



**CENTER ON
INTERNATIONAL
COOPERATION**

Meeting Essential Needs in Societies Emerging from Conflict

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Problem Statement

A. Introduction

In this paper (I) we present a working definition of post-conflict recovery and identify a set of tasks requiring immediate attention as the ground is prepared for longer-term social, economic and political reconstruction (section I.B). We then examine (I.C) the nature of the so-called gap between relief and development, focusing on its main cause: a lack of effective coordination in program planning and implementation. Section II lists the key components of an effective post-conflict response, based on a variety of case studies and lessons learned reports.

Having described these essential elements, we examine the current institutional (III) and financial (IV) capacity of the international community to effectively respond to recovery opportunities. Despite the valid efforts of the many agencies involved, a number of intrinsic problems limit the optimal use of the finite resources available for recovery programs. We suggest that currently available instruments should be modified in order to improve operations. Noting that fragmentation remains a major obstacle, however, we conclude that a more developed institutional and financial mechanism, operating under agreed rules and procedures, is required to ensure a timely, collaborative and integrated response.

We therefore (V) propose two options to jump-start the international response to post-conflict recovery and (V.A) a set of criteria by which to evaluate them. The first option (V.B), a Joint Post-Conflict Recovery Project, would combine the human and capital resources of the principal UN agencies and the World Bank for common needs assessment and program planning and utilize existing financial instruments in more flexible ways. The second option (V.C), a new Strategic Post-Conflict Recovery Facility comprising agency, donor and NGO participation, would include a dedicated fund for initial program implementation.

Finally, we recommend further consideration of (VI.A) debt-relief and arrears clearance in post-conflict situations and (VI.B) application of the proposed methodology and mechanism in a specific case.

B. Essential Elements in Post-Conflict Recovery

For the purposes of this analysis, "post-conflict" is defined as the period when hostilities have abated to the level where some reintegration and recovery activities can begin. In many cases this may be indicated when refugees or internally displaced persons have begun to return. As such, this definition encompasses a wide range of post-conflict scenarios ranging from continued low-intensity conflict to a fragile peace to a settled conflict. Each of these, and the variants between them, represents different levels of stability and predictability of outcome. What they share in common is the fact that the acute humanitarian crisis has ended and a process of reintegration and political and economic recovery has begun. Some of these cases will attract a great deal of donor interest, while in others donor interest may lag. In either event, conditions on the ground will influence the donors, willingness to engage and the level of the response in any given instance.

There is by now broad agreement on a set of activities that are essential in societies emerging from conflict if longer-term social, economic and political stability are to take root. These time-sensitive activities reflect needs that emerge from the widespread destruction of the social, economic and political fabric of societies during prolonged conflict and that often go unmet. The actual needs, priorities and sequencing will vary from case to case and be conditioned by the status of the conflict. For that reason, the risks and opportunities inherent in different post-conflict scenarios have to be determined on the ground on a case-case-case basis. Naturally, there are certain elements of reconstruction and rehabilitation that require or are greatly facilitated by a formal settlement. Nonetheless, the following elements are indicative of the range of needs that must be addressed early in societies emerging from conflict situation if the ground is to be secured for sustainable peace and economic development:

- repatriation, reintegration and reconciliation

- human rights, including property and identity
- public safety and security, including demobilization, policing, human rights
- infrastructure recovery, including water, sanitation, shelter, transportation
- food security and agricultural rehabilitation, including land tenure designation and registration
- urgent health, education and basic social welfare requirements, including employment and income generation
- operative governance structures, including rule of law and other civil society institutions
- elections, including voter education

A cross-cutting theme underlying all of the above elements is a focus on the special needs of women, children and the elderly, as these vulnerable groups invariably comprise a majority of the affected population. At the same time, however, care must be taken to avoid the perception of serving the needs of the returnee population to the exclusion of the local inhabitants. For reintegration to succeed, recovery efforts must include the entire community, with due regard for the rights of all. The special role of women as agents of change should be promoted in all reconstruction and economic development activities.

See Attachment 1 for a detailed matrix of essential elements of post-conflict recovery and points of onset of the various activities.current response modalities.

C. The Nature of the Gap

There is no doubt that a gap exists in meeting these essential needs in societies emerging from conflict when humanitarian assistance begins to taper off and longer-term reconstruction aid is still in the planning stage. Case study upon case study reveals that any number of these needs go unattended or suffer serious time delays in being addressed. For example, refugees and displaced persons return without the assurance of longer-term support for their effective reintegration into the economic and social life of their communities. Human rights monitoring, policing and other measures required to build public confidence in the governing authority,s capacity to maintain order and peacefully settle disputes are far less likely to be funded or suffer far greater delays in aid disbursement rates than the rebuilding of infrastructure or the provision of food. Food distribution itself takes precedent over registration of land titles and the rehabilitation of agricultural production. Local NGOs suffer in the competition for resources with public sector authorities, even while financing of recurrent costs is met with reluctance.

A variety of political, institutional and financial reasons account for these gaps. The most often cited is the "mandate gap" between humanitarian relief and development agencies and the funding available to each. However, political interests of donor countries play a considerable part in creating "sectoral gaps," and, even more critically, in the uneven distribution of resources across countries emerging from conflict. Even in countries with high donor interest, substantial gaps in the timing, allocation and actual dollar amounts occur between pledges, commitments and disbursal of funds due to political or administrative problems within donor countries, lack of donor confidence, limited absorptive capacity of recipients, debt arrears and/or unmet conditionality. Still, the most significant gaps may result simply from a lack of effective coordination in program planning and implementation.

II. An Effective Response: Moving From Coordination to Integration

There is an unmistakable need to address the problems of societies emerging from conflict in a coherent and timely manner in order to ensure a greater likelihood that they will move toward sustainable peace and development rather than return to conflict. The elements of an effective response are now largely agreed, albeit stated in an increasing number of separate "framework" documents developed to guide the activities of individual bilateral and multilateral agencies. The most comprehensive and inclusive rendering, and one which provides the basis for an effective operational response, is to be found in the OECD DAC publication, "Conflict, Peace and Development Co-operation on the Threshold of the 21st Century." "The challenge," according to the DAC guidelines, "is to overcome the functional distinctions of the various agencies involved

and to integrate, rather than merely co-ordinate, relief, rehabilitation and development objectives within the framework of a long-term strategy." (p. 48).

The following bullets attempt to clarify and exemplify the elements of an effective response to immediate post-conflict needs in the context of longer-term reconstruction and development aims.

- It is essential to establish a **common vision** (strategic framework) based on agreed principles, shared points of reference and a common agenda for recovery and reconstruction. This umbrella framework should articulate the rationale for action and establish general policy guidelines for a comprehensive and coordinated political and assistance response within which donors can exercise their own interests and preferences. It should identify and prioritize common objectives and ensure adherence by international and local partners to agreed policies and program goals. Experiences with applying the strategic framework approach in Afghanistan and Sierra Leone, while extremely complex, demonstrate its utility and promise.
- A recognized **convening authority** consisting of representatives of partnering agencies needs to be identified at headquarters and in the field in order to organize and kick-start the aid process, ensure consistency between the principles and goals articulated in the strategic framework and agencies, actions, resolve differences and encourage complementarity.
- A common **needs assessment**, as exemplified by the International Management Group's activities in Bosnia-Herzegovina or UNDP's Common Country Assessments, is essential for effective and efficient program design and implementation. The assessment should begin even as the conflict is underway, should highlight the essential economic, social and political reintegration elements noted above and consider the linkages between them and longer-term reconstruction and development needs. It should be sensitive to variations and contingencies in conflict settlement. Situation-specific strategic analyses, based on a clear understanding of local conditions, are essential to setting priorities and sequencing response activities.
- Even as a long-term reconstruction strategy is being developed, a **joint action plan** for immediate post-conflict recovery needs to be designed and implemented quickly by donors, intergovernmental agencies and NGOs -- including inputs from local actors where possible -- acting in concert. It should include elements of scenario planning and contain the flexibility required to adjust quickly in an uncertain environment.
- To allow for critical **evaluation** of the recovery assistance efforts, the joint action plan should include stipulated benchmarks, specific and measurable objectives, monitoring mechanisms, and a timetable for periodic evaluations of progress in the field. Establishment of an independent evaluation mechanism should be considered.
- A productive **division of labor** based on capacity/comparative advantage and complementarity needs to be devised in order to minimize duplication and competition. The relationship between humanitarian and development actors needs to be stipulated, including specific roles, linkages and entry/exit strategies according to a well-defined work plan and reasonable timeframe. Special attention should be paid to the identification of local partners who can begin to build the legitimate public and civil society structures necessary for longer-term reconstruction and development. The United Nations Development Assistance Framework could provide a useful starting point for division of labor discussions.
- **Field-based coordination and management** mechanisms need to be established immediately. An agency with the most sufficient field presence, technical capacity and local legitimacy should be selected to provide logistical and administrative support for the initial joint needs assessment. Appropriate liaison activities with the offices of SRSR, Resident/Humanitarian Coordinator and local World Bank representative offices can be cited. The current practice of selecting Resident Coordinators through a deliberative inter-agency process holds promise for more effective field-based coordination and management. West Bank/Gaza and Mozambique clearly demonstrate the advantages when sufficient administrative and financial authority, including over budget and procurement decisions, are located to the field.
- A **strategic financing mechanism** must be in place to be available to jump-start the process and enable funds to flow in a timely manner for essential activities while longer-term development plans, multi-year country funds to meet them, and donor confidence are being developed. These start-up funds

should be pooled in order to ensure institutional coordination and program coherence and should be flexible enough to meet a variety of contingencies that arise in societies emerging from conflict.

- Funding should follow substance and be based on stipulated needs and well-developed country plans. It should be applied in ways that entice contending parties to invest in peace.
- **Expenditures** should be carefully **monitored and tracked** and lessons extracted regarding what works best in terms of program implementation and agency division of labor so that they can be applied to subsequent cases with a minimum amount of wheel reinvention.

III. Current Institutional Practices and Problems

A. Headquarters Coordination

Several efforts are underway to promote joint planning and coordination efforts within the U.N. and in the extended multilateral family. Examples of these initiatives include the Executive Committees on Peace and Security (ECPS) and Humanitarian Assistance (ECHA), the United Nations Development Group (UNDG), the IASC Reference Group on Post-Conflict Reintegration, the ECOSOC humanitarian segment, and the coordinating role of the Deputy Secretary-General are all encouraging initiatives. Additionally, there are letters of understanding between the U.N. Secretary-General and the President of the World Bank, as well as the Brookings Roundtable process initiated by the High Commissioner for Refugees and the World Bank President. The opportunity now exists to link these various efforts in a coordinated strategy for humanitarian relief, post-conflict recovery and development. The DAC guidelines on "Conflict, Peace and Development Cooperation on the Threshold of the 21st Century" no doubt provide an additional incentive to further shape and implement these coordinating structures.

B. Field Coordination

Coordination efforts at the local level are often reported to be more effective than at headquarters, but frequently suffer from significant delays between intent and implementation. For example, approximately two years passed between the October 23, 1991 Paris Agreements on Cambodia and ICORC's first meeting in September, 1993. Likewise, considerable controversy ensued over designation of a lead agency in Bosnia-Herzegovina, and the Office of the High Representative took six months after Dayton just to set up shop, and a full nine months to begin to play a role in coordination. Coordination efforts in Gaza/West Bank also were seriously limited by donor rivalries and occurred only after the U.N. Special Coordinator and the World Bank Resident Representative came to an understanding in November 1994, about a year after the peace agreements were signed and only after major demonstrations in Gaza prompted donor action. Moreover, the multi-tiered coordinating structures ~ donor forums, local coordinating committees and sectoral groups among them ~ while clearly serving an inclusive function, seem to realign and change over time, perhaps reflecting a less integrated and more cumbersome set of structures than might be warranted. In all cases, local participation and the role of NGOs in these coordination structures merit further consideration.

While a number of successful examples of in-country coordinated project planning and implementation efforts can be cited, they tend to be ad hoc, not part of a broader strategic plan, and established only after considerable delay. Thus, the oft-cited District Development Mapping occurred nearly 3 years after the signing of the peace agreement in Mozambique, and the Joint Reintegration Program Unit in Rwanda did not become operational until early 1998 some 10 months after the signing of the first Memorandum of Understanding between UNHCR and UNDP.

Moreover, the activities supported under these programs tend to be under-funded and disbursement rates overall very slow. Thus, while pledges in response to the 1992 Consolidated Appeal for reconstruction in Cambodia exceeded the Secretary-General's request by nearly \$300 million, only 59% of the total was actually disbursed between 1992-1995. Furthermore, aid earmarked for social and political reconstruction activities had significantly lower disbursement rates overall. While the International Management Group anticipated the Dayton Peace Agreement by nearly two years, and pre-planning helped to build donor

confidence, the four pledging conferences for Bosnia-Herzegovina that took place between 1995-1998 fell short of the \$5.1 billion Priority Reconstruction and Recovery program by nearly \$1 billion. Moreover, funds for peace implementation were only added in 1998 to what essentially had been an economic recovery program. Shortfalls in funding were especially noteworthy in critical areas of policing, human rights, media and demilitarization. Similarly in West Bank/Gaza, funds were slow to arrive, especially for start-up and recurrent costs and for training and equipping Palestinian police.

IV. Current Institutional Financing Practices and Problems

A. Financing Through Bilateral and Multilateral Post-Conflict Units

Perceiving a need to make funding available for transitional activities that fall between conventional relief and development assistance, a number of bilateral donors, multilateral agencies, and international financial institutions have created new functional units, budget lines, and financing windows to mobilize flexible, fast-disbursing funds for post-conflict recovery. By August 1998 there were at least two dozen such functional units, including a number with dedicated funding lines. (See Attachment 2).

These bilateral and multilateral post-conflict and peace-building units have made noteworthy advances in calling attention to a broad range of urgent recovery needs. They have proven themselves to be capable of flexible and innovative programming, of disbursing funds quickly, and of collaborating with one another. This heterogeneous group now holds semi-annual meetings to share information and resources, to establish common standards and principles, to collect "best practices" and "lessons to be learned," and to explore joint initiatives in high-priority countries.

At the same time, a number of problems remain. Most of the units remain fairly marginal within their respective organizations, have to negotiate terrain with regional and country desks, and possess small budgets and staffs. While such post-conflict units can offer valuable "venture capital," their limited resources restrict them to responding to targets of opportunity on an ad hoc and uncoordinated basis, rather than as part of an integrated strategy for recovery. As UNHCR's innovative QIP program demonstrates, project support of this kind can create a set of second generation problems if not part of an integrated strategy for longer-term development assistance. Moreover, unlike UNHCR, many agencies, including UNICEF and FAO, possess no core funding for post-conflict recovery activities as such. While increased funding or new budgetary lines would allow donors to bring additional resources to bear, it is imperative that any such reforms not reinforce existing cleavages between relief and development or stimulate additional competition within and among agencies.

B. Processes and Instruments for Collaborative Action

As the various relief and development agencies of the United Nations system, including the World Bank, act to harmonize their institutional arrangements and to integrate their operational activities in support of post-conflict recovery, financial mechanisms that facilitate such a collaborative approach will need to be available. For their part, donors too will require processes and financial mechanisms that both meet their own political and operational requirements and encourage collaborative action.

Several such modalities are in current use.

1. Pledging Conferences and Special Appeals

Given the paucity of flexible, fast-disbursing resources specifically designed for post-conflict recovery, financial resources to fund "bridging" activities have typically been funded through multilateral pledging conferences, including Round Tables (RTs) and Consultative Groups (CGs). Unfortunately, donor Roundtables often occur too late to address priority rehabilitation needs, while Consultative Group meetings require the presence of a legitimate recipient government -- a condition not always met in a post-conflict

environment. While pledging conferences may usefully serve to bring funders on board and offer carrots to combatants, they also contain elements of "political theatre." Donors often exaggerate the generosity of their aid packages, sometimes "double-counting" amounts previously promised or already delivered to an implementing agency that also will subsequently report them. Alternatively, donors may pledge large amounts that they cannot deliver, either ever or any time soon. Internal procedures and/or lack of implementation capacity on the ground in the immediate post-conflict period also limit disbursements.

When making aid pledges, moreover, many donors tend to "pick and choose" among expenditure categories, geographic regions and aid sectors, leaving some essential areas chronically under-funded. Many efforts have been marred by excessive focus on target groups, creating "islands of assistance" and excluding other vulnerable populations. In general, donors preference for bilateral (and "tied") aid produces a fragmented assistance regime that places heavy administrative burdens on recovering countries. Donors often increase this burden by declining to finance the recurrent expenditures of state administrations, one of the most crushing costs facing fledgling post-conflict governments.

At the global level, the international community lacks an effective funding mechanism to address post-conflict recovery needs. To address this gap, the United Nations system experimented with an "Expanded Consolidated Inter-Agency Appeal" (or ECAP). The ECAP was designed to mobilize resources for urgent post-conflict recovery activities (like the reintegration of demobilized soldiers or the organization of post-conflict elections), but at a much faster pace than conventional pledging conferences. Subsequently, post-conflict activities were incorporated into general consolidated appeals. However, although UN country teams are trying to address the problem, the consolidated appeal process still suffers from a lack of coordinated needs assessment and planning, and donor response to the expanded appeals has been disappointing, with early post-conflict recovery activities generating even less donor support than emergency aid.

2. Key Financial Instruments For Collaboration

Mechanisms for Collaborative Action

The United Nations system has several existing tools for collaborative financing, including trust funds, cost-sharing projects, and parallel financing. Each of these instruments can be used at the global, regional and country level, and involve other multilateral organizations, governments, financial institutions, NGOs, or private sector institutions.

a. Under **trust fund arrangements**, donors place their contribution in trust with a fiduciary institution in support of a specific purpose, theme, region, country or project. The fiduciary administers the funds on behalf of the donor, but does not need to contribute its own resources. "Closed trust funds" are established exclusively by one donor, "open trust funds" allow others to join in. Each trust fund is administered and accounted for separately, using the financial rules and regulations of the fiduciary. Often, these trust funds are burdened with complex, cumbersome and time-consuming approval and reporting procedures, reflecting the requirements of both the donor(s) and the fiduciary organization.

On the plus side, unlike project-based financing mechanisms, trust funds lend themselves to flexible arrangements, whereby funds can be received before specific work plans have been developed, replenishments can be made periodically, and there is no obligation to close the fund at any given time. Most fiduciaries have minimum limits for the establishment of trust funds (\$1 million in the UN organizations), although overheads and administrative costs can sometimes be high. Within a trust fund, sub trust funds can be set up to earmark contributions that are consistent with the funds primary purpose (e.g. for specific countries within a global fund).

Especially in the case of countries in crisis, trust funds designated for recovery and rehabilitation programs can take on the role of a co-ordination mechanism, as joint funding stimulates joint planning, implementation and evaluation. Such funds are particularly suitable for large-scale collaborative programs with global and country components, especially when one of the institutional partners is designated as the "custodial and

fiduciary agent", bearing the administrative responsibility for the entire team. One creative example, worthy of emulation, is the World Bank-sponsored Holst Peace Fund, which was created to finance the start-up costs of the Palestinian Authority and small-scale projects in the West Bank and Gaza Strip.

b. **Cost sharing** is the modality whereby bilateral donor governments, multilateral organizations, international financial institutions, NGOs or private sector entities contribute financial resources to an agency administering a project or program which involves funds of its own. Usually, cost sharing is the instrument of choice to implement a specific project with multiple funding, although occasionally entire programs are financed in this manner, often involving the recipient government as a financial partner. A cost sharing project or program usually is finite, with a termination date set in the context of a work plan.

Cost sharing allows donors to earmark funds for a specific purpose that reflects priorities and development objectives, while the execution is in the hands of a multilateral organization, implying neutrality and impartiality. The approval process for cost sharing projects as well as the reporting procedures are relatively simple, and can be handled at the country level. A consortium of agencies used the cost sharing modality effectively in the PRODERE (Central American) refugee settlement programs, in which UNOPS was designated to support the substantive agencies in the administrative tasks of recruitment and procurement, site management and bookkeeping.

c. **Parallel financing** is the modality whereby one or more multilateral organizations, in partnership with other donors (often under bilateral programs), jointly fund a program or project, but administer their resources separately. Donor contributions are managed by the respective donors, and do not enter into a common account. Parallel financing offers the possibility of joint programming, while allowing for distinct resource mobilization patterns and reporting responsibilities. By opting for parallel financing, donors are able to maintain their programmatic identity and visibility, while benefiting from their partners, particular competencies. A weak performance by one donor, however, may impact negatively on the entire project.

In principle, this array of financial mechanisms and instruments should provide a wide range of options for the implementation of collaborative programs or projects in support of post-conflict recovery. In practice, however, each agency interprets its financial instruments differently and subjects them to different regulations and procedures. Their lack of compatibility presents serious obstacles, particularly when reporting and accountability have to meet the standards of a variety of partners. Currently, the financial rules of the World Bank and its affiliate organizations differ substantively from those of the United Nations. Moreover, the U.N.'s own funds and programs (e.g. UNDP, UNHCR and UNICEF) each have their own financial rules and regulations, including different provisions for the receipt of funds from the private sector. Finally, these rules are derived from "command and control" management systems which can be procedurally exasperating, e.g. all posts at the D-1 level and above under UN Trust Funds have to be approved by ACABQ.

None of these obstacles is insurmountable. In order to facilitate collaboration among the UN system organizations and their partners (governmental and non-governmental), however, a thorough analysis of these various financial mechanisms is needed. It would be useful to identify procedural obstacles such as cumbersome pre-implementation approval requirements, as well as opportunities for harmonization, and to propose revisions that allow for a further delegation from headquarters to the country level, including increased accountability and strengthened post-factum auditing, as is done in the private sector. This could then lead to an integrated and commonly accepted "options catalog" of streamlined, simplified instruments for use by the practitioners at the country level, where most of the post-conflict recovery work is done.

These potential adjustments and modifications notwithstanding, the currently available financial mechanisms suffer from several more substantial problems. To begin, unlike funding for the U.N.'s peace-making and peace-keeping missions, contributions for post-conflict recovery activities are entirely voluntary, thereby unpredictable and subject to lengthy and competitive fundraising campaigns. Moreover, governments will inevitably pick and choose among crises, subject to their geopolitical and economic interests. Finally, those agency-controlled funds which draw down on regular budgets, such as the World Bank's Peace Fund and UNDP's TRAC 1.1.3, are subject to their agency's mandates and restrictions. If post-conflict recovery is

considered as part of a peace-making and peace-keeping security framework, then it should be under-girded by more structured and predictable certain institutional and financial arrangements.

V. The Way Forward: Two Options.

As the foregoing discussion makes clear, an array of funding windows has been opened up in bilateral and multilateral institutions to address a diverse set of post-conflict recovery needs. While the amounts of money available to each of these is still small, relative to overall ODA, the aggregate levels for post-conflict reconstruction activities is not insignificant, including funds made available from regular bilateral humanitarian assistance and development budgets.

Determining the adequacy of these funding levels in global terms is difficult. More difficult still is predicting the levels of global financing that might be needed going forward. This would depend on the number and scale of crises at any given time and, especially, on the stipulation of needs in any given case. Nonetheless, it might be possible to examine past cases of post-conflict recovery as one means of quantifying financing needs in this area. Additionally, a content analysis of the response to OCHA annual appeals and, perhaps, OECD's Geographical Distribution of Aid Flows might provide further data. Finally, interviews with donor and inter-governmental agencies and selected NGOs working in both the emergency relief and development fields would provide further guidance regarding shortfalls in financing (both levels and procedures) in the immediate post-conflict recovery period.

More importantly, it seems necessary to examine the potential for alternative arrangements which could account for and overcome the problems of timing, fragmentation and duplication that characterize the current constellation of financing mechanisms. Discussions of a global reconstruction facility and country trust funds were initiated with this intention. In our view, there is a legitimate and complementary role for both global and country specific trust funds. Each, however, requires commitment and confidence on the part of donors in order to be effective. As standing mechanisms, global funds can ensure readiness and rapid response, while country funds can provide the framework for an integrated and collaborative longer-term response to post-conflict recovery needs. Donors, however, are reluctant to deposit funds in standing accounts over which they have little decisional authority. On the other hand, reinventing trust funds for each new country situation means that problems of agreed frameworks and strategic planning, resource mobilization and timing need to be re-addressed every time, as do legal and logistical start-up issues.

Urgent consideration of a new institutional and financial mechanism is necessary if the gap between relief and development is to be effectively closed. Leaving things as they are is not an option. The cost of operating under the *status quo* arrangements is considerable, resulting in: less than optimal and conflicting needs assessments, inadequate planning, erratic resource mobilization, *ad hoc* implementation, haphazard evaluation and, thus, inadequate accountability. A better way forward is to adopt an innovative and constructive approach that would encourage collaborative efforts and close the gap in relief to development planning and implementation.

Two options are outlined below, each of which would go a long way toward establishing a more efficient and effective aid regime for post-conflict recovery. The first option calls for a joint UN system project with a modest mandate and sufficient resources for analytical and preparatory work but no funds for initiating program activities. The second envisions an integrated UN system and donor facility with broader participation, a more comprehensive mandate, and dedicated program funds at its disposal. Both options are designed as start-up ventures that respond in varying degrees to the shortcomings we have identified in the current institutional and financing arrangements for post-conflict recovery.

A. Criteria For Measuring the Potential of Each Option

In order to judge the added value of each option, each should be measured against its capacity to:

- provide institutional cohesion to the activities of the individual post-conflict reconstruction units and programs of the key UN system organizations and their external partners;
- ensure that their preparations, data gathering and scenario planning occur even while the process of conflict resolution is itself unfolding;
- warrant that any needs assessments carried out in post-conflict areas reflects the broadest possible consensus of both the affected parties and the implementing agencies, and is based on the best available expertise;
- close the gap in the availability of funds for immediate post-conflict recovery activities, pending the development of longer-term dedicated, country-specific trust funds;
- instill confidence in the donors that resource mobilization will be based on a coherent, integrated plan, in a climate free of inter-organizational competition;
- create a political and financial climate that is optimal to entice the parties to the (former) conflict to invest in peace;
- provide optimal integration of operational activities at the field level;
- provide for timely, credible and realistic evaluations that will contribute to future operations.

B. Option I: A Joint Post-Conflict Recovery Project

The first option is to create a **Joint Post-conflict Recovery Project**, co-sponsored by the United Nations Secretariat (DPKO, OCHA, DPA), UNDP, UNHCR, UNICEF, WFP, and the World Bank as core partners. It would be managed by the co-sponsors, under the leadership of the Deputy Secretary-General of the United Nations. At the country level, the Resident/Humanitarian Coordinator would represent the Project, save in those instances when a Special Representative of the Secretary-General has been appointed. This option would build on and consolidate current UN reform efforts.

The Project's core **tasks** would be to:

1. help to establish a shared conceptual framework and integrated approach for dealing with the early stages of post-conflict recovery, involving a broad array of partners;
2. initiate collaborative needs assessments and support the local development of a strategic plan for attaining sustainable peace and development;
3. identify on a case-by-case basis those elements that require immediate support (say for a period of one year or more) and ensure their backward and forward linkages to humanitarian relief and development objectives;
4. seek funds within a coherent framework from various sources to allow for rapid start-up of these activities;
5. enhance each partner's individual post-conflict response capacity by providing an overarching common structure that maximizes program synergy;
6. provide operational support to the Resident/Humanitarian Coordinator (or SRSG) and the country-level UN recovery "theme group," while local capacity is being identified and mobilized;
7. ensure a common approach to evaluation and learning;
8. initiate country-level funding mechanisms for on-going and longer-term activities, with a view to gradually phasing out as the country team and local capacity take over.

The Project would not have any program funds for field activities. Rather, a modest budget would cover only its own tasks as described above. The costs of a **small secretariat** would be partially underwritten by the donor community, with a financial or in-kind cost-sharing contribution from the co-sponsoring organizations.

UNOPS (based on its experience with its Rehabilitation and Social Sustainability RESS Division) could provide the administrative and knowledge management services the project would require.

Program recommendations emanating from the Project's analytical and preparatory activities would have to be funded from the **extant resources** of each of the co-sponsors emergency response or post-conflict units. In order to maximize inter-agency collaboration in the design and implementation of activities, these funds should be pooled to the extent possible. In addition, **second tier financing** would have to be sought on a case-by-case basis through an extended appeals process, such as the E-CAP, or through a series of dedicated ad-hoc country trust funds. To avoid logistical and timing problems in starting these up, it might be best to establish them at the World Bank where they could be managed under common rules and procedures.

It would be important in this context to undertake a **review of the existing tools for collaborative financing** described in [section IV.B.2], in order to make these more flexible and responsive. An approach should be chosen that will maximize managers, delegated authority and accountability, while drastically reducing the lengthy "command and control" approval chain that often hampers the organizations, efforts to move rapidly.

C. Option II: A Strategic Post-Conflict Recovery Facility

The second option is to establish a full-fledged **Strategic Post-conflict Recovery Facility**. It would be open for **participation** to the core organizations of the United Nations system cited in the first option, as well as to governments who choose to contribute or pledge a set minimum to it and, possibly, to some NGO representatives. It would have dedicated funds available for its own analytical and preparatory tasks as well as a standing trust fund or a pre-negotiated stand-by funding arrangement for start-up programming for post-conflict recovery. The World Bank could serve as **fiduciary** agent for any trust fund arrangement, while UNOPS could provide administrative and substantive support to the Facility's Secretariat.

The governing **Board** of the Facility would have to be kept small: for example, two UN representatives, one World Bank representative, two representatives of governments designated by the contributing Member States, and two representatives designated by the NGO community, under the chairmanship of the Deputy Secretary-General. The Board, which could reconstitute through a periodic rotation, would report to ECOSOC.

Under the guidance of the Board, the Facility would be **tasked** to:

1. help to establish a shared conceptual framework and integrated approach for dealing with the early stages of post-conflict recovery;
2. mobilize resources for an ongoing response capacity either through a standing Trust Fund or a pre-negotiated stand-by funding arrangement;
3. develop a database and a "preparedness capacity", i.e., the capacity to analyze information available to its participating partners, to identify and develop various scenarios, to weigh risks and opportunities, and to prepare contingency plans for a wide range of responses to ongoing conflicts involving a broad array of state and non-state actors;
4. identify "trigger events" that justify the beginning of recovery assistance;
5. act as the convening authority to initiate action;
6. promote and underwrite collaborative needs assessments and local development of a strategic plan for attaining sustainable peace and development;
7. prioritize and maximize the allocation of start-up funding, based on agreed principles, whenever different post-conflict situations compete for attention and resources;
8. identify on a case-by-case basis those elements that require immediate support (say for a period of one year or more) and ensure their backward and forward linkages to humanitarian relief and development objectives;
9. facilitate the establishment of working public/private partnerships at the country level;

10. enhance each partner,s individual post-conflict response capacity by providing an overarching common structure that maximizes program synergy;
11. provide operational support to the Resident/Humanitarian Coordinator (or SRSG) and the country-level UN recovery "theme group" while local capacity is being identified and assumes its responsibilities;
12. ensure a common approach to evaluation and learning;
13. initiate country-level funding mechanisms for on-going and longer-term activities, with a view to gradually phasing out as the country team and local capacity take over.

Funds for these activities could be realized in several ways. Co-operating agencies could share the costs of the Secretariat with donors. Preparatory and program costs could be met through a standing **Trust Fund** established with initial, one-time deposits that could be replenished through annual or multi-year appeals on an as-needed basis. Alternatively, should donors shy away from a standing depository fund, money for programs could be obtained rapidly on a case-by-case basis by calling in pre-negotiated contributions through an agreed triggering mechanism.

In either case, the Trust Fund should be seen as a mechanism to **jump-start** and synchronize the international community,s response. It would be used **on a time-limited basis** in each case, while a longer-term country plan is developed, dedicated country trust funds are established (possibly as sub-trust funds), and multilateral and bilateral aid agencies as well as NGOs become operational on the ground. Presumably, the Facility would provide neutral ground for operating agencies to resolve division of labor/competency issues, and it would give donors, as well as the private sector, the time to develop the confidence to buy into longer-term funding commitments implied by the country plan for reconstruction. It also would leave donors free to utilize other funding modalities (e.g., parallel funding) for programs that are of individual interest, consistent with the country plan.

VI. Additional Measures

In addition to a presentation of options to strengthen the post-conflict response capacity, the Brookings Roundtable,s Action Group raised two related topics for further consideration. The first concerns relief from external debt. The second focuses on criteria for the selection of one or more cases to which the proposed methodology and mechanism can be applied.

A. Arrears Clearance and Debt Relief

Foreign indebtedness, especially arrears to international financial institutions, constitutes a major obstacle to financing for post-conflict activities. Early clearance of arrears is critical to access new resources from the World Bank,s IDA and from the IMF, not to mention access to foreign investment. The Bank and the IMF are examining the possibility of extending the Highly Indebted Poor Countries (HIPC) initiative, first introduced in 1996, to address the "special challenge" of states in or emerging from conflict, including Liberia, the Democratic Republic of the Congo, Somalia and Sudan. Debt moratoriums, arrears clearance, and waivers of repayment performance measures ~ all under current discussion at the Bank and the Fund ~ would help to alleviate the severe hard currency deficits that undermine economic recovery in post-conflict societies. Still, the notion of resuming lending to countries in arrears remains controversial in both institutions.

The G-7 has indicated that it would like the Bank and Fund to be active partners in reconstruction efforts without donor money being diverted to debt relief or arrears clearance. One possibility under consideration would be to suspend loan repayment requirements for countries that show good faith in developing good governance and rule of law structures, making them eligible for IDA grants and turning negative cash flows into positive ones for a sustained period of time. During this period, a longer-term arrears clearance program could be worked out between the international financial institutions and the debtor country.

Even while HIPC and other arrangements for managing arrears are being worked out for eligible countries,

special arrangements are needed to help lift the burden of external debt payments in the early post-conflict recovery period. One possibility would be to provide some interim relief in the form of debt-for-reconstruction swaps in those instances in which local currency is available. While marginal in relation to over-all debt, these resources could be used as a form of cost-sharing for post-conflict recovery rather than converting them to hard currency for debt repayment. In addition to demonstrating good faith on the part of local authorities, such debt-for-reconstruction swaps could contribute to their budgetary discipline in meeting certain recurrent costs that donors are currently reluctant to fund. The Roundtable might wish to explore further the potential for such debt swaps in relation to initiatives now underway in the Paris Club.

B. Applying the Methodology

The Action Group has suggested that any common approach agreed by the Roundtable be tested in a specific country situation. Sierra Leone, Burundi, Guinea Bissau, East Timor and Kosovo have been suggested among other possibilities. Each would represent a different stage in the process of conflict settlement and a different level of complexity. Each also evidences a different configuration of needs, regional interests, donor and agency involvement.

In addition to whatever political criteria are established, the attached matrix should be helpful in providing the analytical elements for case selection. While not intended to be definitive, it contains a useful check-list of the on-the-ground needs and potential response capabilities essential for post-conflict recovery. It also can be used as a preliminary tool for needs assessment and subsequent program planning. The Roundtable should now be equipped to make a case selection.

Attachment 2. Selected Post-Conflict and Transitional Entities with Dedicated Financing Instruments

World Bank

- Post-Conflict Unit (PCU)

The PCU has authority over an \$8 million Post-Conflict Fund generated by World Bank income. The PCU also acts as custodian for a \$16 million Japanese Post-Conflict Trust Fund.

International Monetary Fund

- Development Issues Division

IMF, s "emergency post-conflict assistance" facility provides access to up to 25% of country quota

United Nations System

- UNDP, Emergency Response Division (ERD)

Administers fast-disbursing "TRAC 1.1.3" resources (\$50 million in FY 1998) to launch special program initiatives and strategic frameworks

- UNHCR
Administers \$20 million Repatriation Fund
- Office for Coordination of Humanitarian Affairs
OCHA-led Consolidated Appeals Process has been extended (E-CAP) to include early post-conflict activities.
- World Health Organization
- World Food Programme ~ Immediate Response Account

European Commission

- European Community Humanitarian Office (ECHO)

A fraction of ECHO, s annual budget is spent on post-conflict assistance

- Directorate-General 8
The European Commission, s development arm has several budget lines devoted to rehabilitation. Amounts TBD.

Canada

- Canadian International Development Agency (CIDA), Peace-building Unit.

Peacebuilding Fund: CN\$ 10 million annually

- Department of Foreign Affairs and International Trade (DFAIT), Peacebuilding and Human Security Division

Peacebuilding Program: CN\$ 1 million annually

Denmark

- DANIDA

Netherlands

- Ministry of Foreign Affairs, Conflict Prevention and Crisis Management Division

In combination with Humanitarian Assistance Division,

NGL 420 million for 1999

United States:

- Agency for International Development (USAID), Bureau for Humanitarian Response, Office of Transition Initiatives (OTI)

\$55 Million for FY 1999: \$40 million from Disaster Assistance; \$15 million earmarked for Indonesia

- State Department, Population, Refugees and Migration, amount TBD

Germany

- Gesellschaft für Technische Zusammenarbeit (GTZ)

Emergency Aid and Refugee Program

Japan

--Ministry of Foreign Affairs, Grant Aid Division, Grants for emergency relief and rehabilitation ~ amount TBD