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STATE- AND PEACE-BUILDING FUND
ANNUAL REPORT

FISCAL YEAR
2010



ABBREVIATIONS AND ACRONYMS

| | |
|------------------|---|
| CDD | Community-driven development |
| CSO | Civil society organization |
| FCSs | Fragile and Conflict-affected States |
| FY | Fiscal year (July 1 to June 30) |
| GBV | Gender-Based Violence |
| IDA | International Development Association |
| IDP | Internally displaced person |
| NBC | Nahr el-Bared Palestinian Refugee Camp |
| NDCF | Niger Delta Community Foundation |
| NGO | Nongovernmental organization |
| OPCFC | Fragile and Conflict-Affected Countries Group (World Bank) |
| SMEs | Small and medium-sized enterprises |
| SPF | State- and Peace-Building Fund |
| PBF | United Nations Peace Building Fund |
| UN-WB-FPA | United Nations-World Bank Fiduciary Principles Accord |
| USD | US dollars |
| WB | World Bank |

KEY TO THEMES

- CB** Capacity Building
- CDD** Community-Driven Development
- GVNC** Governance
- MktF** Market Formation
- SUBNAT** Sub national Conflict Management
- VULN** Vulnerable Groups (including Youth, Women, and IDPs)

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FUND ANNUAL REPORT
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The State- and Peace-Building Fund (SPF) represents the vanguard of the World Bank's global effort to eliminate the causes and alleviate the consequences of state fragility and conflict. In countries affected by fragility and conflict—from Haiti to Georgia, from DR Congo to the Solomon Islands—the multidonor SPF supports innovative, country-specific projects that create the conditions for long-term growth and stability.

This report outlines the objectives of the SPF and exhibits the results of its first two years of operation by highlighting projects that capture how the fund responds to the complex dynamics of governance and human security in fragile and conflict-affected states (FCSs).

The need for action in FCSs is acute and urgent. Globally, one of every six people lives in a fragile or conflict-affected country—countries that are typically doubly burdened with both poor development and poor potential for development. When the state is either unable or unwilling to provide basic services and ensure human security—the marker of state fragility—the outcomes are frightening: fragile states are home to one-third of all people living beneath the international poverty line and account for one-half of all infant mortality. Even within the developing world, the populations of fragile states lag behind, accounting for a third of children who do not complete primary school, a third of people who lack access to clean water, and nearly 60 percent of poverty.

Fragile states are more prone to violent conflict.¹ More than 20 of the world's poorest countries are affected by or emerging from conflict, which has both immediate human costs and long-term disruptive effects on governance, social cohesion, and the psychological health of survivors. The impacts of armed violence on national economies are severe. In Guatemala, for example, armed violence costs the equivalent of 7.3 percent of GDP in 2005, far outstripping spending on health or education. Likewise, if Jamaica and Haiti reduced their homicide rates to a level commensurate with Costa Rica, their respective annual growth rates could increase by an estimated 5.4 percent.²

FCSs also pose a destabilizing threat to their neighbors, exporting refugees, warring groups, contagious diseases, and transnational criminal networks that traffic in narcotics, weapons, and people. Thus, as we have seen most recently in South Asia and Central Africa, these

states can create fragile regions. This vicious cycle—in which fragility begets violence, which begets yet more fragility—has depressed the development of FCS countries beneath even the norms of the developing world. And, despite international efforts to reverse the tide, this development gap has been widening since the 1970s.³

The Bank's response

Increasingly over the last two decades, development experts have recognized that engagement with FCSs presents a unique set of development challenges. In the mid-1990s the Bank revitalized its original mandate for reconstruction and formulated a new strategic framework for engagement with conflict-affected countries.⁴

To catalyze work in this relatively new area, the Bank established several innovative financing instruments. Principal among these were the Post-Conflict Fund (PCF), established in 1999, and the Low-Income Countries under Stress Implementation Trust Fund (LICUS TF), established in 2004. The mandates of the two trust funds reflected the Bank's new outlook—that state fragility and conflict are the result of complex social, political, and economic processes that must be addressed on multiple fronts and levels, through multiple entry points. Thus the two funds supported an array of development projects to promote economic and social recovery, governance, civil society participation, and human security.⁵



The State and Peace-Building Fund

The State- and Peace-Building Fund was created in 2008 to consolidate and advance the Bank's strategic approach to conflict and fragility. The SPF operates at the intersection of development, conflict prevention, post-conflict reconstruction, and peace-building, within the Bank's legal and policy framework.

OBJECTIVES

The overarching objective of the SPF is to address the needs of state and local governance and peace-building in fragile and conflict-affected situations. The fund strives to capture and disseminate the lessons of its activities to promote better understanding of the dynamics of fragility and conflict as well as effective strategic and operational approaches to engagement in fragile and conflict situations.

CONCEPTUAL ALIGNMENT

The SPF recognizes the inherent connection between security and development; the vital link between building peace and building the state. Thus the SPF promotes cross-cutting, innovative approaches to the challenges of conflict and fragility. SPF projects that confront gender-based violence, for example, recognize that prevention of such violence touches on issues of health, rule of law, economic opportunity, and cultural attitudes and they work toward sustainable, holistic solutions that address the issue on all fronts.

AN ENTRY POINT FOR ENGAGEMENT

By definition, FCSs are those countries with weak governance and limited institutional capacity for development. A key value of the SPF is its mandate to pilot innovative initiatives that address these challenges of fragility and create a foothold for wider development involvement.⁶ The SPF is often used as an instrument of Bank engagement in countries that otherwise have limited or no involvement with the Bank: it provides an entry point for scaling up Bank funding for specific projects or for reengaging with IDA in a country.

KNOWLEDGE & LEARNING

A central pillar of the SPF is the capturing and sharing of lessons learned. Through incorporating learning components into project design, the SPF develops better understandings of the impact of the intervention approaches it supports. This knowledge and learning agenda helps guide the strategic direction of the SPF and informs the areas of work in which the SPF engages.

STRATEGY FOR FY11

A recent internal review by the SPF Secretariat has refocused SPF's strategic outlook moving forward. In FY11 the SPF aims to establish a new biannual call for the submission of concept notes, allowing the SPF to build a portfolio of projects that reflects the SPF's objectives, current thinking, and priorities. The SPF Secretariat will also introduce a streamlined process that will consolidate administrative procedures, enhance quality of project design and implementation, and further incorporate knowledge and learning elements into the portfolio. To ensure that the SPF maintains its rapid response capabilities and responsiveness to urgent needs, ad hoc submissions will continue to be accepted, especially where it is clear that they will catalyze further engagement and financing.

PROGRAM MANAGEMENT STRUCTURE

The SPF is housed in the World Bank's Fragile and Conflict-Affected Countries Group (OPCFC), a working unit responsible for coordinating country strategy, institutional reform, knowledge management, and strategic partnerships to improve the Bank's engagement with fragile and conflict-affected countries. Within OPCFC, the office of the SPF Secretariat manages all aspects of the trust fund program, endeavors to build a network of programmatic partnerships with donors and the UN, and works to orchestrate learning and knowledge sharing activities. The SPF Secretariat supports the governing body of the trust fund, a Director-level Committee, which provides strategic direction for the trust fund and is the approval authority for all projects.





Moving Forward

Despite an increasingly coordinated international effort to address the needs of FCSs, developments over the last several years have placed additional burdens on these countries. The rise in global food and fuel prices in 2008, followed by the global financial crisis, has placed an enormous stress on FCSs by depressing local economies and adding pressure on donor budgets. Analysis indicates that no fragile state has yet achieved a single Millennium Development Goal, and by 2015, only 10 percent of fragile states are expected to achieve the goal of halving poverty and hunger.⁷ As World Bank President Robert Zoellick has observed: “The realities facing fragile and conflict-affected countries are a solemn reminder of the enormous and complex challenges that lie ahead, but they are also a call to mobilize our combined resources on behalf of those most in need.”

supporting partnerships

The SPF's most important strategic partners are its beneficiaries. Through programs of technical assistance, service and goods provision, and community-driven development (CDD), the SPF engages with a wide range of government agencies and civil society organizations, transferring valuable skills and lessons back to the World Bank.

SPF projects are implemented through partnerships with government line ministries as well as non-government entities such as international and local NGOs, research institutions, or UN agencies. Under exceptional circumstances, governments may request that the World Bank execute a portion or phase of a project while local capacity to carry out the activities is developed. In its first two years of operation the SPF approved \$63.4 million in projects of which the largest shares, 46 percent and 35 percent, were granted to government entities and NGOs, respectively. Table 1 outlines the portfolio of projects approved by grant recipient-type.

To improve strategic engagement with FCSs, the SPF also supports learning and knowledge-sharing initiatives through collaborations with world-class institutions such as the Harvard Program in Refugee Trauma, Oxford University, Yale School of Global Health, the Woodrow Wilson International Center for Scholars, the Brookings Institution, and the Center for Conflict Resolution (South Africa). These activities are designed to benefit the wider development community.

As a multidonor trust fund, the SPF works in close collaboration with the donor community. These important relationships connect the SPF with the international dialogue on strategic engagement in FCSs. The SPF Secretariat holds bi-annual donor meetings to discuss the status of projects, confer about important FCS issues, and collaborate on priorities and agendas.

UN Peace-Building Fund (PBF)

As one of several initiatives related to UN-World Bank cooperation, the SPF and the United Nations Peace-Building Fund (PBF) share information on projects they support in order to improve coordination on the ground and discuss new approaches to working in FCSs. A key distinction between the UN-PBF and the SPF is the level at which each engages: the UN-PBF assesses the needs of a country, develops a strategy for engagement, and allocates funds at the country level to support this strategy. The SPF supports the Bank's Country Strategies and focuses on providing financing at the project level through NGOs, government line ministries, UN agencies, foundations, and research institutes.

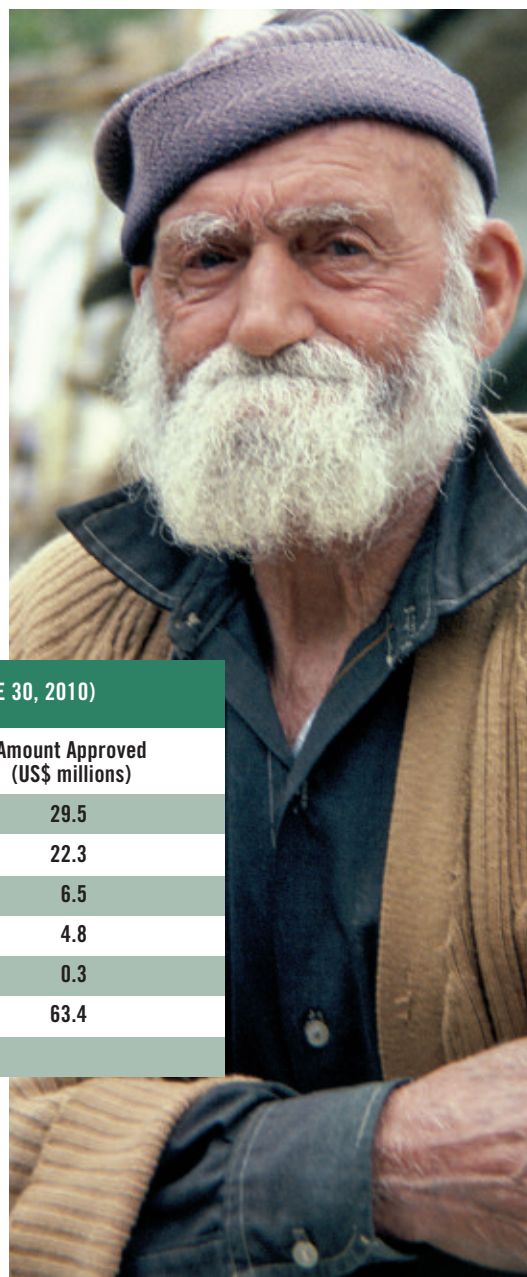


TABLE 1. FUNDING APPROVED BY GRANT RECIPIENT-TYPE (AS OF JUNE 30, 2010)

| GRANT RECIPIENT TYPE | No. of Projects Approved | Amount Approved (US\$ millions) |
|------------------------------------|--------------------------|---------------------------------|
| Government Entity | 12 | 29.5 |
| NGOs | 11 | 22.3 |
| UN Agency | 4 | 6.5 |
| World Bank-executed | 4 | 4.8 |
| Research Institution | 1 | 0.3 |
| TOTAL FUNDING CONTRIBUTIONS | 32 | 63.4 |

UN-WB Fiduciary Principles Accord (UN-WB-FPA)

Three projects have applied the UN-WB-FPA, reducing the time required for project readiness and implementation, thereby improving cooperation with between the Bank and UN agencies.

UN-HABITAT

Supports the research program on the Recovery and Reconstruction of the Nahr el-Bared Palestinian Refugee Camp and Conflict-Affected Areas of North Lebanon, with the aim of promoting a better understanding of fragility and conflict dynamics within the refugee camp and formulating appropriate policy recommendations and measures that would contribute to peace-building and conflict prevention in the camp and surrounding areas.

UNICEF

Contributes to reducing child mortality in Somalia by supporting the implementation of the Extended Program of Immunization, which aims to reach the majority of children and of women of child-bearing age with basic vaccinations to prevent illness and death and promote well-being.

FAO

Contributes to pastoralists' livelihoods by supporting the implementation of the Emergency Livestock Disease Surveillance and Control and Promoting Competitive Meat Industry Project, which aims to provide quality animal health inputs and services and to enhance quality assurance standards in targeted slaughterhouses, to increase competitiveness in regional markets and retain their market shares.



STATE-BUILDING

Building states and building peace are interrelated, complementary processes. State-building seeks to strengthen, build, or rebuild institutions of governance that are capable of providing the population with such functions as transparent and accountable management of public finances and state assets, investment in human capital and social development, the rule of law, basic services and infrastructure, and an enabling environment for market formation. Low capacity of a state to perform such functions is inherent to conditions of fragility and conflict. By strengthening and building institutional capacity to discharge those functions, state-building contributes to increasing the state's effectiveness.

The case studies below illustrate the numerous operational facets of state-building. Under each category a project emblematic of SPF's work is highlighted. These highlighted projects are paired with brief descriptions of similar projects found in boxes to demonstrate how the perennial challenges of FCS engagement are approached from different angles and SPF's operational experiences are retooled to match local contexts.

Strengthen Governance Capacities

GUINEA-BISSAU

GVNC CB

Economic Governance Support Project

Strengthening a government's public financial management (PFM) systems is central to achieving broader development objectives of stability and growth. In recent years, international consensus and local political support in Guinea-Bissau have formed behind critical areas of PFM reform, and an ambitious path forward was charted by the collaborative Economic Governance Reform Grant in 2009. However, key domestic institutions were not in a position to effectively implement these reforms. The 1998-1999 civil war and the years of high political instability that followed had deteriorated institutional infrastructure and civil service capacity. Between 2000 and 2009 Guinea-Bissau was led by eight different prime ministers under eight different governments, and the resulting high turnover among senior policy-makers, senior civil servants, and public enterprise managers limited the ability of the Ministry of Finance to execute the national budget—an essential prerequisite for long-term planning. SPF's work in Guinea-Bissau is fulfilling the crucial role of helping to bridge these gaps in institutional capacity to set the stage for the implementation of broader reforms. Reflecting on the importance of SPF's bridge financing, the project manager observed, "Policy without technical assistance just doesn't work. At an operational level, targeted support like the SPF is the only way to do it."

Specifically, SPF has provided the technical assistance to harmonize the legal framework on PFM and is working to strengthen the capacity and upgrade the materiel of the Ministry. In 2005, Guinea-Bissau became bound by the new regional PFM guidelines endorsed by the West African Economic and Monetary Union. An SPF-

funded initiative provided technical assistance to draft and pass legislation that aligned Guinea-Bissau's laws with its regional obligations, while creating flexibility for the young financial system to flourish.

SPF's targeted assistance to the Ministry with budget preparation provides another example of creating the necessary conditions for wider reforms to take hold. Previously, each line ministry in Guinea-Bissau maintained a separate budget, and no mechanisms existed to track or synthesize public expenditures. Working with the Ministry of Finance, the SPF developed a secure, government-wide computer network to establish budgetary coordination. The project provided computer terminals in every ministry, each linked to the others and running internationally recognized PFM software. The grant supports technical assistance to train civil servants in each ministry to use the PFM software, thereby enabling the Ministry to accurately maintain a well-managed and transparent national budget.



CB GVNC SUBNAT VULN

BOX 1

GEORGIA Internally Displaced People's Community Development Project

Thirty years of intermittent conflict has produced successive waves of displacement in Georgia, creating a severe development challenge. At present, an estimated 5 percent of the Georgian people are displaced, and half of the internally displaced people (IDPs) are living in substandard collective centers; yet the Ministry of Internally Displaced Persons from the Occupied Territories, Accommodation and Refugees of Georgia has lacked the capacity to provide support to this marginalized community. Through the SPF-funded initiative, a new unit within the Ministry, the IDP Communities Development Center, has been established to guide participatory development activities designed to increase IDP access to basic infrastructure, services, and livelihood opportunities. Because the most effective and sustainable approach is one steered at the highest levels by Georgians and Georgian IDPs, a central objective of the project is to lend technical assistance to increase the institutional capacity of the Communities Development Center. Thus the SPF channels

money directly through the Ministry—currently the only donor doing so. Under the stewardship of the Center's first director—himself an IDP—the Center has proven its autonomy over the last year by crafting its own operations manual, an involved process that both revealed and created enormous commitment, as well as recruiting additional staff, and adopting and implementing World Bank fiduciary requirements. With the support of the SPF, the Ministry is now hiring local non-governmental organizations (NGOs) to conduct community mobilization in target IDP settlements in order to identify their priorities for small scale projects—a novel approach to governance and service delivery in Georgia. Hiring NGOs in a competitive process, and insisting on high-quality work, have created a positive feedback loop of improved NGO capacity and service delivery. The Ministry's work with these NGOs is resulting in better vertical communication between the government and local stakeholders—a process that is engendering a more representative and responsive government.



Increase Demand for Good Governance

NEPAL

CB GVNC SUBNAT

Program to Promote the Demand for Good Governance

Civil society organizations play an essential role in the state building process. Strong and competent civil society organizations—NGOs, professional associations, independent media, and other non-state actors—help to create an accountable and responsive state. As a new political order emerges in Nepal, SPF is working to bolster civil society capacity for engaging constructively with public agencies on issues of governance.

After 10 years of civil war and the signing of a historic peace accord in 2006, political parties are now engaged in the protracted negotiation of the new political order, which may for the first time lead to the inclusion of all Nepal's diverse caste, ethnic, and regional identity groups, as well as women from all groups. Within this national conversation are an estimated 400,000 local and sponsored CSOs, many of them affiliated with international advocacy organizations. However, their participation is constrained by problems of fragmentation,

politicization, insufficient coordination, and uneven links with the state. This project is designed to address these shortcomings by providing a menu of capacity building and support initiatives to help the full range of non-state actors learn about and pilot what has worked well elsewhere, with the aim of developing a critical mass of non-state actors who are actively and competently engaged in demand for good governance activities. To strengthen effective participation in governance reforms, the project is working to establish a knowledge center and network to educate CSO leaders about the tenets of transparency and accountability in public sector programs. Further, to enhance CSO credibility with government and citizens, the project will transfer skills to CSOs to improve their own internal management and accountability systems.

The project's objective to increase effective demand for good governance has profound implications for the peace process as well. A crucial ingredient to securing lasting peace will be reinforcing the resilience and legitimacy of the state by broadening its base of stakeholders.



IRAQ

CDD GVNC

Consultative Service Delivery Program

Decades of authoritarian rule by the Ba'ath Party created a political structure in Iraq that was highly centralized in Baghdad among a tiny political elite. If stability and peace are to take hold in Iraq, a new political system must be adopted to equitably decentralize the nation's political power and resources. Progress on this front will require action at the community level, through pilot initiatives such as the SPF-funded community-owned development program in northern Iraq.

In an area where pockets of wealth exist, yet basic service delivery is weak and political inclusion is uneven, the SPF project is working to develop local communities' capacities for sustainable, consultative decision-making on resource allocation and service delivery. The project helps establish community action groups to identify local needs and implement subprojects aimed at improving public infrastructure and community services, and ensuring the inclusion of vulnerable and marginalized groups. The project is assisting these community action groups in their contacts with local government in petitioning for, implementing, and maintaining prioritized community projects. Thus, facing a microcosm of Iraq's challenges, the project transfers the necessary skills and public mobilization processes that pilot promising solutions. CDD projects in fragile and conflict-affected environments face an uphill battle. However, unlike other conflict-affected countries, Iraq is blessed with a strong educational legacy, high literacy rates, and many individuals with strong administrative capacities. The project is working to mobilize this wealth of local knowledge to foster community processes that are participatory, equitable, and sustainable, and build democracy and inclusion "bottom up".

To succeed, CDD must be context-specific—responding to local needs and priorities, melding with local accountability mechanisms, and mindful of local customs. The strength of the project's approach is that it works incrementally, gradually involving the existing governance structure, and learning about sustainable models for social inclusion and participation as it proceeds. Constant monitoring and evaluation are crucial, as the program must adapt to be effective. In Iraq, where development has been slow to take hold and participatory politics are weak, it is very important to be able to point to successes such as this SPF project.



CB CDD VULN

BOX 2

GUINEA-BISSAU Participatory Rural Development Grant

Guinea-Bissau is one of the poorest countries in the world, with two out of every three people living below the international poverty line, and one out of every five living in extreme poverty. An estimated 80 percent of Bissau-Guineans living in poverty live in rural areas, where basic public services and public infrastructure are largely absent. To fill this vacuum, the SPF is working to empower local communities to self-direct much-needed rural development.

The SPF project supports rural community-driven development initiatives that emphasize addressing the needs of vulnerable groups by strengthening individual and institutional capacity. The project has established committees of community stakeholders to implement sub-grants directed towards rehabilitating priority basic social and economic infrastructures and services.

Encourage an Environment for Market Formation

SOMALIA

CDD VULN GVNC MktF

Emergency Livestock Disease Surveillance & Control and Promoting Competitive Meat Industry

Somalia remains one of the poorest and most unstable countries in the world that has experienced decades of conflict and persistent high levels of poverty. Seventy-three percent of the population lives in poverty on less than \$2 a day and 80 percent are in need of assistance. In the past year, the humanitarian situation has continued to deteriorate due to a combination of soaring food prices, a significantly devalued Somali Shilling, deteriorating living conditions, and the impact of the worst drought experienced in decades.

In the face of extreme poverty, livestock remains the most important production sector in Somalia and the main source of subsistence for the population. Livestock exports create 60% of Somalia's job opportunities and generate about 40% of Somalia's Gross Domestic Product, and 80% of its foreign currency earnings. The country relies heavily on the export of live animals and meat to the Middle East and neighboring countries. Taxation of livestock trade and export is, on the other hand, one of the major revenue sources for the local administrations in northeast and northwest areas of Puntland and Somaliland respectively.

Recognizing the importance of the livestock sector, this SPF project was developed as a response to the deteriorating conditions in the country and the urgent need to protect livestock and associated assets. The project provides support to livestock disease surveillance, vaccination and treatment in support of animal health, and protection against diseases outbreaks. It also supports meat processing and chilling plants. In the first year of operation the project delivered nearly 400,000 doses of vaccine and supported veterinary treatments for nearly 100,000 animals. The project will continue to work on increasing food security while building domestic capacity for improving livestock health, meat production quality, and the competitiveness of livestock and live animal exports.

This project complements the Bank's Rapid Response Rehabilitation of Rural Livelihood Project which is supported from a different financing source and is currently under implementation. In a coordinated effort, the project also complements other similar programs supported by the European Commission, the League of Arab States, and the Governments of Norway, Italy, and Sweden. These donor programs support, among other activities, veterinary services, rehabilitation of water points and domestic slaughter infrastructure, and meat sector and human health development.

CB MktF VULN

BOX 3

TOGO

Private Sector Revitalization

In Togo, youth account for over 65 percent of the national population. Unemployed young men often lack prospects, and thus they are prime recruits for militias and transnational crime networks. The Government of Togo recognizes that as it struggles to emerge from over 15 years of sociopolitical crisis and economic disorder, it must prioritize assistance to this crucial demographic. SPF's work with the Government is an extension of the understanding of the link between targeted economic development and state stability.

To revive the private sector and create a market for youth jobs, the SPF grant is assisting the Government to establish a legal and institutional environment conducive to productive employment. Priority actions include promoting access to jobs for youth and vulnerable groups, improving access to financial services, upgrading training courses, and revitalizing the National Fund for Job Apprenticeship, Training, and Skills Development, and the Youth Funds. The grant is helping the Government identify and implement business-friendly reforms to attract investments, and directly assist small and medium-sized enterprises (SMEs), which are key employers and a driver of growth. The grant benefits SME start-ups, young entrepreneurs, two government ministries responsible for promoting the private sector and youth employment, and private sector organizations such as the Chamber of Commerce, the Chamber of Arbitrage, and a prominent business journal.



Confront Gender-Based Violence through Governance Assistance



DEMOCRATIC REPUBLIC OF CONGO **CB** **VULN** Addressing Gender-Based Violence

The provinces of North and South Kivu in eastern DRC are regarded as some of the cruelest conflict zones for women and girls in recent history. In the decades of violence that have plagued post-independence DRC, sexual violence has become a “shockingly common” tool of war, in the words of the UN Undersecretary for Humanitarian Affairs. More than 9,000 cases of rape were reported last year in North and South Kivu—and many more cases go unreported. As UN Secretary General Ban Ki-moon reminded the UN General Assembly, the crisis of sexual violence in the DRC is ongoing; just one month prior to the UN General Assembly Annual Meeting, more than 300 women, men, girls, and boys were raped by rebel militias in a brutal rampage through 13 villages along a 21-kilometer road.

The objective of SPF’s work in the DRC is to improve the services that promote treatment and prevention of gender based violence against women and girls in South Kivu. The project aims to mitigate the short- and medium-term impact of GBV at the individual, family, and community level and reduce the vulnerability of women and girls in South Kivu. The project contributes to strengthening service provision for survivors of GBV by improving the capacity of government health institutions in South Kivu by providing training and technical support to health care staff at approximately 65 health facilities, in the four health zones of Kabare, Kalehe, Minembwe and Itombwe as well as through the training of health care staff on trauma counseling for survivors and their family members. Additionally, the project contributes to improved social and economic reintegration of survivors

of sexual violence and other vulnerable women and girls in the communities through addressing stigma of survivors at the family and community level, and increased responses to address the specific needs of vulnerable women in South Kivu. To increase the economic empowerment of women, SPF is piloting an economic empowerment project for survivors of GBV and their families through a Village Savings and Loans model. This model actively engages men in order to address violence against women in the home.

CB **GVNC** **VULN** **BOX 4** CÔTE D’IVOIRE Protection from Gender-Based Violence

Sexual violence against women, already common in Côte d’Ivoire before the conflict, escalated sharply as a result of the armed conflict. Combating this entrenched gender-based violence, and providing assistance to survivors, requires a coordinated response from numerous quarters of society and government. To this end, the current SPF project in Côte d’Ivoire seeks to establish community health centers and strengthen the capacity and coordination of key local stakeholders such as the Ministry of Health, the Ministry of Social Affairs, the Ministry of Justice, the armed forces, local NGOs, and UN agencies.

PEACE-BUILDING

Building states and building peace are interrelated, complementary processes. Peace-building seeks to develop conditions, values, and behaviors that foster and sustain social and economic development that is peaceful, stable, and sustainable. Peace-building includes the broad spectrum of reconstruction and institution-building efforts that are necessary for a country to recover from conflict and that support the development of integrated strategies to lay the foundation for sustainable development.

The case studies below illustrate the numerous operational facets of peace-building. Under each category a project emblematic of SPF's work is highlighted. These highlighted projects are paired with brief descriptions of similar projects found in boxes to demonstrate how the perennial challenges of FCS engagement are approached from different angles and SPF's operational experiences are retooled to match local contexts.

Develop Local Capacities for Peace

THAILAND

SUBNAT CDD

Piloting Community Approaches in Conflict Situation in Three Southernmost Provinces in Thailand

Thailand's three southernmost provinces of Yala, Narathiwat, and Pattani—although annexed over 100 years ago from Thailand's Malay neighbors—have yet to be fully assimilated into the mainstream of Thai culture or the Thai political economy. Since 2004, the south has seen a rise in violence, driven by Malay separatist groups and fueled in part by the common perception among the predominantly Muslim Thai Malays that they are marginalized within the larger predominantly Buddhist Thai society. Initially, the Thai state responded to this crisis with military force, but in the past seven years the Government has come to see the limitations of this strategy and is seeking new avenues of conflict resolution.

The SPF-funded project aims to lessen the culture of violence in southern Thailand by building bridges between the conflicted communities. The project works to promote trust-building in the conflict-affected areas by developing effective community approaches to local development that create "space" and opportunity for increased interaction within and among communities and between communities and the state apparatus. It pilots culturally appropriate and socially inclusive local development approaches, including CDD. Whereas previous attempts by the Thai state to initiate local development were hobbled by elite

capture, the SPF project develops small-scale projects that operate on a level beneath the purview of elites. As task team leader Mary Judd explains, "The relatively small budgets of CDD sub-projects—and the rigorous requirements of CDD reporting—make our projects not worth the time of the local elites, who have been accustomed to easier development money. The result is that we are able to reach new corners of society, and engage new actors—actors on the community level whose attitudes and actions can make a genuine difference in the peace process."

The early results are getting the attention of the regional government, which has offered to contribute funds to the SPF pilot projects. On the national level, the project has the potential for replication and the Government has inquired if the pilot can be duplicated in other parts of the country. The project is a concrete illustration of an alternative to addressing subnational conflict through force. Recently, at the project's invitation, the Government has begun sending military personnel to participate in community facilitation meetings in the villages and have asked to be included in future community development trainings



CÔTE D'IVOIRE

VULN MktF

Young Entrepreneurs & Urban Job Creation

An important step in resolving civil strife in Côte d'Ivoire and preventing a return to conflict is creating a viable future for the nation's youth, many of whom are demobilized child soldiers. Côte d'Ivoire's population of 18 million is very young: 50 percent are younger than 15 years old, and another 40 percent is between the ages of 15 and 39. As in other developing countries, youth in Côte d'Ivoire are a particularly vulnerable group.

The social and economic disruption caused by the country's protracted crisis—a depressed economy, tens of thousands of jobs lost, and many schools closed or operating at substandard levels—has made youths' access to productive employment even more difficult and exposed them to a host of new risks. Disenfranchised youth have been a force that is easily mobilized and manipulated for the political gain of the main actors in the crisis. They have been enrolled in the various fighting forces, trained and armed as paramilitary groups, or organized into political resistance groups and self-defense committees (“young patriots”) to intimidate opponents and man checkpoints.

SPF's work in Côte d'Ivoire is helping to create a future for youths in enterprise rather than war. Working in collaboration with the Government, SPF is supporting a program to generate employment opportunities for unemployed urban youth, with a focus on those with secondary and higher-level education and training. This urban program complements another program of labor-intensive public work schemes and employment opportunities in rural areas of the country where ex-combatants are numerous.



LEBANON

CB VULN

BOX 5

From Fragility to Peace Building and Conflict Prevention:

The Recovery and Reconstruction of the Nahr el-Bared Palestinian Refugee Camp and Conflict-Affected Areas of North Lebanon



In 2007, during intense fighting between the Lebanese Army and local militias, nearly all of the 30,000 residents of Nahr el-Bared Palestinian Refugee Camp (NBC) were displaced, and much of NBC was destroyed. As part of the reconstruction process, the SPF is funding vital research to better understand the dynamics of fragility and conflict within the NBC and to formulate policy recommendations to contribute to peace-building and conflict prevention in the NBC and surrounding areas. The Government of Lebanon views the implementation of the rule of law and the integrated reconstruction and upgrading of the camp and its surroundings as an important trust-building exercise that could become a model for future interventions in and around the other Palestinian camps in Lebanon.

Several recommendations from the initial phase of the research identify areas of intervention that stress the need to increase and formalize the integration of Palestinians into the local economy: for example, establishing business incubators for Palestinian and Lebanese entrepreneurs to promote joint economic revival and development, and recommendations on linking to NBC redevelopment to economic development plans in the Tripoli area, integrating Palestinian refugees in the value chain to provide labor for the industrial clusters located in the Free Economic Zone of Tripoli.

The input of this timely research project highlights the important intersection between development and conflict, and it provides an opportunity for the SPF to direct conflict-sensitive development that builds the foundations of lasting peace.

Manage Conflict through Resource Management

NIGERIA

CB CDD GVNC

Community Foundations Initiative

An innovative approach to conflict-sensitive development is working to break the cycle of violence that has accompanied the discovery and production of oil in the Niger River Delta. Formerly, most community development funds, primarily originating from oil companies, were distributed in a haphazard manner, often with destructive consequences. The “host community” model embraced by oil companies’ community affairs divisions unintentionally aggravated conflict in many areas of the Niger Delta by favoring some communities over others, often locking neighboring communities into self-reinforcing patterns of intercommunity conflict and resulting in chronic underperformance by development projects.

The pioneering new approach, based on the Community Foundation model, takes the development initiative from the control of outsiders and redirects it to a transparent, equitable, and conflict-sensitive grant-making body comprising community members and

stakeholders. What sets this newly formed body, the Niger Delta Community Foundation (NDCF), apart from other CDD efforts is its particular sustainable design: the NDCF is not designed to fade at the end of SPF funding, but to last into perpetuity. After the current phase of Bank funding expires, the NDCF must raise its own funds. Part of SPF’s assistance has been to provide extensive training to create and maintain a donor network toward the goal of self-sustaining fundraising. This financial responsibility has created a chain of wonderful spillover effects in terms of accountability, efficiency, and sustainability.

The NDCF’s mandate encourages funding projects that address the sources of local tensions. Further, the Community Foundations Initiative collaborative model breaks down the incentive structure for violence generated by former development approaches. Recognizing the successes of the NDCF, the state is now keen to reproduce the model elsewhere.



COLOMBIA

SUBNAT VULN GVNC

Protection of Patrimonial Assets

In the armed internal conflict that has raged in Colombia for over 60 years, forced population displacement has been both a tragic by-product of war and an intentional tool of the warring parties. Military strategies and, increasingly, land grabs by the emergent narco-bourgeoisie have displaced an estimated 4.3 million Colombians since 1985, disproportionately affecting rural women and youth. Experts agree that any resolution of the conflict must include returning to displaced persons control of their rightful property. This resolution, however, faces a particular logistical hurdle: the majority of displaced families fled their homes without proof of ownership, such as land titles. It is here that external support can step in to create the institutions and framework to facilitate restitution and thus an important building block of peace.

The main objective of this innovative SPF-funded project is to contribute to the peace-building process in Colombia by promoting measures for the protection of patrimonial assets and proposing public policy initiatives for restitution of properties to IDPs. To this end, the project has provided specialized technical assistance to the institutions involved in protection at the national, regional, and local levels. As part of this work, more than 400 functionaries of the Colombian Institution for Rural Development were trained in the application of protective measures as well as in the use of the rural land registration system.

The project also designed several information systems to support the collection and processing of information about IDPs' land and property. The most important of these information systems are a national land registration system for IDPs; software to be used by the Territorial Commissions of Assistance to IDPs to prepare the reports of protected land and properties; and a system to articulate and compare information among different institutions.

As a result of the implementation of the first phases of the project, over 2.5 million hectares have been protected, covering 106,398 land rights on 83,450 properties, directly affecting more than 72,000 people.





thematic learning activities in fragile states

A key element of the SPF program is developing an understanding of the impact of approaches and interventions it supports. The learning from these lessons will help to guide the strategic direction of the SPF and inform the areas of work that the SPF engages in. For this reason, the SPF Secretariat has launched learning initiatives in two thematic areas, youth and gender based violence.

Developing a Model for Monitoring and Evaluating Youth Programs in FCSs

This activity aims to strengthen monitoring and evaluation approaches for youth development projects in conflict-affected countries in Europe and Central Asia. The SPF is collaborating with the regional offices of the World Bank's Social Development Unit to strengthen the methodologies and monitoring and evaluation capacity of projects in four countries—in Azerbaijan, Georgia, Tajikistan, and Kosovo—that focus on youth development, inclusion, and employment. Three of these projects are funded by the SPF to explore the impact of conflict on youth and avenues for mitigating the risk of future violence and armed conflict. These projects have proven to be a rich opportunity to study the effectiveness of different types of programmatic interventions for youth outcomes in countries affected by conflict, and to identify lessons that can be used to strengthen the design of future SPF and other Bank-funded projects.



Addressing Gender Based-Violence

The activity examines gender-based violence (GBV) in Sub-Saharan Africa. GBV is a new area for the World Bank, and the findings from this work will be useful to inform future projects. Impact evaluations will be carried out for two SPF-funded projects in Côte d'Ivoire and the Democratic Republic of Congo. The two evaluations will be coordinated closely in an effort to obtain comparable results and therefore establish a more robust basis on which to draw (the two projects include different activities but have enough in common to make comparisons worthwhile). Some of the work under the evaluations will aim to identify low-cost and scalable socioeconomic interventions that demonstrably improve the mental, social, and economic functioning of survivors of sexual violence. The impact evaluations are being developed in close cooperation with research partners, including Johns Hopkins University and the Yale School of Global Health, and with the implementing agency for both projects. The major deliverables for this activity are expected in the coming years with some major outputs in FY11.

financial summary

During the first two years of operation, from July 2008 to June 2010, the SPF received funding contributions from the World Bank and external donors. As of June 30, 2010 the total receipts from all donors equaled \$87.4 million, and additional contributions of \$36.9 million are expected in the next two years. The value of the SPF financial portfolio is therefore \$124.3 million if both actual receipts and pledges are considered.

The World Bank committed \$100 million for three years (July 2008 to June 2011), to be disbursed to the

SPF in three equal installments of \$33.3 million. The first two installments were received, and the third was requested from the Board in May 2010. Four external donors contributed a total of \$20.7 million, most in the form of one-time installments to the SPF. Denmark pledged a total of \$5.4 million for three years in equal installments of \$1.8 million. Table 2 provides a detailed breakdown of funding contributions.

TABLE 2: FUNDING CONTRIBUTIONS TO THE SPF BY DONOR (AS OF JUNE 30, 2010)

| DONOR | Month/Year of Contribution | Contributions Received (US\$ Million) | Pledges: Anticipated Date of Receipt | Pledges (US\$ Million) | Total (USD Million) |
|------------------------------------|----------------------------|---------------------------------------|--------------------------------------|------------------------|---------------------|
| The World Bank | Aug 2008 & Sep 2009 | 66.7 | Sep 2010 | 33.3 | 100.0 |
| Australia | Jun 2009 | 1.6 | - | - | 1.6 |
| Denmark | Mar 2010 | 1.8 | 2011 & 2012 | 3.6 | 5.4 |
| Netherlands | Dec 2008 | 14.0 | - | - | 14.0 |
| Norway | Mar 2009 | 3.3 | - | - | 3.3 |
| TOTAL FUNDING CONTRIBUTIONS | | 87.4 | | 36.9 | 124.3 |

Sources of Funds

The primary sources of financing for the SPF are donor contributions (World Bank and external donors) and the investment income earned on these contributions. During the first two years of operation, the SPF earned \$2.0 million in investment income. The combination of SPF primary sources results in a total funding portfolio of \$89.4 million, or \$126.3 million if future receipt of pledges is included (see Table 3).

TABLE 3: SOURCES OF FUNDS (AS OF JUNE 30, 2010)

| SOURCE | 1st Year Actual (Jul 2008-Jun 2009) | 2nd Year Actual (Jul 2009-Jun 2010) | Pledges (Jul 2010-Jun 2012) | Total (US\$ Millions) |
|------------------------------------|-------------------------------------|-------------------------------------|-----------------------------|-----------------------|
| Funding Contributions (all donors) | 52.2 | 35.2 | 36.9 | 124.3 |
| Investment Income | 1.2 | 0.8 | 0.0 | 2.0 |
| TOTAL SOURCES OF FUNDS | 53.4 | 36.0 | 36.9 | 126.3 |

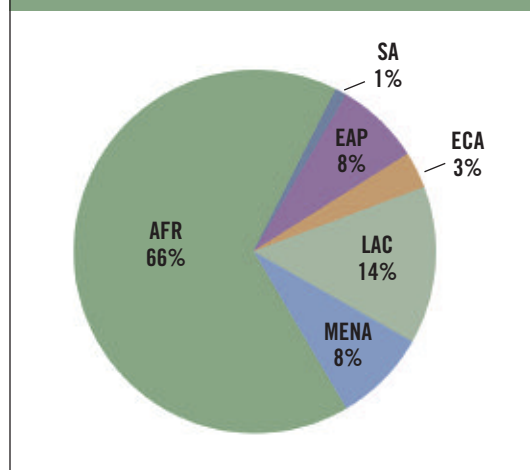
Allocation of Funds by SPF Activity

The SPF portfolio is managed through separate financing windows. The *project window* encompasses the financing allocated directly to project implementation, worth \$63.4 million as of June 30, 2010. The *program management window* captures the financing allocated to cover the administrative costs of running the trust fund including the preparation, review, and quality control of projects. A portion of financing under the program management window is also used to finance knowledge and learning activities such as the youth and gender activities outlined in section three of this report. The total allocation as of June 30, 2010 to the separate core activities of the SPF under the two principle windows is \$67.0 million (see Table 4).

TABLE 4: ALLOCATION OF FUNDS BY CORE ACTIVITY (AS OF JUNE 30, 2010)

| FINANCING WINDOW | CORE ACTIVITY | 1st Year (Jul 2008-Jun 2009) | 2nd Year (Jul 2009-Jun 2010) | Total |
|--------------------------|----------------------------------|---------------------------------|---------------------------------|-------------|
| Project Window | Project Approvals | 39.1 | 24.3 | 63.4 |
| Program Mgt. Window | Program Mgt. and Quality Control | 1.7 | 1.7 | 3.4 |
| Program Mgt. Window | Knowledge and Learning | - | 0.2 | 0.2 |
| TOTAL ALLOCATIONS | TOTAL ALLOCATIONS | 40.8 | 26.2 | 67.0 |

FIGURE 1: PROJECTS APPROVED BY REGION (AS OF JUNE 30, 2010)



PROJECTS

In the first two years of operations, the SPF Committee approved 32 projects for \$63.4 million (Annex 1 lists all approved projects). Financing is available for projects in all Bank member states, but priority is given to fragile and conflict-affected countries. The SPF is also in the unique position to finance projects in countries that are in arrears, where IDA financing is otherwise unavailable. Thus, the SPF serves as a critical source of financing for countries such as Somalia, Sudan, and Zimbabwe, enabling the Bank to implement activities to help states transition out of arrears and into recovery and re-engagement. Sixty-six percent of the SPF portfolio supports activities in Africa (Figure 1 provides a breakdown by region).

PROGRAM MANAGEMENT AND KNOWLEDGE AND LEARNING

Under the program management window, programmatic costs include the work executed by the SPF Secretariat associated with reviewing and ensuring the quality of projects, advising project teams during the design and implementation of projects, developing partnerships with external partners, and carrying out knowledge and learning activities. The costs under the program management window are estimated at \$1.7 million for each of the first two years of operations, for a cumulative total of \$3.4 million (see Table 4).

financial summary

Uses of Funds

The SPF uses its funds for project disbursements and the costs associated with running the program. Project disbursements at the end of the first year of operations only reached \$0.7 million or 1%. The timing of project approvals was the initial cause for delay in disbursements. In the first year of operations, projects were approved half way into the year and only initiated disbursements towards the end of the year. Project disbursements increased in the second year of operations, rising from \$0.7 million to \$5.9 million or 7%. Apart from the timing of approvals, the increase in disbursements from the first to second year of operations accurately depicts the operational reality of implementing projects in FCS, where projects often require a longer than usual start-up period because of country instability, weak institutions, and the need to procure qualified per-

SPF Balance

The SPF cash balance as of the end of the second year of operations, June 30, 2010, is \$81.2 million—that is, actual receipts in the first two years of operations of \$89.4 million minus the actual uses of funds of \$8.2 million. However, the SPF *programmatic* balance of \$22.4 million—that is, total of \$89.4 million minus total funds allocated to approved projects and to cover the costs of program management and knowledge and learning activities—provides a more accurate picture of the funds available for new projects.

TABLE 5: USES OF FUNDS BY CORE ACTIVITY (AS OF JUNE 30, 2010)

| FINANCING WINDOW | USE OF FUNDS BY CORE ACTIVITY | 1st Year (Jul 2008-Jun 2009) | 2nd Year (Jul 2009-Jun 2010) | Total |
|---------------------|---|---------------------------------|---------------------------------|------------|
| Project Window | Project Disbursements | 0.7 | 5.9 | 6.6 |
| Program Mgt. Window | Program Mgt. and Quality Control Expenses | 0.7 | 0.4 | 1.1 |
| Program Mgt. Window | Knowledge and Learning Expenses | - | 0.1 | 0.1 |
| Program Mgt. Window | Bank Internal Admin Fee Expenses | 0.4 | - | 0.4 |
| | TOTAL USES OF FUNDS | 1.8 | 6.5 | 8.2 |

sonnel. A recent portfolio review of the SPF underscored that it is unrealistic to expect high disbursement rates under post-conflict and fragile state conditions during the start up of multiyear projects and programs, especially when they have capacity-building objectives. Most SPF projects approved have been designed to meet medium-term objectives that require establishing appropriate institutional frameworks, building capacity, and providing extensive technical support from the Bank staff before service delivery.

In terms of program management expenses, \$1.6 million was used for three core activities under the program management window. Expenses under this window are expected to increase as the knowledge and learning activities are implemented over the coming year and the portfolio of active projects increases.

annex 1: project allocations (approvals)

| PROJECTS APPROVED IN FIRST YEAR OF OPERATION (FY09: JUNE 2008-JULY 2009) | | |
|--|--|---------------------|
| COUNTRY | PROJECT TITLE | PROJECT AMOUNT US\$ |
| Central African Republic | Safe and Reliable Public Electricity Project | 2,500,000 |
| Colombia | Protection of Patrimonial Assets—Phase III | 5,000,000 |
| Côte d'Ivoire | Young Entrepreneurs and Urban Job Creation | 2,000,000 |
| Côte d'Ivoire | Strengthening Communication and Transparency for Governance Reform | 1,400,000 |
| Georgia | Internally Displaced Peoples Community Driven Development | 2,209,400 |
| Guinea-Bissau | Support to National Health Development Plan—Phase II | 2,041,500 |
| Guinea-Bissau | Economic Governance Support | 1,740,000 |
| Guinea-Bissau | Participatory Rural Development Grant | 5,000,000 |
| Haiti | Rural Water and Sanitation | 5,000,000 |
| Iraq | Regional Perspectives on Iraqi Displacement | 321,304 |
| Liberia | Land Sector Reforms | 2,982,000 |
| Nigeria | Community Foundations Initiative | 1,386,200 |
| Thailand | Piloting Community Approaches (Bank-executed) | 600,000 |
| Thailand | Piloting Community Approaches (Recipient-executed) | 2,000,000 |
| Zimbabwe | Agricultural Inputs Project | 4,900,000 |
| | TOTAL | 39,080,404 |

| PROJECTS APPROVED IN SECOND YEAR OF OPERATIONS (FY10: JUNE 2009-JULY 2010) | | |
|--|---|-------------------|
| COUNTRY | PROJECT TITLE | PROJECT AMOUNT |
| Côte d'Ivoire | Protection from Gender-Based Violence | 2,050,000 |
| Dem. Republic of Congo | Addressing Gender Based Violence in South Kivu | 1,984,787 |
| Iraq | Consultative Service Delivery Program (Phase II) | 5,026,854 |
| Lebanon | Nahr el-Bared Palestinian Refugee Camp | 90,000 |
| Nepal | Program to Promote the Demand of Good Governance (Recipient-executed) | 782,000 |
| Nepal | Program to Promote the Demand of Good Governance (Bank-executed) | 2,218,000 |
| Philippines | Encouraging More Resilient Communities in Conflict-affected Areas in the Philippines (Bank-executed) | 1,799,711 |
| Philippines | Encouraging More Resilient Communities in Conflict-affected Areas in the Philippines (Recipient-executed) | 424,804 |
| Philippines | Encouraging More Resilient Communities in Conflict-affected Areas in the Philippines (Recipient-executed) | 345,485 |
| Solomon Islands | Rapid Employment (Recipient-executed) | 1,821,250 |
| Solomon Islands | Rapid Employment (Bank-executed) | 178,750 |
| Solomon Islands | Mining Sector Technical Assistance (Phase 1) (Recipient-executed) | 750,000 |
| Solomon Islands | Mining Sector Technical Assistance (Phase 1) (Bank-executed) | 150,000 |
| Somalia | Support to the Extended Program of Immunization (EPI) in Somalia | 499,990 |
| Somalia | Emergency Livestock Disease Surveillance and Control and Promoting Competitive Meat Industry | 900,000 |
| Togo | Peace-Building for Development | 4,200,000 |
| Sudan | Private Sector Revitalization | 1,100,000 |
| | TOTAL | 24,321,631 |

endnotes

¹ World Bank (2005), *Fragile States—Good Practice in Country Assistance Strategies*. Washington DC: Operations Policy and Country Services.

² OECD (2008), “Armed Violence Reduction: Enabling Development”.

³ OECD (2008), “Accelerating Development in Fragile States: the Role of the OECD Development Assistance Committee”.

⁴ In May 1997 the Executive Directors endorsed *A Framework for World Bank Involvement in Post-Conflict Reconstruction*. This framework has been operationalized through OP 2.30, *Development Cooperation and Conflict*, inaugurated in 2001, and, more recently, in through OP 8.00, *Rapid Response to Crises and Emergencies* (2007). Speaking to the International Institute for Strategic Studies, Geneva, Switzerland, on September 12, 2008, World Bank President Robert Zoellick noted that in recent years the Bank has “renewed” the original “R” in IBRD (International Bank for Reconstruction and Development).

⁵ The portfolios of the two earlier trust funds remain active to administer ongoing projects, but no new funds or projects are being accepted. Recognizing that the issues of fragility and conflict should be addressed in tandem, the consolidation of trust funds mirrored a similar consolidation of Bank working units. In July 2007, to communicate greater clarity on its overlapping fragility and conflict agendas, the World Bank’s Conflict Prevention and Reconstruction Unit and its the Low-Income Countries under Stress Unit merged into a new unit, the Fragile and Conflict-Affected Countries Group (OPCFC), which administers the SPF. See World Bank, *Establishment of a State- and Peace-Building Fund*, March 28, 2008.

⁶ OPCS identifies two core dimensions of fragility: (a) weak policy-making and institutional capacity, with particular deficiencies in service delivery; and (b) risks of conflict and political instability. It follows, therefore, that building the capacity of public institutions is one of the core objectives the international donor community pursues in FCSs. Yet, by their very nature, FCSs offer the least hospitable environments for human and institutional capacity building, since many of the conventional ingredients of success have been attenuated by conflict or fragility.

⁷ Robert Zoellick, speech delivered to the International Institute for Strategic Studies, Geneva, Switzerland, September 12, 2008.







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