and procedures are based on its normal lending operations, with exemptions and flexibility provided for post-crisis situations. Where MDTF teams and government have agreed and taken advantage of these possibilities, disbursements have been quick (such as Timor Leste, WB&Gaza projects). In cases where MDTF secretariat staff were not familiar with these options, there have been significant project implementation delays, particularly regarding procurement. There is thus a need for experienced Bank staff in MDTF teams to ensure full exploitation of the possibilities for flexible implementation that exists. (Scanteam, 2007a)

MDTF staff has developed a number of "good practices" that address different operational problems, such as having the Operations Manual as a "living document" on the fund’s website which has allowed the fund to show how it has adjusted its operational policies as decisions are taken. Such practices are not necessarily known by all MDTF teams because there is insufficient cross-learning from MDTFs within the Bank. (Scanteam, 2007a)

Bank MDTF Secretariats are a combination of Bank staff, seconded and externally recruited staff. Because of this, there is a need for more training in procedures, more support from experienced Bank staff in the start up phase, and consistent strong commitment by Bank management to MDTFs. (Scanteam, 2007a)
There is a need for better definition of staffing profiles across the lifetime of the MDTF, covering (i) start up, (ii) implementation, and (iii) exit/hand over phases. Key skills include senior trust funds experience and in particular knowledge of agency rules and procedures; project cycle management; information and communications; legal; accounting and procurement; and once activities start up, monitoring and evaluation. Hand-over to national authorities needs to be planned, and capacity to continue MDTF activities verified. (Scanteam, 2007a)

If the Bank already has a presence on the ground, the MDTF Secretariat has benefited considerably from this. In MDF/Indonesia, the Bank office has its own trust funds administrator (in addition to the MDTF, the Bank in July 2006 had 127 other trust funds operational in Indonesia) who was of great help to the MDF staff. In Afghanistan, the Bank faced major delays in its general lending program and put in technical teams on accounting, disbursement and procurement that also helped the ARTF get off the ground. (Scanteam, 2007a)

The Bank’s response often lacks the speed and effectiveness essential in an emergency context, during both the preparation and implementation stages. […] Delays are also common in the establishment and implementation phases of MDTFs to support emergency recovery and reconstruction. […] The procedures for setting up and activating trust funds do not expedite or streamline any of the regular steps when dealing with emergency situations; in addition, the Regions often add their own requirements and clearances when processing all operations, including emergency operations. Specific problem areas contributing to delays include (Towards a New Framework, World Bank, 2007):

- Fragmented and duplicative clearances at both Regional and corporate/service department levels often result in project processing delays without adding much value to facilitating results on the ground.
- Use of cumbersome disbursement requirements and arrangements, unsuited to client capacity and the realities on the ground. Disbursement issues may be exacerbated by failure to reset country financing parameters to reflect emergency needs and an insufficient use of the flexibility available under OP 6.00, Bank Financing, in emergency operations.
- Up-front assessments, especially in fiduciary areas, which could be streamlined to save time.
- Time-consuming procurement procedures that are unsuited for situations of constrained capacity and the need for greater-than-usual speed.”
- Delays in set-up, activation, and funding of trust funds; for example a requirement to provide detailed information when trying to initiate a trust fund to leverage donor assistance results in up-front delays and later implementation problems.
- Excessive authorization requirements which detract borrower attention from responding to urgent needs.
- Excessive reliance on ex-ante risk-prevention and mitigation measures coupled with inadequate use of post-review procedures in the design and implementation of emergency operations.
OP 8.00 was used extensively to respond to a wide range of crises and emergencies with no signs of "mission creep". Over half of commitments approved under the new policy responded to post-conflict situations, with the largest share going to countries in Africa. Country teams particularly appreciated the policy’s flexibility on choice of operational instruments (new emergency loan/grant, project restructuring, and additional financing). While Regions and task teams have expressed satisfaction with the streamlined procedures, some pointed to the potential usefulness of additional quality reviews (Rapid Response to Crisis and Emergencies (OP8.0) Progress Report 2009):

- OP 8.00 explicitly provides for the use of alternative implementation arrangements in weak-capacity environments. These arrangements could include, as appropriate, implementing through direct grants to any public or private entity, as well as to UN agencies and Non Governmental Organizations (NGOs); contracting fiduciary agents and consultants, and, on an exceptional basis, using limited Bank execution of early start-up emergency activities. Although Bank teams tried to use these alternative implementation arrangements to augment the weak capacity of counterpart agencies, these efforts were often unsuccessful in getting rapid response projects quickly off the ground. (Rapid Response to Crisis and Emergencies (OP8.0) Progress Report 2009)

- Bank execution, on behalf of governments, of early start-up activities proved to have its limitations.

- Efforts to address capacity constraints using fiduciary agents or setting up ring-fenced project units also faced considerable delays.

- In the context of the Bank's emphasis on governance and anticorruption and the recent experiences with fraud and corruption cases, many Bank staff are highly risk averse.

**Shifting budgetary resources from preparation to supervision** has not materialized. A thorough analysis of supervision costs for OP 8.00 operations is not possible due to the very limited number of operations that have had more than one full year of implementation (those approved before December 2007). Nevertheless, feedback from staff and anecdotal evidence both suggest that, in general, the Regions have not budgeted sufficiently to enable the level and intensity of supervision needed for rapid response operations. Limited budgets also undermine the ability of task teams to address the constraints that are characteristic of the low-capacity situations in which many rapid response operations are implemented. (Rapid Response to Crisis and Emergencies (OP8.0) Progress Report 2009)

Staff assessment of the institutional response (Rapid Response to Crisis and Emergencies (OP8.0) Progress Report 2009):

- Task teams have expressed satisfaction with the level and quality of management attention to Bank performance in responding to crises and emergencies.

- At the Regional level, Rapid Response Committees (RRCs) are convened to ensure timely decisions on and support to the Bank's strategy and response to country specific emergencies.

- The Managing Directors' quarterly meetings on fragile and conflict-affected countries continue to provide an important forum for addressing country-specific and corporate issues.
• The Bank has recently set up Global Expert Teams (GETs), reinforcing efforts started by the GFDRR and the Fragile and Conflict-Affected Group (OPCFC) to mobilize and deploy expertise rapidly in crisis situations

• Both OPCS and the Regions have provided significant resources and operational guidance to staff.

The Bank’s strategy to strengthen its engagement in fragile and conflict-affected situations has resulted in good progress in addressing critical staffing constraints in these countries. As the September 2008 technical briefing to the Board on this confirmed, there has been good progress against both these commitment (OP8.0 Progress Report 2009):

• As of February 28, 2009, there has been a 68% increase in the number of World Bank Group international staff above the GE level in fragile and conflict-affected countries compared to FY06. This increase translates into 36 additional staff members.

• The Bank’s new overseas assignment package, approved by the Board in May 2008, now differentiates between locations to further support assignments in fragile states and includes a Fragile States Premium. A broad range of non-financial incentives has also been introduced and implemented to encourage, reward and support staff in fragile countries. These include proactive rotation management for staff returning from field-based assignments, flexibility for shorter assignment periods, and consistent grading for Country Managers at the GH level.

• Despite recent efforts to address staffing constraints in fragile and conflict-affected countries, in many of these countries Bank operational capacity remains weak. Although limited staffing capacity is correlated with the Bank’s volume of lending in these countries, it is accentuated by difficulties related to attracting experienced staff to work in these countries, a generally high rate of turnover, and lack of close monitoring and guidance of junior staff operating in these country offices. (Rapid Response to Crisis and Emergencies.

The new OP 8.00 policy has allowed the Bank to respond to a wide range of crisis situations, without the need for the exceptional waivers that had become a standard feature of the Bank’s old emergency recovery lending policy. The portfolio review confirmed that the Bank remained engaged within its broader mandate while drawing on the additional expertise of UN agencies and others, as needed. OP 8.00 helped foster greater corporate urgency and expediency in the way the Bank prioritizes and manages its response to crises and emergencies, and it demonstrated the Bank’s ability to move faster. It also reinforced a view-increasingly shared among staff and management, and confirmed in recent portfolio reviews-that lengthy ex-ante reviews and assessments may not always correlate with better outcomes and performance. (Rapid Response to Crisis and Emergencies (OP8.0) Progress Report 2009)

At the same time, the experience of the last two years has shown the limitations of policy and procedural reforms in overcoming the challenges of working and delivering assistance in insecure, high-risk, low-capacity environments. While rapid response operations were processed more quickly, the similar acceleration did not occur in actual delivery of Bank emergency assistance. The added flexibility on the use of alternative implementation arrangements in weak-capacity environments was still hindered by the lengthy process to
finalize the UN-World Bank fiduciary agreements and difficulties associated with contracting out fiduciary arrangements, or in establishing program implementation units in partner ministries. In some cases, the Bank's delivery was delayed by governments' inability to adapt to a faster pace; thus the findings underlined the need for recovery efforts to be anchored in a commitment on part of the Bank's primary counterparts-partner governments-to overcome some of their own internal constraints and of a potential role for the Bank to assist in this process. (Rapid Response to Crisis and Emergencies (OP8.0) Progress Report 2009)

1.6.6 Effectiveness and Operational Issues

Several of the CDD/CDD projects in conflict and post-conflict countries have met quantitative targets for infrastructure rehabilitation and have also provided substantial employment benefits to the local population. However, as with other Bank projects, increased access to infrastructure does not always translate into effective service delivery because of the inadequacy of complementary inputs such as teachers, doctors, and medicines. (The Effectiveness of World Bank Support for Community-Based and -Driven Development. OED, 2005)

The experience of the Nepal country study [with the use of CDD/CDD interventions] also found that well planned participatory interventions can contribute to the mitigation of the social dissent that fuels conflict. However, in conflict and post-conflict situations, where the focus is on getting things done quickly, it is even more difficult to achieve the qualitative goals. While communities can play a major role in ensuring accountability and proper use of donor resources in these situations, what is often lacking in post-conflict communities is the ability to act together. (The Effectiveness of World Bank Support for Community-Based and -Driven Development. OED, 2005)

MDTFs represent "best practice" post-crisis funding mechanism, in line with the Paris Agenda for Aid Effectiveness, and largely also the DAC Principles for Engaging in Fragile States. MDTFs are by far the most important coordination, harmonization and alignment vehicle in place. Coordination of resources within the MDTF seems to have limited spill-over coordination effects on donor resources outside the MDTF, so since MDTFs usually are a small share of total aid, the impact on total transaction costs may be limited. MDTFs ensure harmonization of procedures for the application of MDTF funds, but in several countries the emergent public sector is adopting the Administrator's procedures when rebuilding the state, which is an important and sustainable impact of the MDTF. (Scanteam, 2007a)

MDTFs support Alignment with national priorities. Budget support is "best practice" in this respect and is strategic both for rebuilding the state, and delivering critical services to the population at large. Project support is less strategic, partly because the share of MDTFs in overall investments is usually limited, but also because the role of MDTFs in national investment activities is poorly specified. As governments improve their own planning, the value of untied funds in Bank-administered MDTFs is appreciated and exploited. (Scanteam, 2007a)

Funding approvals and disbursements constitute one of the most difficult issues. For budget support, the Bank has largely relied on discussions on the national budget and development plan as the first criterion for releasing funds. The second criterion has typically been the
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approval of the government’s public finance management system and the plans for its improvements. This has been linked with intensive oversight and monitoring. While the governance situation when budget support began was very weak (Afghanistan, Timor Leste, WB&G), the political will to reform and perform was strong. Once compliance systems were in place (such as the use of Monitoring Agents), approvals and subsequent disbursements happened at an admirably fast pace. (Scanteam, 2007a)

**Project preparation, appraisal and approval** has been too time consuming when (a) proponents did not have clear and simple guidelines, (b) demands were unrealistic in terms of quality, detail, safeguards up against budget size and urgency for implementation, (c) MDTF administrators revert to demanding full-scale documentation rather than scaled-down flexible approaches. (Scanteam, 2007a)

Funds **disbursement for budget support** has been timely. **On-budget project disbursements** have depended on the quality of the public administration system and fulfilling formal requirements, and in particular where projects were already operational, disbursements have been quick. The major delays have been with off-budget projects under Bank-administered MDTFs when the implementer was not known to the Bank and full verification of systems and capacities were required. The legal work for getting Partner Agency arrangements in place have taken considerable time. (Scanteam, 2007a)

When it comes to **project approvals and disbursements**, a number of factors come into play. **If the projects are on-budget** and the projects already have implementation and disbursement procedures resolved (co-financing on-going IDA and KfW projects in Afghanistan), and/or the government has agreed flexible implementation arrangements (TFET/Timor Leste, ARTF/Afghanistan for the community based projects), approval and disbursement has been quite fast. If the projects are new and thus need to go through the normal budget process, serious delays have occurred (the first MDF/Indonesia projects). Within the same fund, differences have occurred as a function of which government office is the counterpart, how good the ministry-specific systems are, and how well the ministry is prepared to implement according to agreed-upon guidelines (ARTF/Afghanistan). (Scanteam, 2007a)

**If the projects are off-budget**, one issue has been the Administrator’s ability to ensure fiduciary management. For the Bank, if it is not itself or another lending institution like the Asian Development Bank (ADB) that is the Partnering Agency for the implementing body, there have been major time delays to get legal agreements and, fiduciary arrangements in place (MDRP/Special projects, MDF/off budget projects). The country cases show that the internal processing of project proposals by the MDTF bodies have been efficient. It is project preparation, proponent appraisals, government procedures, and the approval of formal agreements like for Partner Agencies that are bottlenecks. (Scanteam, 2007a)

**Fiduciary management** covers primarily the accounting, disbursement, audit and procurement oversight functions that the administrators use. **For budget support**, the Bank has relied on contracted Monitoring Agents, who have played an important role both in quality assurance, verifying and controlling disbursements and expenditures, and also in building capacity – systems and skills – in core ministries (ARTF/Afghanistan). **For project monitoring**, several innovative steps have been taken. The MDF has developed a three-tier anti-corruption program, and in addition has a local ombudsman that allows local stakeholders to record
documented or suspected cases of resource abuse. But fiduciary management is a challenge in Iraq due to the inability of independent external actors to verify, though the Bank has hired a local Monitoring Agent that has received positive reviews, and the UNDP is similarly relying on local skills and its on-the-ground network to carry out these tasks. (Scanteam, 2007a)

Bank MDTF capacity building prioritizes public sector capacities in core areas of public administration: financial management, procurement, human resources management. In the first instance this is to ensure Bank MDTF-funded activities are implemented well. But this also supplies the public sector with procedures that are internationally accepted. Capacity building is faster and better anchored when resources flow on-budget and projects are implemented through government institutions: "learning by doing" is powerful. (Scanteam, 2007a)

No MDTFs have a clear capacity development policy. This is in part because of the time limited nature of the funds. But the lack of a medium-term vision for capacity building may reduce effectiveness, and some agreed-upon principles need therefore to be in place from the beginning and in all cases. A core theme could be the comparative advantage of untied MDTF funds for broad-based procurement of required technical assistance. (Scanteam, 2007a)

The low implementation capacity and fragile counterpart institutions in post-conflict settings necessarily mean that project launch and implementation working through government is time-consuming. (Speed of Delivery: Analysis of Projects under Bank-Administered Multi-Donor Trust Funds (MDTFs), 2007.)

Build in a consideration of the balance between quick-disbursing visible results activities and “invisible” policy and capacity-building activities – and consider the balancing at the portfolio, sector, and (possibly) project level. (Post-Conflict MDTF Operations: Practitioners’ Advice from Field Teams, October 2007)

Ensure that key MDTF team is on the ground from the earliest possible date and phase in additional staff on a timetable planned in advance (not supply-driven!) Planned staffing and launch must ensure MDTF office (or the Bank country office if it houses the MDTF Technical Secretariat) has adequate administrative and operational support staff in place and trained/fully conversant in Bank operations to support the MDTF/Bank operations in the field. [...] Start early to produce the MDTF Operational Manual. (Post-Conflict MDTF Operations: Practitioners’ Advice from Field Teams, October 2007)

Develop a shared understanding of the importance of investing early in fiduciary systems and capacity, to agreed standards, advocating good economic governance as the guarantor of efficient use of uniquely available reconstruction resources; use both workshops and awareness campaigns to involve government, civil society, NGOs, communities, and media. In countries with limited capacity or limited system, consider recruiting a Procurement Agent and a Project Accounting Agent immediately upon establishment of the MDTF, and also consider a parallel contract for capacity building and training support with linkages in TORs of the Agents and the trainers. (Post-Conflict MDTF Operations: Practitioners’ Advice from Field Teams, October 2007)
Keep project design simple, and make explicit space for periodic and mid-term reviews during supervision to allow for component or project restructuring when needed, as fluid post-conflict settings evolve. To deliver “visible results”, consider projects/components that provide dividends to the population through community-driven reconstruction and labor-intensive public works mechanisms. Be realistic on commitments about deliverables and timelines by providing realistic schedules upfront and frequent updates to all stakeholders (Post-Conflict MDTF Operations: Practitioners’ Advice from Field Teams. October 2007)

Ensure that the project preparation team is made up of seasoned internationally recruited staff with considerable operations experience, preferably in post conflict environments, and provide particular attention to the skills set and time available from the TTL and the procurement specialist. In addition to Bank staff and Government counterparts, include representatives from the MDTF donors on “joint appraisal teams” to increase range of expertise, broaden dialog, and ensure wide “buy-in” across stakeholders. (Post-Conflict MDTF Operations: Practitioners’ Advice from Field Teams. October 2007)

Ensure that sufficient budget is available for Bank technical and logistical support to joint preparation and appraisal under agreed MDTF structure, and that Bank budget is augmented beyond “normal” quotients to provide for more intense and frequent supervision and for additional costs of supervision (such as transport and security). (Post-Conflict MDTF Operations: Practitioners’ Advice from Field Teams. October 2007)

In countries with low capacity, recruit and put in place experienced senior international advisors to assist and advise the Sector Minister in administrative and technical issues associated with setting up their particular ministry. Funding can be through LICUS or other mechanisms. Articulate clearly the range of responsibilities required, and the number of advisors needed, to cover the requirements along the spectrum of designing and launching core public capacity (structure and training of procurement unit staff, drafting of procurement laws and systems) through to providing interim capacity (functional line responsibility for core procurement tasks as national capacity is built, including supporting delivery of actions required from Government side under Bank-projects’ processes). (Post-Conflict MDTF Operations: Practitioners’ Advice from Field Teams. October 2007)

To encourage government ownership, ensure that counterparts are appointed to assist the project preparation and implementation teams, and then invest in their training and in providing the necessary logistical and coaching support for them to be active contributors. (Post-Conflict MDTF Operations: Practitioners’ Advice from Field Teams. October 2007)

Where capacity is low, ensure that NGOs, UN Peacekeepers and Engineering Units, and UN Agencies play a pivotal role in project implementation when and where applicable, striving for linkages with transitional authorities, communities, and sub-national voices so that the implementation is not entirely externally driven. Inquire through HQ support units in OPCS about constraints to and precedents in these partnerships in order to extract maximum value and avoid problems. (Post-Conflict MDTF Operations: Practitioners’ Advice from Field Teams. October 2007)

Recipient Executed projects in fragile states were excessively ambitious compared to country conditions and lagged behind those elsewhere on Project Concept and Approach by 20 percentage points but were comparable on all other dimensions. […] Recipient Executed project design should be tailored to the country context, country capacity and actual
operational experience on the ground. The PDO and results framework in countries with weaker institutions should be kept modest to avoid undue expectations and reputational risk.

Recipient Executed projects should be appraised more carefully to ensure readiness of the first year’s program for implementation, and a realistic time frame for the project. (Recipient Executed Projects QAG, April, 2008)

Recipient Executed projects in countries with a lending program or active dialog were more realistic in Project Concept and Approach, and had better Implementation Arrangements. More than half the projects in countries which did not have a long history of active Bank engagement had significant scope for improvement, particularly in formulation of objectives and project design.

- One strategic lesson is that it seems to be easier to prepare and implement Recipient Executed projects by **building on prior operational experience**. It is all the more imperative to invest in the quality of project preparation for Recipient Executed product line in countries with weaker institutions, where they cannot build on existing lending programs and in-country experience. (Recipient Executed Projects QAG, April, 2008)

The **efficiency of processing time** received a high rating (97%MS+). One downside of efficiency was that many Recipient Executed projects suffered from the absence of, or inadequate **quality control**, which might have helped them define more realistic objectives, improve the project concept and approach and be more ready for implementation. Supervision provides an opportunity to improve quality: (i) Regions should ensure that preparation and supervision of Recipient Executed projects is adequately budgeted and separately documented. Many Recipient Executed projects in the sample suffered from inadequate supervision reporting; others from inadequate, or lack of clarity and poor documentation of supervision resources; (ii) For Recipient Executed projects under implementation, Regions should review the PDO and results framework during ISR preparation, and revise them as necessary, for those that are excessively ambitious. (Recipient Executed (RE) Projects QAG, April, 2008)

While all RE projects had some arrangements for project monitoring, the arrangements for **evaluation of impacts and outcomes** were found to have scope for improvement in two-fifths of RE projects. (Recipient Executed (RE) Projects QAG, April, 2008)

In countries with an effective Community Driven Development (CDD) lending program, and where the immediate need is to restore local infrastructure or improve livelihoods of affected beneficiaries, Recipient Executed projects could **scale up successful community-driven projects** to respond efficiently to these emergencies. RE projects should build in provisions to ensure the transition from emergency assistance to regular development programs, to ensure sustainability of the activities initiated by special, time-bound Trust Funds that are likely to be phased out. (Recipient Executed (RE) Projects QAG, April, 2008)

The Bank’s growing emphasis on, and emerging lessons from the **Community Driven Development** (CDD) approach in conflict settings suggests that it has considerable potential to rebuild the social fabric of communities and perhaps to make communities more resilient to conflict. (The Role of the World Bank in Conflict Development: 2003)
1.6.7 Lessons from Regional Programs


Five determinants have proved key to effective regional programs.

Programs that deal with issues where country interests are compatible (such as preventing the spread of HIV/AIDS or developing regional infrastructure) have tended to be more successful than programs dealing with issues where country interests are in conflict (such as the sharing of water resources) and require tradeoffs among countries. In all cases, success has depended on the following five key determinants of effective in program design and implementation.

• **Strong country commitment to regional cooperation:** Regional programs need to deal with the political economy of relations among countries and help countries assess the benefits and costs of their participation in order to gain the countries’ acceptance of the obligations involved in acting cooperatively. Building strong country commitment has been impeded in many programs by inadequate assessment of program costs and benefits for individual countries and lack of a regional platform for resolving conflicting country interests. Sequencing of program components has allowed some programs to deal with differing levels of country commitment.

• **Realistic scope matched to national and regional capacities:** Regional programs face complex coordination challenges in the implementation of activities, and dealing with these challenges places demands on capacities at the national and regional levels. Many programs have not carefully identified capacity gaps in national and regional institutions, nor have they designed adequate measures for filling those gaps.

• **Clear delineation and coordination of the roles of national and regional institutions:** Regional programs can succeed only if they are linked to national institutions and get the balance right between national and regional responsibilities. Lack of clear delineation of national and regional roles has slowed implementation and reduced the likelihood of sustainability in several programs. What has generally worked best is reliance on national institutions for execution and implementation of programs and on regional institutions for supportive services that cannot be performed efficiently by national agencies, such as coordination, data gathering, technical assistance, dispute resolution, and monitoring and evaluation.

• **Accountable governance arrangements:** Getting agreement on governance arrangements takes time, but is essential to country ownership and sustainability of the outcomes of regional programs. The most successful programs have incorporated three features in their governance arrangements: effective voice of all participating countries (big and small), levels of representation appropriate to the program aims, and a clear and comprehensive governance mandate. Regional programs have not uniformly incorporated these three features. Lack of effective donor coordination has also impeded the governing bodies’ efforts to set strategic direction. In all 17 programs reviewed that have had more than one major donor, coordination among donors was weak; in over half, these problems were substantial. Programs have been hampered by earmarked and tied support, unpredictable financing, and differing individual donor requirements.
Regional projects have performed better than regional partnerships. Typically, the subset of regional programs that take the form of stand-alone, open-ended regional partnerships has been more donor-dominated and has had weaker country commitment than regional projects (or partnerships directly linked to such projects).

Three key findings emerge from review of the Bank’s performance in supporting regional programs.

1. The Bank has played multiple roles in support of regional programs. It has been a convener of country and donor partners and helped establish consensus on program design. It has provided technical advice and served in some cases as the program manager or secretariat and as a member of the governing body. Its financial contributions to regional projects have amounted, on average, to about a third of total project costs. Even when its funding has been limited, the Bank has exerted considerable influence on program preparation and implementation.

2. The Bank’s performance has been most effective in its traditional areas of comparative advantage. The Bank has been effective in fostering country interest in regional programs through its analytical work, mobilizing support of other donors, and financing country-level investments. It has been relatively ineffective in helping countries deal with conflicting interests, delineate the roles of national and regional institutions, and plan for the sustainability of program outcomes.

3. Bank incentives and capacities, which are geared to country operations, are not optimal for the provision of regional program support. Four aspects of Bank processes and structures have hampered its regional program support. IDA, DGF, and IDF grant resources all have allocation requirements that constrain their support for regional programs. The country management unit structure and budget process pose disincentives to the development of regional program strategies and operations. Current processes of monitoring and learning from regional program experience are weak.

Specifically, Bank management needs to consider making the following four changes.

1. Establish regional program strategies and integrate them into Country Assistance Strategies.

2. Work to strengthen the international architecture for financing regional development programs.

3. Increase the impact of the Bank support for regional partnerships.
1.6.8 **Lessons from Global MDTFs**


The Bank’s Strategy for global programs is poorly defined.

**Global public-goods programs meet most criteria.** While largely supply-driven, most Bank supported global public-goods programs largely meet the four Development Committee criteria for selectivity.

**Bank performance in global programs is better at the global than at the country level.** As a partner in global programs, the Bank has managed programs and mobilized resources better at the global level than at the country level. Other partners view the Bank’s leadership role, its financial clout, its access to policymakers, its operational support, and its fiduciary oversight as a seal of approval, giving them confidence to invest in global programs, both in-house and externally managed. Even at the global level, though, the Bank’s performance can be improved, particularly with respect to strategy, independent oversight, and global-country linkages.

Evidence is lacking that the programs are exploiting economies of scale and scope in such activities as knowledge creation and dissemination, capacity building, technical assistance, and donor coordination. It is also not clear whether the knowledge they disseminate is sufficiently evidence-based, quality-tested, and contextual to add value to what the Bank’s client countries themselves do, need, or want or what the Bank can achieve working through country-level partnerships.

The voices of developing countries, or even those of the Bank’s operational Regions, are inadequately represented in the international consensus.

**Governance is weak in several programs.** The permanent members of the programs’ governing bodies, who tend typically to be the major international organizations and donors, have greater de facto responsibility, relative to the rotating members, to ensure that programs are successful. But such responsibility and accountability are rarely clearly articulated. Lack of effective governance and management must be addressed if the Bank’s financial support is to continue.

**Management arrangements can alter perceived and actual responsibilities.** When the Bank or another international organization chairs programs that they house, this reduces the responsibility for shared governance. When programs are housed in the Bank or in another international organization, the program manager often reports both to the programs’ governing body and to a line manager in the housing organization. This situation often places responsibility for both management and oversight in the same management chain, which in turn creates real or perceived conflicts of interest in monitoring performance.

**The recent reforms are promising.** The establishment of the Global Programs and Partnership Council, together with the GPP Group, is a positive development. In line with the Phase 1 report’s recommendation, the GPP Council could help oversee the development of the Bank’s global strategy, anticipate changes in the global environment, and help set priorities and funding strategies. It can move global programs from the current network perspective to a Bank wide perspective and establish Bank wide standards for global programming and
performance. The Bank still needs to strengthen its appraisal of new programs and to make its selectivity, oversight, evaluation, and exit strategies more transparent and results-based. Finally, assessment and oversight of complex global partnerships requires expert knowledge and input, not only from the program managers who promote them but also from other partners, developing countries, and experts in the field.
Annex C: List of Persons Consulted

World Bank

Mr. Cal MacWilliam, Senior Advisor to Executive Director for Canada, Ireland and the Caribbean.

Mr. David Kuijper, Senior Advisor to Executive Director for Netherlands.

Ms Virginia Brandon, Advisor, Office of the U.S. Executive Director.

Ms. Jeehan Nawaf Abdul Malik Abdul Ghaffar, Senior Advisor to Executive Director for Bahrain, Egypt, Iraq and Jordan.

Mr. Rob Christie, Senior Advisor to Executive Director for Australia.

Ms. Yvonne M. Tsikata, Director, Caribbean Country Management Unit.

Mr. Alastair J.M. McKechnie, Director, Fragile and Conflict-Affected Countries Group.

Mr. Joseph Saba, Consultant, Fragile and Conflict-Affected Countries Group.

Mr. Faris Hadad-Zervos, Advisor, Fragile and Conflict-Affected Countries Group.

Ms. Radhika Srinivasan, Senior Social Scientist, Fragile and Conflict-Affected Countries Group.


Ms. Kelly Johnson, Consultant, Fragile and Conflict-Affected Countries Group.

Mr. Nicola Pontara, Senior Economist, Fragile and Conflict-Affected Countries Group.

Mr. Hugh Ridell, Operations Officer, Afghanistan Reconstruction Trust Fund.

Mr. Ian Bannon, Sector Manager, Social Development, African Region.


Mr. Christian A. Rey, Manager, Global Partnership & Trust Fund Policy.

Mr. David Potten, Senior Policy Adviser, Global Partnership & Trust Fund Policy.

Mr. Kjell M. Nordlander, Senior Resource Management Officer, Global Partnership & Trust Fund Policy.

Ms. Negar Rafikian, Manager, Leadership and Organizational Effectiveness.

Mr. Suhail J.S. Jme’an, Senior Financial Analyst, Transport, Energy and Sustainable Development.

Mr. Kris Hoban, Manager, Operations and Portfolio, Indonesia Country Office.

Mr. Bolomaa Amgaabazar, Country Officer, Indonesia.


Mr. Vikram Raghavan, Senior Council.

Ms. Ohene Owusu Nyanin, Country Manager, Liberia.

Ms. Barbry Keller, Senior Country Officer, Liberia.
Mr. Kremona Ionkova, Urban Specialist, Liberia, Africa Region.
Ms. Tania Meyer, Consultant, External Relations, United Nations Affairs Office.
Mr. Kaz Kuroda, Senior Social Development Specialist, Ethiopia/Sudan Country Management Unit.
Mr. Jean-Michel Happi, Country Manager, Iraq.
Ms. Jane Sansbury, Country Program Coordinator, IRFFI, Iraq.
Mr. Ousman Jah, Senior Operations Officer, Iraq.
Ms. Yisgedu Amde, Senior Operations Officer, Country Management Unit, Angola, Malawi, Mozambique, Zambia and Zimbabwe.
Mr. Olivier Godron, Country Program Coordinator, Country Management Unit, Angola, Malawi, Mozambique, Zambia and Zimbabwe.
Ms. Maria Correa, Program Manager, TDRP.
Ms. Maria Dakolias, Lead Counsel.
M Sana Kh.H. Agha Al Nimer, Senior WatSan Specialist.
Mr. Kees Kingma, Senior Social Development Specialist.

United Nations

Mr. Bisrat Aklilu, Executive Coordinator, Multi-Donor Trust Fund Office, Bureau of Management, UNDP.
Mr. Bruno Lemarquis, Deputy Director, Bureau for Crisis Prevention & Recovery, UNDP.
Mr. Christian Lotz, Peace Building Specialist, Bureau for Crisis Prevention & Recovery, UNDP.
Mr. Zana Zemri, Portfolio Manager, Multi-Donor Trust Fund Office, Bureau of Management, UNDP.
Mr. Dawn Del Rio, Senior Portfolio Manager, Multi-Donor Trust Fund Office, Bureau of Management, UNDP.

Donors

Mr. Henrik Hammargren, Director, Department for Human Security, Swedish International Development Cooperation Agency.
Ms. Rebecca Dale, Conflict Institutions Team, Conflict, Humanitarian and Security Department, Department for International Development.
Mr. Marcus Lenzen, Conflict Adviser, Conflict Institutions Team, Conflict, Humanitarian and Security Department, Department for International Development.
Ms. Stella Seibert-Palascino, Peace-Building and Crisis Prevention, German Federal Ministry for Economic Cooperation and Development.
Mr. Ronald Wormgoor, Policy Officer, Netherlands Ministry of Foreign Affairs.
Others

Mr. Asbjorn Wee, International Network on Conflict and Fragility, OECD.
Ms. Donata Garrasi, Consultant
Annex D: Documents Consulted

**General Literature**


**World Bank Documents**


The Effectiveness of World Bank Support for Community-Based and -Driven Development. Operations Evaluation Department (OED), 2005.


Afghanistan ARTF


ARTF Administrator’s Report on Financial Status as of December 21, 2009 (end of Qaus 9th month of SY1388)

**Indonesia MDFANS**

*Five Years after the Tsunami: Continuing the Commitment to Reconstruction*. MDF Progress Report December 2009.

**Liberia LRTF**

IMF Country Report No. 08/219
Liberia Reconstruction Trust Fund, *Oversight Committee Meeting, 19 June 2009 Minutes*
Liberia Reconstruction Trust Fund, *Oversight Committee Meeting, 19 June 2009 Minutes*
Liberia Reconstruction Trust Fund, *Oversight Committee Meeting, 9 September 2008, Minutes*
Liberia Reconstruction Trust Fund, *Oversight Committee Meeting, 21 May 2008, Minutes*
Liberia Reconstruction Trust Fund, *Oversight Committee Meeting, 18 December 2008*

**MDRP & TDRP**


Transitional Demobilization and Reintegration Program for the Great Lakes Region Program Paper and Operational Procedures, November 2009.


Implementation Completion Memorandum (ICM), May 21, 2010

Sudan


Iraq


Iraq Country Portfolio Performance Review. World Bank, October 23, 2007


IRFFI Progress Report. World Bank, November 2009
Annex E: Terms of Reference

Review of Programmatic MDTF in FCS

Background:
Multi-Donor Trust Funds (MDTFs) are a common instrument used for resource mobilization and coordination in engaging with fragile and conflict affected situations (FCS). While most fragile situations are characterized by weak policies and institutions, operational approaches must account for the varying contexts between countries. In light of this, MDTFs in FCS have evolved into much more than the funding mechanisms they were originally conceived to be. Today, many MDTFs serve as convening mechanisms to bring interested partners together and pool their resources, with governance structures that have important allocative and decision-making functions. As such, these MDTFs are management-intensive and bring together a number of players with sometimes varying incentives and expectations. Accordingly, the governance structures of MDTFs have become a critical factor to the perceived success and effectiveness of this critical engagement instrument.

One possible key component when considering MDTFs’ design and governance is the strength of the partner government on whose behalf the Bank established and manages the fund. Where the MDTF design and governance work with existing state capacity, build further capacity, and transition decision-making power to newly strengthened local institutions, development gains can be found. Where there is a mismatch between MDTF design and the realities on the ground it is possible that these structures prevent the very development they were designed to facilitate. Furthermore, where the governance structure allows for competing priorities between donor preferences on the one hand, and client preferences and absorptive capacity on the ground, these structures may buckle under the strain of these competing directions.

The relative strength of the beneficiary government is not the only factor affecting MDTF perceived success. The security context, trust fund characteristic (co-financing an IDA project or programmatic), and the objectives and expectations of contributing donors and other partners also play a part. In fact, the incentives for donors to engage with FCS via a programmatic MDTF may be precisely because of the increased voice they have in allocation and implementation decisions. Accordingly, balancing donor desires for increased decision-making ability with the need to build and support state capacity is an important part of MDTF design. All of these issues deserve further analysis. A more complete understanding of the interplay between the different situations faced in various FCS and the design, governance structures, and donor/partner incentives and expectations will allow the Bank and donors to tailor their FCS engagement and become more effective development partners.

Objectives and Scope:
The objective of this assignment is to review Bank experience and performance in managing a selected sample of MDTFs established to support and facilitate engagement in FCS. Primarily programmatic MDTFs - high-profile multi-donor mechanisms covering country or large sectoral programs, with a governance structure and donor coordination mechanisms, such as Iraq TF, Afghanistan, Sudan, etc.
study will buttress discussions with IDA 16 donors on the World Bank’s engagement in FCS and as such will need to examine broad policy implications of the use of MDTFs in FCS. In particular it will focus on whether, why and how the international community and the World Bank can use and improve MDTFs for both reconstruction and development in FCS with a particular view towards the governance and design of MDTFs.

To do so the consultants will examine the dynamics between the parties involved in MDTFs, the varying situations in FCS and these dynamics impact on efficiency, effectiveness, accountability and partner satisfaction with the MDTF in order to determine if the main lessons learned regarding MDTFs are particular to programmatic MDTFs in FCS or are they inherent to the mechanism/leading institution/stakeholder relationships/environment (FCS) – or the link between these? To that end the study should contain a review of FCS focused trust funds, examining their performance, identifying key success factors and unmet challenges. Within this framework the study will analyze the relevance and impact of recent changes within the Bank – as they relate to TF policies and procedures - to reflect lessons learned, as well as experiences between the bank and its development partners. As such the list of suggested MDTFs to analyze includes both programmatic and co-financing MDTFs focused on FCS.

More specifically this study will seek to:

1. Identify the main lessons learned from previous reviews of MDTFs in FCS, focusing on what has been learned about the FS context (linkages to political processes, policy frameworks, strengthening state institutions while delivering in a timely manner), stakeholder roles, governance structure, World Bank management requirements, key performance factors during implementation, and external factors (security, local conditions, etc);

2. Undertake a rapid assessment of whether and how pertinent lessons learned have been incorporated into World Bank’s practices; and,

3. Highlight which areas the Bank (and other stakeholders) need to further improve its/their support to MDTFs, to better align the mechanism with the stakeholders/World Bank policy objectives in FCS.

4. Provide recommendations as these appear relevant to the overall FCS engagement.

**Core Audience**

The core audience for the preliminary report is the Operational and Country Services Fragile and Conflict Affected States Group (OPCFC). The final product will inform the preparation of materials for IDA 16 discussions and as such its audience includes the World Bank at large, donors and other International Organizations.

**Outputs**

The consultant’s main deliverable is an analytical report, which will include, but not be limited to:

1. Discussions on the main lessons learned of World Bank-administered MDTFs in FCS, focusing on context, stakeholder roles, governance structure, World Bank management, key performance factors during implementation, and external factors;
2. A discussion on whether and how pertinent lessons have been incorporated into World Bank’s practices; and,

3. A discussion on specific areas where the Bank (and other stakeholders) needs to further improve its support to MDTFs, to better align the instrument with the stakeholders/World Bank policy objectives in FCS.

The consultant is expected to build their analysis on a series of MDTF case studies, using them to illustrate the main points and derive lessons learned and conclusions. The consultant is also expected to assist in the production of the final OPCFC paper through regular conference with the authors and review of the broader final paper.

**Responsibilities**

Human resources for this assignment can be broadly divided into two categories: The OPCFC team, internal at the Bank, and the external consultants. Reporting to the project leader, Joe Saba, the two teams will work in close concert with each other to complete the review.

The OPFC team (focal point: Faris Hadad-Zervos, other members: Marcelo Fabre, Kelly Johnson, Ditte Fallesen, Esther Rojas-Garcia) will assist the consultant through the provision of past Bank documentation on MDTFs and organizing introductions and interviews with key Bank staff for research purposes. The OPCFC team is also responsible for administrative support for travel arrangements and payments which will be run through ACS staff at OPCFC (Vera Kehayova). OPCFC will also be responsible for reaching out to other international organizations and donors where necessary, as well as to key partners within the Bank in order to produce the final paper.

The external consultants (Focal point Riselia Bezerra, other team members David Gairdner and Arne Disch), will be responsible for research, analysis and the drafting of a preliminary report on MDTFs in FCS with regular exchanges with the OPCFC team. They are also expected to provide input into the final OPCFC paper as necessary.

In addition the consultants may be asked to undertake one mission to Washington DC to discuss key elements and issues considered in the study with the OPCFC team and conduct informational interviews. Travel costs would be covered by the World Bank and as such are subject to World Bank policies and restrictions regarding travel.

**Methodology and Timeline:**

**Preliminary Report:** March 8th, 2010

**Final Report:** April 16th, 2010

**Estimated Length:** 20 pages, excluding annexes

Drafting is scheduled to occur in January to mid-February. An initial teleconference will occur in early-mid January in order to determine scope and finalize the list of MDTFs to be covered in the review with an initial outline of the paper to be produced by the end of January. Finalization of the first draft will occur in the first week of March. OPCFC will provide the consultant with a list of key documents to consider.
The study shall be based on existing knowledge of MDTFs in FCS, complemented by personal consultations as follows:

1. Lessons learned will be derived from existing reviews of MDTFs in FCS;

2. Incorporation of lessons learned into World Bank’s practices will be derived from:
   - Existing studies (e.g. Rapid Response to Crises and Emergencies (OP8.00) Progress Report, OPCS, 6 April, 2009);
   - Consultations with Bank staff in Washington D.C. and in the field (video- or teleconferencing) and the UN in New York; and,
   - The following case studies: Incorporation of lessons will be looked at both older and more recently established funds.

**List of MDTFs to study:**

- Afghanistan Reconstruction Trust Fund
- Iraq Multi-Donor Trust Fund
- Sudan: Multi-Donor Trust Fund-National
- Sudan Multi-Donor Trust Fund-South Sudan
- Liberia Reconstruction Trust Fund
- Transitional Demobilization and Reintegration Program (including as necessary legacy children from the MDRP: Uganda, Rwanda, DRC, and Burundi)
- Multi-Donor Trust fund for Aceh and Nias
- Haiti Reconstruction Trust Fund