

Review of Post-Crisis Multi-Donor Trust Funds

Final Report, February 2007

Prepared by Scanteam/Norway

Commissioned by
the World Bank, Norwegian Ministry of Foreign Affairs and
Norwegian Agency for Development Cooperation (Norad)

in cooperation with
Canadian International Development Agency (CIDA),
Netherlands Ministry of Foreign Affairs and
UK Department for International Development

This Review has been commissioned and guided by a Steering Committee (see list of Steering Committee members below) from different institutions. However, these institutions do not necessarily agree with or endorse all the findings and recommendations in the Report.

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The following annexes are published in a separate volume:

Annex D:	Country Study: Iraq Trust Funds
Annex E:	Country Study: Indonesia Post-Disaster Trust Fund (MDF)
Annex F:	Country Study: Sudan Trust Funds
Annex G:	Country Studies: Greater Great Lakes Trust Fund (MDRP)
Annex H:	Country Study: Afghanistan Trust Funds
Annex I:	Country Study: Timor Leste Trust Funds
Annex J:	Country Study: West Bank and Gaza Trust Funds
Annex K:	Country Study: Sierra Leone DDR Trust Fund
Annex L:	Sri Lanka case (MDTF in the end not established).

Acronyms and Abbreviations

ADB	Asian Development Bank
AIAF	Afghan Interim Authority Fund (Afghanistan)
ARTF	Afghanistan Reconstruction Trust Fund
BP	Bank Procedures (World Bank)
CAR	Central African Republic
CBTF	Capacity Building Trust Fund (Sudan)
CFET	Consolidated Fund for Timor-Leste
CIDA	Canadian International Development Agency
CPA	Comprehensive Peace Agreement (Sudan)
CSO	Civil Society Organization
CSP	Consolidated Support Program (Timor-Leste)
DDR	Disarmament, Demobilization and Reintegration
DEX	Direct Execution (UN implementation modality)
DFID	Department for International Development (UK)
DLA	Damage and Loss Assessment (Indonesia)
DRC	Democratic Republic of Congo
EC	European Commission
EUR	Euros
GOSS	Government of Southern Sudan
HQ	Headquarters
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IRFFI	International Reconstruction Fund Facility for Iraq
ISRB	Iraqi Strategic Review Board
ITF	Iraq Trust Fund
LAC	Local Ad-hoc Committee (Great Lakes MDRP)
M&E	Monitoring and Evaluation
MDRP	Multi-country Demobilization and Reintegration Program
MDF	Multi Donor Fund (Indonesia)
MDTF	Multi-donor Trust Fund
MDTF-N	Multi-Donor Trust Fund – National, Sudan
MDTF-SS	Multi-Donor Trust Fund – South Sudan
MFA	Ministry of Foreign Affairs
MOF	Ministry of Finance
MOU	Memorandum of Understanding
MPRR	Master Plan for Rehabilitation and Reconstruction (Indonesia)

NEX	National Execution (UN implementation modality)
NGO	Non-Governmental Organization
OP	Operational Policy (World Bank)
PAD	Project Appraisal Document (World Bank)
PCN	Project Concept Note (World Bank)
PCNA	Post-Conflict Needs Assessment
PECDAR	The Palestinian Council for Development and Reconstruction
PFM	Public Finance Management
PIU	Project Implementation Unit
PLO	Palestine Liberation Organization
RAP	Recovery Assistance Policy (Indonesia)
RVP	Regional Vice-President (World Bank)
SC	Steering Committee
TF	Trust Fund
TFET	Trust Fund for East Timor
TOR	Terms of Reference
TSP	Transitional Support Program (Timor-Leste)
TTL	Task Team Leader (World Bank)
UN	United Nations
UNDAF	United Nations Development Assistance Framework
UNDGO	United Nations Development Group Office
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNTAET	United Nations Transitional Administration in East Timor
USAID	United States Agency for International Development
USD	United States Dollar
WB	World Bank
WB&G	West Bank and Gaza

1 Executive Summary

SUMMARY STATEMENT

MDTFs in post-crisis situations have been important instruments for resource mobilization, policy dialogue, risk and information management; are appreciated by host governments; are largely in line with Paris Declaration on Aid Effectiveness and DAC Pilot Principles for Engagement in Fragile States; and are thus generating “positive externalities” that other instruments do not.

There is a growing consensus regarding what constitute “best practice” MDTF structures, which external factors need to be borne in mind, and which design elements need to be adjusted to address specific post-crisis contexts.

MDTF performance has been uneven but also here there are “lessons learned” that point to how performance in the future can be improved.

MDTFs operate in high-risk, high-cost environments. This requires flexible and adequate funding.

While one should not exaggerate the importance of MDTFs, donors ought to consider ways of strengthening what has largely been a successful instrument for joint action.

1. The World Bank and Norway's Ministry of Foreign Affairs and its Agency for Development Cooperation (Norad), later joined by the Canadian International Development Agency (CIDA), the Netherlands Ministry of Foreign Affairs, and the UK's Department for International Development (DFID), agreed to review the instrument and performance of post-crisis Multi-donor Trust Funds (MDTFs). Below are the main Findings and Conclusions, followed by Recommendations. The main Report provides a more complete analysis. Country case studies are provided in the attached Annexes.

1.1 Framework Conditions

2. MDTFs are used in post-crisis environments – post-conflict and post-disaster. These situations are normally characterized by large un-met needs regarding both immediate provision of basic services to a needy population, and more medium-term reconstruction of social and economic infrastructure. Governance is often weak, both with respect to political will and capacity to deliver, so capacity development may also be a requirement. Risk, uncertainty and information costs are thus high, so delivering on the needs tends to be costly.
3. MDTFs are instruments for improving resource efficiency and effectiveness by reducing transaction costs, and in particular by managing the high risk levels inherent in post-crisis environments.
4. For national authorities, MDTFs can increase and untie funding and provide political visibility. International support can bring legitimacy to the overall peace process, both nationally and internationally. On the other hand, MDTFs can be a tool for donor influence. They can create political risk for parties to a peace process and donors alike when the MDTF does not deliver on expectations, particularly the delivery of short-term peace dividends that are visible to the affected population.

5. For donors, MDTFs reduce information, coordination, administrative and various access costs. They provide a way to support fragile and failing states in a joined-up manner. MDTFs reduce fiduciary and political risk exposure when interaction involves possibly corrupt and/or abusive parties to a post-conflict process.
6. For the UN, administering post-crisis MDTFs is in line with its political and development mandates, strong field presence, and role as partner both to government and donors.
7. For the Bank, administering an MDTF is in line with its focus on strengthening the institutions and processes of governance, and promoting economic growth. Involvement can provide re-entry into countries that have not been eligible for Bank support for a time, including helping address arrears and thus assist countries become eligible for IDA support.
8. An MDTF should primarily be considered as a good risk management vehicle. The main reason for asking the UN or World Bank to administer MDTFs is their *ability* and *capacity* to work in such high-risk environments. The burden-sharing between the parties needs reviewing, however, because in particular the Bank is applying standards and instruments that may be too demanding of its own performance. The donors, when signing MDTF agreements, should accept more of the risks associated with applying these funds in post-crisis situations.

1.2 MDTF Governance

9. 18 MDTFs have been reviewed, eleven in some depth, of which eight have been the subject of field visits. 13 were Bank-administered, five UN administered.
10. The Bank-administered MDTFs have somewhat different governance structures, but the general one consists of (i) a deliberative body that sets policy, generally with participation by national stakeholders, (ii) a funding decision body made up of contributing donors and usually national authorities, (iii) if there is project funding involved, a project review body, and (iv) a secretariat that services the other three bodies.
11. Three of the UN MDTFs have been administrative arrangements for direct provision of budget support. The UN Iraq trust fund is part of a multi-tiered governance structure, where the UN has its own Steering Committee with underlying sector-Clusters but consisting only of participating UN agencies. An independent review has hence raised questions about conflict of interest, the lack of independent oversight, and a "friendly culture" that is too uncritical when assessing projects.
12. National authorities have both formal and informal means of influencing MDTFs, though the formal role is often weak. Donors tend to have the dominant formal role both in deliberative and funds allocation bodies, and their earmarking of funds to the UNDG Iraq ITF is an additional means of influencing decisions.
13. The Administrator (UN or Bank) has a range of responsibilities that are critical to MDTF performance. But the multiple roles have raised concerns of possible conflicts of interest, in particular regarding the UN-managed Iraq TF, as noted

above, but also regarding the considerable co-financing of existing Bank-funded projects. To a large extent, however, these multiple roles are one reason the multilateral agencies can function efficiently and effectively in these difficult situations, though the issues are real and require further reflection.

14. The UN potential for strengthening civil society and hence overall societal accountability through an MDTF is a role that could be highlighted more, but might be undermined by the preference of donors to earmark their funding.
15. Secretariats are critical to running MDTFs, and are seen to have delivered quality services to the MDTF partners. In almost all cases, whether UN or Bank managed, secretariats have been under-staffed and sometimes late in getting staff in place, and budgets that may be too low. The costs of secretariats need to be more realistic. Donors appear willing to pay what it costs to get a fully staffed and competent secretariat in place.
16. In cases of absence of a national policy forum, MDTFs – as the only pooled/joint mechanism – is often expected to take on this role. If no alternative is possible, the MDTF policy forum could temporarily provide this service, but should preferably support the development of national deliberative and decision making structures and processes, to ensure more correct division of labor and roles for the key actors.

1.3 Institutional Procedures and Challenges

17. UN procedures, systems, presence on the ground, and framework agreements with an array of UN and partner organizations enable UN MDTFs to start implementing activities and disburse fairly quickly. UN-led MDTFs can be off-budget, which further provides possibilities for speedy implementation. The basic "performance test" for off-budget funds so far has been Iraq. Here the UN has been able to prepare over 100 projects with total budgets over USD 865 million. Actual disbursements, reflecting services performed, goods delivered or works completed, were by end of 2006 around USD 570 million.
18. While the UN supports government ownership, UN-led MDTFs need to develop a mechanism to ensure direct government participation in final decision-making.
19. The UN Administrative Agent ensures consistent and comprehensive financial and performance reporting back to the donors, though the fiduciary responsibility is transmitted to each UN agency, making overall performance management dependent on each UN agency's systems.
20. Donors have provided un-earmarked funds to some UN-managed MDTFs, such as AIAF/Afghanistan, but almost 90% of the funds to the UNDG ITF/Iraq are earmarked. This is not in line with core principles of an MDTF, undermines MDTF flexibility, and limits government role in decision making.
21. Bank policies and procedures are based on its normal lending operations, with exemptions and flexibility provided for post-crisis situations. Where MDTF teams and government have agreed and taken advantage of these possibilities, disbursements have been quick (such as Timor Leste, WB&Gaza projects). In

cases where MDTF secretariat staff were not familiar with these options, there have been significant project implementation delays, particularly regarding procurement. There is thus a need for experienced Bank staff in MDTF teams to ensure full exploitation of the possibilities for flexible implementation that exists.

22. MDTF staff have developed a number of "good practices" that address different operational problems, such as having the Operations Manual as a "living document" on the fund's website which has allowed the fund to show how it has adjusted its operational policies as decisions are taken. Such practices are not necessarily known by all MDTF teams because there is insufficient cross-learning from MDTFs within the Bank.

1.4 Efficiency and Timeframe for MDTFs

23. MDTFs are often established immediately after a Post-Conflict Needs Assessment (PCNA), and may contain different objectives: (i) confidence building and engagement of stakeholders in the process and final product, (ii) mapping of needs, (iii) reach agreement on the instrument and mobilize resources for it. If the first is primary, time is not important, while the pure needs mapping can be done quickly if national authorities lead the process. Where national leadership is weak or missing, the donors have usually stepped in and driven the process, based on the need to define what the support priorities should be. Concerning donor financing commitments, this has usually been quick, based on already existing political support.
24. Establishment of MDTFs has been unproblematic. The selection of Administrator has usually been made by national authorities in consultation with donors, and in most cases not contentious.
25. Donor commitments have been forthcoming quickly, but in Bank-administered MDTFs there have been cases of donor insistence on legal language addressing particular concerns that required considerable time to resolve. The UN has a standard Letter of Agreement for all MDTFs that has been accepted and signed by all donors without exception.
26. Funds deposits have generally occurred without major delays, and no MDTF activities have been held back due to lack of donor deposits.
27. UN MDTF Secretariats largely consist of UN staff familiar with UN rules, who have field experience, with UN decision makers in the field.
28. Bank MDTF Secretariats are a combination of Bank staff, seconded and externally recruited staff. Because of this, there is a need for more training in procedures, more support from experienced Bank staff in the start up phase, and consistent strong commitment by Bank management to MDTFs.
29. There is a need for better definition of staffing profiles across the lifetime of the MDTF, covering (i) start up, (ii) implementation, and (iii) exit/hand over phases. Key skills include senior trust funds experience and in particular knowledge of agency rules and procedures; project cycle management; information and communications; legal; accounting and procurement; and once activities start up,

monitoring and evaluation. Hand-over to national authorities needs to be planned, and capacity to continue MDTF activities verified.

30. For MDTFs with project funding, a funding strategy should be prepared, including a publicly available operations manual. The latter have at times taken too long to produce because the Bank, and – till recently – the UN did not have a unified information center and focal point for "best practice" and "lessons learned" documents and skills. UNDP established such a unit in New York in mid-2006.
31. Project preparation, appraisal and approval has been too time consuming when (a) proponents did not have clear and simple guidelines, (b) demands were unrealistic in terms of quality, detail, safeguards up against budget size and urgency for implementation, (c) MDTF administrators revert to demanding full-scale documentation rather than scaled-down flexible approaches.
32. Funds disbursement for budget support has been timely. On-budget project disbursements have depended on the quality of the public administration system and fulfilling formal requirements, and in particular where projects were already operational, disbursements have been quick. The major delays have been with off-budget projects under Bank-administered MDTFs when the implementer was not known to the Bank and full verification of systems and capacities were required. The legal work for getting Partner Agency arrangements in place have taken considerable time.
33. MDTFs with one-time pledges have not faced problems, but multi-year budget support commitments are in some cases not forthcoming as easily as expected. This exposes the Bank as Administrator to additional risk and funds mobilization costs, and may weaken the credibility of the MDTF as instrument.

1.5 Harmonization and Coordination

34. MDTFs represent "best practice" post-crisis funding mechanism, in line with the Paris Agenda for Aid Effectiveness, and largely also the DAC Principles for Engaging in Fragile States. MDTFs are by far the most important coordination, harmonization and alignment vehicle in place. Coordination of resources within the MDTF seems to have limited spill-over coordination effects on donor resources outside the MDTF, so since MDTFs usually are a small share of total aid, the impact on total transaction costs may be limited. MDTFs ensure harmonization of procedures for the application of MDTF funds, but in several countries the emergent public sector is adopting the Administrator's procedures when rebuilding the state, which is an important and sustainable impact of the MDTF.
35. MDTFs support Alignment with national priorities. Budget support is "best practice" in this respect and is strategic both for rebuilding the state, and delivering critical services to the population at large. Project support is less strategic, partly because the share of MDTFs in overall investments is usually limited, but also because the role of MDTFs in national investment activities is

poorly specified. As governments improve their own planning, the value of untied funds in Bank-administered MDTFs is appreciated and exploited.

36. The "core" group of MDTF donors is limited, possibly posing some vulnerability problems for the mechanism. In each MDTF there are additional donors that support for reasons of geographic, cultural, political proximity. Different donors have a range of expectations regarding MDTFs, and even within a given donor organization there may be competing concerns, meaning MDTF administrators face complex donor expectations. On the other hand, the dominant role of the MDTF administrator may pose problems for donor visibility and hence willingness to support MDTFs.
37. Bank-UN relations have largely been constructive, based on agreed roles, such as in Iraq, Timor Leste, Afghanistan. When the UN has taken on the role of Partner Agency under a Bank-administered fund, this has required considerable work to address fiduciary responsibilities and clarity regarding formal relations between the parties – questions that are still not fully resolved and that at times have generated controversy. Where questions of roles and in particular perceptions of mandates have not been to both parties' satisfaction, relations have at times been complex and even contentious (MDRP/Great Lakes). Disagreements have also surfaced regarding UN project performance. Steps are now being taken to ensure better use of each agency's skills and taking advantage of complementarities.

1.6 Ownership and Capacity Development

38. Ownership of MDTF programs needs to be as broad as possible. Bank MDTFs have strong anchors in the public sector, and the Bank has systematically supported the involvement of non-state actors in policy development, project implementation in a number of MDTFs, but subject to government acceptance. The UN Iraq ITF has partnerships with national and local governments and a wide range of civil society actors, but appears more fragmented and dispersed in terms of focus.
39. Bank MDTF capacity building prioritizes public sector capacities in core areas of public administration: financial management, procurement, human resources management. In the first instance this is to ensure Bank MDTF-funded activities are implemented well. But this also supplies the public sector with procedures that are internationally accepted. Capacity building is faster and better anchored when resources flow on-budget and projects are implemented through government institutions: "learning by doing" is powerful.
40. No MDTFs have a clear capacity development policy. This is in part because of the time limited nature of the funds. But the lack of a medium-term vision for capacity building may reduce effectiveness, and some agreed-upon principles need therefore to be in place from the beginning and in all cases. A core theme could be the comparative advantage of untied MDTF funds for broad-based procurement of required technical assistance.

1.7 Thematic Areas and Cross-cutting Themes

41. MDTFs channel most funds to the public sector: operating costs including civil services salaries, capacity development and public goods infrastructure. Most resources tend to go to primary service levels in the social sectors, thus potentially reaching the groups most in need, reflecting a positive distributional profile.
42. Capacity development, primarily for (re-)building key state functions, receives considerable resources, including for temporary public agencies that have specific tasks in the post-crisis situation. Focus is at the national level, though community level activities are also supported in a number of cases.
43. Funding for livelihoods development and self-directed community development tends to be limited, and appears more ad hoc.
44. Civic and private sector actors have limited voice and visibility, in part due to weak own capacity but often due to active exclusion by the state.
45. There is little in the way of systematic analyses and hence goals and operational targets with respect to cross-cutting issues, including gender. The lack of conflict analyses as an integral part of MDTF risk management is of particular concern.
46. Monitoring and evaluation activities for tracking performance are improving, and other quality assurance steps are being taken by some MDTFs. The planning for the hand-over of these kinds of tasks to national authorities is not in evidence.

1.8 MDTF Performance, and Looking Ahead

47. The external factors that an MDTF must take into account are: (i) the needs to be addressed, (ii) political commitment by the national actors, (iii) the capacities available to deliver against the needs, (iv) the security situation and its likely dynamics, and (v) the international political context of support for the MDTF.
48. External factors can change quite rapidly, and in a considerable number of cases have been towards *deterioration*. These constraints to MDTF performance should thus be understood and tracked actively, since there are a number of choices that an MDTF may opt for as circumstances change.
49. MDTF performance has varied across funds and across key dimensions of the funds. The *establishment* of MDTFs has generally been according to designed timelines, but the need to accommodate individual donor concerns has held back legal agreements in a couple of cases. *Funding approvals and disbursements* have varied: budget support has been fairly straight-forward but project funding faces more complex situations that have at times led to major delays, usually due to lack of fulfillment of compliance issues, or procurement problems. *Fiduciary management* is paid a lot of attention and seems good, including an innovative anti-corruption program and ombudsman complaint system. *Policy dialogue* has had the greatest impact when linked with budget support, weakest when funding is for off-budget projects.

50. The Bank as *MDTF Administrator* has managed budget support well, building core public systems and capacities in the process. On-budget project support has been good, particularly when it comes to larger-scale projects where quality-at-entry is critical, whether infrastructure or community development. Off-budget and small-scale projects, while representing a small share of overall Bank-administered MDTF funds, have generally taken too much time to approve and fund. Staffing has been one of the key challenges. Where the Bank already had a presence on the ground this helped performance. But staff unfamiliar with and unrealistic expectations regarding the flexibility of Bank procedures has in critical cases led to serious dissatisfaction by other stakeholders with Bank-led MDTF performance. The lack of an easily identifiable focal point for relevant skills and "lessons learned" in the Bank has hurt MDTF staff efforts at building on previous MDTF experiences.
51. While UN managed funds have been few, the UN has performed well administering budget support directly and off-budget projects in a high-risk situation (Iraq). However, longer-term societal impact, capacity building results, and sustainability are not known, with a portfolio that is quite fragmented. The UN has created a Multi-donor Trust Fund Office within the UNDP in New York that addresses the focal point concern within the UN system.
52. The *design* of an MDTF should consider (i) the objective/s of the MDTF (what are the needs to address), (ii) the governance structure, (iii) the roles of stakeholders in the governance bodies, (iv) choice of Administrator , (v) the structure – whether unified or two-fund model, (vi) the channels for disbursement, and (vii) potential implementers of activities.
53. The *governance* structure should be as simple as possible: (a) A policy forum (Council) should focus on setting policy for the MDTF. If other issues are to be addressed (donor coordination, national policy dialogue), this can be accommodated if the Secretariat is provided the resources . (b) A Management Committee should decide on MDTF funding, where contributing donors and government have voting rights. (c) If the MDTF provides project funding, a Project Committee should be established that is flexible and can handle project approvals speedily based on clear criteria.
54. Concerning the *fund structure*, the unified fund provides simplicity and clarity but entails costs when situations require multiple channels and Partner Agency agreements for disbursing funds. Two funds allow the UN and the Bank to use their own procedures, which is within-fund efficient, and increases implementer and channel options and thus reduces risk. The downside is coordination costs between the two funds. The fear of competition between the two funds for the same donor resources, and duplication of administrative systems, are not seen as important.
55. *Administrator* selection is normally done by national authorities in consultation with donors, based on two sets of considerations. The first is the intrinsic Administrator requirements. The other is contributions to the larger post-conflict situation. The stronger UN presence on the ground and its mandate make it a

likely MDTF manager. The Bank, however, has been the preferred Administrator due to its contributions to macro-economic stability and growth, building of core public administration systems and capacities; its own financial and analytical resources; sector policy development skills; and fiduciary management.

56. *Channels* for funding matter. If *budget support* is on-budget, the Bank is the logical Administrator, while if it is off-budget the UN is better placed with its direct administrative capacities. *Project funding* is more complex. On-budget funding is standard Bank practice, but both the Bank and UN have handled off-budget project funding and across sectors. Once projects are off-budget, non-public implementers are feasible, and should be actively considered. Situations where the State blocks non-public actors' access to MDTF funds should be reviewed.
57. Different *scenarios* can be envisaged that entail different MDTF models. External factors are seen to influence MDTF *performance* but usually not its *structure*, except if the security situation deteriorates seriously. In most cases, the post-crisis situation may be so complex that project funding and both on-budget and off-budget options should be on the table. In that case, the three-tier governance structure should be used, and various permutations of funds structure and funding channels need to be considered.
58. The position of the donors on a number of issues may determine the future of MDTFs. While donors support MDTFs, they still channel most of their resources outside, which puts considerable administrative costs on the recipient. Donors continue to earmark funds, which puts limitations on the flexibility of the funds in a situation of high volatility. Donors provide funding to the MDTFs and provide the Administrators with the responsibility for managing, but at the same time want decision making power on the Management Committee, which raises questions regarding fair burden-sharing between the parties.

1.9 Summing Up

59. The international community has found MDTFs to be a highly useful instrument in a post-crisis situation: there are important positive externalities from having an MDTF that other instruments do not provide.
60. There is emerging understanding regarding "best practice" MDTF design. There are also "lessons learned" regarding how to improve MDTF performance, including ensuring Secretariats are well staffed and established early.
61. There are grounds for believing that MDTFs have a comparative advantage in rebuilding core public administration functions and funding capacity development in the public sector.
62. Administrative costs of MDTFs are higher than for coordination mechanisms in more benign situations. But these will still compare favorably to management costs of non-pooled programming. Also, and most importantly, if well-managed MDTFs can contribute to reducing the chance of a volatile situation reverting to open conflict, this gives a high pay-off potential that could more than justify the costs. This issue is worth pursuing through more careful analysis.

63. Another area of inquiry to pursue as data become increasingly available, is to compare MDTF results with similar activities funded through alternative channels, since at the end of the day, the actual results on the ground are those which will justify the costs of establishing and running an MDTF.

1.10 Recommendations

General

- i In typical post-crisis situations, the high-risk environment would make an MDTF a logical instrument for handling donor assistance. During a PCNA process, stakeholders should consider this option, and if this is recommended, the establishment of an MDTF should be made part of the PCNA Action Plan.
- ii MDTF designs should be as simple as possible . Where feasible, single-fund MDTFs are the simplest to manage, but may not be optimal under all conditions. If MDTF funding is for budget support only, a two-tier governance structure consisting of a Council and a Management Committee should be sufficient. If the MDTF is to provide project funding, a Project Committee should be established to provide flexible, directive support for quick project approvals.
- iii If two separate funds are seen as the best option, care should be taken to ensure that the coordination between the two is optimal with regards to (a) relevance to national needs and policies, (b) division of labor and complementarity of activities funded, (c) joint services and instruments wherever feasible, (d) joint reporting and interaction with national stakeholders and donors
- iv MDTF secretariats need to be staffed up quickly with the requisite skills, to ensure that the start-up phase runs as smoothly as possible. A combination of agency and non-agency staff is fine as long as (a) there is sufficient agency knowledge to manage rules and regulations well, (b) non-agency staff receive early training in these matters.
- v MDTF performance analysis should look at two issues. The first is to see how well activities funded over MDTFs perform compared with similar activities financed through other channels. The other is to identify which activities an MDTF would normally have a comparative advantage in financing.

Donors

- vi Donor requirements for contributing to MDTFs, and donor expectations regarding MDTF performance, are complex and not fully known. The donor community should support a mapping exercise that can identify under what conditions larger and more predictable funding for MDTFs could be expected.
- vii Donors should in particular review the conditions under which they would be willing to provide more un-earmarked funds for MDTFs.
- viii Donors that do not channel funds through MDTFs, or channel only a small share of their available funds through MDTFs, should be encouraged to shift funds to MDTFs, in part to build up own knowledge and experience with MDTFs.

- ix MDTF administrators and the donor community should carry out a risk assessment of current MDTF arrangements. Donors could assume more risk, particularly by providing funding with explicit risk sharing clauses.
- x MDTFs have limited own resources for addressing cross-cutting issues and conflict studies. This is an area where bilateral donors can provide more support in the form capacities from their own skills base, and/or procuring such skills locally.

National Authorities

- xi National authorities should continue the trust-building and conflict-reducing processes developed during PCNAs by ensuring an open consultative policy-arena for all legitimate stakeholders from the public, private and civic sectors. Support for this can be sought from the MDTF.
- xii National authorities should support broad-based ownership of MDTF programs, and accept non-public capacity to deliver MDTF activities where this is appropriate and efficient.
- xiii National authorities should support the need for strengthening capacity also in the civic and private sectors, and in particular the need to strengthen the voice of rights-holders for enhanced accountability during a period of rebuilding of societal structures and roles. National authorities should therefore support MDTF funding for such activities, where appropriate.

The World Bank

- xiv In line with Board discussions and decisions, the Bank should update the relevant Operational Policies and Bank Procedures – in particular OP/BP 8.50 and 14.40 – that will improve its ability to act efficiently and effectively in post-crisis situations, including as Administrator of MDTFs¹.
- xv The Bank should improve its internal capacities to support MDTFs:
 - a) Management should ensure support to MDTFs and other fragile states teams;
 - b) The Regions should provide sufficient resources to allow MDTFs to staff up quickly with necessary skills in critical fields (legal, accounting, procurement, communications), and overall trust funds management.
 - c) The Bank should establish a "one-stop-shop" that can provide access to its "best practice" and "lessons learned" experiences, documents, and an inventory of key personnel that can provide advice and guidance to MDTF staff;

¹ While this MDTF Review was underway, the World Bank prepared a major revision of its emergency policies and procedures. This package on Rapid Bank Response to Emergencies, covering post-conflict and post-crisis response operations and presenting the new OP/BP 8.00 (replacing OP/BP 8.50), was presented to the Committee on Development Effectiveness (CODE) on 31 January 2007 and was scheduled for full Board discussion and approval a month later.

- d) The Bank's human resources policies should be revised so that staff hiring, promotion and incentive schemes ensure that qualified and committed staff are identified and allotted to MDTF postings.
- xvi In line with the above, the Bank should further develop standardized instruments for operating MDTFs:
 - a) Donor funding agreements ;
 - b) MDTF staffing profiles with job description templates;
 - c) Staff training program, both for Bank and externally recruited staff;
 - d) Standard operational documents (Operations Manual, strategy templates, simplified Project Concept Note and Project Appraisal Document templates);
 - e) Simplified criteria for acceptable administrative and accounting systems and capacities for implementing agencies for smaller off-budget projects.

The United Nations

- xvii The UN should engage the donor community to ensure more flexible MDTF funding, and in particular move from earmarking towards the Bank's system of simple preferences.
- xviii The UN should pursue its role in capacity building more systematically, including supporting civil society capacity development, for strengthening accountability during the rebuilding of society.

UN and World Bank

- xix The UN and the Bank should establish a high-level working group to review MDTF issues and related instruments, and agree on actions that will enable more efficient and effective post-crisis collaboration.

MDTF Operations

- xx MDTFs should see themselves within the framework of overall international development support, and thus take cross-cutting issues like gender seriously. MDTFs should ensure that conflict analyses become a key component of their risk management activities.
- xxi Capacity development should be a central concern in all MDTF programs. There should be particular attention to identifying the possible role the MDTF can play in financing the (re)building of core state functions and capacities. There should be clarity regarding what the priorities are ("capacity building for what?"), which sectors/areas/fields should be the focus, and what expected results are.
- xxii The MDTF secretariats should have sufficient own resources to contract necessary studies and surveys, particularly regarding external factors that may influence MDTF performance (security situation, capacity and will to deliver, and others).

2 Introduction and Background

1. Norway's Ministry of Foreign Affairs (MFA) and Agency for Development Cooperation (Norad) with the World Bank ("the Bank") agreed to carry out a review of Post-Crisis Multi-donor Trust Funds (MDTFs). A Steering Committee (SC) was established that has later been expanded to include the Canadian International Development Agency (CIDA), the Netherlands MFA, and the UK's Department for International Development (DFID). Close collaborating has been established with the United Nations Development Group Office (UNDGO).
2. The review has been carried out in three stages. The first was a document review enriched by a first round of interviews with United Nations (UN) officials in New York and Bank officials in Washington in March-April. An Inception Report was produced and discussed at a two-day workshop in Oslo 4-5 May 2006.
3. This was followed by field visits to Indonesia/Aceh, Sudan, the Great Lakes region, Iraq (Amman) and Timor Leste, and a second visit to UN and World Bank HQs during the second half of September. There a full-day seminar with the SC discussed the preliminary findings of four country studies and the main report.
4. Full draft chapters on the country cases were sent for comments to a wide audience. The other case studies, based on the desk review in the Inception Report, have been updated. These case studies form the basis for this report.
5. A complete draft report was prepared for comment by the SC, and the revised document was distributed to all participants at the workshop in the Hague, the Netherlands, 7-8 December 2006. Based on the discussions there, the report was finalized January 2007.

2.1 Objectives

6. This review is to assess the experiences with Multi-Donor Trust Funds in post-crisis situations, where the focus is on post-conflict cases. It should look at MDTFs administered both by the World Bank and the UN.
7. The purpose of the study is to identify MDTF arrangements that can better address post-crisis situations. The focus is on cross-cutting issues that have emerged in recent years, such as governing structures, harmonization and coordination, timeframe for establishment, the relationship between the UN system and the World Bank, the impact of donor policies, the role of implementing agencies like NGOs (see Annex A for complete TOR).
8. The aim is to inform recipient countries, the World Bank, donors, the UN system, other implementing agencies and civil society about cross-cutting issues and challenges associated with the use of MDTFs, as well as other mechanisms and the policy implications and trade-offs of different approaches.

2.2 Information Sources

9. This report relies primarily on document reviews and informant conversations. The interviews were with staff in both administrator agencies (World Bank and UNDP – both at head office and in the field), recipient governments, donor

officials at head office and in the field, and some representatives of civil society, international NGOs, and others (see Annex B for full list of informants).

10. A review of documents was done, most of it related to specific trust funds and their activities, but also more general literature central to understanding post-conflict and post-disaster situations (see Annex C for complete document list).
11. The Inception Workshop, debriefings at the end of country visits, the workshop in Washington and conference in the Hague have further complemented and enriched the review.
12. While the scope of the review is wide, it has focused on the MDTF as an instrument. There is therefore little in terms of results analysis at project level. This is a weakness, since whether an MDTF is a useful instrument or not should largely be judged based on the results that can be attributed to it. As more evaluation information becomes available, it is proposed that such performance assessments are carried out (see Recommendation (v)).

2.3 Trust Funds Reviewed

13. The team has reviewed a total of 18 MDTFs, of which eight have been visited in the field (underlined below). Of these, 13 were administered by the Bank and the remaining five by the UN (four by UNDP, one by Unicef). The Administrator of each fund is listed behind the abbreviation that will be used throughout this study for that particular fund:

- **Afghanistan:** (i) Afghanistan Reconstruction Trust Fund (ARTF - Bank), (ii) Afghan Interim Authority Fund (AIAF – UNDP), (iii) Law and Order Trust Fund of Afghanistan (LOTFA – UNDP)
- **Great Lakes Region:** Greater Great Lakes Multi-donor Demobilization and Reintegration Program (MDRP – Bank)
- **Indonesia:** Multi-Donor Fund (MDF – Bank)
- **Iraq:** (i) UNDG Iraq Trust Fund (UN ITF – UNDP), (ii) World Bank Iraq Trust Fund (WB ITF – Bank)
- **Sierra Leone:** Multi-donor Trust Fund for Sierra Leone (MDTF-SL - Bank)
- **Sri Lanka:** Proposed post-*tsunami* trust fund (Bank)
- **Sudan:** (i) Multi-donor Trust Fund – National (MDTF-N – Bank), (ii) Multi-donor Trust Fund – South Sudan (MDTF-SS – Bank), (iii) Capacity Building Trust Fund (CBTF – Unicef)
- **Timor Leste:** (i) Trust Fund for East Timor (TFET – Bank), (ii) Consolidated Fund for East Timor (CFET – UNDP), (iii) Transitional Support Program (TSP – Bank)/ Consolidated Support Program (CSP – Bank)
- **West Bank and Gaza:** (i) Holst Fund (Bank), (ii) Reform Fund (Bank), (iii) Technical Assistance Trust Fund (Bank).

14. The approximate amount of resources committed to post-crisis MDTFs is listed in table 2.1. The total amount is nearly USD 5.4 billion, so there are considerable resources being allocated through this mechanism.

Table 2.1: Total MDTF Funds Committed (USD million)²

MDTF	Total Funding
WB&Gaza Holst Fund	270
Palestine Reform Fund	313
Timor Leste TFET	178
Timor Leste CSP/TSP	131
Afghanistan AIAF	71
Afghanistan ARTF	1,449
Indonesia MDF	538
Great Lakes MDRP	163
Sierra Leone	40
Iraq UNDG ITF	1,125
Iraq WB ITF	477
Sudan MDTF-N + MDTF-SS	611
Grand Total (approx)	5,382
World Bank MDTFs	4,186
UN MDTFs	1,196

2.4 Structure of the Report

15. This Report contains eight substantive chapters:

- Chapter 3 provides the conceptual background to this review;
- Chapter 4 looks at governance structures of the MDTFs;
- Chapter 5 discusses institutional procedures and challenges;
- Chapter 6 looks at efficiency and timeframe for establishing and running the MDTFs;
- Chapter 7 reviews harmonization and coordination of actors;
- Chapter 8 assesses ownership and capacity development;
- Chapter 9 goes through thematic issues including peacebuilding, conflict sensitivity and beneficiary focus;
- Chapter 10 provides an overview of MDTF performance, external factors that affect this, MDTF design elements, and final findings and conclusions.

² This table is not complete. Figures from CFET/Timor Leste and budget support for South Sudan are missing. ARTF is attributed to the World Bank, but a share is transmitted to the UNDP-administered LOTFA. The general picture in terms of scale and ratios should, however, be fairly correct.

16. In addition there are 12 annexes. The first three are attached to the main report, which together make up the first volume of this study. The remaining nine case studies – Annexes D-L – make up the second volume of this study:

- Annex A: Complete Terms of Reference;
- Annex B: List of Informants;
- Annex C: Documents Reviewed;
- Annex D: Country Study: Iraq Trust Funds
- Annex E: Country Study: Indonesia Post-Disaster Trust Fund (MDF)
- Annex F: Country Study: Sudan Trust Funds
- Annex G: Country Studies: Greater Great Lakes Trust Fund (MDRP)
- Annex H: Country Study: Afghanistan Trust Funds
- Annex I: Country Study: Timor Leste Trust Funds
- Annex J: Country Study: West Bank and Gaza Trust Funds
- Annex K: Country Study: Sierra Leone DDR Trust Fund
- Annex L: Sri Lanka case (MDTF in the end not established).

2.5 Acknowledgements and Disclaimer

17. The Review team would like to thank World Bank and UN staff, government and donor officials, NGO representatives and the other informants met in the field for their time and assistance. The team was always met by a forthcoming attitude by all contacted, and would like to express its sincere gratitude to the openness and interest shown in this task.
18. A Special Thanks goes to the MDTF staff in Bank and UN administered funds. Whatever the achievements, successes and disappointments of the MDTFs, all secretariat staff met have without exception been hard-working, dedicated, and skilled. Their comments on the drafts have been honest and constructive, including in areas that have at times been sensitive. For this we are truly grateful.
19. Another big Thanks goes to the members of the Steering Committee who have dedicated much of their time to discussing and guiding us, and without whose support this task would not have been possible.
20. Special mention is given to Norway's MFA and Norad, who funded the major part of the study, and to the World Bank, CIDA and the Netherlands MFA that also contributed financially and in other ways to the completion of the study.
21. This report and its findings are the responsibility of the consultants, and do not necessarily reflect the views of the World Bank, the UN, or any other agency or informant listed. While care has been taken to address mistakes and misunderstandings identified during the finalization process, there undoubtedly are errors and other shortcomings remaining, for which the consultants assume full responsibility and apologize for any offense caused.

3 Framework Conditions

1. Multi-Donor Trust Funds, MDTFs, are used in post-crisis environments, both post-conflict and post-disaster. The focus in this study is on the post-conflict cases. These situations are normally characterized by large un-met needs regarding both basic services to a needy population, and medium-term reconstruction of social and economic infrastructure. Governance is often weak, particularly the public sector's capacity to deliver. Capacity building may therefore also be an important requirement. Risk, uncertainty and information costs are thus high, so delivering on the needs tends to be costly.
2. MDTFs are instruments for improving resource efficiency and effectiveness by pooling resources, improving coordination and policy dialogue, and reducing transaction costs. MDTFs in particular contribute to more effective risk management. Within the international community, the multilateral actors and in particular the United Nations system and the World Bank, are seen to have organizational characteristics that make them well suited to handle these situations, including managing pooled funds for addressing post-crisis needs.
3. The United Nations system and the World Bank approach post-conflict MDTFs with similar concerns about addressing the large-scale needs these situations present. They have, however, somewhat different (i) institutional mandates, and priorities that derive from those mandates; (ii) conceptual frameworks of how the transition from conflict to peace occurs; (iii) emphasis on the conflict factors to be addressed and the sequencing of priorities; (iv) institutional cultures and approaches to collaboration with other stakeholders; (v) institutional policies and procedures that regulate methods of collaboration; and (vi) expectations from other actors based on their overarching program profile.

3.1 Mandates of the World Bank and the United Nations

4. The UN Charter mandates the United Nations to maintain international peace and security, promote cooperation in solving the world's international economic, social and development problems and to promote respect for human rights and fundamental freedoms, among other objectives. In fulfilling this mandate, the UN system is active in the full conflict spectrum, from conflict prevention and resolution to humanitarian assistance during and after conflicts, peacekeeping, peacebuilding and development.
5. The UN's roles can be both political and programmatic:
 - The UN Security Council is the primary source of legitimacy for international action in conflict situations. The UN mandate for action runs across the full conflict spectrum, from prevention to resolution, peacekeeping, peacebuilding and long-term development;
 - The UN system is responsible for the promotion, monitoring and enforcement of international norms, many of which serve as triggers for action in conflict-affected environments;

- The UN often plays a key role in focusing international attention on conflict situations, and convening support for their resolution and a subsequent peace process;
 - UN agencies serve as the organization's implementation capacity. They are specialized according to the conflict phase and activity. Many agencies have the ability to work across several conflict phase as the dynamics of a situation change;
 - Where a country reverts to violence and other forms of international cooperation are withdrawn or reduced, the UN is expected to continue in its political humanitarian capacities to help end the conflict, and mitigate its impact.
6. The World Bank works with the governments of its member countries to reduce global poverty and improve living standards. As a key source of financing and technical support for developing countries, the Bank can offer low-interest loans, credits, grants, and analytic and advisory services.
 7. The Bank works primarily in two parts of the conflict spectrum: reconstruction and development. It is increasingly focusing on fragile states, including conflict-affected countries. To the extent that development activities help countries avoid future conflict, the Bank hence contributes to conflict prevention.
 8. Countries in conflict frequently fall into arrears on their repayments to the World Bank. They are then no longer eligible for further IDA or IBRD allocations, though the Bank can provide smaller-scale funding from its Post Conflict Fund and LICUS Trust Fund. The Bank may hence also not be present on the ground during the conflict phase (Iraq, Sudan), but it is now often quick to re-establish relations in a post-conflict situation. The Bank is furthermore playing a growing role in conducting Post-Conflict Needs Assessments (PCNAs) in collaboration with the United Nations.

3.2 Conceptual Frameworks and Response: The World Bank

9. Most post-crisis MDTFs are used in the context of fragile states . These are defined as low-income countries, eligible for IDA credits that have weak state policies and institutions, and face risks of conflict and instability³. The Bank is giving increased priority to fragile states, a client group accounting for almost half of IDA-eligible countries⁴.

³ The World Bank defines fragile states by weak performance on the Country Policy and Institutional Assessment index (CPIA). "Core" fragile states are those with a general CPIA rating of 3.0 or less, and which also score 3.0 or less on the Public Sector Management and Institutions component of the CPIA. Recognizing that situations are fluid and can deteriorate quickly, the Bank monitors countries up to a rating of 3.2.

⁴ The one non-fragile state MDTF here is the post-disaster MDF/Indonesia. But there are also post-conflict situations in non-fragile states, such as Uganda and Sri Lanka, where MDTFs have been considered but not used. One reason is undoubtedly that stronger states want to manage external

10. The Bank notes that countries with low economic performance, and fragile states, have a high risk of slipping back into violent conflict (Collier et al 2006: 176; World Bank 2006). Weak state capacity, therefore, can be a structural cause of violent conflict, or of a state's inability to manage conflict without escalation to violence. It can result in states being unable to mediate competing interests in society, to generate economic growth, to provide essential public services or to be accountable. In turn, conflict creates a vicious circle, eroding state institutions and drawing resources away from productive activities. This analysis is reflected in World Bank Country Strategy documents in which MDTFs are operating (World Bank 2004).
11. Bank studies and other research finds that development assistance can be highly effective, reducing the risk of renewed conflict where it strengthens governance and promotes economic growth. In turn, strong growth depends on the quality of policies, institutions and governance processes. Assistance, therefore, should focus on improving state capacities. According to an evaluation of the LICUS program, "immediately following the cessation of conflict, the international donor community tends to focus its assistance on physical reconstruction. Since capacity to use aid effectively in post-conflict LICUS is low and governance is often poor, the focus from day one also needs to be on the development of capacity and improvement of governance..."⁵.
12. The World Bank takes a medium-term approach to building the capacity of fragile states. Research defines the first ten years after conflict as the critical period to consolidate a peace process, with the first four years being the highest risk period. Five years is often required to build state capacity to the point where it can absorb and effectively use international financial assistance. In part based on this framework, Bank administered MDTFs show a preference for:
 - Strengthening state institutions, policies and processes for good governance;
 - Projects with a sector approach, including for infrastructure or basic services. By their nature, these projects have a multi-year horizon to develop and implement;
 - Early focus on strengthening public finance management systems;
 - Implementing projects through government systems and working on budget, rather than implementing projects directly;
 - Building government systems and institutional frameworks according to Bank's standards through using, and thus transferring, its own policies and procedures for project implementation.

funding more directly themselves, in accordance with the Paris Declaration on Aid Effectiveness, and thus do not want a highly donor-dominated instrument like an MDTF as the funding channel.

⁵ World Bank's Independent Evaluation Group: *Engaging with Fragile States: An IEG Review of World Bank Support to Low-Income Countries under Stress*. Washington, September 2006.

3.3 Conceptual Frameworks and Response: The UN System

13. The United Nations system recognizes the importance of governance as a dimension of conflict and its resolution. However, the UN system is concerned with a broader set of political, economic and social processes, and does not privilege governance over other conflict factors. The UN's approach reflects its broader mandate in conflict-affected countries.
14. The UNDG/ECH Working Group on Transition Issues (2004) defines transition "as the period in a crisis when external assistance is most crucial in supporting or underpinning still fragile cease-fires or peace processes by helping to create the conditions for political stability, security, justice and social equity." The Working Group continues "while in the past, transition processes were largely regarded as sequential or a continuum from relief to development or even from conflict to peace, it is now increasingly recognized that these facets exist simultaneously, at varying levels of intensity, susceptibility to reversals, and opportunity." In practice, therefore, transitions require work with multiple stakeholders (state and non-state) and that different conflict phases may exist simultaneously in the same environment.
15. UN literature considers the first 18-24 months as critical for consolidating a peace process. Short-term stabilization can be advanced by providing immediate support for vulnerable populations, and promoting recovery. This phase can begin before a full PCNA or a national development strategy is in place.
16. Once a PCNA or a national priority setting program is in place, more general strategic activities can be undertaken: disarmament, demobilization and reintegration (DDR); strengthening capacity development, governance and rule of law, economic frameworks, policies for the social sectors. This phase would normally be followed by a standard UN Development Assistance Framework (UNDAF), when the UN country team determines the situation is appropriate.
17. An example can be taken from the UN Strategy for Assistance to Iraq (2004). The plan outlines assistance and capacity building across the following areas:
 - The delivery of essential social services, in health and education in particular;
 - Capacity and institution building for human development and social justice;
 - The empowerment of civil society and local communities;
 - Water resources and food security;
 - Key infrastructure rehabilitation, building in particular on expertise gained under the Oil-for-Food Program;
 - The protection and reintegration of vulnerable groups;
 - The promotion of human rights and the rule of law;
 - Private sector development and employment generation;
 - Poverty reduction, human development and economic development, with due regard to cross-sectoral issues such as gender, human rights, environment, security, job creation and economic activity.

18. Within this framework, UN system shows a preference for:

- The consolidation of peace processes over a short time frame. Strategies typically focus on stabilization needs, where priority is to show immediate results for conflict affected populations or otherwise promote recovery;
- Working simultaneously with multiple sectors, actors and transition phases. Some of these are areas in which the World Bank does not work, such as security, humanitarian assistance and political governance;
- Providing critical public services and building governance processes;
- Improving the relationship between state and civil society, with attention to creating legitimate political authority (through for example elections);
- Managing social processes, in particular national reconciliation;
- Sequencing transitional assistance, including peacekeeping (security), humanitarian assistance, and reconstruction/development.

19. To accomplish these tasks, the UN works with both state and non-state actors (civil society organizations, private sector). These represent other capacities that can deliver transitional assistance.

Table 3.1: Framework for Roles in Transition

	United Nations	World Bank
Mandate	Primary responsibility for international peace and security. Work across the full conflict spectrum, from conflict prevention and resolution, to humanitarian assistance, peacekeeping, peacebuilding and development.	Work in the reconstruction and development phases of post-conflict situations.
Conceptual Framework	Period in a crisis when external assistance is most crucial in supporting or underpinning still fragile cease-fires or peace processes by helping to create the conditions for political stability, security, justice and social equity. Sequencing and coordination of transitional assistance through conflict phases, including peacekeeping (security), humanitarian assistance, peacebuilding and development.	Focus on fragile states, of which post-conflict is one of possible cases. Centrality of efforts to build state capacity and accountability. First decade critical to transition. Five years usual time frame to build capacity of state to absorb international financial assistance.
Program Preferences	Consolidation of peace processes over a short time frame. Focus on strategies to stabilize situation and deliver rapid impact (peace dividend). Work simultaneously with multiple sectors, actors and transition phases. Provide critical public services and building governance processes. Improving the relationship between state and civil society. Social processes, in particular national reconciliation. Work with state and non-state actors, using broad capacity held in society to deliver assistance.	Strengthening state institutions, policies and processes for good governance. Sector projects with a multi-year horizon to develop and implement. Early focus on strengthening public finance management systems. Capacity development, including by implementation through governments systems. State as central counterpart.
Common UN and Bank Objectives	Contribute to long term peace and development, based on targets set in the Millennium Development Goals. Promote national ownership, poverty reduction and good governance. International cooperation within the guidelines established by the 2005 Paris Declaration on Aid Effectiveness.	

3.4 MDTFs and Risk Management

20. MDTFs are essentially about making resources for post-crisis rehabilitation and reconstruction available to the intended beneficiaries as efficiently and effectively as possible. This means in part reducing various kinds of transaction costs: getting economies of scale in the administration, planning and overall management of the funds; reducing information and uncertainty costs through better coordination of donor resources, harmonization of rules and procedures for disbursing and using the funds, alignment of activities with national priorities and activities of other actors involved in the rehabilitation and reconstruction efforts, and agreeing on the overall objectives and thus focusing activities on producing results against those.
21. A key aspect of this transaction cost issue is how the various forms of risk are handled. Post-crisis situations are by definition high-risk. Different actors see different risks in a post-conflict situation, and weight the risks differently. An MDTF is therefore potentially a useful *risk management tool*: it can allow different actors to share or re-allocate perceived risks to other actors they believe are in a better position or more willing to shoulder it.
22. There are generally three sets of actors that join up to make an MDTF happen: (i) national authorities or actors that have legitimacy in the context of the post-conflict rehabilitation and reconstruction, (ii) the donors, and (iii) the multilateral actors – primarily the UN system and the World Bank, though the Asian and Islamic Development Banks have been involved in at least one MDTF.

National Authorities

23. For national authorities, an MDTF is a coordinated and harmonized channel of resources. It often brings political attention to the post-conflict situation - being ignored is often a problem for new regimes trying to establish themselves after a conflict. It can bring in more funding, both because it can "crowd in" new donors, and because there is a platform from which to request more funding. In Sudan, it is playing an important political role in the wealth sharing agreement, which is an additional value-added dimension. MDTF resources are largely untied and therefore more amenable to national programming.
24. On the other hand, MDTFs also occur at a point in a state's history when it is particularly weak and vulnerable, and thus more sensitive to attempts by donors to wield undue influence. MDTFs can easily be an instrument that is dominated and controlled by the donors and therefore used to extract concessions from the authorities in return for financing (donors "ganging up").
25. In several instances where MDTFs were proposed, the idea was rejected by governments (Sri Lanka after the *tsunami* and Pakistan after the earthquake in Kashmir and Northern Pakistan), or the idea of an MDTF was accepted but not implemented. The reasons have varied, from the absence of a strong peace process supporting the MDTF (Sri Lanka North East Reconstruction Fund) to the belief that an MDTF was unnecessary given government capacity or not wanting the international community that heavily involved (Pakistan).

26. The MDTFs may also pose political risk. If an MDTF does not deliver as expected, the authorities may face questions about this delivery mechanism (South Sudan). This may destabilize a volatile situation. The wealth sharing agreement in South Sudan may also present a risk: if national funds are not forthcoming, the donor resources in the MDTF may also remain locked up.

Donors

27. For donors, an MDTF may be a funding channel into a situation which that country otherwise would not have been able to support, or only at greater cost. Sometimes an MDTF is a complementary vehicle to activities that are funded directly bilaterally. MDTFs provide an information collecting and sharing mechanism, a forum for inter-donor discussion and coordination, and a forum for entering into dialogue with national authorities. MDTFs may be a larger facilitating mechanism, including dialogue with representatives of local civil society, other parts of the public administration (provincial and local level authorities). MDTFs organize meetings of various kinds, such as debriefings of missions, which provide information that otherwise would not have been available. MDTFs participate in discussing priorities with national authorities on funds allocations that may be useful for internal priority setting for bilaterally managed funds.
28. MDTFs have a secretariat that the bilateral donors can take advantage of. Project proposals, background documents and analyses provide information and data that most donors on their own could not generate. MDTFs collect and analyze data that donors would not otherwise get. MDTFs provide an unparalleled openness on funding and disbursement that permits resources tracking and reporting back to own head offices that can save a lot of time.
29. Handing over resources to the Bank or the UN means that the administrative costs of managing the funds are reduced. Most donors have a scarcity of human resources dedicated to these high-risk situations. Being able to buy administrative services from a reputable multilateral is therefore welcome.
30. Over the last several years, donors have become more concerned about fragile and failing states. The importance of assisting societies coming out of conflict to become more stable has taken on added urgency, given the possibility that a lack of state control of own territory may provide space for processes and actors that are non-desirable: health threats that have important cross-border spread potential (Aids, avian flu), the concern of safe havens for terrorists, etc.
31. Given the above factors, it is therefore important to note that MDTFs in most cases channel only a small share of donor resources. Several reasons have been given, where some may be valid in some settings but not necessarily in others:
- It is politically important to support own actors on the ground (much of donor funding is through own-country based NGOs or international NGOs).
 - Some donors who channel their resources outside MDTFs voiced general skepticism about the efficiency and effectiveness of the MDTF, though no

comparative information on own-performance was ever provided (Afghanistan, Indonesia).

- Large infrastructure investments are highly complex processes that have to be in compliance with international procurement rules, host country standards, etc. These normally require specialists overseeing the entire process, so MDTFs do not provide any value-added.
- There can be major home-country commercial and political interests involved in a large part of the financing, often tied to large investments.
- Some donors believe that they will have more "voice" as part of an MDTF, while others want direct bilateral access. This may partly be a function of the size of the donor (larger donors don't need an MDTF for voice and access), but some also feel that the consensus-approach of the MDTFs do not fully cater for concerns and issues they want addressed.
- New or non-traditional donors may have other channels for collaboration, or may not be comfortable with the MDTF instrument, which is seen as DAC donor dominated.
- Some donors provide funding from specific budget chapters on their own budget that make it difficult to pool the funds through MDTFs. The particular constraints that the different donor budget posts represent may vary, and again it is unclear what level of funding might be involved. One half-way answer to this has often been the "earmarked funding" through the UN, whereby the donors are trying to address home-country allocation compliance while participating in pooled-funding arrangements.
- There is considerable disappointment with the performance of the Sudan MDTFs, and this is reflecting negatively on the overall support to the MDTF as an instrument (though this is a fairly recent issue so does not account for the historically low share of resources through MDTFs).

MDTF Administrator

32. The role of MDTF Administrator would appear to be one for which the UN is well suited. It is generally already on the ground, has a project- and action-orientation in its set-up, is used to working under difficult circumstances, and has decision making authority delegated to the field. Post-conflict situations "marry" the political and development mandates of the UN, and it provides a role in national policy dialogue and hence proximity to national authorities that the UN in any case should seek. MDTFs provide a donor coordination role that the UN generally seeks to play, and thus shows the value of its continued presence in the more challenging country situations.
33. The World Bank has traditionally been less engaged in conflict and immediate post-conflict countries. The main reason is that many of these countries are in arrears to the Bank, so the Bank cannot have an active portfolio there. The Bank's staffing policies till now have also led to fewer staff working in non-conflict countries. On the other hand, managing an MDTF gives the Bank a re-entry

vehicle into countries it may be interested in dealing with in the future, helps establish relations and a knowledge base, and mobilizes donor resources to make the country IDA-eligible. The Bank has recently taken a decision to engage more actively in "fragile states", and is following up with the necessary adjustments to its operational policies.

34. While mandate, structure, staffing and corporate culture would tend to point to the UN as one logical MDTF Administrator, nearly three quarters of the MDTFs and an even greater share of MDTF funding has been trusted to the Bank. There are several reasons for this.
35. The Bank is seen as a better risk manager. It has a reputation for good fiduciary management, which is of major concern in countries that often have serious levels of corruption and where public finance management is weak and with poor oversight from political and auditing/legal institutions. It has a reputation for demanding corrective action when funds abuse is identified. The Bank has a depth of analytical skills that other institutions cannot match. It has developed a reputation for quality-at-entry projects preparation and results-focused management and close follow-up of activities that again is seen as valuable in high-risk environments. But the most important reasons are not related to the MDTF as such. Both donors and governments often want the Bank as MDTF Administrator because of its focus on building core public sector administrative systems and capacities, especially public finance management, is seen as vital. The Bank can help stabilize the macro-economy and get the private sector going again, and can provide access to IDA once the country is once again eligible.
36. Being an MDTF Administrator is not just a question of managing a fund, but of handling risks in a very volatile situation. While MDTFs channel a limited share of the total aid resources, the *risk burden* appears much larger because the MDTF is a very visible actor and thus attracts considerable attention – the *reputational risk* is hence particularly high. This risk burden is further accentuated because the donors pass on almost all risks to the Administrator. This issue is more problematic for the Bank, because of the legal obligations regarding how trust funds will be managed, which include the use of Bank policies and procedures. This means that it will treat grant funds provided by donors for application in a high-risk situation, as if they were credits granted to states with a borrowing history that the Bank is familiar with.
37. The donors could and most probably should take on more of the risk. This could be done in two respects. The first is by making more skills and resources available for managing the funds. Research institutes and other skills centers that specialize in conflict and post-conflict situations could be made available to a greater extent than they are today (see chapter 9). But donors also should accept more flexible criteria for resource allocations in the agreements signed with the Bank, such as the kind of up front financing and more flexible procurement that the UN system can enter into. Donors have so far not provided the Administrators with any form of "reinsurance cover" or risk-sharing arrangements that would allow the Administrators to be more bold and accept more *ex ante* risk and carry out more *ex post* verifications, for example.

3.5 Main Findings and Conclusions

- i. MDTFs are used in post-crisis environments – post-conflict and post-disaster. These situations are normally characterized by large un-met needs regarding both immediate provision of basic services to a needy population, and more medium-term reconstruction of social and economic infrastructure. Governance is often weak, both with respect to political will and capacity to deliver, so capacity development may also be a requirement. Risk, uncertainty and information costs are thus high, so delivering on the needs tends to be costly.
- ii. MDTFs are instruments for improving resource efficiency and effectiveness by reducing transaction costs, and in particular by managing the high risk levels inherent in post-crisis environments.
- iii. For *national authorities*, MDTFs can increase and untie funding and provide political visibility. International support can bring legitimacy to the overall peace process, both nationally and internationally. On the other hand, MDTFs can be a tool for donor influence. They can create political risk for parties to a peace process and donors alike when the MDTF does not deliver on expectations, particularly the delivery of short-term peace dividends that are visible to the affected population.
- iv. For *donors*, MDTFs reduce information, coordination, administrative and various access costs. They provide the ability to support fragile and failing states in a joined-up manner. MDTFs reduce fiduciary and political risk exposure when interaction involves possibly corrupt and/or abusive parties to a post-conflict process.
- v. For *the UN*, administering post-crisis MDTFs is in line with its political and development mandates, strong field presence, and role as partner both to government and donors.
- vi. For the *Bank*, administering an MDTF is in line with its focus on strengthening the institutions and processes of governance, and promoting economic growth. Involvement can provide re-entry into countries that have not been eligible for Bank support for a time, including helping address arrears and thus assist countries become eligible for IDA support.
- vii. MDTFs should primarily be considered as a good risk management vehicle. The main reason for asking the UN or World Bank to administer MDTFs is their *ability* and *capacity* to work in such high-risk environments. The burden-sharing between the parties needs reviewing, however, because in particular the Bank is applying standards and instruments that may be too demanding of its own performance. The donors, when signing MDTF agreements, should accept more of the risks associated with applying these funds in post-crisis situations.

4 MDTF Governance

1. MDTFs in post-crisis, but especially in post-conflict, are high-visibility bodies in typically weak governance environments. They pose joint reputational-risk challenges to all parties to the agreements: governments, donors and MDTF Administrators. They thus also pose joint responsibilities for finding solutions to short-comings. Most MDTFs have been established to address the reconstruction needs in the aftermath of a country-specific crisis (the one exception is the DDR program for the Great Lakes region, but where the MDRP is essentially made up of seven national programs). While some of the basic principles of MDTF governance are quite similar, there are also substantive differences in terms of architecture, membership, and procedures that create different transaction cost structures.

4.1 Governance in UN MDTFs

2. UN administered MDTFs fall into two different categories. The first is where the UN is asked to carry out an administrative task, and the trust fund is essentially organized as a management unit within the responsible UN agency. The Afghan Interim Authority Fund (AIAF) and the Law and Order Trust Fund of Afghanistan (LOTFA), both administered by UNDP, and the Unicef Capacity Building Trust Fund (CBTF) in Sudan, were set up to pay for start up costs of new or interim governments, primarily civil service salaries, and some costs of office space and equipment. The trust funds were thus budget support, but where payments had to be made directly by an agency that had administrative capacity and presence on the ground. There were therefore no policy decisions or major deliberations that had to be entered into – the UN was mandated to make the necessary arrangements with the national authorities to ensure that payments were made on time to intended recipients. The international community thus took advantage of the UN's ability to deliver a key service at a critical point in time, but did not intervene any further by creating an elaborate governance arrangement, but let the UN get on with the task.
3. The other two UN trust funds are of more relevance in this connection, namely the CFET/Timor Leste, and UNDG ITF/Iraq. Of these, the Iraq fund is the more interesting as it is much larger and has generated more lessons.
4. The UNDG ITF is part of the International Reconstruction Fund Facility for Iraq (IRFFI) structure (see Annex H section H.5 "Governance"). IRFFI has a four-tier governance structure, though in the case of the UNDG ITF it is possible to speak of a fifth tier: (i) the Iraqi Strategic Review Board (ISRB) which approves all project proposals before they are forwarded to the two constituent funds within IRFFI, namely the UNDG ITF and the Bank ITF, (ii) the Donors Committee, (iii) the Facility Coordination Committee, and (iv) the administrative or decision making body of the individual trust fund. The UNDG ITF has a Steering Committee (SC) consisting of members from the UN agencies participating in the MDTF. Below this is a fifth tier, as the UN has organized itself into sector Clusters. These have the task of reviewing project proposals within their area

before submitting for approval by the SC. Iraqi authorities usually contribute to project design, and must give approval before a project can be submitted for technical review by the Clusters.

5. A review of the UNDG ITF was commissioned by the UNDP's Office for Audit and Performance Review⁶. It noted that despite the major challenges due to the security situation, the ITF had been able to make substantial contributions in the form of approved projects and funds allocations. Regarding internal control and compliance, it notes that all compliance requirements have been met, and in fact have been exceeded, particularly in the areas of transparency and public reporting, where the joint WB-UN IRFFI web-site is quoted as being "best practice".
6. On the other hand, the report notes that the UNDG ITF structure did not resolve the inherent conflict of interest issue that arises because the heads of UN agencies who sit on the Steering Committee are also the project proponents on behalf of their agencies. It also notes that the appraisals of projects in the Clusters at times suffers from what the report refers to as a "friendly culture" – a reluctance to critically assess possible weaknesses in project proposals by fellow UN agencies⁷.
7. UN agencies, for their part, experienced the approval and review process as lengthy and complex. The report analyzed 39 projects, with the finding that the average approval period was 113 days, with a further 48 days needed after Cluster review for Steering Committee approval. Analysis showed that projects with fairly similar structures could experience very different processing times, which was attributed to lack of consistency and clear rules across clusters. Another factor was lack of secretariat staff in some Clusters and at SC levels. This was based on the UN's desire to keep costs down, but criticized by the report for hiding real costs as well as leading to ineffectiveness. – The issue of keeping MDTF costs down is a general one which is looked at later.

4.2 Governance in World Bank MDTFs

8. There is considerable variation in governance structures and membership between Bank-administered MDTFs. National authorities and MDTF donors formally participate in the decision making structures of most Bank MDTFs⁸.

⁶ PriceWaterhouseCoopers (PWC 2006), "Governance and Organizational Review of the UNDG ITF". The draft report was submitted January 2006, UN comments were received April 2006, with the final report released on 10 January 2007. The report generated reactions within the UN family, so while the report itself is about 60 pages, Annex A provides PWC's key observations and recommendations followed by UN agency observations, producing an annex that is 35 pages long.

⁷ One observation that can be made is that external performance reviews of the kind that PWC was commissioned to do, addresses this short-fall, although not as systematically as would be desirable.

⁸ The Holst Fund/WB&G and TFET/Timor Leste are the exceptions. There were no national authorities in existence when these MDTFs were established. In the case of the Holst Fund, PECRAR was established as a mechanism for Palestinians to be formally linked to the Fund. – Another case is Afghanistan, where the government was not part of the ARTF governance structure, and only as of the fall 2005 meets in the Management and Donor Committees, but as an observer.

Some MDTFs formally include non-contributing donors as well as civil society organizations, generally as observers (MDF/Indonesia, MDRP/Great Lakes, Sudan MDTFs). In the case of MDF/Indonesia, local civil society organizations have in fact been given two votes on the Steering Committee. Reconstruction and development partners such as the Asian Development Bank (ADB) are formally included in some MDTFs (ARTF/Afghanistan, TFET/Timor Leste). The UN is formally included in the governance structures of many Bank-led MDTFs, usually with observer status (MDRP/Great Lakes, MDF/Indonesia, Sudan MDTFs, WB Iraq ITF), but in one case also on the decision making body as voting party (ARTF/Afghanistan).

9. The general rule is that contributing donors have formal decision making power/votes, and this is becoming the case also as far as national authorities are concerned (ARTF/Afghanistan remains an exception). More and more, non-voting donors and local civil society organizations are also given observer status, but usually restricted to the general policy forum if there is a two-tier structure. The actual governance models are briefly as follows:

- Holst Fund/WB&Gaza, TFET/Timor Leste: one-tier structure where funding and other decisions are made by a Donor Council/Committee, supported by the Administrator. Project Implementation Units (PIUs) are established to design and implement projects. National authorities are either consulted informally, or they establish and staff the PIUs, in which case their link to the MDTF is formal (WB&Gaza).
- Reform Fund/WB&Gaza, CSP and TSP/ Timor Leste: these are funds that provide budget support, and have a one-tier structure where funding and other decisions are made by a Donor Guidance Committee, in consultation with government and supported by the Administrator.
- *Afghanistan*: A Management Committee (MC) of four multilateral agencies is the decision making body. The Donors Committee (DC) meets quarterly and consists of donors that provide minimum USD 5 million per year, plus two seats to smaller donors on a rotational basis. As of October 2005, the Government meets with observer status in both the MC and DC.
- *Iraq*: A four-tier structure with Iraqi Strategic Review Board on top, Donor Committee, then the Facilities Coordinating Committee, and the Bank ITF management. This structure is a function of the two funds coming under one joint political management structure, as explained with the UNDG ITF above.
- *Indonesia*: Formally it is a one-tier inclusive Steering Committee (SC) that discusses both policy and funds. It is made up of contributing and non-contributing (non-voting) donors, six seats for the government, two seats for national NGOs, and the UN and an international NGO as observers. Meetings were later structured in two components, and projects are now first reviewed by Technical Review Committees before channeled for final decision to the SC.

- *Sudan*: Three-tier governance structure comprised of (i) the Sudan Consortium (ii) an Oversight Committee, and with technical secretariats that service them. The two funds (MDTF-N and MDTF-SS – see Annex F) operate independently of each other, with (iii) internal one-tier structure similar to Indonesia, with voting members (donors, government) joined by observers (UN, NGOs).
- *MDRP* has a two-tier structure consisting of (i) a broad-based Advisory Committee that reviews policies and broader issues, while (ii) the Trust Fund Committee of contributing donors and Bank takes funds decisions.

10. There are several considerations that have contributed to the governance designs:

- ***Budget support or project funding***: If the MDTF is only or primarily providing budget support, the governance structure tends to be simpler, since there are fewer discretionary decisions that have to be taken, and there also seems to have been an assumption that there would be few policy issues to debate.
- ***Donor Coordination***: Governments generally like more of the donor funds to go through MDTFs because it provides for stronger government role in resource allocations. In Afghanistan, this was made very clear on a number of occasions. In the case of the MDRP, the MDTF was set up to be the unique funding vehicle for DDR in the region. In addition to bringing funds into the MDTF, it can function as a coordination vehicle. This lay behind the decision in Afghanistan to bring in the ADB, the Islamic Development Bank and UNDP as decision making parties to a trust fund none of them contribute to.
- ***Consultative Body***: If it is seen as important to create and/or maintain a consensus on policy issues important to MDTF decision making, it is helpful to have a wider forum where other stakeholders such as national civil society representatives, non-contributing donors etc can participate. This will often be separated from the resource deciding body, though in the case of the MDF/Indonesia, it is one integrated body.
- ***Project Decision Making***: Many of the projects that come before an MDTF can be complex and large. It may therefore be useful to speed up the analyses of project proposals and project appraisals by having smaller technical bodies review and then forward to the decision making body with a recommendation for approval. This has been done in the case of MDF/Indonesia (the Clusters in the UNDG ITF/Iraq play the same role).

11. In some MDTFs, there was an assumption that the Administrator would take on many of the dialogue functions with the recipient government. Especially when it came to funds providing budget support (WB&G) or primarily budget support (ARTF/Afghanistan), the Bank was also seen to be the actor best placed to carry the dialogue in this field. Over time, however, there have been issues surrounding national budgets that the donors themselves have become concerned about: respect for fiscal restraint, the structure of the budget (share going to security sector, rapid pay increases for civil servants, etc). Donors want to ensure that their funding is based on certain agreed-upon principles, and this

requires consensus. Donors, government and other stakeholders also need to discuss funding prioritization and sequencing, and reach consensus on strategic issues. Thus an inclusive policy forum needs to be part of the design. This policy forum should preferably be broad, given that MDTFs are the only pooled mechanisms on the ground at the early stage of post-crisis. The need for a wider forum for policy dialogue has thus become greater, and is one of the trends pointed to by many.

12. Funding decisions are ultimately the responsibility of MDTF donors and national authorities, and there is often a felt need that this takes place in a different body than the policy forum, which has a broad membership. This has usually been done by having a separate committee.

4.3 National Authorities and MDTF Governance

13. National authorities influence MDTFs in two ways: through formal representation on MDTF bodies, and through dialogue and pre-approval of MDTF funding objects before the MDTF takes final decisions.
14. The roles governments play in MDTFs depend to a great extent on their political commitment to the objectives of the MDTF and their capacity to exercise a leadership role (see Chapter 8). Government membership in MDTF governance mechanisms has the potential of strengthening ownership and leadership, but is not a guarantee (Sudan MDTFs). But including national authorities in MDTF governance structures provides a safety net to donors and to the Administrator through formally sharing risks and responsibilities with national authorities. It also provides access to national authorities, hence opportunities for policy discussion.
15. In all MDTFs, projects require formal clearance by the national authorities. Much of the dialogue between the Bank as MDTF Administrator and the authorities is informal, resolving issues and discussing priorities before formal documentation is presented. Government officials expressed satisfaction with the clarity of roles, and the attitude the Bank as MDTF Administrator had in relation to the state. In the case of the UN administered Iraq fund, government officials claimed they did not have a full vote in prioritizing projects and that too high a share of funds went to UN agency implemented tasks.
16. The UN makes a distinction between what it sees as the Bank's focus on *government or state* ownership of a plan or program, and the UN's ideas of *national* ownership. The national ownership requires an inclusive dialogue and consensus, with voice and resources divided across legitimate actors that would include NGOs, civic organizations, etc. Considerable resources mobilized by the UN are channeled through public bodies, particularly in so-called National Execution (NEX) projects, but the UN can also implement directly or in partnership with civic organizations. The UN will therefore move resources through the channel it believes is the most appropriate for addressing a given objective, and particularly in crisis/post-crisis situations will tend to use the public sector less.

17. National authorities exercise strong influence in the selection of MDTF Administrators, and are included in the dialogue concerning the governing structures and in the selection of funding mechanisms. In most Bank-administered MDTFs, governments take part in the MDTF project cycle, from project design, monitoring of progress, to evaluations of MDTF activities.

4.4 The Roles of Donors

18. MDTF donors constitute the majority of voting members in Bank-led MDTFs. Although the role of national authorities is increasing in importance, the decision making bodies of Bank-led MDTFs are dominated by donors.
19. Donors influence the selection of Administrators. They are involved in the full decision making cycle of Bank-administered MDTFs⁹. They exercise strong influence in deciding the architecture of the governance structures and their constitution, the objectives and goals of the MDTFs, funding channels (on- or off-budget), selection of implementation instruments and agencies (as members of approval committees), MDTF policies and strategies, and progress monitoring. Joint supervision missions are common for Bank-administered MDTFs.
20. Regarding the UNDG ITF in Iraq, donors do not sit on the formal decision making bodies – the SC and the Clusters. But donors have an important voice because nearly 90% of their funds are earmarked, either to a Cluster or an agency. The actual dynamics of this process are complex, since all projects derive from the PCNA, have received ISRB clearance, and thus are not donor-developed or imposed. But once donors have released funds against an agreed-upon objective, they expect performance against these bilaterally agreed goals.

4.5 The MDTF Administrator

21. MDTF Administrators exert influence in the entire decision making chain of MDTFs due to the many roles they have to play. They influence the governing structures of MDTFs by proposing structure and memberships. They affect decisions on MDTF funding, and are responsible for managing MDTF secretariats. Because of their many roles, donors have expressed concerns about possible conflicts of interest when it comes to both the UN and the Bank as Administrators.
22. Concerning the UN, the issue comes up when the UN (i) sits on a decision making body, (ii) can be project proponent and implementer, and (iii) as an implementer, does direct procurement. This is the situation in the UNDG ITF/Iraq, as noted above. The conflict of interest was raised by the Bank on a couple of cases in the MDRP/ Great Lakes. The UN was Lead Agency in the DRC and about to be a project proponent when the Bank objected. The UN is therefore

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

not a voting member on Bank-administered MDTFs if it is potentially also a project implementer (MDF/Indonesia).

23. With regards to the Bank, similar questions arise: (i) the Bank is trustee and Administrator, (ii) it heads the secretariat which provides all the documentation for the decision making, (iii) it chairs and has a vote on decision making bodies, (iv) it is sometimes a funder (MDF/Indonesia), (v) it is often the primary partner agency and thus co-responsible for preparing and presenting projects for funding and for monitoring and reporting on project performance. An important aspect of the last question is when the MDTF co-finances IDA-funded projects, such as in ARTF/Afghanistan and MDF/Indonesia. Some donors resented this as they felt it pre-empted a more open discussion on funding priorities and selection criteria.
24. The Bank's legal department has noted that the Bank is not taking on tasks that are different from those in other trust funds, including IDA itself. But because there has been competition and some controversy regarding access to funds (ARTF/Afghanistan, MDF/Indonesia, MDRP/Great Lakes), some donors have reacted to the fact that most funds go to Bank-partnered activities. This is attributed to the Bank's dominant role due to its size and close relations with government. The argument is thus one of "asymmetry in the information market". This issue is particularly important in emergency and weak governance situations, because when information is scarce and costly to access, actors with privileged access to decision makers, such as the Bank in its relations to national authorities, will always know more than others. Coupled with the fact that the Bank has a greater capacity to prepare projects and at the same time has written the ground rules regarding how projects are to be assessed, the Bank will have an "unfair" information advantage over other actors when proposing co-funding for IDA-projects. The Bank, the argument goes, is thus for structural role reasons "crowding out" other possible partner/implementing agencies.
25. The "conflict of interest" issue is of concern to some donors. The *structural* reasons are real: the UN sits on both sides of the table when it comes to resource allocations, and then goes ahead and does direct procurement. With the Bank, the structural asymmetry regarding access to information leads to a "distorted market" for access to MDTF funding. But in both cases, the vast majority of donors accept these situations as necessary trade-offs for getting good performance in very difficult situations, though the concerns on the UN are of particular concern as long as there is no independent oversight built into its governance structure. The UN has strong procurement procedures that allow it to monitor performance (see ch. 5 paras 7-9) while at the same time having flexibility to procure goods and services quickly under circumstances where local market competition may be weak or missing. The Bank's privileged access to information and trust with central authorities is exactly one of the reasons donors want the Bank to administer the MDTF. So in a second- or third-best situation on the ground, very few are arguing for "first best" solutions as the preferred model.

4.6 The MDTF Secretariat

26. MDTF secretariats receive and review project proposals, and work with the governments to develop the proposals through their various stages. They ensure consistency with the development framework, and prepare the documentation for the MDTF decision-making bodies. They produce work plans for MDTFs, review program and project progress reports and recommend actions to be taken to respond to identified opportunities and/or address constraints. They are responsible for the preparation and use of performance monitoring instruments, and thus play a key role in the quality assurance and oversight of the portfolio. In some cases, secretariat staff provide technical advice to national implementing partners (MDRP/Great Lakes). Secretariats are responsible for communication to donors, national authorities and other stakeholders, and hence influence the flow and content of information within and outside MDTFs.
27. The costs of the secretariats have come up. In the case of UN managed trust funds, the costs are borne by the overhead charged to the fund in line with normal UN procedures, but where the PWC report notes that secretariats have been kept too small and hence costs artificially low. In Bank-managed ones, the Bank has at times made a point of charging low rates (originally two percent in MDRP/Great Lakes and MDF/Indonesia), and/or stating that only actual costs will be charged (MDF/Indonesia). But actual costs of running MDTFs are often much higher than originally budgeted. One thing is that the Bank has been slow in staffing up secretariats. There is also the fact that some of the internal Bank costs of running the MDTFs are not charged to the MDTF (legal costs or using Bank units both for IDA and MDTF work but charging most of the costs to IDA). Secondments of staff from donors to MDTFs also reduce the budget. Finally, actors have at times wanted more support services from the secretariats. The clearest example is the MDRP, where the Secretariat provides DDR skills, which has led to an agreement with donors to increase the total Secretariat budget to about 7% of funds available. The Trust Fund department in the Bank is now carrying out a study that among other things will look at what actual costs of MDTF management are. The attitude of the donors, as reflected in the discussions around the MDRP, is that they prefer Administrators to budget realistically and charge what it takes to do the job well, and that higher cost levels are acceptable if well explained, given the challenges and quality of work that is being delivered.
28. Stakeholders have praised secretariats for professionalism, dedication and efficiency. But in Indonesia, some donors suggested that the secretariat should serve the Steering Committee more directly as a unit independent of the Bank. The issue was whether the information going to the SC would be more neutral if the secretariat had the capacity to assess and provide own opinions on issues going before the SC. - This proposal misunderstands the role of the secretariat. The Administrator has a responsibility for running the MDTF – the secretariat is necessarily managed by the Administrator (who would otherwise hire, fire and pay staff?). The issue of trying to make the secretariat appear semi-independent has in fact hurt efficiency and effectiveness (MDF/Indonesia). For secretariat staff

hired from outside the Bank, being close to the Bank physically, having easy access to Bank staff, Bank E-mail and websites, etc have proven to be critical in the start up phase when there are a lot of problems to be addressed and a lot of uncertainty that has to be managed. This proximity has also reduced anxieties on the side of staff regarding their rights and positions within the larger Bank organization.

4.7 National Stakeholders outside the Public Sector

29. In the aftermath of a crisis, the PCNAs are usually quite participatory. However, once they are over the political dialogue on the ground often becomes limited. In the absence of a national consultative and decision making body that can continue the PCNA role, too much responsibility and expectations are often pushed onto the MDTFs.
30. MDTF Administrators are often lead agencies on the PCNAs, during which time they dialogue with a wide range of actors such as NGOs, community based organizations (CBOs), universities, and the private sector. MDTFs thus fund priority activities identified through a participatory process. MDTF implementation (spending resources) needs to be channeled according to clear rules and Administrators have mandates limiting implementation channeling. Both the Bank and the UN (when supporting recurrent costs) mainly work with governments. They follow government rules and preferences concerning implementation.
31. A recent study on NGO engagement in Bank-financed activities by the Bank's Operations Evaluation Department (OED, 2005) recommends the Bank to "reduce constraints and improve Bank institutional support for participation by helping borrowers and Bank staff to employ fully the flexibility that exists in Bank procedures". Nonetheless, the OED study identifies Government skepticism as a main factor hindering Bank engagement with NGOs. While the OED study found that the biggest constraint on NGO participation was government doubt about participatory approaches, in Afghanistan where the ARTF uses a large number of NGOs, other reasons account for the sometimes tense relationship between government and NGOs. One reason is NGOs crowd out the private sector, specifically in the construction sector. NGOs are tax-exempt while civil engineer contractors have to pay tax. Additionally, governments sometimes see NGO-implementation as threatening their legitimacy: once governments are established in the aftermath of a conflict, they see basic service delivery as their task and not that of NGOs, not least of all because they need to build credibility through providing visible benefits to the population.
32. UNDG ITF in Iraq can more broadly engage with civil society organization, from policy dialogue to program/project design, implementation and monitoring. While NGOs implement activities financed by the UNDG ITF, their role has been more limited than in Bank-administered MDTFs such as ARTF in Afghanistan where NGOs have partaken in program policy dialogue, design, implementation and monitoring of large-scale national programs (National Solidarity Program).

The UNDP MDTF Office commissioned a study of NGO and CBO participation in UN-led MDTFs that has proposed a series of steps to simplify the procurement and use of NGO services (MDTF, BRSP, UNDP, November 2006).

33. UNDG ITF's funds do not go through the state (they are "off-budget"), enabling the UN to play an important role in civil society development, which is strategically relevant in the reconstruction phase. Taking this role, however, poses two challenges to the UN: (i) there needs to be a governance body that is inclusive of civil society actors, so that the strategy addresses civil society priorities. This does not exist today, (ii) the strategy ought to include a clear concept of civil society development. Here the issue of donor earmarking poses a challenge, because the credibility and legitimacy of the strategy and the dialogue with civil society will be undermined if the impression is that the donors will have the last word instead.
34. MDTFs are often the only pooled/joint mechanism on the ground. Donors, governments and Administrators have increasingly recognized the need for MDTF governing structures to become more inclusive. The trend in Bank-administered MDTFs is to include a broader base of national stakeholders in their governing structures, including donors that historically do not participate in MDTFs but provide large-scale funding sources to post-crisis. However, the actual participation and role of national stakeholders from civil society has been poorly defined or not supported.
35. MDTFs endowed with broader participation in their governing mechanisms do function as a forum for coordination. Donors note that MDTFs provide a flow of information that is highly valued. The ability of some MDTFs to function as a gap-filler and/or become a catalyst in mobilizing additional funding for government programs is a further coordination effect (MDF/Indonesia). However, MDTFs are but one of the mechanisms for post-crisis reconstruction. National coordination over time should take place outside and above MDTFs. Donors participating in MDTFs should therefore provide support to existing or developing national decision making structures and processes, to ensure more correct division of labor and roles for the key actors.

4.8 Main Findings and Conclusions

- i. 18 MDTFs have been reviewed, eleven in some depth, of which eight have been the subject of field visits. 13 were Bank-administered, five UN administered.
- ii. The Bank-administered MDTFs have somewhat different governance structures, but the general one consists of (i) a deliberative body that sets policy, sometimes with participation by national stakeholders, (ii) a funding decision body made up of contributing donors and sometimes national authorities, (iii) if there is project funding involved, a project review body, and (iv) a secretariat that services the other three bodies.
- iii. Three of the UN MDTFs have been administrative arrangements for direct provision of budget support. The UN Iraq trust fund is part of a multi-tiered governance structure, where the UN has its own Steering Committee with

- underlying sector-Clusters but consisting only of participating UN agencies. An independent review has hence raised questions about conflict of interest, the lack of independent oversight, and a "friendly culture" that is too uncritical when assessing projects.
- iv. National authorities have both formal and informal means of influencing MDTFs, though the formal role is often weak. Donors tend to have the dominant formal role both in deliberative and funds allocation bodies, and their earmarking of funds to the UNDG Iraq ITF is an additional means of influencing decisions.
 - v. The Administrator (UN or Bank) has a range of responsibilities that are critical to MDTF performance. But the multiple roles have raised concerns of possible conflicts of interest, in particular regarding the UN-managed Iraq TF, as noted above, but also regarding the considerable co-financing of existing Bank-funded projects. To a large extent, however, these multiple roles are one reason the multilateral agencies can function efficiently and effectively in these difficult situations, though the issues are real and require further reflection.
 - vi. The UN potential for strengthening civil society and hence overall societal accountability through an MDTF is a role that could be highlighted more, but might be undermined by the preference of donors to earmark their funding.
 - vii. Secretariats are critical to running MDTFs, and are seen to have delivered quality services to the MDTF partners. In almost all cases, whether UN or Bank managed, secretariats have been under-staffed and sometimes late in getting staff in place, and budgets that may be too low. The costs of secretariats need to be more realistic. Donors appear willing to pay what it costs to get a fully staffed and competent secretariat in place.
 - viii. In cases of absence of a national policy forum, MDTFs – as the only pooled/joint mechanism – is often expected to take on this role. If no alternative is possible, the MDTF policy forum could temporarily provide this service, but should preferably support the development of national deliberative and decision making structures and processes, to ensure more correct division of labor and roles for the key actors.

5 Institutional Procedures and Challenges

1. The UN and the Bank have internationally accepted operational policies and procedures that apply when they manage and administer MDTFs. They are to safeguard the quality of activities and fiduciary responsibilities of the MDTF while providing the flexibility to operate under post-crisis conditions.
2. MDTF financing has primarily been to the public sector, either as budget support, on-budget project funding, or off-budget project funding. Some financing has also been channeled outside the public sector, directly to UN agencies, or through them or government bodies to NGOs. As a resources channeling mechanism, MDTFs provide the flexibility of being able to change funding channels, even after an MDTF has begun operation¹⁰.

5.1 UN System Procedures

3. As MDTF Administrator, the UN has policies and procedures that permit rapid and flexible responses to post-crisis situations. Due to its mandate, the UN is an active party in the peace processes in countries where MDTFs have eventually been established. A sizable presence on the ground, country-specific knowledge, and a network with a range of international, national and local actors are necessary requirements for the UN to fulfill its role in the peace process. The UN has thus justly been a leading agency in PCNAs.
4. Once the decision to set up an MDTF is made, UNDP and other UN agencies already have permanent and at times considerable staff presence on the ground, with physical and organizational infrastructure, local knowledge, networks to government and civil society organizations. For a UN-led MDTF this means that MDTF administrative and support staff is readily available, familiar with the administrator's policies and rules, and with the ongoing political process. UN MDTF administrators can ask for support from UNDP's MDTF Office/Bureau of Resources and Partnership, and the Bureau for Crisis Prevention and Recovery Trust Fund service line in New York, "Special Situations", a well-established system for fund management.
5. The readily available resources from UN agencies also means that implementation of MDTF-funded activities can start quickly since UN agencies can implement activities directly themselves. As an MDTF Administrator, the UN has flexible and well known procedures for working with other UN agencies. UN Organizations able to participate in a MDTF sign a standard Memorandum of Understanding (MOU) with the MDTF Administrative Agent, which in most cases in this study has been the UNDP.

¹⁰ In Indonesia, the MDF was to provide only on-budget project funding, which happened with the first four projects. Because of long delays, the following eight projects were taken off-budget. With a new MDF infrastructure development strategy, the government again is getting MDF funding on-budget.

6. Tapping into its network and local knowledge, the UN has established relationships with a range of civil society organizations and is familiar with their capacities. As such, civil society organizations can easily work as implementing partners with a UN-led MDTF. The UN has framework agreements in place to work with a number of the larger international NGOs, so that local agreements can be easily entered into. The UN has procedures for entering into service arrangements fairly quickly with new actors such as national NGOs, community-based organizations, and the private sector, especially through public-private enterprises. In these circumstances they have to apply financial management, accounting and reporting procedures acceptable to the UN.
7. UN procurement policy and procedures are adjusted to respond to post-crisis situation. As a rule, the UN must adhere to the key principle of value for money, regardless of the environment. While UN organizations have somewhat different procurement procedures, they have a series of direct or limited shopping agreements for standard items for many emergency situations, and procedures to give priority to such purchases (Unicef and UNOPS in Denmark, for example).
8. The country team can define a situation as emergency, thus conferring increased procurement ceilings on local Resident Representatives. Thresholds in crisis situation typically vary from USD 300,000 to USD 1 million. Resident Representatives can increase threshold ceiling and *ex post facto* justify this, to enable faster procurement. Moreover, UNDP and other agencies have systems for E-procurement that enables the local office to manage international procurement directly. The average feedback time for clearance from UNDP's Advisory Committee on Procurement, for example, is about 10 working days, but crisis procurement is given priority, with reaction time between a few hours to 24 hours.
9. UNDP has 600 procurement officers around the world to handle the approximately USD 2 billion in annual procurement¹¹. It can take on project execution itself, where among other things it will then do the procurement directly, until the government can assume this task itself when own procurement procedures have been defined and systems are in place and functioning.
10. Standard agreements for donor contributions have been insisted upon and accepted with the recent Common Humanitarian Assistance (CHA) funds, simplifying donor agreements. With the CHA funds, the UN has also agreed that

¹¹ In order to address concerns regarding non-competitive or non-transparent procurement, the UN agencies have clear guidelines and oversight systems. In the UNDP, each and every procurement process is entered into the central MIS, and each decision point in a process is recorded and made available to all UNDP's procurement officers worldwide in real-time. It is thus possible to trace each process, and ensure that all decision points are handled according to the rules. It is in particular possible to see how emergency operations are given time-preference in the system. Instances of supposed slow decision making by the UN listed by actors in the field were revealed to be more a function of poor and slow preparation in the field, often by the national party responsible. A number of negative comments made by government and donor officials on UN procurement thus seem to indicate a lack of knowledge of the systems and controls that in fact are in place.

the resident humanitarian coordinator will be overall manager, providing clearer leadership and decision making authority in post-crisis situations.

11. In Iraq, the UN introduced Clusters to address the challenges of administering a large scale operation involving many UN organizations. The Cluster approach entails common planning, funding, coordinated implementation and reporting arrangements among UN organizations. This approach is to be applied to all UN sources of funding and operations in a given country. For a large source of funding such as an MDTF, one UN agency takes the role of Administrative Agent on behalf of the UN system, such as the UNDP has taken in Iraq.
12. The UN accepts earmarked contributions from donors, meaning that donors can constrain funding to a cluster/area or for example to a specific UN agency. This is in response to donor requests, where donors may have different constraints on their own funding that is then passed on to the UN.
13. The UN Administrative Agent for an MDTF does not assume full fiduciary responsibility of MDTF funds vis-à-vis recipient authority and donors, which is rather assumed by the UN agency receiving MDTF funds. Nonetheless, the UN uses its internationally accepted procurement, accounting and audit standards for all emergency and post-crisis situations. Projects implemented by UN agencies follow the UN's standard audit policies, and projects undergo internal and may have external audit as well.
14. Each UN agency participating in a MDTF uses its own standard procedures for supervising and monitoring MDTF projects. There are no standard procedures for carrying out independent evaluations of UN-led MDTFs.
15. UN-led MDTFs reporting responsibilities are spelled out in the Agreement with donors. Financial and activity reporting to donors is the responsibility of the Administrator or Administrative Agency for a given MDTF, who in turn must assure compliancy by all organizations receiving MDTF funding.
16. Recently the UN has developed pooled funding mechanisms to support peace processes in post-conflict situations. The recently instituted Peace Building Fund, administered by the UNDP, was designed to respond to immediate threats to the peace process. It has a global target but with a country specific approach in that funding are to support categories in a country-specific peace agreement and activities not funded by other funding mechanisms. The Peace Building Fund was designed to function as a quick disbursing, gap-filling funding source available to UN agencies, NGOs, and governments.
17. The UN uses its own staff to manage and administer its MDTFs. Staff working with UN-led MDTFs are thus regulated by UN human resources policies, which include leave and benefits for hardship postings.

5.2 UN Procedural Challenges

18. The UN has embarked on a reform agenda and is developing mechanisms to bring better about coordination and strategic focus in its response to, among other things, post-conflict. As a result of the UNDG commissioned evaluation of

post-crisis MDTFs (Development Initiatives, 2006), in July 2006 the UN created a MDTF Office to act as focal point and institutional knowledge center, which will service UN country teams. Adding lessons learned from the MDTF study and the current cluster approach evaluation, the MDTF Office is working to build up UN's knowledge base in administering MDTFs in post-crisis, strengthen its ability to provide a more coordinated response from the UN system. It is also working to contribute to further the effectiveness and efficiency of MDTF as a mechanism by building upon UN's comparative advantages such as flexible procedures and existing system that enable quick responses to emergencies.

19. The UN has internationally acceptable financial management and fiduciary procedures, yet one of the UN system's concerns is what it sees as an unfair perception of the UN having poorer fiduciary standards than the Bank. Some UN staff believe this is one of the reasons donors prefer the Bank handling post-crisis financing. The donors, however, have not expressed concern about UN fiduciary management, but believe the Bank is better at rebuilding a state's public finance management systems. Fiduciary concerns thus are about the recipient and not so much about the MDTF Administrator.
20. Some public officials voiced concern about their role in UN-administered MDTFs. The fact that governments do not necessarily have a role in the directly executed UN activities (DEX projects) reinforces these perceptions. While the UN distinguishes DEX and NEX projects, this may not always be clear to governments. But UN MDTFs set up to provide budget support have clearly worked in close consultation with legal authorities (AIAF/Afghanistan; Unicef's CBTF/Sudan).
21. The earmarking of MDTF funds is a problem. In Afghanistan, the donors accepted that all AIAF funds were untied, and this was essential for the UNDP to provide the budget support as foreseen. The earmarking in Iraq has the potential for rigidities for funds allocations and implementation, and challenges core principles of an MDTF: a flexible funding mechanism for harmonization and coordination of donor support to reconstruction priorities. Earmarking weakens UN support for national ownership and leadership, and creates incentives for UN agencies to strengthen partnerships with individual donors instead of developing coordination structures that also include government and civil society.
22. UN-administered MDTFs have activities aimed at building public sector capacities, usually in line ministries and lower levels of government. They also build capacities in civil society organizations (CSOs) (UNDG Iraq ITF). While the UN has administered MDTFs that built public financial instruments and institutions (CFET/Timor Leste, AIAF/Afghanistan), the UN does not have this at the center of its reconstruction concerns (largely because this is part of the division of labor with the Bank, which normally assumes this task). But since national authorities and donors prefer on-budget support for channeling most MDTF funds, the UN is seen by some not to have an articulated strategy for addressing the public sector role and capacity building under these

circumstances, nor to have expressed clearly the role of capacity building in civil society that they want to pursue.

5.3 World Bank Procedures

23. The World Bank has strong policy development approaches within which to anchor individual loans; robust fiduciary standards through its financial management and procurement procedures; focus on lending to sovereign states with close monitoring of commitments; building capacity of partner states, in the first instance to be able to manage Bank loans well; and ensuring accountability for results produced. The institutional mandate, regulatory framework, and *modus operandi* of the World Bank have implications for how it manages MDTFs.
24. Bank-administered MDTFs are regulated by several Bank Operational Policies (OPs), but established under the regulatory framework of OP 14.40, “Trust Funds” and OP 8.50, “Emergency Recovery Assistance”, and their corresponding Bank Procedures (BP). OP/BP 14.40 sets out the types of Trust Funds the Bank administers, regulates their minimum size (USD 200,000), and the conditions and procedures under which these funds are to be managed and administered. OP 14.40, for example, precludes earmarked contribution from donors. Paragraph 11 of OP 14.40 directly deals with conflict and post-conflict situations in that it exceptionally allows the Bank, at the request of the recipient government, to directly execute some activities as is the case of the two Bank-implemented capacity development projects in the Iraq ITF.
25. OP 8.50 outlines Bank policies under emergency conditions. The Bank’s emergency response can take the form of assessment of the emergency, restructuring of existing Bank portfolio to support emergency recovery, redesign of ongoing projects or projects in the pipeline to include recovery activities, and provision of emergency recovery loans, credits and grants. OP 8.50 considers quick –disbursing components as part of the Bank’s response to an emergency. Flexibility is provided by allowing the Bank to adapt to the emergency’s particular circumstances in terms of form and scope of financing, and by setting more flexible conditions for retroactive funding.
26. The establishment of a small *ad hoc* advisory committee, led by the Country Director and composed of Bank experts, is one of the first steps when Bank assistance is requested in a emergency situation. BP 8.50 recommends steps and timeframes for processing emergency recovery loans:
 - The Task Team Leader (TTL) prepares a Project Information Document (PID) which is to be reviewed by the *ad hoc* advisory committee and the country lawyer, and cleared by the country director within two working days;
 - The PID then goes to the Regional Vice-President (RVP) for authorization to either (a) a combined identification-preparation-preappraisal mission based on the initial PID, followed by an appraisal mission that is based on the final PID; or (b) an identification-preparation-appraisal mission based on a combined initial/final PID. Advised timeframe for this step is six weeks;

- Within a month of the appraisal mission's return, the TTL prepares a draft Memorandum and Recommendation of the President and submits it for the managing division chief's approval;
 - The RVP may approve field negotiations immediately after appraisal.
 - Within three working days of the issue of the draft Memorandum and Recommendation of the President the country director holds a review meeting to finalize the Memorandum and the lawyer completes the draft legal documents, usually within a week of the meeting;
 - Subsequent steps for seeking senior management's approval of the documents for negotiations and for Board distribution follow the procedures for normal investment lending, except that the time for each such approval is three working days. Once approved, the PID is sent to the Operations Policy Department for information.
 - TTL arranges for signing with grant Recipient, and the grant becomes effective on signing.
27. MDTFs provide grant funding. For MDTF projects not linked to additional Bank funding, the approval is normally delegated to the RVP, so Project Appraisal Documents and Grant Agreements are made available to the Bank Board for information only.
28. OP 2.30, "Development Cooperation and Conflict," regulates Bank operations in countries prone to conflict, under conflict or in post-conflict. Of particular concern for MDTFs in post-conflict countries, OP 2.30 provides for Bank involvement in non-member countries, as long as it is for the benefit of the Bank and its member countries. In such cases, approval from the Board of the Bank is required.
29. Regardless of the OP/BP under which an MDTF is implemented, standard Bank policies on procurement, consultants and disbursements are generally applicable. This means that the Bank applies similar fiduciary safeguards in administering MDTF funds as it does with IDA credits. Progress on MDTF projects are regularly reported to the donors. World Bank OPs and BPs reflect the Bank's institutional mandate in that their focus is on restoring *economic* conditions disrupted by human-made crisis or natural disasters and on *lending*, and thus robust *fiduciary management*. From a policy viewpoint, IDA credits and grants are treated almost the same way.
30. The ability of the World Bank to administer and manage MDTFs in post-crisis situations in a speedy manner depends on its regulatory framework, but also on how the Bank mobilizes its existing resources to meet the tempo and the scope of the needs on the ground. As a non-implementing institution, Bank-administered MDTFs are also conditioned by the capacities of implementing agents and by the Bank's relationship with them. Within the Bank policy framework, Bank-administered MDTF funds are not treated much different than IDA credits. The implication for MDTFs to be instituted under OP 14.40 and OP/BP 8.50 is that these policies open the possibility for expediting project approval by delegating

funding decision making authority to the RVP and providing guidelines for expediting project approval processing, but its most relevant aspect is that it formally emphasizes the need for the Bank to mobilize its resources faster.

31. There is an agreement between the Bank and the recipient authority that defines MDTF objectives, implementation channels, governance structure, administrative and management authority for the fund/s, conditionality or prior actions, and other administrative and managerial aspects such as financial management and reporting obligations, administrative fees and cost recovery. Common features are:
 - Link between MDTF funding to priority activities identified in the PCNA, including capacity development activities;
 - Direct government budget as the preferred instrument to channel MDTF funds to activities (on-budget);
 - Authoritative role of recipient authorities in funding decision making, either by inclusion of national authorities in the decision making structures of MDTFs or by assigning the national authorities as the sole source of projects/programs to be approved by the MDTFs;
 - Gender and other vulnerable groups as cross-cutting themes.
 - In all Bank-administered MDTFs under study, the MOU requires the World Bank to follow its standard financial management and procurement procedures. The Bank assumes full fiduciary responsibility in all MDTF agreement.
 - Mandate for the use of standard World Bank procedures for financial management and procurement.
 - Quarterly financial and activities reporting to donors.
32. The World Bank's involvement in an MDTF can and has taken place prior to such an agreement. The Bank has produced analytical and economic work that led to large donor pledges to reconstruction (WB&G) and has been a main partner in the PCNA, mobilizing analytical and management resources. The Bank has funded the participation of local authorities in the PCNA using its Post Conflict Fund (PCF) (Timor-Leste) and provided resources through its Project Preparation Facility to support government in developing its DDR program (Sierra Leone). The Bank mobilizes resources to clear a country's arrears so the country can access IDA credits and grants (Iraq, ongoing). The Bank has strong resource mobilization capacity and credibility and has played a significant role in raising large donor pledges to MDTFs through organizing and/or hosting donor pledging conferences.
33. The Bank has a standard draft legal Agreement for donors to provide financial contributions to a trust fund, but donors can ask for changes to it. The problem is that in an MDTF with many donors, any changes to one donor agreement require consultation with and agreement by the others, since the agreement pertains to a

single, common funding mechanism. This has in cases led to serious delays (MDF/Indonesia).

34. The World Bank requires that staff managing and executing Trust Funds have TF accreditation¹². The objective of the Trust Fund Learning and Accreditation Program is to enhance the Bank's fiduciary responsibility by providing TTLs and other accredited staff with understanding and knowledge of TF management and execution. The Bank does not have any other policies concerning training of MDTF's newly hired staff on Bank procedures and policies.
35. Project approvals according to BP 8.50 should take approximately three months, while generally large-scale projects can take 15-30 months. But this timeline has varied, from three to four months (TFET/Timor Leste, MDRP/Great Lakes, Iraq) to ten months (MDRP/Great Lakes, Sudan MDTF-SS). The speed depends on factors such as the experience MDTF secretariat staff and project proponents have with Bank procedures. The scope of the projects also affects speed: smaller and simpler projects are generally faster to process. Projects or programs linked to the development of sector strategies and larger reconstruction works tend to substantially delay approval due to the complexity involved in the design, the capacity of the recipient to cope with the design process, which may involve feasibility studies and can include leading sector working groups composed of bilateral donors, the UN and NGOs.
36. Some MDTFs have been designed to support policy development and implementation, as is the case of DDR in Sierra Leone and MDRP, CSP/TSP in Timor-Leste and the Reform Fund in WB&G. In their final phase, funding from some MDTFs is often used for policy development (Afghanistan ARTF's Health, Education and NSP; Indonesia MDF's Infrastructure Reconstruction Enabling Financing Facility). In other cases, recipient ministries may decide, together with stakeholders, to make policy development an integrated part of project/program development (Timor Leste TFET's Health, Sudan MDTF-SS).
37. Activities financed by Bank-led MDTFs are preferably implemented by national authorities using instruments and mechanisms of the public sector. In order to follow the regulatory framework set up in MDTF MOUs, the Bank uses its standard financial management, procurement and monitoring policies and procedures for the implementation of MDTF projects/programs. This influences the pace of project implementation and the scope of Bank assistance when administering MDTFs. The Bank must assure public PFM systems and other institutional frameworks such as public procurement systems are functioning at the appropriate levels before and while project implementation takes place. Having a Monitoring Agent or Financial Management and Procurement Agent

¹² The Trust Fund Learning and Accreditation Program was developed in response to the Bank's trust funds review carried out in 2001. The Bank's management decided that as of 1 July 2003, only accredited TTLs would be allowed to manage and execute trust funds. An evaluation of the Program was conducted in 2004 (Zhengfang Shi et al) and currently an evaluation of the Bank's TF operations is in its final phase.

may be a pre-condition for Bank-led MDTFs that provide budget support (Holst Fund/ WB&Gaza, ARTF/Afghanistan), and many MDTFs that channel funds on-budget (Sierra Leone, MDRP/Great Lakes, WB Iraq ITF, Sudan MDTFs).

38. The basic principles guiding the Bank's procurement as stated in OP 11.0 are: (i) ensuring economy and efficiency in the procurement of goods, works, and services; (ii) giving eligible bidders from developed and developing countries a fair opportunity to compete; (iii) encouraging the development of domestic industries—contracting, manufacturing, and consulting industries—in borrowing countries; and, (iv) providing for transparency in the procurement process.
39. Holding to the principles of value for money and transparency, the Bank normally requires the use of international competitive bidding, and for the selection of consultants it normally requires the use of quality and cost-based selection. Thus the Bank does not accept technical assistance tied to nationality for any operations. In order to encourage the development of domestic industries, the Bank permits (i) each borrower to give preference to bids offering goods manufactured within its country and (ii) those countries below a specified per capita threshold to give preference to bids for works contracts from eligible domestic contractors; and, (iii) the Bank permits borrowers to give credit to proposals for consulting services that include nationals as key staff.
40. As stated in paragraph nine of OP 11.0, the Bank allows *the use of other methods when international competitive bidding or quality and cost-based selection is not the most economic and efficient method*. It is this paragraph that provides what Bank staff refer to as “existing flexibility in Bank procurement policy and procedures”. Procurement procedures can thus be comparatively flexible with respect to the use of limited international bidding, and have a relatively high threshold for local shopping. Consultants' procurement also has some flexibility in the form of greater scope for sole-source contracting. The Bank legal department is “in principle” averse to waivers, but procurement waivers can and have been used in MDTF operations (ARTF/Afghanistan, WB Iraq ITF). Moreover, Bank rules recognize that procurement of specialized goods and services such as pharmaceuticals, textbooks, and management contracts may require waivers of certain procurement rules.
41. When the Bank is to work with NGOs as implementing partners, the Bank conducts a due diligence review to ensure the organizations have Bank-acceptable controls and procedures in place. For special cases, for example when NGOs have difficulty in complying fully with procedures such as bid security or prior review, the Bank exercises cautious flexibility, looking at their overall organizational profile.
42. If agreed by MDTF donors and recipient authorities, MDTFs can finance NGOs directly (Sudan). When the Bank engages in direct contracting with NGOs, the NGOs report directly to the Bank, who is in turn responsible for supervising and monitoring NGO projects. In case of triangular contracting, when a government is the MDTF implementer but decides to sub-contract NGOs, then NGOs respond to the government, who in turn respond to the Bank as Administrator. In

triangular contracting, the Bank still has monitoring obligations since MDTF funds are used, but governments take fiduciary responsibility for NGOs.

43. UN agencies participate in the implementation of Bank-administered MDTFs. In some cases (Indonesia, Sudan), the Bank has agreements with UN agencies in order to simplify contracting as government and the Bank waive the application of some Bank procedures and fiduciary responsibilities. Instead, Partner Agencies administer MDTF funds in accordance with their own fiduciary framework and governance arrangements, including audits and procurement. They are responsible for appraisal, financial management and performance monitoring and report directly to the government and MDTF governing bodies.
44. The Bank can also use simple "pass through" arrangements, such as with UNDP's LOTFA in Afghanistan. These allow the Bank to transfer funds to an implementing body who assumes full responsibility for financial, performance management and reporting. The implementer must be endorsed by government, the MDTF governing body and the Bank as Administrator.
45. In March 2006, the World Bank and UN agencies entered into a global Financial Management Framework Agreement (FMFA) regarding acceptance of the UN system's accounting and audit standards and procedures, eliminating some of the legal hurdles regarding closer collaboration between the two systems in post-crisis situations. The FMFA only addresses financial management issues, however, and not procurement and safeguards (environment, health, etc.), and has so far been signed by only a limited number of UN agencies since there are still some issues that have not been finalized to everybody's satisfaction.
46. In addition, the Bank conducts regular supervision missions to monitor MDTF projects/programs, normally led by Bank task team leaders. Joint supervision missions are common, which include Bank staff, MDTF donors, government officials and members of the project implementation agency (UN agencies or NGO). Supervision missions cover financial, operational and, sometimes policy issues. Conflict analysis is not part of standard Bank procedures for monitoring MDTF operations in post-conflict countries. However, some MDTFs have mobilized resources to carry out conflict studies relevant for MDTF operations (MDF/Indonesia, MDRP/Great Lakes).
47. A system for monitoring project/programs performance is part of the MDTF program, and M&E staff is normally hired as part of the MDTF secretariat. There is, however, no standard procedure for carrying out independent evaluations. There have nonetheless been independent evaluations of several MDTFs (WB&G, Sierra Leone, Timor-Leste, ARTF, Iraq ITF), or by the Bank's Independent Evaluation Group, IEG. Following Bank procedures, the IEG also reviews projects/programs when they close, producing an Implementation Completion Report (ICR). For projects implemented under OP 8.40, a shorter version of the ICR is allowed.
48. The World Bank does not have standard procedures for phasing out MDTFs, but can subsequent to crisis situations mobilize substantial own resources for follow-on funding, opening the doors to larger credit markets.

5.4 WB Procedural Challenges

49. MTDF staff have difficulty accessing lessons learned from the Bank's past experience in administering MDTFs. The Bank does not have a "one-stop-shop" for supporting staff working with MDTFs. Bank staff observed that access to existing knowledge and experience with MDTFs depends on the composition of the *ad hoc* Advisory Committee and its network within the Bank, since the Bank does not yet have procedures and instruments guaranteeing that "lessons learned" and "best practices" reach the country team from the outset. Bank staff may therefore raise expectations regarding what and how fast the Bank can deliver.
50. MTDF policy requires that all agreements with all donors be substantially the same. If one donor requests changes in the Agreement, it must be agreed to by all. Significant legal resources are thus required to set up an MTDF, yet country team lawyers have other portfolios of loans to attend to as well. Bank lawyers therefore often have limited time to negotiate and respond to donors or to MTDF staff in a timely manner.
51. Bank procurement policy and procedures are often cited by government officials, donors, Bank staff and implementing partners as the most challenging aspect of MTDF implementation. The procedures are seen as rigid, demanding and inappropriate to the requirements of post-crisis situations, and reviews of Bank documents show that procurement is often associated with project delays.
52. While experienced Bank staff believe procurement rules are sufficiently flexible to accommodate the needs in post-conflict situations, including the ability of NGOs to comply with Bank requirements, considerable knowledge and experience is required to take full advantage of these possibilities. The Bank should both review the complexity, but also in the short run ensure that a senior procurement team that can apply appropriate flexibility is in place to guide and support MTDF secretariat staff. Furthermore, the MTDF itself should have experienced procurement staff early on because of the low procurement capacity typical of governments in post-conflict countries¹³.
53. The most common problem for local NGOs meeting Bank requirements is NGOs' lack of experience in procuring civil works, where NGOs tend to have limited experience with commercial bidding procedures.

¹³ The Bank's Country Procurement Assessment Report for Timor-Leste (2003) concurs with procurement staff assessment and adds that, "in view of the emergency nature of projects in post-conflict situation, for the design of projects, the development partners should assign experienced procurement staff who are well-versed in appropriate options for streamlining and innovation within the existing rules. Such experienced staff would be able to bring in international best practices appropriate for implementation of emergency projects and provide guidance to government officials regarding procurement and project implementation issues. This expertise should be readily available at least during the initial period of project implementation."

54. Project Preparation Facility grants, LICUS and Conflict Prevention Funds have been used to support MDTFs, enabling quick disbursing operations and expediting project preparation while MDTFs are being established (Timor-Leste, Sierra Leone, Sudan). The use of these funds has varied across MDTFs and is dependent on knowledge of the instruments by MDTF and country teams.

5.5 Main Findings and Conclusions

- i. UN procedures, systems, presence on the ground, and framework agreements with an array of UN and partner organizations enable UN MDTFs to start implementing activities and disburse fairly quickly. UN-led MDTFs can be off-budget, which further provides possibilities for speedy implementation. The basic "performance test" for off-budget funds so far has been Iraq. Here the UN has been able to prepare over 100 projects with total budgets over USD 865 million. Actual disbursements, reflecting services performed, goods delivered or works completed, were by end of 2006 around USD 570 million.
- ii. While the UN supports government ownership, UN-led MDTFs need to develop a mechanism to ensure direct government participation in final decision-making.
- iii. The UN Administrative Agent ensures consistent and comprehensive financial and performance reporting back to the donors, though the fiduciary responsibility is transmitted to each UN agency, making overall performance management dependent on each UN agency's systems.
- iv. Donors have provided un-earmarked funds to some UN-managed MDTFs, such as AIAF/Afghanistan, but almost 90% of the funds to the UNDG ITF/Iraq are earmarked. This is not in line with core principles of an MDTF, undermines MDTF flexibility, and limits government role in decision making.
- v. Bank policies and procedures are based on its normal lending operations, with exemptions and flexibility provided for post-crisis situations. Where MDTF teams and government have agreed and taken advantage of these possibilities, disbursements have been quick (such as Timor Leste, WB&Gaza projects). In cases where MDTF secretariat staff were not familiar with these options, there have been significant project implementation delays, particularly regarding procurement. There is thus a need for experienced Bank staff in MDTF teams to ensure full exploitation of the possibilities for flexible implementation that exists.
- vi. MDTF staff have developed a number of "good practices" that address different operational problems, such as having the Operations Manual as a "living document" on the fund's website which has allowed the fund to show how it has adjusted its operational policies as decisions are taken. Such practices are not necessarily known by all MDTF teams because there is insufficient cross-learning from MDTFs within the Bank.

6 Efficiency and Timeframe for MDTFs

1. The efficiency and timeframe questions cover two dimensions of an MDTF. The first is the establishment and performance of the MDTFs as such. The other concerns the procedures of the MDTFs for preparing and releasing funds for activities, in particular project support.

6.1 Identifying Needs and MDTF Priorities

2. The first questions the TOR pose on this issue, is what the minimum timeframe for establishing an MDTF is, and what can explain speedy versus slow establishment of MDTFs. The decision to establish an MDTF can come about in different ways, however, and is often linked with the needs assessment that comes prior to agreeing to how to address the identified needs.
3. The first PCNA was carried out in the Palestinian Territories as a follow up to the Madrid Conference (October-November 1991). The Bank was asked to lead a study on the economic and social needs, which resulted in a six-volume study published August 1992. There was at that time no recognized Palestinian authority that could lead or even participate as such, so local expertise and representatives of political bodies were brought in on an individual basis. This process was a broad-based one in terms of its analyses, since it was also to provide information on how a Palestinian authority could be developed. The study process hence served as an opportunity to work through the key issues that were identified. This was done with a wide range of stakeholders, including ensuring channels to Israel so that confidence could be built through an open and inclusive process. The needs assessment was hence almost as much about politics as it was assessing the reconstruction needs.
4. The PCNA in Sudan 12 years later was quite similar. The process was as much a confidence building and peace promoting process as it was a technical instrument to identify needs. The time element was thus not critical. The actors were more concerned that all important stakeholders participated, that everybody felt their voice was heard and their main concerns noted, so that the PCNA would end up with an assessment that all felt an ownership to achieving. The PCNA began in December 2003 and was finished in March 2005.
5. In the case of the MDF/Indonesia, the process was fast and the stages well defined. Immediately after the *tsunami*, a first Damage and Loss Assessment (DLA) was done over a three week period. At the same time, the Government became aware of the challenges posed by the large number of donors and NGOs coming in with aid, and wanted assistance in managing this. Within this same three-week period, therefore, the needs both in terms of assistance but also for coordination were largely clarified. After the DLA was done and the basis for the overall strategy was in place, a more detailed Master Plan for Rehabilitation and Reconstruction (MPRR) was prepared over a three month period. The 12-volume MPRR detailed the needs by sector.

6. In Iraq, Timor Leste and Afghanistan, the PCNAs were driven by the sense of urgency that a military occupation and direct administration (Timor Leste and Iraq) led to. Missions were therefore agreed to and driven by the international actors. Local participation was invited in but did not lead the processes. The assessments were short and focused on the specific needs, and there was already a political agreement that MDTFs were going to be established. The political processes that were built into the Sudan and Palestinian assessments were in these countries handled in other fora on the outside of the needs assessments.
7. In the case of the MDRP/Great Lakes, the challenge was to bring a wide range of local actors on board as well as build the relations to the donors. The process thus had a number of steps to ensure that "best practice" knowledge was brought in. The views of the governments and key national actors in the seven countries involved had to be taken on board. The ideas and costing that came out of the exercise had to be acceptable to the donors who were going to provide the funding. While the Sudan process was tied to the peace negotiations and therefore had a formal basis and a clear starting point, in the case of the MDRP the work was linked to the Lusaka (1999) and Arusha (2000) peace accords. As consensus around the challenges and solutions was built, agreement of an MDTF as the instrument for implementing a regional Demobilization and Reintegration program also became stronger. In this case, funding was not primarily to be provided by the donors, but in the form of IDA grants. The MDTF was, however, necessary both as a means for mobilizing the additional funds required to cover the total cost, but also because IDA grants could not be used for certain activities in the MDRP program. The needs assessment process therefore not only identified the main issues to be addressed, the costing, and the instruments, but also a "division of labor" between the two funding windows of the overall MDRP: the IDA grants and the donor MDTF grants.
8. The UN and World Bank have often partnered in these assessment processes (MDRP/Great Lakes, MDTFs/Sudan), or one agency has been lead and the other has contributed. Because of the different experiences with PCNAs, the UN and World Bank have established a working group to look at the "lessons learned", which is discussed further in chapter 9.

6.2 Preparing and Approving an MDTF

9. There tend to be two stages to getting an MDTF in place. The first is the decision to actually establish an MDTF, and deciding which agency (UN or World Bank) will be Administrator. The other is getting the legal instruments in place for making the MDTF operational – that is, getting formal approval from the board or management.
10. The first of the MDTFs looked at here to be established, was the "Holst Fund" for the Palestinian Territories. The Bank was asked to take a lead role, partly because of its fiduciary management, partly because it was less controversial to Israeli authorities, since the UN role in the West Bank and Gaza (WB&G) was not appreciated by sectors in Israel. The Bank's legal department had to work through how to put this arrangement in place, in part because WB&G was not a

member of the Bank, and partly because this was the first MDTF of this kind. The "lessons learned" on establishing the Holst Fund were important for the subsequent WB&G trust funds as well as those that followed elsewhere, as it provided a legal understanding that could be applied more generally.

11. In Afghanistan, the political consensus surrounding the intervention spilled over into how to address the reconstruction needs. The Bonn Agreement of December 2001 laid out the political transition process and how it was to be supported. Because of the UN's strong presence on the ground, the UN was asked to set up the AIAF, which became operational in January 2002, and then successfully closed on July 2002 – a record in terms of MDTF establishment and exit. The governance structure of the AIAF was simple, since it was under the direct management of the UNDP. The AIAF was followed by the ARTF, which had also been decided on already at Bonn. There was little in terms of organizational or legal hand-over from the AIAF to the ARTF, but the presence of the AIAF provided sufficient time for the ARTF to be properly established.
12. The MDF/Indonesia was also a well structured and fast process. The Government asked the Bank during the Consultative Group meeting in January 2005 to coordinate donor support. The Bank suggested an MDTF as the mechanism, which was accepted. The Bank then began mobilizing support from the donors and at the same time prepared the necessary documents for the Board. The MDF was approved on 30 March 2005. The MDF could count on several favorable factors for this speed. The first was the very strong support from the international community. The second was that the Bank's president had visited Indonesia and promised USD 25 million in grant aid, so the support from Bank management to provide an operational response to the *tsunami* was strong. The third and most important was the quick and clear decisions by government that made it clear to the other actors that the MDF was wanted by the national authorities.
13. In Timor Leste, the international forces entered on 20 September 1999, the UN Transitional Administration was established 25 October, the Joint Assessment Mission took place October-November, and the Bank's Trust Fund TFET was established with USD 10 million of Bank grants funds in December 1999. That same month, a donor meeting in Tokyo mobilized additional funds for Timor Leste, and TFET was transformed into an MDTF. The Tokyo meeting at the same time endorsed the UN-managed CFET.
14. In Iraq, the UN and World Bank developed the needs assessment June-August 2003, and in parallel to that designed the IRFFI structure. The UNDG ITF and the Bank ITF were both established in January 2004.
15. In Sudan, the selection of Administrator involved a political process on the partner country side, as both the UN and the World Bank were asked to present their ideas regarding MDTF management. Two MDTFs were in fact established early on – one for budget support to pay civil servant salaries in South Sudan (Unicef), and a fund that was intended to cover immediate needs (UNDP). But the two major funds that are covered by the formal Peace Agreement are administered by the Bank.

6.3 Agreements with Donors and Deposit of Funds

16. Donors have been quick in announcing their financial commitments to MDTFs. But one problem has at times been the legal agreements between donors and the MDTF Administrator to allow the funds to be deposited. The experience with MDF/Indonesia is a case in point. The Bank has standard clauses, but there were disagreements regarding how similar the different donor agreements had to be (Annex E Box E.1 "Contribution Agreements"). Another issue was when a new substantive matter emerged, in this case the need to include an anti-terrorism clause. The overall challenge was the considerable time that MDF staff had to use to negotiate acceptable language (a) among the donors, (b) with the different units in the Bank that had to approve the agreements. The problem is that these agreements need to be put in place at the beginning of an MDTF's lifecycle. This is exactly when Secretariat staffing tends to be thin, legal skills in the field are usually scarce, so the relative time cost can be quite high.
17. The UNDG ITF in Iraq has a standard agreement that all donors have accepted. This is in line with the global donor agreement that the UNDP now has for Common Humanitarian Assistance funds. This obviously saves time, but even more important reduces the need for highly specialized legal skills in the field.
18. Once the formal agreements are in place, donors have generally made the deposits shortly thereafter. This is partly for political reasons – it was seen as important to show the support for the Iraqi reconstruction efforts, for example. For some donors, it is also a disbursement issue: if the agreements have been signed towards the end of their fiscal year, it is important that the funds be transferred quickly. There have been some delays experienced, such as the first ones into the MDF/Indonesia, but even here this did not affect the implementation of activities.

6.4 Establishing MDTF Procedures

19. This dimension covers several components: getting the secretariat staff in place; defining MDTF policies, such as who can submit proposals for MDTF financing and can be selected for implementing them, possibly also an MDTF strategy; and producing any operational manuals required.

6.4.1 MDTF Secretariats

20. There are important differences in the way the MDTF secretariats are staffed that reflect the different mandates and corporate cultures of the UN and the Bank.
21. **UN Managed MDTFs:** The UN, as a decentralized, field-based and operational system, has offices and permanent staff in all countries. Many UN agencies are also structured to respond quickly to emergencies by having regional centers that can deploy staff and other resources, or have rules and procedures that allow them to re-allocate staff through incentives and internal vacancy announcements to areas where staffing up is required. The UN attracts staff who want to work in the field, and thus has an overall staffing profile that is pro-field.

22. The UN also has large rosters of external experts that can be called upon for different crisis and post-crisis situations, as well as close working relationships with national crisis bodies and large international NGOs such as the Red Cross/Red Crescent societies. Some countries, like Norway, have created national expert rosters that can be made available to UN bodies when needed. Despite this, the UN has at times problems identifying the right person for key tasks (such as the project manager for the Central African Republic, MDRP/Great Lakes).
23. There is a UN Resident Coordinator (UNRC) who has a coordinating role for the UN operative system, though for the time being with limited resources attached. In important post-conflict situations – Angola, Burundi, DRC, Sudan, etc – there has been a Special Representative of the Secretary General (SRSG) who heads all UN activities. One of the two Deputy SRSGs is for "Humanitarian, Recovery and Reconstruction", who is then directly responsible for any MDTFs. This means that even in difficult periods, the UN has a decision-making capacity in place that can mobilize resources from the rest of the system, and that allows the UN to respond quite fast with the technical capacities available. It also means that the UN can hit the ground running, since the international staff know the systems and rules, and simply need to apply them in the new context. The UN also has a reputation for being able to recruit good local staff, as the UN generally offers good incentives adapted to the local circumstances (non-salary benefits, etc).
24. UN administered MDTFs thus rely largely on UN international staff who are located in-country, supplemented by locally hired staff, both at program and support staff levels. The AIAF/Afghanistan was only operational for six months, but UNDP brought in an experienced operations manager to run it, but otherwise relied on UN staff already in-country. This enabled them to start up and close down quickly. Despite this, the PWC review of the Iraq ITF noted the lack of sufficient secretariat staff in some of the Clusters and at Steering Committee level that reduced efficiency. This seems to have been primarily a function of funding rather than any problem with finding sufficient number and quality of staff.
25. The UN has been accused of running emergency and MDTF operations as "internal" UN activities – staffed and run by their own employees, with all the benefits and thus the costs that this entails. One of the additional cost-driving elements is security, which adds considerable expenditures to field operations. Both UN in CAR/MDRP and Aceh/Indonesia were accused of exaggerating the security considerations and thus of making operations unnecessarily expensive. On the other hand, the Timor Leste example shows that post-conflict situations are volatile and that caution is indeed needed. The bombing of the UN Head Office in Iraq was possible exactly because the UN was trying to be more open and show a relaxed and trusting approach.
26. *The World Bank* remains more centralized, with most senior staff and decision makers located in Washington, visiting the field through missions. But the number of country offices is rapidly expanding, though focus is on those countries that have large and successful Bank programs. Post-conflict or fragile

states are generally not big clients of the Bank. In several instances, the MDTF is the occasion for the Bank to re-establish relations with the country in question.

27. In an increasing number of cases the Country Directors are resident in-country, but in most post-conflict cases the Country Director – who usually oversees several countries – is resident elsewhere in the region (in the MDRP/Great Lakes countries, the Country Director for Angola was based in Mozambique, the Uganda one in Tanzania, and the remainder in Washington). The Bank therefore has a weaker field staff presence and a different staffing philosophy than the UN.
28. The Bank provides the MDTF manager from its own ranks, and depending on the situation also some of the other leading technical staff. They are not necessarily resident *in-situ*, however: the MDRP manager has always remained in Washington, and the Southern Sudan manager is only now moving to Juba. Similarly for other Bank staff: they often manage their MDTF tasks from abroad, often as part of a portfolio that covers tasks in non-MDTF countries.
29. Most MDTF secretariat staff come from outside the Bank. They are either seconded from other donor organizations, or hired as external consultants, using the Bank's normal Human Resources policies. This is a time-consuming process because posts have to be publicly advertised. For the MDRP/Great Lakes, there were over 600 applicants for four positions available, which required considerable time to sort, interview, then negotiate contracts. The last of the four staff were in place six months after the posts were announced. In the case of the MDF/Indonesia, however, the job description for the deputy manager was advertised as soon as the MDF had been approved, allowing the Bank to move quickly to recruit the person and get her in place. The case of Indonesia was also helped by the fact that there is a large community of skilled people to recruit from in-country, so the challenges of relocating staff to hardship posts like Afghanistan or Sudan were avoided. While Bank *procurement* procedures allow for flexibility when circumstances warrant, the *recruitment* procedures so far provide no such option even for hiring staff for time-critical operations like setting up and running MDTFs.
30. The Bank has generally been fairly slow in staffing up the MDTF secretariats. In Afghanistan, the ARTF relied on local staff and the resident Country Manager to handle matters to begin with. About a year later an ARTF unit was established with an international Bank staffer with a finance management background as head, supported by one international and one local consultant. In addition, the Bank set up accounting, disbursement and procurement units to assist the Bank's general country program. These units provided important services to the ARTF. As with the UN, a key reason for this approach has been the Bank's concern to keep overall administrative costs of the MDTFs down.
31. The evaluation of the Bank's work in fragile states (see footnote 5) quoted Bank staff as saying that, if they were asked to work on fragile states (which all post-conflict MDTF cases are), they also wanted to work on a more successful country. The reason is that by having projects in more "normal" country situations, they can point to the kinds of accomplishments that are important for their

performance record in the Bank: number of projects prepared and approved, disbursement figures, successful project completions, etc. In post-conflict situations, projects and resources move much slower, if at all. This problem is compounded by the knowledge quoted in chapter 3, and which is widely known in the Bank, that there is a significant chance of a post-conflict country reverting to conflict. This means that the probability of success from the efforts a staffer puts in are much lower than in more normal country circumstances.

32. The desire to handle more than just a post-conflict country becomes an incentive to remain in Washington: it is easier to handle several countries from there, the staffer is closer to decision makers, and remaining "visible" is an added benefit of being at HQ.
33. In a 2006 review of organizational and human resource issues in fragile states, conducted as part of the development of a comprehensive package proposed to the World Bank Board in early 2007, it was noted that in over 70% of fragile states, there is only one or no internationally recruited staff¹⁴. The study goes on to note the key concerns of staff who have worked in the field (separation from family, access to medical services, etc) and what would be key incentives (appropriate benefits, targeted career management, guaranteed next job, etc). The study also notes the importance of strong support and attention from senior management to fragile states¹⁵. Based on these findings, the Bank is now revising policies to address these issues.
34. For staff hired from outside the Bank, benefits had to be negotiated on a case-by-case basis. While the UN operates with a standard package of benefits that is adjusted to country circumstances, Bank staff have often had to continue the negotiations to receive similar benefits as their UN counterparts. In Southern Sudan, it took about a year to get issues like hardship travel in place.
35. Some MDTFs have staff seconded or funded directly from bilateral donors or UN agencies. This can be advantageous for several reasons: it brings other stakeholders more tightly into the MDTF, which can be politically important; it should in principle shorten the recruitment process and allow the Bank to tap into skills that other actors have and that are often scarce in the Bank system; it makes the costs of running the MDTFs lower. But it also makes the Bank vulnerable to the agency delivering on the promise. In MDF/Indonesia, the M&E specialist is funded by a donor who provided three alternative candidates, allowing the Bank to choose, leading to a quick placement of an important skill. In the Sudan MDTFs, the tardiness or non-delivery on promises has hurt MDTF performance.

¹⁴ "Strengthening the World Bank's Rapid Response and Long-term Engagement in Fragile States", (SECM 2007-0018) is scheduled for Board discussion on 27 February 2007.

¹⁵ The Africa Region has the largest share of fragile states, but has only recently begun giving higher priority to this group of countries, since in borrowing terms they are not important.

36. All MDTF secretariat staff have expressed a need for more training on Bank procedures and policies. Knowing the rules and understanding how to apply them has been important for MDTF staff to find flexible ways of applying them. This in turn has been important for the speed with which certain procedural steps could be addressed. For staff coming from outside the Bank, the lack of a training plan has been a challenge. Several recognize that they were strapped for time and needed to address the urgent issues that the MDTFs faced, but several have also said that in hindsight it would have been more effective to get the necessary training up front.
37. Both external and also mid-level Bank MDTF staff have noted the need for more input from senior staff on legal, procurement, procedural, and other management issues. This does not mean senior staff presence in the field – communications with HQ is often fine – but these skills need to be identified and available at agreed times. The lack of clarity of where "best practice" and "lessons learned" skills can be found within the Bank system has caused delays.
38. There are special needs that MDTFs have due to both the difficult circumstances they are working under, but also the many stakeholders that have a direct interest in their performance. MDF/Indonesia recruited a deputy with a marketing background to manage the information/communication tasks from the beginning. Other MDTFs have had problems managing expectations, in part because they did not have a person with communications skills and capacity. This has haunted the Sudan MDTFs in particular, since so many actors are not present on the ground and thus require better follow-up in terms of information flows.
39. *Donors and host governments* nonetheless view Bank MDTF secretariats as highly professional, strong on financial management, results focused, client-oriented, good at reporting back, and with clear leadership. UN MDTF secretariats were less commented on, largely because there were fewer cases. Governments seemed to feel less informed, though probably more because of lack of clear roles on UN MDTF governing bodies than due to the secretariat as such.
40. *Bank MDTF staffing profiles.* One concern expressed by several Bank MDTF staff is that there needs to be a clearer staffing profile prepared up-front. This should be adjusted for the different phases of an MDTF lifecycle: (i) *start-up*, (ii) *implementation*, and (iii) *exit and hand-over*. There should also be standard job descriptions available. A further issue was the balance between experienced Bank staff and externally recruited ones, as there has been a pre-dominance of external staff¹⁶.

¹⁶ One external staffer felt bringing in people from the outside was useful, exactly because they were not too wedded to Bank corporate culture, and thus were willing to take more risk, be more innovative in looking for solutions, etc. To what extent this is true is not clear, but one comment that was common about Bank MDTF staff was that they were enthusiastic, approachable, capable, dedicated. Nobody made a distinction between externally recruited and permanent Bank staff in this regard.

41. **(i) Start up of MDTFs:** This is seen as the most difficult and critical phase. There is a need to get instruments, procedures, relations to stakeholders (national authorities, other national stakeholders, donors, UN agencies and other potential implementing partners) in place. The overall MDTF structure and strategy need to be defined, including policy making and funds allocations bodies working. Processing of activities and funds allocations needs to begin, and financial management and monitoring systems need to be put in place. The *Skills* required are (where there can be a mix of field based or at HQ; full-time or part-time; short-term or at least one year; national or international; Bank staff or externally recruited/seconded):

- Experienced Bank *manager* who knows standard Bank procedures, Trust Fund rules and regulations, project cycle and management;
- *Legal*, for agreements with donors, implementers both within and outside public sector,
- *Financial*, for setting up disbursement procedures, activity financial reporting, possibly due diligence principles for potential implementers;
- *Communications*, for managing information flows to stakeholders, public in general (web site, newsflashes etc), organize results reporting;
- *Procurement*, highly experienced, preferably from other emergency operations, for supporting secretariat staff, project managers and recipient government officials.
- *Key specialist fields* relevant to the MDTF (i.e., DDR, peacebuilding, capacity development, public finance management, etc)

42. **(ii) Implementation phase** where the focus is on getting resources to the activities, and getting the activities underway, results produced, reported and assessed, and more structured performance monitoring and evaluation (M&E) tracked against MDTF objectives. The manager, procurement manager and communications expert remain important. In addition:

- *M&E specialist*, to verify, update results frameworks for the program and activities, update/improve indicators, benchmarks, and targets; structure the performance tracking system and reporting and ensure that performance results are produced, aggregated and distributed;

43. **(iii) Phasing out** is often more challenging than expected. There needs to be a phased exit and hand-over process, usually linked to when MDTF financing is coming to an end and more standard rehabilitation and development programs come into place. Responsibilities for running and ensuring sustainability of MDTF-funded activities will be handed over to national bodies, who also must handle the institutional memory of MDTF activities and achievements. The MDTF should verify that the capacity development that has usually taken place is sufficient to handle these tasks. In some instances activities will simply be handed over to subsequent but non-MDTF funded programs.

6.4.2 Establishing MDTF Strategy

44. The general needs assessments that underlie the establishment of MDTFs have not provided clear priorities as to what is to be done. They have also not provided specific guidance to the MDTFs, which in all cases have represented only a small share of all external assistance. All Bank-administered MDTFs have capacity development as a general objective, however (returned to in chapter 8).
45. The one exception is the MDRP/Great Lakes, which was initiated based on an analysis of the challenges that the conflicts in the region represented. It came up with a focus on what was considered the key problem – the disarmament, demobilization and reintegration of armed groups – and then got consensus around the notion that the MDRP would be the sole source of funding for this program.
46. At the beginning of 2004, based on the Iraqi PCNA, the UN formulated a 2004-05 "Strategic Framework Assistance Document" that was shared with Iraqi authorities and subsequently approved by the Iraqi Strategic Review Board. In the absence of rigorous priorities by the Iraqi authorities, the UN considered its 11 (later on seven) Clusters to be on an equal footing, with donors subsequently funding the clusters that matched their own priorities. A total of USD 425 million was provided by June 2004, of which USD 306 million was earmarked and USD 118 million was untied. The final project selection has thus happened in the sector clusters, in part in response to resource availability.
47. Bank-administered MDTFs that provide only or largely budget support (Holst and Reform funds/WB&G, ARTF/Afghanistan) focused the dialogue on the budget and initially felt a limited need for an own-strategy. In the case of the Reform fund, there was a public sector reform objective (strategy) behind the funding. The ARTF did not develop a strategy for project support, with the result that *ad hoc* project selection criteria led to three "phases" regarding the typical project profile over the lifetime of the fund. The ARTF Midterm Review proposed a clearer strategy focusing on capacity development in public finance management, which has not been followed up.
48. In the case of the MDF, donor concerns led to a Recovery Assistance Policy (RAP) quickly put in place, which six months later was superseded by the government's own strategy for using remaining MDF resources. Some donors felt the RAP process was too time-consuming, and others wanted the RAP to be an explicit business plan. But getting the RAP in place was important, and the process itself was helpful in getting the donors around the table to clarify concerns and objectives.
49. As national authorities realize the value of the untied funds in MDTFs, getting in place a strategy has become more important. This is partly to clarify the role of the MDTF in relation to other donor funds, but also because it provides an opportunity for the authorities to co-program critically needed grants funds. So far, however, the links between MDTF project portfolios and national priorities is usually unclear, and the relation between MDTFs and other donor funding also undefined.

6.4.3 *Producing MDTF Operational Guidelines*

50. For UN managed MDTFs, standard UN operational procedures are used. Because the MDTFs are largely staffed by UN personnel and activities are managed directly by UN agencies, operational guidelines have not been an issue. The challenge has been when UN agencies are contracting or collaborating with public bodies or civil society organizations that are not familiar with these. Then training in understanding and applying the procedures has taken place (UNDG ITF/Iraq).
51. For Bank-administered MDTFs that fund projects, MDTF secretariats have prepared operational guidelines (MDF/Indonesia, MDRP/Great Lakes, IRFFI/Iraq, TFET/Timor Leste). The speed with which this happened varied because of the issue noted earlier: most secretariat staff, including Bank staff, were not familiar with the Bank's operational policies that apply in these circumstances. Secretariat staff complained of problems identifying "best practice" procedures or "lessons learned" from other MDTFs. They either had to find the right persons in Washington to help them, or had to do a lot of searching on their own.
52. Once the guidelines have been prepared, they have been posted on the MDTF web-sites, and updated as new versions are produced (MDF/Indonesia has updated its Operations Manual several times). They are therefore easily accessible, and project preparation and approval criteria are transparent.
53. One question has been defining who can present and implement projects with MDTF funding. In Indonesia, once it became clear that projects would be off-budget, getting the legal arrangements in place took considerable time. The MDRP/Great Lakes faced similar challenges for implementation of its Special Projects, as well as arrangements for UNDP managing the country program in the Central African Republic. What was similar in these cases was that (i) there were no prior formal agreements in place that the MDTFs could rely on, (ii) the specific experiences from other project arrangements were difficult for the MDTF secretariats to trace and learn from, (iii) the communication between the field and HQ in terms of support and guidance was variable. While MDF/Indonesia got a lot of help from the regional Support Unit, there was no knowledge at that time that a Financial Management Framework Agreement (FMFA) was being negotiated between the Bank and UN system at the corporate level. The result was that work done in the field had to be re-done.

6.5 Project Design and Approval

54. For MDTFs that provide project financing, project preparation and approval has posed some of the most difficult considerations. There is a need for time-efficient processes that at the same time ensure quality and address conflict-sensitivity and other cross-cutting concerns. The best way to ascertain that these objectives have been met is through project results tracking. So far little is known about results from the important MDTFs in Iraq and Sudan, but project reviews exist from Afghanistan, MDRP/Great Lakes and some early project results from Indonesia.

55. In Afghanistan, the first projects were finalization-phases of Bank or German KfW infrastructure projects. Later community-development projects were based on more broad-based participatory processes and earlier examples of successful activities. There was thus an experience base to build on, and time constraints were not critical. Project preparations were seen as good. Project reviews have generally been positive.
56. For the MDRP/Great Lakes Special Projects, urgency was generally great, and the operational guidelines foresaw four steps that could be quick and circumvent some of the Bank's normal processing delays. Design and approval of these projects none the less took an average of six months, but in several cases over a year. Part of this had to do with unfamiliarity with Bank procedures, so the proponent had to redesign. But there were complaints that Bank procedures were cumbersome, the demands on project design not commensurate with project size or realistic in terms of the implementation conditions on the ground. There were also delays because the Bank did its own appraisal after the proponent had done theirs. Apart from the time loss, the UN in particular felt this reflected a lack of trust, which rankled, though how to address appraisals should have been clear early in the process. The national project approval committees were also a major source of delays. Finally, the contractual relations between the Bank and an implementing UN agency necessitated extensive legal work.
57. The Indonesia MDF introduced a number of modifications. A simplified Project Concept Note (PCN) would go to a Technical Review meeting before it received an OK from the Steering Committee, often in the form of a quick electronic "no objection". The project proponent then had 30 days to prepare the Project Appraisal document (PAD), which also was simplified. After it had been approved by the SC, it went to the Bank's Regional Vice-President for approval, rather than all the way to the Board. While the simplifications have saved time, the pressures from Bank HQ has been towards reverting to traditional Bank procedures: the PAD for the recent Infrastructure and Reconstruction Enabling Program was 120 pages. The processing of PCNs has been fast, however, usually between 5 and 13 days, and the approval of PADs anywhere from 5 to 40 days, but generally on the lower side. What has taken the most time has been the proponent's preparation of the PADs, where some of the factors were external to the project and thus were not due to either proponent or MDF rules.
58. Preparation of projects under the UNDG ITF has followed the individual UN agency's procedures, and has then been submitted to the relevant Cluster for appraisal. It has then been forwarded to the Steering Committee for approval. The PWC noted the considerable time delays at both steps as well as the substantial difference *between* Clusters (ch. 4 para 5 discusses some of the issues)¹⁷.

¹⁷ Since the analysis was done at the end of 2005, improvements have been introduced, but new data on processing times are not available.

6.6 Funds Commitment and Disbursement to Activities

59. When the Bank provides budget support, the Bank often contracts a Monitoring Agent (MA) to monitor performance and funds utilization. In the case of ARTF/Afghanistan, the Bank provided the first payment into Treasury, and subsequent transfers have been refunds of eligible expenditures certified by the MA. This process has allowed for key public services to be quickly re-established while using and thus strengthening national systems and procedures, upgraded to acceptable standards with technical support from among others the MA.
60. When project funding is happening through the budget – a government ministry is responsible for the project – project agreements have largely been based on the overall public finance management system, with whatever safeguards the Bank believes are required in the particular case. The management and accounting systems of the ministries in Afghanistan were often supported through the contracting of external support units, so the ILO and GTZ were hired to staff up and manage the National Solidarity Program, for example. The extent to which on-budget project funding has run smoothly is thus dependent on the quality and correct implementation of the national public administration systems.
61. In the case of off-budget project funding, once a project has been approved, the Administrator prepares the grants agreement and ensures funds commitment and transfer to the implementing party. Before actual funds transfers take place, there may be conditions of effectiveness that need to be met. This can be simple things like hiring accounting staff, having a correctly established bank account with a credible bank, or ensuring formal arrangements with the national authorities are in place. This process has in some cases represented the most prolonged single step in the MDTF cycle. If the projects were extensions of already existing ones (early projects in both ARTF and MDF) these issues by and large do not come up. In the UNDG ITF, funds are transferred into the UN implementing agency's account once the project is approved.
62. Under the MDF/Indonesia, the Bank carried out reviews of the administrative and accounting systems and capacities of NGOs that were awarded implementation contracts, to a level of detail that the NGOs found unreasonable, given the amounts involved and the urgency of the projects. One NGO had to come up with own funds in order to get activities underway while awaiting the formal approval by the Bank. Similar issues occurred with the MDRP/Great Lakes. These procedural delays have created complaints by the implementing parties. There is a feeling that the costs of adapting grants agreements and funds release procedures to the realities of MDTF situations is a responsibility of the Administrator, and one that should have been addressed up front.

6.7 Replenishment of MDTF Funds

63. Some funds have a one-time round of commitments and paid-in contributions (MDF/Indonesia, IRFFI/Iraq). Others are more open-ended (ARTF/Afghanistan), with annual pledges against agreed-upon targets, typically for budget support funding. Even in the one-time funds, donors may select to pay in tranches,

because disbursements will take place over years (MDF will only close down in 2010), or they may make additional contributions (UNDG ITF/Iraq). The MDRP/Great Lakes mobilized sufficient funds for the first phase but planned for later contributions, which happened late 2006 when an additional USD 60 million was pledged.

64. An important argument for MDTFs is that they contribute to predictability of funding and thus the Mutual Accountability principle of the Paris Aid Effectiveness agenda (see next chapter). This has by and large happened. In the case of the ARTF, the Bank has mobilized resources on an annual basis, though it feels it has become increasingly difficult. Donors may be changing priorities, there are questions about the government's commitment to budget constraints and thus issues are raised about the burden-sharing underlying the budget support. With the MDRP/Great Lakes, one donor has said it may withhold its last contribution due to concerns of misprocurement and possible corruption in one of the country programs.
65. So far no activities have been held back or had to be cancelled because of lack of funds replenishment. In the case of multi-year budget support commitments, the Bank as MDTF Administrator is exposed to risk if and when donors begin reneging on what has been considered pluri-annual commitments, however. There is no *legal* obligation on the side of the donors to the multi-year funding, but cases of reluctance to continue MDTF support may weaken the value of the instrument.

6.8 Main Findings and Conclusions

- i. PCNAs can have different goals: (i) confidence building and engagement of stakeholders in the process and final product, (ii) mapping of needs, (iii) reach agreement on the instrument and mobilize resources for it. If the first is primary, time is not important, while the pure needs mapping can be done quickly if national authorities lead the process. Where national leadership is weak or missing, the donors have usually stepped in and driven the process, based on the need to define what the support priorities should be. Concerning donor financing commitments, this has usually been quick, based on already existing political support.
- ii. Establishment of MDTFs has been unproblematic. The selection of Administrator has usually been made by national authorities in consultation with donors, and in most cases not contentious.
- iii. Donor commitments have been forthcoming quickly, but occasional donor insistence on legal language addressing particular concerns has meant considerable time and effort to find formulations acceptable to all donors. This has caused important delays. The donors' acceptance of the UN global agreements for Common Humanitarian Assistance should make donors accept this approach more generally for MDTFs.
- iv. Funds deposits have generally occurred without major delays, and no MDTF activities have been held back due to lack of donor deposits.

- v. UN MDTF Secretariats largely consist of UN staff familiar with UN rules, who have field experience, with UN decision makers in the field.
- vi. Bank MDTF Secretariats are a combination of Bank staff, seconded and externally recruited staff. Because of this, there is a need for more training in procedures, more support from experienced Bank staff in the start up phase, and consistent strong commitment by Bank management to MDTFs.
- vii. There is a need for better definition of staffing profiles across the lifetime of the MDTF, covering (i) start up, (ii) implementation, and (iii) exit/hand over phases. Key skills include senior trust funds experience and in particular knowledge of agency rules and procedures; project cycle management; information and communications; legal; accounting and procurement; and once activities start up, monitoring and evaluation. Hand-over to national authorities needs to be planned, and capacity to continue MDTF activities verified.
- viii. For MDTFs with project funding, a funding strategy should be prepared, including a publicly available operations manual. The latter have at times taken too long to produce because the Bank, and – till recently – the UN did not have a unified information center and focal point for "best practice" and "lessons learned" documents and skills. UNDP established such a unit in New York in mid-2006.
- ix. Project preparation, appraisal and approval has been too time consuming when (a) proponents did not have clear and simple guidelines, (b) demands were unrealistic in terms of quality, detail, safeguards up against budget size and urgency for implementation, (c) MDTF administrators revert to demanding full-scale documentation rather than scaled-down flexible approaches.
- x. Funds disbursement for budget support has been timely. On-budget project disbursements have depended on the quality of the public administration system and fulfilling formal requirements, and in particular where projects were already operational, disbursements have been quick. The major delays have been with off-budget projects under Bank-administered MDTFs when the implementer was not known to the Bank and full verification of systems and capacities were required. The legal work for getting Partner Agency arrangements in place have taken considerable time.
- xi. MDTFs with one-time pledges have not faced problems, but multi-year budget support commitments are in some cases not forthcoming as easily as expected. This exposes the Bank as Administrator to additional risk and funds mobilization costs, and may weaken the credibility of the MDTF as instrument.

7 Harmonization and Coordination

1. The TOR asks a series of questions with regards to the *Harmonization and Coordination* results of MDTFs, among other: Does the use of MDTFs lead to better donor coordination in post-conflict settings? Is there a “critical threshold” of MDTF size for the mechanism to function as the main body for coordination in relation to ODA from other sources? Are there lessons on how to reconcile each donors' desire to "show the flag" and the need for untied and flexible financing? Are MDTFs a good example of donor harmonization in line with the Paris Declaration? Who are the main donors to MDTFs, and what motivates them?

7.1 Aid Effectiveness Principles in Fragile States

2. The Paris Declaration, adopted by donor and partner countries in March 2005, has identified five principles for aid effectiveness: (i) national ownership; (ii) alignment of donor support with national policies and priorities; (iii) harmonization of donor procedures, (iv) focus on results-based assistance; and (v) mutual accountability. Widely seen as the "best practice" approach to aid coordination, it is based on a key assumption: that the national authorities have the *will* and the *capacity* to take the lead in managing external resources. In post-conflict and fragile states these assumptions are often not valid.
3. Recognizing that fragile states pose a more difficult challenge, the OECD's Development Assistance Committee (DAC) in November 2006 issued a *Policy Commitment and Principles for Good International Engagement in Fragile States and Situations*. <http://www.oecd.org/dataoecd/59/55/34700989.pdf> The Principles recognize that (i) a durable exit from poverty and insecurity for the world's most fragile states will need to be driven by their own leadership and people; (ii) although international engagement will not by itself put an end to state fragility, the adoption of the shared principles can help maximize the positive impact of engagement and minimize unintentional harm; and (iii) real improvements in donor behavior will help to promote better results and outcomes in the partner country.
4. The long-term vision is to help national actors build legitimate, effective and resilient state institutions. Progress towards this requires joined-up and coherent action within and among governments and organizations. The Principles (see the DAC website www.oecd.org/dac) therefore emphasize the need to:
 1. Take context as a starting point;
 2. Do not harm;
 3. Focus on state building as the central objective;
 4. Prioritize prevention;
 5. Recognize the links between political, security and development objectives;
 6. Promote non-discrimination as a basis for inclusive and stable societies;
 7. Align with local priorities in different ways in different contexts;
 8. Agree on practical coordination mechanisms between international actors;
 9. Act fast...but stay engaged long enough to give success a chance; and
 10. Avoid pockets of exclusion ("aid orphans").

7.2 Donor Coordination and Harmonization

7.2.1 Donor Coordination

5. MDTFs represent only a small share of donor resources in most cases. In Afghanistan, the ARTF provides about USD 100 million in project support per year compared with an estimated USD 3 billion in donor-funded investment. The support to the recurrent budget makes up a substantial share, though decreasing over time as Afghani revenues are increasing. In Iraq, IRFFI has commitments of USD 1.5 billion against USD 25 billion pledged for the four-year period 2004-2007. In Sudan the two MDTFs together have received pledges of about USD 600 million out of USD 2.6 billion requested in assistance. This in turn is only a small share of the total needs estimated at USD 7.9 billion, but where the remainder will come from the country's own revenues. In Indonesia, the MDF is providing less than USD 550 million out of a total of more than USD 6 billion pledged by the international community, with the government providing an additional USD 2.8 billion. Only in the case of the MDRP/Great Lakes do the donors provide most of the funding to address the problem.
6. Despite MDTFs representing a small share of external assistance, one of the key attractions of the MDTFs for both donors and national authorities, is that they represent a forum for policy dialogue and coordination. An MDTF cannot really pronounce itself on issues other than those that are within its own remit, including the resources for which it has a responsibility. But many actors look to the MDTFs as the key venue for coming together and exchanging information and views. In a number of cases, they are in fact the only structured meeting place, and even where national authorities ostensibly take on the coordinating role (such as the BRR in the case of the post-*tsunami* assistance in Aceh), these mechanisms are often so weak or are convened so seldom that the MDTFs continue to perform the more operational donor coordination mechanism.
7. Coordination and policy discussions within the MDTFs may be having increasing spill-over effects as MDTF governance structure become more inclusive of non-MDTF donors and other stakeholders. In MDF/Indonesia, the Steering Committee has made efforts to include large donors that are not channeling resources through the MDF. In the MDRP/Great Lakes, the Advisory Committee is a more open forum, where the Bank is trying to get more donors involved, and NGOs and UN agencies are invited to participate. Where the formal forum, like a Steering Committee, is not open to other actors, information from the MDTF remain easily accessible through the web-sites. Agendas and minutes from meetings, project and quarterly program progress reports, and detailed financial data – pledges, paid-in commitments, disbursements by project, etc - provide a degree of accountability and transparency that no other actor in those countries can match.
8. It is not clear, however, that policy and priority-setting discussions within the MDTF have any consequences or impact on decisions on resources outside the MDTFs. Most donors channel most of their funds outside the MDTF, and some donors who are present in MDTF discussions channel *all* their funds outside the

MDTF. There were a few cases of donors allocating funds to complement MDTF activities, such as the EU financing disarmament through the UNDP in the Republic of Congo (Brazzaville), to finance an activity that the MDRP could not fund but which is critical to the objective of the MDRP; Germany is funding reintegration activities in Rwanda parallel to the MDRP program there, etc. In Afghanistan, several donors provide funding directly to activities also funded by the ARTF, and seem to rely on the quality assurance that the ARTF has helped build for this (Micro-credit, National Solidarity Program). But there are few cases where there is formal joint programming (MDTF and non-MDTF resources). In cases like ARTF/Afghanistan, MDF/Indonesia, IRFFI/Iraq it was not clear that the MDTF discussions and decisions had an impact on how donors were spending their non-MDTF resources.

9. In Indonesia, the three major bilateral donors Japan, Australia and the US were using their large tsunami aid to gain direct access to decision makers and therefore did not want to channel their resources through the MDF. In Afghanistan and Iraq, the US is by far the largest donor yet manages its resources largely on the outside of the MDTFs. In both Afghanistan and Iraq, there is coordination taking place on a more *ad hoc* basis in some sectors, around certain large projects or programs (such as road building in Afghanistan). What characterizes most post-conflict situations, however, is that coordination among actors – whether donors or other groups – is poor, and the limited capacity governments have is largely oriented towards other tasks.

7.2.2 Donor Harmonization

10. MDTFs by definition improve harmonization, since the Fund Administrator will ensure that all procedures such as planning, budgeting, accounting, auditing etc are according to the rules and standards of the Administrator. This clearly simplifies the tasks of the national actors who are involved, whether on the planning, implementation, reporting or quality assurance sides.
11. This is particularly useful since the UN and the Bank have procedures that are international "best practice". In a phase where a country is rebuilding its public administration, instruments and processes, it can use and build on these (ARTF/Afghanistan, IRFFI/Iraq, MDTF-SS/South Sudan). Donor harmonization can thus have positive spill-over effects on national systems as well.
12. Since the share of total donor funding that passes through MDTFs is limited, the impact on total transaction costs to the government of having to deal with many donors may be limited – but presumably a powerful argument for attempting to get more donors within the MDTF umbrella.

7.2.3 MDTF Donor Profiles

13. The most "loyal" contributors to the MDTFs tend to be the northern Atlantic countries (the UK, the Netherlands, the Nordic countries, Germany, Canada) and the EU (often the single largest donor) (see Annex E table E.2, Annex F table F.2, Annex G table G.7; Annex H tables H.1 and H.2; Annex I table I.2; Annex J table J.2; Annex K table K.2).

14. Geographic, political and cultural proximity has brought in additional support. Afghanistan and Indonesia received support from Muslim nations. The Islamic Development Bank is on the Management Committee of the ARTF/Afghanistan. Indonesia has received considerable support from its neighbors. Timor Leste got a lot of aid from its former colonial master Portugal in addition to Australia and New Zealand; and so on.
15. An MDTF therefore tends to receive support from two groups of donors: those that in principle provide considerable development assistance and at the same time wish to support the Paris Agenda and hence pool funds as a matter of principle; and a second group that provides assistance for that particular country due to more specific reasons. It means that MDTF funding in general has a somewhat narrow core donor base – largely the Northern Atlantic donors plus the EU – which may make them vulnerable to this fairly harmonized donor group's aid and policy outlook. It is also typically the case that there are a few within this group that are dominant in a given MDTF, and this has at times created tensions when such a lead donor has tried to impose a particular view or agenda (this has been a source of tension at some points in the MDRP/Great Lakes, for example).

7.2.4 Donor Visibility

16. While an MDTF represents a pooling of funds, it may still be important for donors to be able to document results back to their constituencies. In the case of UN managed funds, this is not a problem since they accept earmarking and thus donor-specific projects. For Bank managed MDTFs, this direct linkage is not possible, but being able to point to the overall performance of the MDTF seems to satisfy most donors' needs. The direct access to project performance information on MDTF websites makes it easy for the donor to provide results reporting to constituencies directly – and often of a better and more interesting quality than for the typical bilateral project.
17. The EU has at times expressed some frustration. In the MDF/Indonesia, the MDF comes across as a *Bank* endeavor, while the EU is providing ten times as much funding as the Bank and as much as all the other donors put together. The MDTFs are high-visibility marketing for both the UN and the Bank, since the Administrator role is so dominant in all the information around the funds. The donors that are providing the funding are more anonymous. For some donors this is not a problem, but for others it may over time become an issue. Addressing it should not be a major challenge, however, since the web-sites are the dominant "face" and gateway to the funds and their activities. Right now, funds make a point of showing the flags of the donors on the websites, but other steps can be taken to enhance visibility of funding partners.

7.3 Alignment with National Priorities

18. The PCNAs tend to be wide-ranging and without clear priorities, so at the general level the MDTFs are well aligned with national needs. But the strategic importance of the MDTFs is at times unclear.

19. When the MDTFs provide budget support, as in Afghanistan, WB&G and Timor Leste, the MDTFs are in fact critical. They provide strong support for building the state by providing funding of operating expenditures, including the salaries of civil servants, teachers and health personnel. They strengthen the public administration by using, supporting and developing national systems and capacities. They also finance critical services for the population at large. In all cases, concern has been that these services reach the more vulnerable groups, so there is a focus on primary service delivery – elementary school education, first-line health services, etc. These are the services that are relatively most important to the poorer segments, so the social distributional profile is positive.
20. When it comes to project support, whether through UN or Bank administered MDTFs, the picture is less clear. In the case of the MDRP/Great Lakes, which is a regional sector program focusing on a particular problem, all the actors have agreed on the strategic importance of the issue – disarming and reintegrating the armed groups. But questions have been raised whether the approach is too narrowly focused on the ex-combatants. Security sector reform, sustainability of new livelihoods, reconciliation between different ex-combatant groups, and between ex-combatants and their victims, are not addressed in a systematic way. The "island of excellence" that a focused approach represents may undermine longer-term impact. While DDR is seen as a critical and first step to consolidate peace, "ring-fencing" resources in this way may thus not be optimal over the medium term, and hence not really addressing the national priority of regional peace and stability (though it should be noted that all parties to the MDRP have agreed to its structure and functioning).
21. On the other hand, the MDRP represents particular challenges and strengths since it is not only a sector program, but also a regional one. The program consists of a series of national programs and projects that are able to function independently of each other, so defining priorities and criteria for resource allocations across countries is not easy. The value of the demobilization and reintegration packages has varied considerably, where Burundi provides much more than its immediate neighbor Rwanda. The Central African Republic has, in collaboration with UNDP, made community support an integral part of its approach. These and other dimensions make it difficult to assess the degree to which the MDRP programs and projects are in line with national priorities. On the other hand, being a regional program has allowed it to share experiences and provide peer learning that has helped build consensus and take immediate advantage of "best practice" lessons learned.
22. With the other funds, there were no mechanisms for coordinating MDTF funding with other project financing in the early stages. This is improving over time. In Afghanistan and Iraq, national authorities have prepared national development plans that are becoming better in terms of realism, setting priorities, and laying out an overarching strategy. Indonesia had a very elaborate MPRR, but which a year later is superseded by a more directive strategy focusing on infrastructure, and where the role of the MDF is clear and explicit.

23. As national capacities to plan and implement improve, national authorities appreciate better the untied funds that MDTFs represent, and therefore take more care in programming them (MDF/Indonesia, MDRP/Great Lakes, ARTF/Afghanistan). It thus seems that as national capacity improves, MDTF resource planning and importance may also become better. Whether this means that MDTF resources become more important, strategic, have greater impact and relevance etc, is difficult to tell, in part because the MDTFs usually have a fairly short lifetime and thus may cease to exist more or less at the point at which national ownership and leadership comes into its own. But this would seem to be an additional argument for the MDTFs working more on their own strategies, since during their limited time span it may not be realistic to expect governments to take a strong lead.
24. Another aspect of national priority setting that merits consideration is that there is often a planning and coordination vacuum after the PCNA process has delivered its result. Donors and local actors put considerable resources into the PCNA, relationships have been established – but once the report is prepared, the entire process comes to an abrupt halt and the consultation and broad-based dialogue ends. A key reason is that national authorities take on a more central role in setting priorities – appropriately enough – but then also tend to limit the scope and participation in the priority setting process. The MDTFs then often remain the only forum available for the more continuous discussion on policies.
25. The role of local civil society is problematic in this context. While CBOs and NGOs often are important participants in PCNAs, once that process has been finalized, their voice often disappears. In a context of weak governance and sometimes problematic priority setting, the role that civil society should continue to play in the interface between donor funding through MDTFs and national priorities set by government is not obvious.

7.4 UN – World Bank Relations and Coordination

26. One of the key relations in MDTFs, is between the Bank and the UN system. One case is when the UN only participates in a deliberative capacity (such as ARTF, the WB&Gaza funds), which is non-problematic and collaborative. Another has been where the two agencies manage separate funds but under a joint structure (IRFFI/Iraq). This is looked at in chapter 10. The more challenging cases have been where a Bank-administered MDTF uses UN agencies for implementing activities (MDF/Indonesia, MDRP/Great Lakes), which is discussed here.
27. The richest set of issues emerged in the MDRP/Great Lakes. The UN had Security Council mandates for its military roles in the Democratic Republic of Congo (DRC), Angola and Burundi, had managed a previous Disarmament, Demobilization and Reintegration (DDR) program in Rwanda, was on the ground and been there during the conflicts in all the countries, had played key

roles in peace processes in Angola, DRC, Rwanda, Burundi, etc¹⁸. When the Bank began putting together discussion papers on a regional DDR program, UNDP played an active and interested role, with top management involved and supportive. The UN had therefore expected some partnership role in the MDRP with considerable responsibility for tasks they were to handle. The Bank has a different approach that is more formal and contractual. In the end, the UN was asked to be Lead Agency in the DRC (till the government took on this task), has an implementing role for the Central African Republic (CAR) country program, but only has observer status in the MDRP Advisory Committee. Reaching agreements with UN agencies for implementing projects took considerable time, among other things because there had to be agreement on the UN being able to use own accounting and audit rules and procedures. Some issues led to high-level talks between the organizations, as there were matters of principle that could not be settled in the field.

28. Since this first set of issues, relations have improved, though reviews of two UN managed activities – Unicef's support for child soldiers in Burundi and UNDP's management of the program in CAR – were critical. The CAR report had unnecessarily confrontational language, in the view of the UN, and both reports were circulated before the UN had a chance to comment and correct. The Bank, on the other hand, sees these cases as any other project performance reviews, and assesses against what has been agreed in the project documentation. The difference in "corporate cultures" is evident: the UN believes the Bank does not understand the complexities of operating in the field and in particular the political sensitivities required to move a DDR process along in the context of a fragile regime (CAR). The Bank is impatient with constant referral to process and dialogue which is not producing results (once the Bank put its foot down, the CAR process picked up considerably, though by then the political environment had also improved).
29. The relations reflect overall structural relations between the two; the roles and thus relations that the organizations play in different settings (implementing agency, lead agency, historical roles that are being changed); corporate cultures, and sometimes personalities and specific stumbling blocks.
30. Concerning structural dimensions, different UN agencies have mandates given them by the international community. When the Secretary General made a proposal to the Security Council in September 2002 "that the costs of disarmament, demobilization and repatriation of members of armed groups [in the DRC] be borne under the assessed budget [of MONUC]", the Bank/MDRP flagged this as a concern about possible duplication of funding mobilization. The

¹⁸ At the same time, part of this history has created tensions with national authorities. The Angolan government was not happy with the role the UN had played in the brokered deals with UNITA, and in particular on the monitoring/verification of implementation. The Rwandan authorities were also critical to aspects of the DDR program that UNDP administered. Whether these criticisms are justified is not the point – simply that the mandated roles the UN plays can create relational dilemmas at times.

first reaction from some in the UN was that this was challenging the UN system's ability to carry out its mandate. Another issue is the dependence that the UN system has on project overheads (a situation created by the donor community, it should be noted, and addressed as a key concern in the Secretary-General's High-Level Panel report, "Delivering as One"). The UN is expected to have a meaningful presence on the ground, but core funding is limited. To increase staffing requires that additional project funding can be identified, since it is project overheads that will cover the operational costs. Once a trust fund, for example, has been built up (such as in many conflict/post-conflict situations), large country offices are dependent on continued flows of donor funds¹⁹.

31. The UN is mandated to be more of a field actor than the Bank, and particularly in emergency situations has a direct implementation responsibility. In the transition from emergency to reconstruction and development, there is a concern that critical services reach the needy population. At times this has to be done at the expense of national structures when they are not able (or willing) to deliver. This trade-off between building national capacity and the legitimacy of the state versus addressing critical needs is more of a direct problem for the UN than the Bank, since the Bank provides financing when this is appropriate, but does not have a responsibility for direct needs coverage.
32. In Timor Leste and Indonesia the Bank and the UN sat down to work through what a more collaborative approach to addressing MDTF objectives could be. Once it became clear that the MDF/Indonesia had to move projects off-budget, a dialogue was established on how to bring the UN in as a Partner Agency. The process turned out take more time than had to be expected, but represents an important positive step towards more inclusive relations at MDTF level.
33. In the UNDG ITF, the Bank sits on the FCC, and so potentially could be involved, but in practice has not been. There could be instances where the Bank's technical expertise could be of help, such as capacity development in key institutions. But so far the pragmatic choice seems to be to simply avoid activities where there may be overlap and competition, so that this issue does not arise.

7.5 Paris Agenda, Fragile States and Transaction Costs

34. *Paris Agenda*: MDTFs provide the best structured and managed – sometimes *the only* – donor coordination forum. The policy debating meetings are becoming more inclusive, bringing in other foreign and national stakeholders. Procedures are publicly available, and MDTF websites provide the most transparent tracking of decisions and resources, ensuring unparalleled accountability. MDTF support is in line with PCNA recommendations, and as national authorities improve their own planning and prioritization, MDTFs have adjusted their portfolios

¹⁹ It should be noted that the overhead talked about here is *not* from administering the trust fund as such – this is a small fee largely equivalent to what the Bank charges – but the overhead from the actual projects funded by the trust fund.

accordingly. Performance tracking is uneven, but is given increasing attention, and for post-crisis situations should be considered quite good. Where national leadership is present, MDTFs therefore have been adhering to the principles of Coordination and Harmonization; Alignment with national priorities; somewhat weaker but improving on Results Focus; and promoting Mutual Accountability.

35. **Fragile States Principles:** MDTFs have varying track records with regards to actually taking context as the starting point, and thus the political-security-development nexus and respecting the "do no harm" principle. They are also largely reactive, exactly because they are established in a post-crisis situation. But there is a strong focus on state building, particularly in Bank-administered funds, and they have worked hard at acting fast (not always successfully...). They clearly are meant as medium-term commitment instruments, and as such provide important political signals as well as resources that might otherwise not have been available. They do not *per se* address the "aid orphans" problem, since each MDTF is a unique decision and not taken in the context of overall resource allocations. This, however, is not a weakness of the instrument as such, but more reflective of a larger aid allocation issue.

7.6 Main Findings and Conclusions

- i. MDTFs represent "best practice" post-crisis funding mechanism, in line with the *Paris Agenda for Aid Effectiveness*, and largely also the *DAC Principles for Engaging in Fragile States*. MDTFs are by far the most important coordination, harmonization and alignment vehicle in place. Coordination of resources within the MDTF seems to have limited spill-over coordination effects on donor resources outside the MDTF, so since MDTFs usually are a small share of total aid, the impact on total transaction costs may be limited. MDTFs ensure harmonization of procedures for the application of MDTF funds, but in several countries the emergent public sector is adopting the Administrator's procedures when rebuilding the state, which is an important and sustainable impact of the MDTF.
- ii. MDTFs support Alignment with national priorities. *Budget support* is "best practice" in this respect and is strategic both for rebuilding the state, and delivering critical services to the population at large. Project support is less strategic, partly because the share of MDTFs in overall investments is usually limited, but also because the role of MDTFs in national investment activities is poorly specified. As governments improve their own planning, the value of untied funds in Bank-administered MDTFs is appreciated and exploited.
- iii. The "core" group of MDTF donors is limited, possibly posing some vulnerability problems for the mechanism. In each MDTF there are additional donors that support for reasons of geographic, cultural, political proximity. Different donors have a range of expectations regarding MDTFs, and even within a given donor organization there may be competing concerns, meaning MDTF administrators face complex donor expectations. On the other hand, the dominant role of the MDTF administrator may pose problems for donor visibility and hence willingness to support MDTFs.

- iv. Bank-UN relations have largely been constructive, based on agreed roles, such as in Iraq, Timor Leste, Afghanistan. When the UN has taken on the role of Partner Agency under a Bank-administered fund, this has required considerable work to address fiduciary responsibilities and clarity regarding formal relations between the parties – questions that are still not fully resolved and that at times have generated controversy. Where questions of roles and in particular perceptions of mandates have not been to both parties' satisfaction, relations have at times been complex and even contentious (MDRP/Great Lakes). Disagreements have also surfaced regarding UN project performance. Steps are now being taken to ensure better use of each agency's skills and taking advantage of complementarities.

8 Ownership and Capacity Development

1. The PCNA phase has largely been inclusive and successful in building common understanding and ownership across groups, as well as facilitating dialogue between parties in the conflict²⁰. Once the consensus building phase is over, however, a more restricted group from the national authorities take over implementation responsibilities, including MDTF matters. While in principle this is in line with the focus on rebuilding the state, it has implications for national ownership. If this is defined to only cover the state, groups that feel excluded by or from the state may become alienated from the larger peace and reconciliation process. The resurgence of violence in Timor Leste, Afghanistan and other places may be a reflection of this, and merits further consideration.

8.1 National Ownership and the State

2. All MDTFs under study have been linked to PCNAs as far as funding prioritization is concerned. Hence the needs addressed by MDTFs have been derived from a process based on national consensus. However, as noted above, PCNAs have so far not provided a good framework for prioritizing and sequencing needs identified – a weakness the UN/Bank review notes as a key concern (see footnote 19). The way MDTFs prioritize these needs can foster or limit broader ownership.
3. There is a consensus among donors, Administrators, MDTF staff, governments, and civil society organizations consulted that ownership of MDTF funds need to be as broad as possible. Consensus also exist in the trade-offs and the need to carefully consider them:
 - Too broad membership in MDTF decision making structures and/or broad stakeholder consultations slow down decision making in the MDTFs, while peace dividends need to be put in place as quickly as possible.
 - The legitimacy of counterparts may also be an issue since they may not be elected, may have arrived at the table through armed struggle, so there must be realism regarding what is meant by "ownership" in these circumstances;
 - There are issues of how to assure accountability, since counterparts may talk the language of participation but are not genuinely committed to inclusiveness on the ground.
4. Bank-led MDTFs increase the consultative base of its decision making processes in several ways. Broadening the membership of its governing structures allows the diverse groups represented to participate, either as voting members or observers, in funding strategy and decision making as well as policy discussions. The Bank's joint supervision missions of MDTF projects and programs are a consultative

²⁰ The Bank and UN have just concluded a review of the "lessons learned" from PCNA processes ("In Support of Peacebuilding: Strengthening the Post Conflict Needs Assessment", January 2007). The findings in this Review are in line with the conclusions of the UN/Bank study.

approach commonly used. They create opportunities for stakeholder groups, usually including beneficiaries, to provide feedback on various aspects of the project.

5. The Bank commonly advises governments to work with civil society organization, especially when government capacities limit the scope of activities that can be implemented by MDTFs. However, the ability of Bank-administered MDTFs to work closer with civil society organization depends to a large extent on government endorsement. This is due to the primary role of governments in Bank-administered MDTFs. This approach intends, among other things, to foster government ownership and leadership of MDTF activities.
6. When governments are willing to work with civil society organization, the Bank has engaged them in project/program design, implementation, and monitoring. They have also participated in the production and revisions of the program's Operational Manual, where policies and procedures are established (ARTF/Afghanistan). When governments are not agreeable to work with civil society organization, the Bank tends to concede to this, even when an MDTF has an NGO window (Sudan).
7. The Bank works at different levels of government: national, regional and local authorities. When the MDTF portfolio includes community-based programs, the Bank also work with local councils and local leaderships (ARTF/Afghanistan, MDRP/Great Lakes, MDF/Indonesia, Sudan MDTFs). Consultations can thus spread across regions, so from a public sector viewpoint, ownership of MDTF activities are in principle nationally owned. The Bank, however, focuses its attention at the national level, where policies are developed and systems are built.
8. UN-led MDTFs set up to provide budget support have worked only at the national level, since these MDTFs fund recurrent costs of national authorities that are coming into being (AIAF and LOTFA/Afghanistan, CBTF/Sudan).
9. The UNDG ITF in Iraq has a national reach, despite security restrictions. The MDTF funds projects in partnership with national and local governments and a range of civil society organizations - not-for profit, profit and public-private. UN agencies consult levels of government and civil society organizations concerning project design and they implement and monitor projects in partnership with them. Hence MDTF ownership can spread across public, private and non-for-profit sectors.

8.2 Capacity Development

10. Focus on state building and national ownership are principles of both the Paris Declaration and the DAC's principles for engagement in fragile states, as noted in chapter 7. Some MDTFs have state building objectives (Reform Fund/WB&Gaza, CFET and CSP/TSP in Timor Leste, AIAF and ARTF in Afghanistan) and other have public sector capacity development goals (TFET/Timor Leste, Sierra Leone, MDRP/Great Lakes, Iraq MDTFs, Sudan MDTFs). Capacity development should therefore be factored into the MDTF as early as possible.

11. No MDTFs have an explicit capacity development *policy*. This may in fact not be realistic given the time limited nature of the trust funds. There is a consensus that MDTFs cannot have a full blown capacity development strategy from the outset; it takes detailed analysis, including identifying existing capacities and gaps and how to sequence activities. Moreover, lessons learned from Iraq shows that political stability is needed for public sector capacity building to be sustainable even in the short-term. Capacity development should therefore instead become an increasingly important item over the lifecycle of the MDTFs.
12. Most Bank MDTFs fund capacity development to public sector entities, but often to entities that are transient (TFET/Timor Leste, Sierra Leone, MDRP/Great Lakes). The Technical Assistance project for the BRR in Indonesia is for a temporary body but which has a specific area of responsibility that is central to the MDF's activities. The DDR trust funds in the Great Lakes region and in Sierra Leone have similarly supported capacity development funding for DDR agencies that in principle are to fade away once the demobilization and reintegration has been successfully completed. These capacity building expenditures have raised questions in terms of medium-term impact, and hence the effectiveness. It is not clear where either the individual skills or the organizational competencies and institutional memories that have been built up, will end up – or if they will simply wither away once the particular task is no longer required.
13. The immediate beneficiaries of these capacity building activities are the individuals involved, and they tend to be able to take those skills with them into the market place. A number of DDR experts trained by the Sierra Leone and Great Lakes MDTFs are now being used as advisers and experts in other settings, but where they are hired as individuals and not as public servants. Whether this is a problem or an advantage depends on the eyes that see. The skills are available and being used, and given that these are African experts being used in other African countries, the relevance and cost-effectiveness of this expertise is generally considered high. There has therefore been a successful transfer of skills to this group of African experts, and from the larger donor perspective this is presumably a major success. But the issue remains that these temporary agencies are being endowed with considerable infrastructure, equipment, and skills. There is therefore a need for an exit strategy that addresses how these capacities can remain available over the medium term.
14. In Iraq lessons learned from past Bank experience in building temporary institutions has been applied. The Bank and other donors rely on Project Implementation Units (PIUs) to manage project implementation. Previous Bank experience and studies (OED 2000 and 2005) show that, although the use of PIUs are appropriate in the initial stage of emergency operations, the use of such units can undermine long-term sustainability and institution building. Bank Iraq ITF projects are implemented by PIUs, but PIU staff are civil servants paid by the ministry instead of being external consultants, so they receive regular pay instead of international consultancy fees. Furthermore, the World Bank provides intensive training to civil servants before and during project approval in all aspects of project management instead of training external consultants.

15. UNDG ITF in Iraq funds capacity building in public and non-public sectors, such as training of technical level public officials, as well as organizational development of civil society organizations. UN capacity development complements the World Bank's focus on state building as it provides support to develop capacities outside the public sector, and to augment national capacities through strengthening links between public and non-public sectors.
16. The UN does not, however, have a larger capacity development strategy that actually focuses on non-public sector capacity development as a means of empowering these actors, strengthening accountability and democratic governance, except on an *ad hoc* project-by-project basis. So while the State is systematically being built with Bank funds, the other actors necessary for successful post-conflict development are receiving much less attention and support.
17. The Bank focus on national ownership tends to be equated with *state* ownership, and with capacity development heavily concentrated on building the public sector. There is also evidence that Bank capacity development focuses in the first instance on providing capacity to manage Bank-funded activities rather than across-the-board capacity for broad-based public sector priorities. The first WB ITF capacity development project in Iraq provided considerable training in Bank procedures, so that public institutions could implement Bank ITF funded activities. Bank training in other MDTFs such as WB&Gaza and Afghanistan has also prioritized Bank procedures. Most post-conflict countries have weak and outdated procedures for financial management, procurement, human resources management, etc. However, where the Bank has been the Administrator, its procedures are emerging as government standards in a number of fields (Afghanistan, Iraq). While the Bank's capacity development focus in the first instance may be due to the need for its need for fiduciary control, it is at the same time providing Bank-funded activities with procedures that are internationally known and accepted.
18. The Mid-term Review of the ARTF/Afghanistan highlighted the value-added that a focus on capacity development could have. MDTF funds are un-tied, so the government could have done direct procurement of the technical assistance it wanted. This would have produced several positive results. It would have been possible for the government to design an overall capacity strategy for the ministry, among other things so that it could distinguish gap-filling tasks (which a lot of the external assistance was providing) from advisory/mentoring. It could procure gap-filling skills from the region, which would have been much cheaper. It would have been able to impose a coherence in terms of timelines, wages (the five different donor-funded projects competed against each other for Afghani counterpart staff), use of technology, performance criteria etc. It would have had the ability to fire international staff that did not perform, which is always a problem for a host government when a donor is funding – there is a lack of direct accountability. Overall, the argument was that MDTF funds might be comparatively more efficient and effective in the field of capacity development,

and that MDTFs thus could have this as a core function, beginning with (re)building public finance management systems.

19. When resources flow through national channels, national policies and procedures are strengthened and capacity building becomes embedded in MDTF activities. However, when initial capacities are absent or too poor, alternative implementation modalities should be considered instead of or alongside these, due to limited absorptive capacity. Governments in post-conflict situations are often hesitant in funding civil society organizations; they understandably want to strengthen their own capacity for delivering services to the population. However, absorptive capacity limitation calls for a balance between implementation channels that can change over time. The credibility and legitimacy are affected by the speed in the delivery of urgently needed services. Moreover, lessons learned from Afghanistan shows that NGOs can implement national programs (National Solidarity Program) and assist in the delivery of national health services (Basic Health Packages) with the understanding by the general population that NGOs are delivering on behalf of government and with public funding. Public communication campaigns prior to and during the implementation of these programs have strengthened the partnership and enhanced government credibility. Knowledge that the National Solidarity Program is a government program and not the product of an NGO is widely known.

8.3 Main Findings and Conclusions

- i. Ownership of MDTF programs needs to be as broad as possible. Bank MDTFs have strong anchors in the public sector, and the Bank has systematically supported the involvement of non-state actors in policy development, project implementation in a number of MDTFs, , but subject to government acceptance. The UN Iraq ITF has partnerships with national and local governments and a wide range of civil society actors, but appears more fragmented and dispersed in terms of focus.
- ii. Bank MDTF capacity building prioritizes public sector capacities in core areas of public administration: financial management, procurement, human resources management. In the first instance this is to ensure Bank MDTF-funded activities are implemented well. But this also supplies the public sector with procedures that are internationally accepted. Capacity building is faster and better anchored when resources flow on-budget and projects are implemented through government institutions: "learning by doing" is powerful.
- iii. No MDTFs have a clear capacity development *policy*. This is in part because of the time limited nature of the funds. But the lack of a medium-term vision for capacity building may reduce effectiveness, and some agreed-upon principles need therefore to be in place from the beginning and in all cases. A core theme could be the comparative advantage of untied MDTF funds for broad-based procurement of required technical assistance.

9 Thematic Areas and Cross-cutting Themes

1. The TOR asks a number of questions regarding who appear to be the primary beneficiaries of the MDTFs, and who is excluded. The role of civil society and the private sector is raised, before asking about thematic areas such as gender and vulnerable groups, and security. In this connection the team was also several times confronted with questions about MDTF and conflict sensitivity.

9.1 Primary Beneficiaries

2. Most Bank MDTF funding has clearly been steered to the public sector. Budget support is by definition through the public sector, but most project funding has also been either through the budget (on-budget project financing), or off-budget but for public infrastructure.
3. The large budget support financing – WB&G, Afghanistan, Timor Leste – has been targeted since there has been a focus on financing social sector salaries: teachers and health personnel primarily, with particular attention to the primary servicing level. There has therefore been attention to providing the "pure" public goods, also with the understanding that this would ensure a more even geographic and social distribution. This is one way of getting "the post-crisis dividend" out to as wide a range of beneficiaries as possible.
4. The four UN managed budget support MDTFs have largely been targeted in the same way. The AIAF/Afghanistan helped the authorities compile their civil servant roster, helped pay the salaries, and purchase equipment. The Unicef Capacity Building TF for Southern Sudan functioned to a large extent in the same way, whereas the LOTFA/Afghanistan is paying salaries for staff in police and prison services. CFET was set up to support the recurrent cost of the UNTAE and to help building public systems and frameworks for the Timorese government.
5. The first-order beneficiaries have thus tended to be civil servants, with particular attention to those who are providing public goods to the population at large, though more generalized civil servant funding is also taking place, such as in the Palestinian territories²¹.
6. Since budget funding is necessarily fungible, financing also flows to other parts of the budget. But budget support takes place in the context of dialogue on the size, structure and trends in public sector finances. The MDTF thus engages national authorities to ensure that the external funding is not acting as a substitute for own revenue-generation efforts, for example (Afghanistan), and that funding priorities are in line with what has been agreed. In the case of the Reform Fund/WB&G, concrete public sector reform measures were foreseen as conditions for tranche releases.

²¹ In the early period in Afghanistan, for example, UN staff working for the AIAF and subsequently Bank staff working for the ARTF had to travel around with large amounts of cash, since there was no functioning banking system. Large amounts of cash had also to be flown into Juba/Southern Sudan.

7. Some projects in the ARTF/Afghanistan were designed to bring higher-level skills to the country, or help bring back skilled Afghans who were living in exile. These small projects were targeted for strengthening the public sector.
8. National infrastructure investments have been for public goods such as water and sewerage, roads, harbors, power lines, and for publicly owned utilities such as power stations (Afghanistan, Iraq, Indonesia, Timor Leste). Community driven projects have also often focused on public infrastructure activities. The National Solidarity and Emergency Employment Programs in Afghanistan, the rural and the urban Community Recovery Programs in Indonesia, and Community Empowerment Project in Timor-Leste are large-scale interventions that are mobilizing communities for rehabilitating and developing their own basic roads, schools, health posts, etc.
9. A number of projects are providing capacity development support to the public sector. A specific Technical Assistance Trust Fund was established in WB&G to strengthen public sector administration, and the CFET/Timor Leste had largely the same objective, with special targeting for the justice system.
10. The support for livelihoods and thus poverty reduction – the overarching objective for the international donor community – is limited. The Microfinance project in Afghanistan and the Waste Management and the Land Titling projects in Indonesia are providing support at the household level, and the funds to the demobilized ex-combatants in Sierra Leone and the various Great Lakes countries is another example. Up one step from individuals or households, there are some examples of community-level grants, such as with the MDRP/Great Lakes, though their impact and structure is questionable (eastern DRC, some in Central African Republic).
11. The UNDG ITF/Iraq funds projects from infrastructure reconstruction – power stations, port dredging – to community and household level support. It is difficult, without doing a more careful portfolio analysis, to assess the share of the approximate USD 1 billion disbursed that goes to the public sector, to the household sector, and private and livelihoods sector.

9.2 Civil Society and the Private Sector

12. The involvement by civil society has generally been the most obvious during the PCNA processes, when needs were being identified. The voice and visibility of civil society within the MDTFs is generally poor. Only MDF/Indonesia and MDRP/Great Lakes provide a formal space for local civil society organizations, though the real value to either them or the MDTF is questionable. The MDF in addition includes an observer from the international NGOs.
13. International NGOs and some local NGOs have been given direct implementation contracts in the UNDG ITF/Iraq, the MDRP/Great Lakes, MDF/Indonesia, UNDG ITF/Iraq, and important roles in key programs in Afghanistan. But they are usually hired in as contractors, and not as representatives of civil society or advocates on behalf of particular rights-holders.

14. If the role and responsibility of civil society is limited, that of the private sector is almost absent, except in the UNDG ITF/Iraq, where projects are implemented by UN agencies in partnership with private and public-private organizations. For the Bank, the only obvious examples are in technical assistance roles, such as Monitoring Agent for the Bank in budget support programs, or delivering capacity development programs. These tend to be granted to international firms, as local consulting firms in most post-conflict situations do not have the skills and capacities required to compete for these contracts.
15. The local business community benefits from the procurement activities funded over the MDTFs, but this is often second-round effects. The funding to the public sector is primarily for salaries, and then to basic operating costs such as running and maintaining buildings and equipment. A significant share of this is often procurement from public utilities. When it comes to larger-scale purchases, local businesses are often prevented from competing because of various eligibility criteria. The UN is more flexible than the Bank when it comes to local, direct or single-source shopping when deemed appropriate.
16. When the main objective for an MDTF is defined to be rebuilding the public sector, or funding is supposed to be on-budget, the role and possibilities for both civil society and private sector actors has been limited.
17. The real obstacle to greater voice and visibility of the civic and private sectors tends to be the State. In a situation of fragility, it tends not to want to strengthen other actors, and thus will effectively prevent their participation and influence on issues like resource allocations and definition of aid priorities.

9.3 Gender and Vulnerable Groups

18. The gender dimension – generally the situation of women – is mentioned in most MDTF programs. There is, however, little in the way of comprehensive gender analyses, and hence no overarching goals or targets that the programs as such are to contribute to. Operational implications can be found at the level of individual projects such as Waste Management and Land Titling/Indonesia, Micro-finance/Afghanistan, etc. But when it comes to gender, the MDTFs in general are weak in both conceptual and operational terms, though some individual projects are well designed.
19. Some of the programs identify particular vulnerable groups. MDRP/Great Lakes has female, children, disabled ex-combatants as three groups that require particular attention. In all the national programs these three groups are listed and results recorded (Annex G tables G.3-5). The actual approach to these groups varies across countries, in part as function of the importance of the issue: the share of female ex-combatants is insignificant in Rwanda but in the CAR make up over 20% of the total number. The problem of disabled veterans is systematically being analyzed and addressed in Angola, in Rwanda they are building customized houses for the disabled, etc. The children soldiers are given particular attention, in part due to the importance accorded this issue by

international NGOs and the UN, and again resources are made available and targets set and monitored.

20. The MDTF-N/Sudan has the geographic area of the "Three Areas" as a particular concern, and MDF/Indonesia of course defines Aceh as its target area. In the MDF case, however, the exact geographic areas to be covered became an issue. In principle the fund was to assist the victims of the *tsunami*, but once the peace agreement with GAM was announced, just a few months after the MDF had become operational, it became important not to discriminate between the victims of the violence and of the tidal wave, since it could easily exacerbate a volatile situation at a time when Aceh as a province was awash with resources. The question was never resolved at the formal level, however, due to funding complexities faced by some of the donors.
21. One issue that has been discussed in several MDTFs, is the extent to which an MDTF – one instrument, with a limited share of resources – should attempt to address larger societal issues, such as gender. The argument is that "the tail should not wag the dog": if the international community wants to enter into dialogue with the national authorities on such cross-cutting issues, the MDTF is not the most appropriate mechanism. Furthermore, the question is if the MDTF then gets overloaded in terms of objectives and expectations, especially on the donor side. – One response to this has been that there often is no other forum available for addressing such cross-cutting issues, and that the MDTF thus is not simply "the best show in town" – it is "the only show".

9.4 Peacebuilding and Conflict Sensitivity

22. While almost all the MDTFs are addressing post-conflict situations, none of them have a conflict monitoring capacity. Several MDTFs have provided conflict reviews – paradoxically enough one of the better and more operational ones was done by MDF/Indonesia, as a response to the expected peace agreement with GAM in Aceh. The MDRP/Great Lakes had produced a series of background notes that included analyses of the conflicts in the region as a background to the establishment of the program and its funds. The PCNAs of Palestine, Afghanistan, Sudan etc all include historical overviews of the situation that is to be addressed and the factors that led to the problems.
23. The MDTFs by and large are addressing the problems of the state and reconstruction of physical assets of society. There is little or no analysis of the reconciliation and expected peace development effects from these activities – they are generally assumed to contribute in the right direction. There is hence little in terms of strategic selection of activities for maximizing hoped-for reconciliation, stability and peace, after what in some cases have been quite protracted and bitter conflicts. There are conflict sensitive discussions in projects like the rural community development programs in Afghanistan and Indonesia, but even there the factors seen as important to the protagonists are not well identified, and thus it is not possible to know if the right issues are being addressed, in the right manner and sequence, and by the right actors (the latter often an issue that external actors are not sufficiently sensitive to).

24. There has therefore not really been a case of an MDTF adjusting its portfolio to new knowledge about the conflict dynamics. The extreme case is Iraq, where one would have expected the rapidly deteriorating security situation to lead the decision making bodies to review the activities being funded and identify those that no longer were priority. The ARTF/Afghanistan moved from rehabilitating basic infrastructure in Kabul to rural community development, which was done in response to the acknowledgement that it was important to get resources out to the rural areas. There have also been a number of more general political and societal studies carried out by the Bank in Afghanistan. But even in this case there does not seem to be a more directed and conflict-focused effort as an input to guiding the ARTF portfolio. To some extent this is understandable, as it is up to national authorities to propose all projects, and in the case of Afghanistan there have been few "free" resources available for new programming the last couple of years. But the international community has a responsibility for managing the risk its support is exposed to, and this risk management ought to have conflict sensitivity and conflict analyses at its center.

9.5 Quality Assurance, Monitoring and Evaluation

25. Monitoring and Evaluation (M&E) has been given reasonable attention throughout most of the MDTFs, but there is clearly more work being put into this over time. In Afghanistan, the different projects had their own results frameworks, but only recently was there an attempt at getting an overarching results matrix in place for tracking the performance of the budget. In Indonesia, a performance matrix was developed based on the Recovery Assistance Policy (RAP). This matrix turned out not to be very operational, and the M&E officer with an external consultant have strengthened the performance monitoring system at project and portfolio levels. MDRP/Great Lakes had a results matrix with indicators at activity, country and strategic level, and this was used as one of the bases for the joint supervision missions with donors and national counterparts. A number of the original objectives have been reached, however, and the matrix has not been updated and developed, except at country program level.
26. Baseline values, annual targets and performance monitoring by project have been systematized in a number of MDTFs, though the results reporting posted on the websites is variable.
27. This Review does not have information on the extent to which MDTF M&E activities are being transferred to national bodies, something that ought to be a key aspect of an MDTF exit strategy.
28. MDF/Indonesia has put in place an anti-corruption policy with clear and operational guidelines. There is furthermore an *ombudsman* position in Aceh, to allow local stakeholders to complain and demand redress of any errors committed by the program.

9.6 Main Findings and Conclusions

- i. MDTFs channel most funds to the public sector: operating costs including civil services salaries, capacity development and public goods infrastructure. Most resources tend to go to primary service levels in the social sectors, thus potentially reaching the groups most in need, reflecting a positive distributional profile.
- ii. Capacity development, primarily for (re-)building key state functions, receives considerable resources, including for temporary public agencies that have specific tasks in the post-crisis situation. Focus is at the national level, though community level activities are also supported in a number of cases.
- iii. Funding for livelihoods development and self-directed community development tends to be limited, and appears more *ad hoc*.
- iv. Civic and private sector actors have limited voice and visibility, in part due to weak own capacity but often due to active exclusion by the state.
- v. There is little in the way of systematic analyses and hence goals and operational targets with respect to cross-cutting issues, including gender. The lack of conflict analyses as an integral part of MDTF risk management is of particular concern.
- vi. Monitoring and evaluation activities for tracking performance is improving, and other quality assurance steps are being taken by some MDTFs. The planning for the hand-over of these kinds of tasks to national authorities is not in evidence.

10 MDTF Performance and Looking Ahead

1. The first part of the chapter looks at the influence and importance of external factors on MDTFs before providing an assessment of MDTF performance. The chapter then discusses the design elements of an MDTF, before looking at MDTF design options.

10.1 External Factors

2. The most important external factors when assessing MDTF design and effectiveness were seen to be the following five:
 - (i) *Needs* that are to be addressed,
 - (ii) Political *will* or *commitment* by national stakeholders to address these,
 - (iii) Existing *capacities* to deliver against the needs,
 - (iv) The *security situation*, and
 - (v) *International politic dynamics* surrounding the support for the MDTF.

10.1.1 Needs to be Addressed

3. MDTFs are usually established subsequent to a PCNA, which tends to identify a wide range of needs. These can usually be grouped into the three major categories given below. The relative importance of the categories in terms of what the MDTFs should fund may have an impact on how the MDTF should be structured²²:
 - (a) Basic services that need to be provided to the affected population (food, health, education, water, access roads etc),
 - (b) Social and economic infrastructure rehabilitation (investment activities), and
 - (c) Capacity development, largely the (re-)building of the state and its operations, in line with the DAC's "Fragile States.." Principle 3, "Focus on state-building as the central objective".

10.1.2 Political Will or Commitment

4. Political will consists of the commitment by key stakeholders to address the needs and support the efforts that are going to be funded by the MDTF. Peace processes typically do not benefit all stakeholders equally. Some MDTFs have been implemented in situations where some stakeholders have been pressured into accepting the peace instrument. Other important actors may be entirely outside the peace process, or their participation in the conflict may be driven by

²² Some have argued that these needs are the ones that *arise* from the conflict and not the ones that *caused* it. The MDTF may therefore not be addressing key aspects of what a *post-conflict* fund ought to focus on. This argument is in line with the earlier observation (section 9.4) on the lack of a more continuous and dynamic conflict monitoring capacity within the MDTF.

motives that are not really addressed in the peace process. A number of the actors involved in a conflict may themselves be problematic for consolidating a stable democratic peace (warlords, movements with human rights abuse records, etc). The support by the international community is meant to provide an incentive for groups to join the peace process, and to strengthen the commitment of those already involved. This dimension is dynamic and will influence the MDTF.

10.1.3 Existing Capacities to Deliver

5. The capacities to deliver key decisions and services vary considerably. After a natural disaster, the time-urgency to get supplies to the affected population may be great but the local capacity to deliver may also be good: national capacities may be intact and able to lead the recovery efforts (Indonesia). In a post-conflict situation, the capacity of the public sector may be badly degraded, and the private and civic sectors may be weak (Iraq) or have a reasonable capacity (Afghanistan, WB&G at the start-up of the trust funds). In some cases, peace agreements have mandated new governments and administrative capacities to be established virtually from scratch (Timor Leste, South Sudan). These very different situations mean that there needs to be a realistic assessment of actual ability to deliver, by the public sector – national, regional and local levels – and by the civic and private sectors. In addition to what exists locally, there are often externally provided capacities in place in the form of the UN system and international NGOs.
6. A capacity assessment may be difficult to carry in the immediate aftermath of a conflict, though ideally it could be a component of a PCNA. A more comprehensive capacity assessment may have to be done in steps. But without realism in terms of what the public sector can do and the time required to build capacity, the MDTF program may be designed based on incorrect assumptions, and unrealistic expectations may be created.
7. A capacity assessment is therefore critical for two reasons. The first is to identify what can be delivered in the short run of direct services and goods to a population that often is in great need. This would include the different *levels* of public administration, and the inter-linkages *between* them. The other is as a foundation for prioritizing the capacity development that MDTFs fund.

10.1.4 The Security Situation

8. The experience to date indicates that the single most important factor in determining the success of an MDTF, is the security situation. Most funds are not operating in post-conflict situations, but rather in environments where conflict is ongoing (Iraq, Afghanistan, Sudan, Democratic Republic of the Congo, Palestinian Territories), or where countries still experience instability and the potential for violence in the future (Timor Leste). In several countries, assumptions that the security situation would improve over time have proven incorrect. The presence or potential for violence creates both risks and

operational limitations, which must be shared between stakeholders, and mitigated. MDTF administrators must track risk and take program decisions based on their assessment of whether security conditions are improving or deteriorating. Conflict assessments are thus a necessary activity for MDTFs at the strategic and project levels.

10.1.5 International Political Context

9. Regional and international political dynamics have an influence on MDTF design. One example was the discussion on Iraq where donor interest in having both the UN and the Bank engaged was important for the final IRFFI structure. There have also been discussions regarding the MDRP/Great Lakes, where the strict focus on DDR and "ring-fencing" the financing for this raises questions about how to address the necessary and related security sector reform (SSR) issues. While these differences tend to be resolved once the MDTF design has been accepted, there may be points in a process where the actors may re-assess the situation to see if other options may be more helpful.

10.1.6 Impact of External Factors

10. Table 10.1 below lists the eleven MDTFs that this Review team has sufficient information on to make some assessments. The table looks at how these external factors affected MDTF performance, with some comments on changes or trends in these factors. The table maps differences that can be seen across MDTFs, but does not pretend to be based on any rigorous model.
11. External Factors varied considerably across the funds. The MDF/Indonesia, as a post-disaster fund working in a country with a strong government and good capacity to deliver, is the positive "outlier" in this sample. At the other extreme is Iraq, where the deteriorating security situation is weakening national political will and capacity to deliver at the same time as needs are increasing. West Bank and Gaza, after the second *intifada* broke out, and even more with the political differences that the election of the *Hamas* government has led to, is also facing a generally deteriorating situation. Timor Leste was believed to be moving systematically in the right direction before the current crisis of governance put that process back.
12. It is therefore important to note the high-risk and volatile environments in which most MDTFs work. These are often situations where armed confrontation is reduced, but political tension and low-level conflict continue. This means that the conflict prevention ⇔ peace promoting ⇔ economic development nexus must be seen in its totality because the MDTF as an instrument can provide support to these different dimensions through the activities that it funds. One of the findings (chapter 9) is exactly that MDTFs generally are not sufficiently sensitive to these different aspects, which means their overall effectiveness as a post-crisis instrument could be improved.

Table 10.1 Importance of External Factors on MDTF Performance

Fund	Needs to be Addressed	National Political Will	Capacities to deliver	Security situation	International political context	Overall assessment
ARTF/Afghanistan	All categories: service delivery through budget support, capacity building, national and community infrastructure rehab	Very strong and clear to begin with, though actual cohesion and will to deliver varied	Public sector weak but in place, with strong NGO, UN presence	Reasonable to begin with, lately serious deterioration in several regions	Strongly supportive to begin with, increasing concerns with lack of national reforms	The external factors were highly positive to begin with, trend is now towards deterioration
MDRP/Great Lakes	Demobilization and reintegration of individual ex-combatants, build national DDR capacities	Variable but positive, and stronger over time	Varied from good to very weak, trend to strengthen over time	Apart from eastern DRC has been OK and generally improving	Generally positive, but not among highest donor concerns	MDRP has been able to develop in an increasingly positive environment
MDF/Indonesia	Focus: rehabilitation	Strong and clear political will nationally and locally	Good and improving	Good and improving, peace agreement in Aceh	Strong support	Most positive case where external factors supportive
UNDG & WB ITF/Iraq (same env't for both)	Service delivery, capacity building, infrastructure rehab	Strong at inception, but deteriorated, unstable institutional and political environments	Acceptable at inception, has deteriorated	Reasonable to begin with, has deteriorated significantly, int'l staff cannot move	Int'l comm'ty divided on best path forward, no coherent vision	Most difficult set of external factors, significant worsening, IRFFI negatively affected
MDTF-N/Sudan	Capacity building, infrastructure rehab	Mixed support, both reform and opposition elements in government	Satisfactory, though public admin eroded by decades of conflict and isolation	In program areas is fine, program staff can move freely	Complex, competing interests among int'l actors	Stable but increasing political tensions in the environment
MDTF-SS/Sudan	Service delivery, capacity building, infrastructure rehab	Supportive at political level but limited "push" due to overall GOSS weakness	Public admin very weak, little will to use alternative capacities, though UN, NGO presence	In program areas is generally good	Fairly strong and consistent support although recently attention split due to Darfur	Difficult but still an environment where it is possible to work

Fund	Needs to be Addressed	National Political Will	Capacities to deliver	Security situation	International political context	Overall assessment
TFET + CSP-TSP/Timor Leste (1)	Service delivery, capacity building, infrastructure rehab	Strong to begin with, undermined by weak leadership, current political crisis	Very weak, public admin relies on international technical assistance	Permissive till recent political crisis	Fairly strong and consistent support	Difficult but still an environment where it is possible to work
Holst Fund/WB&G	All forms but through budget support	Strong and clear	Acceptable	Difficult but stable	Generally supportive though some disagreements in int'l commitment	Complex but still an environment where it is possible to work
Reform fund/WB&G	Public sector capacity with reform agenda, through budget support	Strong and clear at beginning. Second <i>Intifada</i> has moved attentions to other issues	Improving till conflict destroyed infrastr and ability to perform	With second <i>intifada</i> has led to dramatic worsening	More split commitment, less political support	Negative security situation dominating factor

(1) While TFET was established much earlier than CSP/TSP, it still funds some activities, largely due to continued contributions by the EC.

10.2 MDTF Assessments

13. Given the external factors, how well have the MDTFs performed? Table 10.2 presents the eleven funds using some of the dimensions that have been looked at in the study (the two funds in West Bank and Gaza are treated as one here):
- (i) *Establishment of the fund*: how long did it take to get the fund formally established, and donor funding agreements in place;
 - (ii) *Staffing*: how well staffed was the Secretariat, how fast were staff in place, did staff have the experience and knowledge they needed to be effective;
 - (iii) *Approvals and disbursements*: how quickly were projects approved, how soon did disbursements begin (budget support transfers or project disbursements);
 - (iv) *Fiduciary management*: how has financial (disbursement and accounting) and procurement supervision been carried out;
 - (v) *Coordination and policy dialogue*: to what extent and in what ways did the MDTF enhance coordination and provide both a foundation for policy dialogue and contribute to policy dialogue;
 - (vi) *Capacity development*: what kinds of capacity development were funded, and how good was the overall strategy for this;
 - (vii) *Target beneficiaries*: which groups were intended to be and which ones in reality have been primary beneficiaries of MDTF funding, and how well have they been reached.
14. Regarding the *establishment of the fund*, most funds have evolved from PCNA processes (WB&G, Sudan, Iraq, Timor Leste) and/or political decisions (Bonn /Afghanistan, Tokyo/Timor Leste, Madrid/Iraq), and have largely been put in place according to the planned timetable. The MDRP/Great Lakes took a long time because there was a need to bring seven national governments and nearly a dozen donors around the table, agree on the main objectives and the program structures. Since MDTFs have usually been established with a sense of political urgency, they tend to be put in place quickly – in some cases within the space of just a few months (MDF/Indonesia, TFET/Timor Leste etc).
15. The major difficulty with fund establishment has been the legal agreements with donors. The Administrator must necessarily have similarly-worded agreements with all. Both UNDP and the Bank have standard legal wording that the donors are familiar with, but each donor has the right to modify according to own regulations and policies. All donors have accepted and signed the UN's Letter of Agreement for its MDTFs, including for recent Common Humanitarian funds, the ITF/Iraq, etc. The Bank's Trust Fund Operations Department, however, has experienced that donors are becoming more insistent on having their particular concerns brought into the legal agreements. This creates considerable additional work for the legal department. In the case of MDF/Indonesia, one issue led to a several months' delay due to disagreements *between* donors on wording, before the final agreements could be signed.

Table 10.2 MDTF Assessments

Fund	Establishment of Fund	Staffing	Approvals and Disbursements	Fiduciary Management	Coordination and Policy Dev't	Capacity Development	Target Beneficiaries
ARTF/ Afghani- stan	Agreed at Bonn conference, in place as planned. Donor funds in amounts and time as expected though some issues lately as donor concerns on revenue, budget controls increase	First year small local unit, then expanded with Bank staffer, support from Bank unit on accounts and disbursements. Strong management team in country, staff incentives used.	Budget support performed well given circumstances. Project disbursements moving, despite weak banking system but with generally good GOA support	Use of Monitoring Agent, Country Procurement Assessment Report, Procurement workshops (public and civic sectors), procurement and financial management teams, Bank Internal Audit report.	Budget discussions, joint supervision missions for program, coordination of NSP, NEEP, and Micro-finance programs, sector work and policy (education, health, energy), gender studies.	Many different ad hoc projects. While most requested by govt, not integrated, sustainability poor, lack of strong vision on capacity building strategy	Has provided critical budget support for key social services and community dev't projects with good spread, addressing reconciliation, some projects address gender
MDRP/ Great Lakes	Established based on careful dialogue, mobilization of parties to conflicts, donor support. Donor funds OK, recent renewal pledges coming	Slow in staffing up, no upfront training, but good staff now providing the requested support	National programs uneven time to prepare, payments fine. Approval, pay to projects variable, some unacceptably late, so implementer funded up-front,	Quarterly financial reporting by national programs, project final audits on special projects, active performance tracking by MDRP staff.	Major coordination role in DDR, regional gender studies and discussions, active use of inclusive joint supervision/ implementation missions.	Support to national DDRs seen as positive, having regional perspective, cross-border learning and network building	Intended beneficiaries reached, little "leakage", issue of sustainability due to narrow focus on individuals (with few exceptions)
MDF/ Indo- nesia	Quickly approved by WB Board and established. Donor funds largely paid in.	Manager only half-time but experienced Bank staffer. Good local staff, in post quite fast. At times insufficient support from HQ, no training	Approvals fast, disbursement to on-budget phase major delays, late in first pay to other projects. Disbursing well by end 2005, on target	Three-tier anti-corruption policy, support to BRR anti-corruption work, local ombudsman, close project financial supervision.	Policy dialogue (timber, inflation), Conflict Assessment, joint learning workshop.	Support to build BRR, local administrations useful, coming better into focus, more coherent	Intended beneficiaries reached, little leakage, expanding to conflict-affected areas to ensure "do no harm"
UNDG ITF/ Iraq	IRFFI established, funded in timely manner. Donor funds sharply up in response to high disbursement rates	Experienced international staff with strong and established local networks and Iraqi national staff.	Projects approved fast, implement thru multiple channels. High disbursement rate, stronger than other actors	Use local staff, contractors to monitor, report. Direct UN implementation to mitigate risk of corruption, mis-management	Similar situation for both Iraqi funds – see Bank ITF below.	Projects with capacity develop't focus but impact unknown: political transitions, security situation weakens results	Potential for good impact given high disbursement/ Implementation rates and portfolio composition.

Fund	Establishment of Fund	Staffing	Approvals and Disbursements	Fiduciary Management	Coordination and Policy Dev't	Capacity Development	Target Beneficiaries
WB ITF/ Iraq	IRFFI established, funded in timely manner. Donor contributions fully paid in	Adequate management and administration staff with experience with no int'l staff inside Iraq. Slow staffing build up. Weak local network and knowledge, improving over time.	Core portfolio slow in developing due Iraq govt constraints, largely medium-term infrastructure and social projects. Disbursements slow, limited by ability of GOI to absorb funds, security conditions.	Normal fiduciary oversight hindered by security conditions, high turn-over of Iraqi govt staff. Using good national Monitoring Agent. Capacity development on PFM and procurement.	Good policy leverage, leading to 2005 <i>Nat'l Dev't Strategy</i> , basis for <i>Intl Compact</i> negotiations. Policy dialogue undermined in past year by lack of donor committee meetings. Limited coordination with other ITF. IRFFI mechanism could support coordination at sector level.	Strong focus on state capacity. Weakened by constant govt transitions and high attrition rates among Iraqi project mngt staff	Limited current potential given low disbursement rates. Exceptions: School Text Book and capacity develop't.
MDTF-N/ Sudan	MDTF-N established in a timely manner as per CPA. Some WB start-up delays. Donor funds committed, first tranche paid in	Understaffed with too few core WB staff. Reliance on seconded personnel, competent but limited training on WB procedures. Key WB staff based outside Sudan.	Core portfolio slow in developing due weak GNU capacity. Disbursement slow, limited by ability of govt to absorb funds and insufficient WB presence	Monitoring Agent in place. Support to GoNU on financial management of projects, procurement. Contribution to overall system reform.	North-South wealth-sharing discussion, policy discussion (poverty reduction). Limited expectations for general policy dialogue.	Strong focus on building state capacity. Needs are less than in South Sudan.	Limited potential given low disbursement rates on most projects.
MDTF-SS/ Sudan	MDTF-SS established in a timely manner as per CPA and in a timely manner. WB start up delays. Donor funds committed, first tranche paid in	Implementation in low national capacity situation. Understaffed with few core WB staff. Relied on seconded personnel, competent but limited training on WB procedures. Insufficient institutional support. Key WB staff based outside South Sudan.	Few projects approved, low disbursement rates, well below expectations due weak GOSS capacity and initial insufficient WB presence in Juba	Use of Monitoring Agent, Procurement workshops (public sector), procurement and financial management teams.	Budget discussion, North-South wealth-sharing discussion, sector works (road, education, health). Close engagement with GOSS, tho weak links to non-MDTF funds, weak GOSS capacity limit dialogue scope, impact	Focus on building state capacity. Needs greater than anticipated and limited MDTF-SS capacity to respond. Level of support and strategy improving with time.	Has not delivered expected peace dividend. Late delivery of emergency projects. Has good potential to deliver sector and infrastructure programs over medium-term.

Fund	Establishment of Fund	Staffing	Approvals and Disbursements	Fiduciary Management	Coordination and Policy Dev't	Capacity Development	Target Beneficiaries
TFET/ Timor Leste	Established Tokyo Conference 1999. Donor funds in place as expected	Good level of staff and staff mix but weak in country support for procurement. Key technical and management staff posted outside of T-L. Staff aided by PMUs.	Use of streamlined procedures speeded up approvals. Good disbursement flow, hampered by procurement and low government capacity	CPAR, Procurement workshops (public sector), procurement and financial management teams. Evaluations show strong WB mngt, including broad improvements in project fin'l mngt performance.	Sector work (health, education, power and petroleum, agriculture, microfinance), some developing into SWAPs, joint supervision missions.	Insufficient coordination with UNTAET except in health sector. Limited contribution to capacity development	Delivered peace dividend, good regional and sectoral spread. Impact undermined by current crisis, weak political leadership and poor institutions.
CSP/TSP Timor Leste	Established at request of govt Sep 2005. High donor support and transition to budget support and technical assistance from TFET as oil revenues come online.	Good level of staff to support implementation and monitoring. Key technical and management staff posted outside T-L	Development and monitoring of annual performance matrix with quarterly targets. Disbursement delays due to procurement bottlenecks and low public procurement capacity	Strengthening of Public Financial Management, use of independent international auditing companies. Evaluations show strong WB performance.	Budget and policy dialogue, Bank monitoring of Action Matrix, Sector work (power, oil fund, fin'l mngt), joint missions. At govt request, focus increasingly on policy dialogue as oil money up. Strong donor commitment to coord.	Strong contribution to PFM but limited impact on service delivery capacities. Insufficient attention to building public procurement capacity.	Critical budget support for key social services. Impact undermined by current political crisis.
Holst + Reform/ WB&G	Holst set up Oct 1993, approved April 1994. Funds here and Reform fund largely as expected and on time though lately political issues	Low field presence at beginning, building up overtime.	Holst fund began disbursing after six months. Regulations had to be developed as this was first Bank fund of its kind. Once Monitoring Agent in place and financial mngt system of PEC DAR approved, funds flowed well.	Use of Monitoring Agent for Holst Fund. Bank finance monitoring of Reform Fund.	Budget dialogue in both Funds, dialogue on Reform agenda - Bank monitoring and evaluating prior actions.	The fund supported and strengthened Pal Authority, building capacity through budget support mechanisms	Has provided critical budget support for key social services, especially in health and education.

16. The *staffing* of MDTF Secretariats has been an issue. The Bank uses a combination of own and externally recruited staff. This has had consequences for the speed with which staff have been in place, and staff knowledge about how to manage the MDTF, particularly during the start-up phase (discussed earlier). The Bank has also hired staff on contracts outside the MDF Secretariat for tasks that can be considered part of the MDTF Secretariat. The typical case is as Monitoring Agent for budget support supervision. The UN has generally avoided these problems by using own staff or hiring new staff as UN personnel.
17. If the Bank already has a presence on the ground, the MDTF Secretariat has benefited considerably from this. In MDF/Indonesia, the Bank office has its own trust funds administrator (in addition to the MDTF, the Bank in July 2006 had 127 other trust funds operational in Indonesia) who was of great help to the MDF staff. In Afghanistan, the Bank faced major delays in its general lending program and put in technical teams on accounting, disbursement and procurement that also helped the ARTF get off the ground.

Box 10.1: World Bank Human Resources Challenges

A Bank study on programming in fragile states (see footnote 14) noted some of the staffing challenges it faces. The study notes that the Bank's current field presence does not reflect the increased priority being given to fragile states. Research indicates that in fragile states, the amount of supervision is critical to the achievement of development results. However, the Bank now undertakes less, not more, supervision in these high-risk environments.

Effective field presence and detailed country knowledge are important in the difficult environment of fragile states, to enable strong dialogue, capacity-building, and donor coordination, and to mitigate fiduciary and reputation risk. However, 71 percent of fragile states have either no internationally recruited staff (IRS) or only one IRS placed in the field. Most fragile state situations, therefore, can benefit from stronger support in the field.

Existing Bank human resource policies do not reflect working conditions in post-conflict environments. The Bank finds it difficult to attract top performers to these environments, given family concerns and career development issues, and the Bank does not have a roster of qualified staff that can be posted quickly into MDTF operations, either internally or externally.

As noted in footnote 14, a set of proposals on how to address these short-comings will go before the Bank's Board early 2007.

18. *Funding approvals and disbursements* constitute one of the most difficult issues. For budget support, the Bank has largely relied on discussions on the national budget and development plan as the first criterion for releasing funds. The second criterion has typically been the approval of the government's public finance management system and the plans for its improvements. This has been linked with intensive oversight and monitoring. While the governance situation when budget support began was very weak (Afghanistan, Timor Leste, WB&G), the political will to reform and perform was strong. Once compliance systems were in place (such as the use of Monitoring Agents), approvals and subsequent disbursements happened at an admirably fast pace.
19. When it comes to *project* approvals and disbursements, a number of factors come into play. If the projects are on-budget and the projects already have implementation and disbursement procedures resolved (co-financing on-going

IDA and KfW projects in Afghanistan), and/or the government has agreed flexible implementation arrangements (TFET/Timor Leste, ARTF/Afghanistan for the community based projects), approval and disbursement has been quite fast. If the projects are new and thus need to go through the normal budget process, serious delays have occurred (the first MDF/Indonesia projects). Within the same fund, differences have occurred as a function of which government office is the counterpart, how good the ministry-specific systems are, and how well the ministry is prepared to implement according to agreed-upon guidelines (ARTF/Afghanistan).

Box 10.2: Terminology

Some expressions used in connection with MDTFs are applied in slightly different ways. The usage in this report is given below:

Fiscal Agency (Agreement): This is when the Bank as Administrator of an MDTF receives funds from donors but transfers them to another agency that assumes full fiduciary responsibilities. This is a "pass-through" arrangement, such as where funds pass through the ARTF to the Law and Order Trust Fund (LOTFA) in Afghanistan, which is managed by UNDP. This means that the Donor Agreements between the Administrator and the Donor explicitly notes that the Administrator is only a Fiscal Agent and will pass on the funds to the actual fiduciary agent, where the latter provides all reporting and management of the funds. The Administrator hence provides no assurance on how the funds will be used. The reason for such an arrangement is to simplify the transfer of funds for the donor, where one share may be for the MDTF itself and another share for pass-through to the other fiduciary agent.

Partner Agency (Agreement): This is when the Bank as Administrator²³ transfers funds to an organization that assumes the fiduciary and management responsibilities using its own rules and procedures. The Partner Agency will thus manage the funds and activities, but its rules and procedures must be approved by the Administrator because the Administrator retains the overall monitoring and reporting responsibilities, so accountability for funds use is shared. The main reason for this arrangement is to provide possibilities for several agencies to implement activities together as partners, but also provides an option in areas where the Administrator's own mandate or procedures may limit efficiency and/or effectiveness.

Channels: This refers to the different modalities in which MDTF funds are transmitted to the activities to be supported (these are called "windows" in the ARTF). The common channels are described in section 10.3.5, including Fiscal Agency and Partner Agency arrangements.

20. If the projects are off-budget, one issue has been the Administrator's ability to ensure fiduciary management. For UNDG ITF, this has been resolved through the inter-UN agency agreements. For the Bank, if it is not itself or another lending institution like the Asian Development Bank (ADB) that is the Partnering Agency for the implementing body, there have been major time delays to get legal agreements and, fiduciary arrangements in place (MDRP/Special projects, MDF/off budget projects). The country cases show that

²³ Both the Fiscal and Partner Agency Agreements assume it is the World Bank that is the Administrator, because the Bank as non-implementing body may face limitations when it comes to off-budget project support, and its mandate limits its ability to directly fund activities such as in the security sector. When the UNDP is Administrative Agent, it is more difficult to imagine situations where it might wish to have the World Bank take on a Partner Agency role, and so far at least this has not occurred.

the *internal* processing of project proposals by the MDTF bodies have been efficient. It is project preparation, proponent appraisals, government procedures, and the approval of formal agreements like for Partner Agencies that are bottlenecks.

21. *Fiduciary management* covers primarily the accounting, disbursement, audit and procurement oversight functions that the administrators use. For budget support, the Bank has relied on contracted Monitoring Agents, who have played an important role both in quality assurance, verifying and controlling disbursements and expenditures, and also in building capacity – systems and skills – in core ministries (ARTF/Afghanistan). For project monitoring, several innovative steps have been taken. The MDF has developed a three-tier anti-corruption program, and in addition has a local ombudsman that allows local stakeholders to record documented or suspected cases of resource abuse. But fiduciary management is a challenge in Iraq due to the inability of independent external actors to verify, though the Bank has hired a local Monitoring Agent that has received positive reviews, and the UNDP is similarly relying on local skills and its on-the-ground network to carry out these tasks.
22. *Coordination and Policy Development*. Policy dialogue has the greatest impact where budget support is provided since the dialogue encompasses national development priorities. The public budget is the focus, where macro-economic stability, resource allocations across sectors, sector policies (such as health, education), own resource mobilization and growth strategies are on the table (Afghanistan, WB&G, Timor Leste). With project funding, the dialogue is restricted to sector level (Timor Leste several sectors), cross-cutting issues (timber/environment in Aceh, gender in MDRP), or remains at the level where the project itself is situated, though this can be important enough (micro-finance, National Solidarity Program in Afghanistan).
23. The link between project support and sector policy dialogue is greater when the project is on-budget since it is then possible to discuss the framework conditions under which the project will be implemented. This is really only meaningful when the government is involved. Small-scale off-budget projects will tend to be less policy-leveraged because the actors involved in implementation, such as local CSOs or local authorities, have little ability to "scale up" or transmit "lessons learned" to a wider context, much less enforce changes to overall framework conditions.
24. In the Iraq context, the IRFFI structure in principle provides for sector policy dialogue and coordination between all parties involved. Given the situation on the ground, the actual performance so far has been limited.
25. *Coordination* of activities and information among donors within an MDTF is good, and funds are increasingly inviting in other stakeholders as well. The spill-over coordination effects are not well known, but generally appear weak, though in an information-poor environment MDTFs often represent the best or only coordination mechanism on the ground.

26. *Capacity development and target beneficiaries* were discussed in chapter nine, and the table simply tries to summarize the rather limited observations that can be made along these dimensions.

10.2.1 General Observations

27. Of the eleven funds, ten are managed by the World Bank. Among the Bank administered funds, budget support seems to perform better than project financing. This is presumably due to the greater complexity involved in on-budget project implementation. While budget support relies on the core tasks of a ministry of finance – normally among the best staffed, led and equipped public bodies – project financing involves at least one line ministry, and may also cover regional and local administrations. In a post-conflict situation this means that capacities for decision-making, implementation, coordination and monitoring have to be built throughout the administrative chain.
28. In Afghanistan, where the ARTF covers both budget support and project financing, the much larger budget support component is doing well, while some projects met problems. The first projects were co-financing arrangements and thus benefited from project management and disbursement systems being in place. Some of the subsequent projects took longer because management teams and systems had to be established, and some of the capacity building projects were not well designed. In WB&G, the Holst Fund experienced initial delays with both budget support and project activities, largely because it was breaking new ground in both areas. Budget support has since then performed as expected, and the MDTF's flexibility was shown when it was able to quickly fund emergency activities in response to Israeli closures. The more recent funding problems are due to the deteriorating political and security situations and not the MDTF itself.
29. MDF/Indonesia faced major hurdles to begin with: the on-budget projects were delayed because the government did not process the required budget execution documents. The subsequent off-budget projects required considerable legal work to get grants agreements in place. While the first problem was government's responsibility, the second was a function of Bank procedures and the lack of knowledge of how to address them initially. These problems were solved due to hard work by the Secretariat, strong support from the Bank's Country Director who is resident in-country, the pressures and support from the international community, and the government finally resolving the payments issues and providing the necessary capacity. The strong Bank presence on the ground also was critical for the projects to move. Once these bottlenecks were addressed, disbursements began in earnest, but only about nine months after fund start-up.
30. In the MDRP/Greater Lakes, the Bank has largely been successful with its support to the national DDR commissions and the larger-scale financing of demobilization and reintegration packages. But the small-scale Special Projects have come in for considerable criticism. The issue was partly getting implementation agreements in place, and partly complaints by partners on the

ground that the Bank's quality demands were unrealistic given the need for speed, the size of the projects, and the circumstances under which they were being implemented²⁴. One issue was if the Bank had enough field presence to make the right decisions fast enough. Another was the Bank's commitment to national ownership in the face of weak capacity to take decisions. The result was that government-led committees that were to give approvals on project proposals caused some major delays.

31. The performance of the two Sudan MDTFs has been controversial. A number of factors have contributed to the lack of progress (see Annex F). On the side of the Administrator, the lack of a clear and continuous Bank presence on the ground with staff that are trained in Bank rules and procedures and able to find flexible solutions has come up as a key concern.
32. The UNDG ITF is the only UN managed fund, with UNDP as Administrative Agent. Projects are largely implemented directly by UN agencies or by local partners including public bodies²⁵. Since it does not channel through the public sector, the UN is not dependent on public finance management and other state administration systems and capacities. The portfolio contains about 100 projects with an average budget of USD 8.4 million, while the ten government implemented projects in the Bank ITF portfolio are on average five times larger. In a situation of rapidly deteriorating security and reduced ability of the public sector to deliver, having a portfolio of smaller projects that is more widely dispersed in terms of sector and regions permits more implementation flexibility, and has allowed the UNDG ITF to disburse at a very high rate (with the caveat noted in footnote 15). This may in principle be a good risk management strategy. The Bank's reliance on the public sector in the context of deteriorating security with knock-on effects on political will and public sector capacity means implementation of the Bank portfolio faces major hurdles.
33. What is missing from this overview is a more in-depth analysis of the portfolios, including the key projects where project funding is important. This task was not included in this review, partly for time/capacity reasons, partly because some of the MDTFs do not yet have results to point to. There is, however, increasing information available. The ARTF and MDRP have had independent mid-term reviews while one is now being prepared for the MDF. The Angola program and the MDRP special projects have been reviewed, many of the activities in the Palestinian territories and Afghanistan have had external assessments done. An internal Bank audit was done of the ARTF/Afghanistan while external project audits are largely carried out on an annual basis, and the Bank's project

²⁴ As of 30 June 2006, the MDRP MDTF had disbursed about USD 47 million to the Special Projects.

²⁵ The UN, as a matter of policy, is moving more and more towards what is called "National execution" (NEX), which essentially is on-budget support. In post-conflict situations, the tendency is still to do direct execution (DEX), largely because local capacities are seen as so weak that results cannot be produced in a timely manner. If capacity development is not the main objective but providing services to the beneficiaries is, DEX is therefore usually chosen.

databank has a number of project assessment reports. The UNDG has carried out a review of its Iraq portfolio, and a larger joint donor review of all support to Iraq is underway. The empirical foundations are thus rapidly improving, and it is clear that such analyses need to be done, because it is primarily the results from MDTF funding that will justify the costs and effort of using this mechanism.

34. While there is considerable "user satisfaction" on the side of host governments, there is still a need to look at performance of MDTF activities compared with activities funded on the outside of the MDTF, an analysis that could be done in a number of countries.
35. There is also a need to see if there are particular areas where an MDTF has a comparative advantage. It has been argued earlier that capacity development of the State may be such a core MDTF task. This question is important for the discussions regarding which needs identified in a PCNA that an often-times limited MDTF ought to focus on.

10.3 MDTF Design Elements

36. From the MDTFs reviewed, there are seven elements that appear as important for the design and effectiveness of MDTFs: (i) objectives of the fund, (ii) the governance model, (iii) the role of key stakeholders, (iv) the Administrator of the fund, (v) the structure of the fund model, (vi) channels used for the delivery of MDTF resources, and (vii) the range and eligibility of potential implementers.

10.3.1 Objectives of the MDTF

37. Given the needs identified in the PCNA, the design of the MDTF should clarify what the objectives are, the priority activities that the MDTF can address when comparing with the needs and resources and activities of other actors (to the extent known) and how best to achieve them. As noted in section 10.1.1, the typical needs in a post-crisis situation would include at least one and sometimes all of the following: (a) delivery of basic services, (b) recovery and reconstruction of infrastructure: investments in social and economic infrastructure, and (c) capacity development with focus on (re)building the state.
38. These needs are often defined into separate programs, each with its own objective, because they have different target groups, different time horizons, different instruments of intervention.
39. In terms of priorities, a post-crisis situation often presents the parties with dilemmas: it simply is not possible to do everything at the same time. Both in a post-disaster and post-conflict situation, the most *urgent* need is often service delivery: providing the needy population with the basics, either to cope with the consequences of the natural disaster, or provide a visible benefit to the end of the conflict ("the peace dividend").
40. Service delivery has tended not to be the priority focus for MDTFs, however. Rebuilding the state, both in terms of its operations and developing its

capacities, have been addressed by five of the funds looked at above (Holst & Reform in WB&G, ARTF/Afghanistan, TFET & CSP-TSP/Timor Leste. In addition CBTF/Sudan and AIAF/Afghanistan are also state-building). All the other Bank managed funds have provided on-budget financing and thus were building government legitimacy and leadership, though the funding has then been used to address the critical service needs by funding social sector services and the rebuilding of infrastructure.

41. Whether direct service delivery or infrastructure investments is the second most important task depends on circumstances, the needs identified in the PCNA and the role the MDTF is to play within in the overall reconstruction effort. However, most MDTFs address both service delivery and infrastructure investments. While some MDTFs have service delivery as a second order priority at the outset (TFET/Timor Leste, MDF/Indonesia, Iraq ITF, Sudan MDTFs), they eventually support such services through policy dialogue and/or project financing. If it is possible for an MDTF to channel resources that complement own efforts at local level (NSP and NEEP in Afghanistan, UPP and KDP in Indonesia), these activities should be given high priority by an MDTF, again because of the visible and early benefits to large population groups. This also contributes to the MDTF priority of re-establishing the stability and legitimacy of the state.
42. When looking at MDTFs, it is therefore useful to think in terms of "first round" and "second round" effects. Since most MDTFs are Bank-administered on-budget financing, direct service delivery becomes a "second round" effect. Some of the discussions (and criticisms) of MDTF performance should therefore probably look at the "value chain" of the MDTFs from this perspective. Questions that need to be addressed include what the primary focus of the MDTF should be (what are other actors doing, or what should other actors do, given comparative advantages)? What should realistically be expected of an MDTF against the three needs once a choice has been made on funding channel and Administrator? What are the trade-offs, how can they be handled, and is it poor handling of trade-offs that is at issue, or unrealistic expectations?

10.3.2 MDTF Governance

43. One of the differences across MDTFs has been the principles and structure of governance (see chapter 4). There are several tasks that MDTFs have been asked to address: setting overall priorities for MDTF funding (policies and guidelines); donor coordination; policy dialogue with the national authorities; contributing to the national policy dialogue; deciding on the allocation of MDTF resources; technical approval of projects; ensuring the information flow between stakeholders on MDTF operations (communication strategy); monitoring and oversight functions; financial management and accounting of the MDTF funds and ensuring that all necessary legal and other documents are prepared and kept. These tasks can be grouped into four categories: (a) policy dialogue, within the MDTF and in relation to other actors (national authorities, other donors, other national stakeholders); (b) resource allocation decisions; (c) activity

approval (technical vetting before a resource allocation decision can be taken); and (d) secretariat services.

44. The four categories of activities lead to a proposed MDTF governance structure discussed previously: (i) an *MDTF Council* where general policy and guidelines are discussed in as inclusive a group as is seen useful; (ii) an *MDTF Management Committee* that is the resource decision making and monitoring body; (iii) an *MDTF Project Committee* if project financing is involved; and (iv) a *Secretariat* that should service the other three tiers of the structure.

MDTF Council

45. The MDTF Council sets general policy. In a situation where national authorities provide clear leadership, the MDTF should take guidance from them and simply identify and adjust the MDTF's response. There needs to be an agreement on the role of the national authorities within the MDTF Council. However, the principle of national ownership should place them in a prominent leadership role.
46. There may be situations where clear national authority does not exist, such as when a transitional government is not well established (South Sudan or Iraq) or when national development have not yet been defined. Under these conditions, the MDTF Council may have to play a more robust role in identifying priorities, based on whatever instruments are in place, such as a PCNA, and the principles on which the MDTF has been established, including the Paris Agenda for Aid Effectiveness and the DAC Principles of Engagement in Fragile States. The MDTF Council should work during this period to strengthen national authority, and take account of its priorities as they are established.
47. MDTFs have been faced with demands for addressing other issues. If *donor coordination* is a concern – and in all contexts seen so far, it is – the parties should discuss whether coordination should be part of the mandate of the MDTF Council. It must also decide if coordination will take place just between contributing donors, or if the Council will be mandated for broader coordination between the MDTF and non-contributing donors. If the latter is the case, then non-contributing donors should also be given a role on the Council. Resources must be set aside to support this function (additional staff and funding in the Secretariat), but there should then also be a commitment by all donors to provide basic agreed-upon information that will enable the MDTF to actually perform this task.
48. If *national policy dialogue* is an issue, the MDTF Council could possibly facilitate the process. In principle, policy dialogue should be held outside and above the MDTF structure and be more broadly inclusive. However, there are situations in which the MDTF will be the only forum for exchange and coordination between a new government and the international community. If such an incipient national forum needs support, the MDTF might be the most logical source for the process to begin. Again, this would require that the MDTF stakeholders are willing to commit the necessary resources.

49. Every time the MDTF Council takes on a new role/dimension, the internal discussions will tend to become less focused and efficient. In order to enable the Council to fulfill its key functions, various organizational solutions can be found, using sub-committees or few but well-planned larger deliberative events. In a weak governance environment, the MDTF may be the only possibility for continuing and developing the dialogue between key actors, and the international donor community should take on the costs of this. Keeping the organizational response as simple as possible, the MDTF Council may be the best venue, as it is the one place that key actors have already agreed to meet.

MDTF Management Committee

50. The MDTF Management Committee is the resource allocation body. The Committee decides on the structure and funding of the MDTF portfolio. This is a forum that formally takes decisions and, therefore, must distinguish between voting and non-voting members. Normally voting rights are reserved for the contributing donors. Increasingly national authorities have also been giving voting rights.
51. On several occasions donors have noted the need for a forum where they can discuss issues like government policy without national authorities present. This can be addressed through structuring different meetings, organizing sub-committees etc. This is in any case not an issue that requires formal votes, so is not an issue as far as voting is concerned.
52. Since all funding proposals must normally come from the national authorities, questions have been raised whether they should also be allowed to sit on the donors' funding decision forum. However, in line with the move towards sector and general budget support funding, this kind of partnership dialogue is seen as an additional way of getting ownership and leadership to the program approved.
53. The difficult environment means that the conflict assessments and other information need to be taken into account by the Management Committee when making decisions – and when considering reversing decisions if the situation is seen to require change.
54. This requires active donor preparation and contribution to Management Committee activities, which can be quite time demanding. One comment from several MDTFs is the differing but generally limited amounts of staff time that bilateral donors allot to MDTF business. On the other hand, when donors get actively engaged, they also tend to bring bilateral concerns to the agenda. There has been a tension at times between the desire to be efficient and focused on delivering MDTF decisions, versus ensuring that sustainability and distributional impact will be as expected through including key cross-cutting concerns such as gender, environmental safeguards, etc. These are issues that the Management Committee itself will have to decide and clarify, but where trade-offs between efficiency and effectiveness should be discussed in light of the urgency of the matter: efficiency is more important for service delivery, probably less of a concern on capacity development where effectiveness is the major concern.

MDTF Project Committee

55. When the MDTF provides project financing, a major problem has been time spent discussing and approving individual projects. UNDG ITF solves this through its Cluster system, and MDF/Indonesia by having Technical Review committees. The idea is that project proposals should be addressed in smaller, more technical bodies that can be convened on an as-needed basis rather than go directly to the Management Committee. The Project Committee may therefore not be a fixed body, but one that can be constituted based on sector and interest (the MDF sends out invitations to all members – those who have the time and are interested show up). There should be a minimum level of participation – among others from the Government, Administrator and proponent – that ensure issues will be addressed in a balanced manner.
56. In order for the overall system to operate as desired, there need to be rules concerning the degree to which the Management Committee can question the findings and recommendations from the Project Committee (there were concerns that the MDF Steering Committee at times went back to issues already addressed in the Technical Review meetings). There should be a simple rule book or Operations Manual that lays out the basic structure, criteria for project selection, the steps in the project cycle, etc, to make the planning, appraisal, approval, and monitoring steps as transparent as possible. Related information can also be posted on MDTF websites.

MDTF Secretariat

57. Chapter 6 section 4, "Establishing MDTF Procedures", has as its first sub-point "MDTF Secretariats". The need for job description, the different professional profiles required, the changes over the lifecycle of the MDTF, and – in the case of Bank-administered funds – the balance between Bank and non-Bank staff are discussed.
58. When different tasks are being assumed either at Management Committee or in particular at Council level, the implications for the number and skills required in the Secretariat needs to be spelled out and the financial consequences verified and agreed to. The basic message from the donor community is that it is willing to pay for additional services as long as they have been defined and agreed to. In the case of the MDRP/Great Lakes, the Secretariat is now providing technical skills and advisory services to national DDR bodies, which are well beyond what a secretariat in principle would be expected to deliver – but which in this context is seen as an important value-added component that the parties want.
59. Risk analysis/risk management literature notes that uncertainty and risk is greatest during the initial phase of an activity. Management bodies should therefore staff up to handle the unexpected early on, since one rule of thumb is that 90% of the problems can be identified by the time 10% of the task is done. This means that it is important that MDTFs are given access to the senior skills they require during the early phase (not necessarily field-based, but accessible), and that it is not good risk management to keep staffing costs down to begin

with. Staff costs can instead be reduced as tasks are standardized and streamlined.

10.3.3 Roles of Stakeholders

60. There are five stakeholders an MDTF needs to consider: (i) the national authorities and other national parties in a peace process; (ii) the donors; (iii) the Administrator; (iv) implementing bodies; and (v) other national stakeholders not signatories to the peace instrument, but who have an important role in legitimizing or consolidating the process (beneficiary groups, civic organizations and the private sector, among others).

National Authorities

61. The national authorities should normally be direct members both in the Council and the Management Committee. The exception may be if the post-conflict situation remains so contentious that having the national authorities, as one party to a peace process or continuing dispute, on an MDTF decision making body may exacerbate tensions rather than reduce them. At the same time, not having them on the MDTF body may contribute to undermining the legitimacy of whatever national authority there is, so the MDTF partners need to consider the alternatives carefully, and adjust as the situation may change.

Donor Community

62. The donor community would normally be invited in on Council deliberations, and those contributing to the MDTF itself would also have votes on the Management Committee²⁶. The key issue is if the Council is to have some kind of donor coordination role, and how that is defined to be operationalized (chairing different kinds of sector meetings, distributing information on donor contributions and disbursements by sector or project, collecting and distribution structured overview data, etc), how far donors are willing to provide information, and to what extent the MDTF will be used for coordination beyond MDTF funds use.

Administrator

63. The Administrator will be addressed in the point below. One issue in this connection has been raised before (see chapter 4): the need to ensure that possible conflict of interest questions have been addressed, and that the Administrator is seen to handle its different roles in a transparent manner.

²⁶ There are different rules for voting rights. In some one-time contribution funds, a minimum of USD 10 million has been used (MDF/Indonesia), while more continuous ones require for example a minimum of USD 5 million each year (ARTF/Afghanistan). In some funds, there are two seats that can be shared among donors who alone do not fulfill the minimum requirement.

Project Implementers

64. Project implementers should only interact with the Project Committee, and otherwise would have no particular role in either the council or the Management Committee. The exceptions would be where national actors – NGOs, advocacy groups – might be contracted to implement a project but also have a legitimate voice in policy discussions (the Council in some format). As long as they are not also in the Management Committee, deciding on allocations, there should be no role conflict. The key challenge here may be the UN system, if it both attends Management Committee meetings and also can be a project proponent or even a Partner Agency.

National Stakeholders

65. National stakeholders may cover a wide range of actors: actors in the peace process, actors marginalized by the peace process (legitimate actors but who did not participate in armed struggle and thus are not around the table, for example), intended beneficiary groups, advocacy and professional groups, the private sector, community and religious organizations, etc. Normally an MDTF should not have to engage with such a wide group, especially since the MDTF represents such a small share of donor support. However, there may be no alternative meeting arena for legitimate but conflicting views on key national issues that may affect MDTF actions and decisions. The breadth of inclusion, and the intensity of it (how often and in what ways should actors be invited) is something to be decided in each case. Taking on such a task carries with it considerable costs and risks. Process intensive facilitation may be critical to a peace and reconciliation process, but requires considerable resources, and the MDTF Secretariat would require specific resources/skills to address this.

10.3.4 Choice of Administrator

66. The Administrator is selected by key stakeholders, usually the government or conflict parties in consultation with the donors. The choice of Administrator has significant implications for MDTF operations because the Administrator's own capacities, procedures and commitments have been seen to be an important factor in MDTF performance.
67. There are two sets of factors considered when deciding on Administrator. The first is the relevance of the organization's mandate, procedures, capacities and resources to the context. Table 10.3 provides an overview of the UN and World Bank mandates and their relevance in these situations; the organizational skills, capacity and experience to address post-crisis situations; management and staff resources available; relations to national actors and the donors in terms of ensuring MDTF performance. These are factors many stakeholders have mentioned they consider in these circumstances.
68. The immediate perception is that the UN, because of its mandate and permanent presence, would appear a logical key actor in any post-conflict situation, including as MDTF Administrator. The other, however, is that the Bank has

more of a presence and capacity than some at first would have thought, in part due to the increased attention the Bank is paying to fragile states.

69. The other set of factors relates the MDTF to the larger context in which it is contributing, and thus the role of MDTF Administrator is seen in light of this. As noted previously, the concerns here are the extent to which the MDTF Administrator can contribute to the larger policy and economic development issues: stabilization of the economy and promotion of broad-based growth; the ability to mobilize additional resources in the medium to long term; the contribution to rebuilding the state and in particular the core public administration systems and capacities; the own capacity for policy and analytical work; convening power among donors and key government actors; and finally to larger good governance oversight and control functions. Linked to this last point is the immediate concern of the donors regarding own fiduciary management – the ability to address resource abuse.
70. Given this set of concerns, the Bank has been the preferred actor. And because these "larger picture" issues are seen as more important for the longer-term development of the post-conflict situation, the Bank has been the organization that has ended up being requested to take on the Administrator role most often.
71. On the fiduciary management side, both the UN and the Bank have good and transparent systems. The difference is that the UN in post-conflict situations will do a lot of direct implementation and thus applies its systems directly: it carries out procurement, does the accounting and audits in-house, and can thus fully account for the resources. The Bank, when providing on-budget support, will track the resources through the public sector management system, and thus contribute to building the longer-term capacities, control systems, etc. There is therefore a key capacity development "value added" from the Bank applying its fiduciary standards to the government systems in these situations that host governments in particular have pointed to as valuable. In low capacity contexts with urgent needs, this may be offset by the UN's ability to be more flexible.
72. Other actors could also be Administrators: (a) national governments, (b) regional development banks instead of the World Bank, (c) private firms. – If the national authorities have the political will, the capacity to deliver, and the credibility vis-à-vis the donors in terms of prioritizing correctly and managing the resources responsibly, they would in fact be the preferable Administrator, from an ownership/leadership perspective. This option is in part implemented in Lebanon, where the UNDG is providing assistance to efforts largely defined by the Government. – With regional development banks, the challenges would be similar to those faced by the World Bank. Since no cases of regional banks taking on this role exist, there is no factual basis from which to draw conclusions.

Table 10.3: United Nations and World Bank as MDTF Administrators

Area	United Nations	World Bank
Mandate	<p>Primary responsibility for international peace and security.</p> <p>Work across the full conflict spectrum, from conflict prevention and resolution, to humanitarian assistance, peacekeeping, peacebuilding and development.</p>	<p>Work in the recovery and development phases of post-conflict situations.</p> <p>Set in context of growing program to support Fragile States</p>
Organiz'l capacity to address post-conflict issues	<p>On-the-ground staff, familiar with country situation, often involved in peace process.</p> <p>Decision-making authority largely delegated to the field – UN ResCoord or SRSG and agency heads.</p> <p>Operational procedures in place appropriately flexible and known by Secretariat staff</p> <p>Units at HQ provide support to field operations.</p>	<p>Variable presence on the ground, though significantly up in several cases over last year. Some cases, though, no active lending program and years since previous engagement with country.</p> <p>Secretariat mix of Bank, secondment, and externally recruited staff. Tend to be motivated, high performing but often lack knowledge of WB procedures.</p> <p>Operational procedures not well adapted to situation, need senior skills for efficiency.</p>
Management	<p>Multiple roles: (i) supporter of peace process, facilitator, (ii) partner to government, adviser, (iii) defender of UN Human Rights, other international standards, as such must hold authorities accountable, (iv) head of development agency that must get program approved by gov't, (v) funds mobilizer with donors ⇒ potentially conflictual roles vis-à-vis several actors.</p> <p>Field management must balance several concerns, no single bottom line – simply moving processes along often primary.</p>	<p>Business model remains to deliver results according to normal Bank results thinking, though with more attention to capacity development – the basic concern is derived from "fragile states" thinking.</p> <p>Management, senior skills sometimes at HQ so then not always accessible.</p>
Own Staff	<p>Field based, direct hire by UN, with field-incentives.</p> <p>Most UN agencies specialized in field operations. Have appropriate human resource and benefits policies.</p> <p>Career usually helped by post-conflict experience. Recognized in personnel evaluations.</p>	<p>WB has limited skills pool for work in post-conflict field operations, fragmented organizationally within Bank. Many have UN background. No defined career path in Bank for post-conflict staff.</p> <p>MDTF project managers may or may not be field based; usually have other country programs; post-conflict seldom key area of concern, experience.</p>
Own Procedures	<p>Flexible procedures adapted to conflict and post-conflict situations. Standard cross-UN agency agreements. Can do direct local procurement, can accept various forms of earmarking of funds. Flexible project document requirements.</p>	<p>Procedures that can be flexible in post-crisis situations, but requires experience to apply this flexibility. Decisions pushed lower down and made faster, but quality-at-entry still concern, leading to considerable <i>ex ante</i> checks rather than <i>ex post</i> verification.</p>
National partners	<p>Works with state for approval of overall program. Can implement directly or through state mechanisms as required. Otherwise works with public administration at all levels, other UN agencies, CBOs and NGOs without major problems.</p>	<p>Focus on state at national level but also work at lower levels of public admin.</p> <p>Some costs working with UN, major costs working with NGOs. Bank prefers NGO collaboration managed by the public sector, therefore sensitive to state views.</p>
Program	<p>Project portfolio mix of sectors, size, time horizon, implementers, and differentiated relations to state organs. Experience in managing off budget MDTFs, but less experience in managing MDTFs that channel large funds on-budget.</p> <p>Portfolio flexible, possible to adjust, less risky, but can be seen to be unfocused.</p>	<p>Experience in managing MDTFs with on-budget channeling for both budget support and project financing. Also some experience with off-budget project funding. Project portfolio generally larger-scale programs: social sector development, CD in public sector, public infrastructure.</p> <p>Time horizon is medium to long term.</p>

73. The idea of using a reputable international firm has been floated, such as one of the major audit companies. This seems a less ideal choice, partly for possible commercial conflict of interest reasons, but primarily because there would be a lack of political acceptability by some actors in what is a highly political situation.

10.3.5 Channels for MDTF Financing

74. MDTF resources have been delivered through different channels: (a) on-budget budget support, (b) "off-budget budget support" (a rather confusing concept explained below), (c) on-budget project support, (d) off-budget project support, managed by the Administrator, or (e) managed by another agency through a Partner Agency arrangement, or (f) through a simple pass-through mechanism, the Fiscal Agency agreement). Individual MDTFs have used more than one channel. The ARTF uses three: (i) budget support, (ii) on-budget project funding, and (iii) Fiscal Agency agreement with UNDP, where the Bank passes the funds earmarked for the LOTFA straight through to UNDP (which has chosen to set up the LOTFA as a separate trust fund rather than handle the funds as an individual project). MDF/Indonesia has also used three channels: (i) on-budget project support, (ii) off-budget project support with IDA itself is Partner Agency, and (iii) off-budget project support through Partner Agency agreements with UNDP and WFP²⁷. The MDTF model has hence proven its flexibility and adaptability: the MDF/Indonesia moved from the on-budget to the two off-budget modalities, and has moved back again to on-budget support as circumstances warranted.

On-budget Budget Support

75. This is the simplest channel, where resources are transferred directly to treasury. Budget support can therefore be used to cover all needs – service delivery, infrastructure investment and capacity development.. The prerequisite is that the national authorities have a national development program that the donors support, making this assistance in line with the Paris Agenda. The Bank has a "comparative advantage" in this channel since this is the familiar modality for Bank lending.

"Off-budget Budget Support"

76. This is, for lack of a better term, the situation where a UN agency has funded direct government expenditures but using its own administrative systems. In the cases of AIAF/Afghanistan (UNDP) and CBTF/South Sudan (Unicef), the funding has been for core public sector expenditures, such as payroll and basic operating costs, but where the normal public instruments are not yet in place. UNDP thus had to help establish the civil service payroll in Afghanistan, and

²⁷ As discussed in Annex E, in the end what was signed were project-specific agreements rather than general Partner Agency agreement.

provide direct payments, particularly outside the capital, in the first period. Here the UN has the comparative advantage of being able to execute directly through its own organization and using its procedures, staff and infrastructure on the ground.

On-budget Project Support

77. The MDTF funds are provided to the national authorities against defined projects, which are to be implemented by government or at least under the responsibility of a public body like a ministry. In Afghanistan, all project proposals have to come from line ministries and, if approved, forwarded by the Ministry of Finance to the ARTF. For the implementation, the ministries can then select different modalities, such as use of NGOs, local administrative councils, private companies, or implement directly themselves. The projects have to go through a government planning procedure, however, which among other things ensures that it is considered priority by the national authorities, and that the ministry of finance has reviewed the future recurrent cost obligations as manageable, so that the financial sustainability has been addressed. Both the Bank and the UN use this modality without problems.

Off-budget Project Support – Two Alternative Channels

78. This is support that does not go through a public sector approval and registration process. That does not mean that it is necessarily outside the public sector, since the project may still be implemented by a public entity such as a ministry. But off-budget projects are typically ones implemented by non-public entities: NGOs and other civic organizations, international NGOs, directly by UN agencies, etc. The UN usually has a comparative advantage here because of its ability to implement directly, and the framework agreements it has in place for using other implementers.
79. Off-budget projects can be managed using the Administrator's rules and procedures, which thus is seen as one channel. Under Bank-managed MDTFs, however, the Partner Agency modality has been used, whereby most of the fiduciary responsibilities are transferred to another administrative agent such as the UNDP. Because of all the specific issues and transaction costs that appear with this modality, this study would argue that this should be considered as a separate channel.

Fiscal Agency Agreements

80. This modality is used when a donor wishes to channel to an existing MDTF but for a purpose that the MDTF cannot itself address. The only example so far is the LOTFA under the ARTF in Afghanistan, since the Bank as Administrator is prevented from providing funding for the police sector though this is clearly an important area. This channel may still be an interesting option in other circumstances, such as using the MDRP to also mobilize and funnel resources to security sector reform activities in the Greater Lakes countries. Having this possibility available thus provides further flexibility to the MDTF instrument.

10.3.6 MDTF Fund Structure

81. One question that has generated some debate is whether the international community should establish only one unified MDTF, or if two MDTFs may at times make sense. IRFFI in Iraq is the example pointed to for the two-fund model, though the simultaneous CFET-TFET funds in Timor Leste and the AIAF-ARTF funds are other variants. What makes the IRFFI case interesting is the formal policy coordination structure that was put in place. In the case of CFET-TFET there was no national authority to coordinate the two simultaneous funds, since Timor Leste was under UN administration. Instead there was a largely functional division of labor between them that defined their respective roles and hence need for funds. In the case of AIAF-ARTF, the parties had agreed to a sequential role, where the AIAF was to function only for six months, and where remaining funds at AIAF's closure were transferred to the ARTF.
82. Within each MDTF, the general rule is that the Administrator's rules and procedures are applied. As has been noted in the section above, agreements can be put in place that allow other agencies to take on *most* (Partner Agency) or *all* (Fiscal Agency arrangement) fiduciary and management responsibilities through these funding modalities (channels). All channel options are in principle available to both funds if a two-fund structure is established.

Unified Fund Model

83. The unified fund model is structurally the simplest (Figure 10.1). There is one set of rules that applies to policy-setting and funds-allocation. The Secretariat is managed by the Administrator, servicing all components of the MDTF (Council, Management Committee, Project Committee). If the Administrator also has full fiduciary responsibilities for funds disbursement, this simplifies overall management considerably. If all funding is for budget support, this would provide the lowest total transaction costs. On-budget *project* support would entail the additional costs of both project preparations and appraisals, and monitoring project performance that in part is dependent on line ministry and possibly sub-contracted implementers' systems and capacities. The only real complication is thus if more than one channel is chosen for disbursing the funds to the activities.

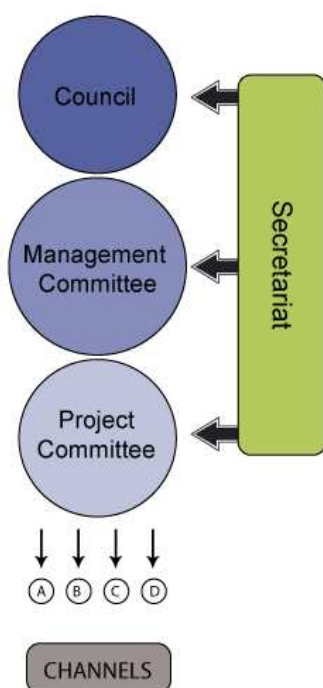


Figure 10.1: Unified MDTF Model

Two Fund Model

84. The IRFFI consists of two funds managed by the Bank and the UNDP on behalf of the undg, respectively. They apply their own rules and procedures internally but formally have a joint policy structure. This model ensures intra-fund efficiency since each Administrator can manage and disburse funds using own procedures. But there are several questions that need to be addressed regarding this model.
85. *The first question* is if it is more rational to have one MDTF with multiple channels, or two MDTFs, but each one most likely applying fewer and perhaps mutually exclusive channels (the Bank using on-budget modalities and the UN off-budget, for example). This question will to a large extent depend on what the objectives of the fund/s are. If all three key needs (basic service delivery, infrastructure investments, (re)building the State) are to be addressed by the MDTF, some actors have argued that the comparative advantages of the Bank and the UN in tackling these differ so much that it is rational to have two different funds with somewhat different objectives.
86. Some in the UN oppose this argument, because they do not want to be "locked into" a direct service delivery role, as they believe the UN has important functions also in the fields of infrastructure and capacity development. A different argument is that the UN's comparative advantage is its implementation flexibility – that it is better structured to handle quick-disbursing and smaller-scale projects that are off-budget. This is independent of the objective the project is contributing to.

87. Linked to this is the issue if it is more rational to have two different MDTFs that are *intra-fund* efficient rather than one MDTF with multiple channels. The answer to this depends in part on whether it is easier to move financing to the MDTF whose administrator can most directly disburse the funds, or if the intra-fund transaction costs of the Partner Agency channel has been brought down to acceptable levels. When UN agencies are Partner Agencies in a Bank-administered fund, two issues arise. The first is getting the formal agreements in place. The other is the UN's view that this arrangement does not represent a true partnership.
88. For the Bank and UN staff involved, the Partner Agency arrangements that were developed in Indonesia and Great Lakes were time demanding, somewhat *ad hoc*, and reduced the efficiency of those MDTF projects. The first steps towards global agreements between the UN and the Bank are being produced with the Financial Management Framework Agreement. But this needs to be expanded to cover other issues like procurement and other management and quality assurance dimensions.

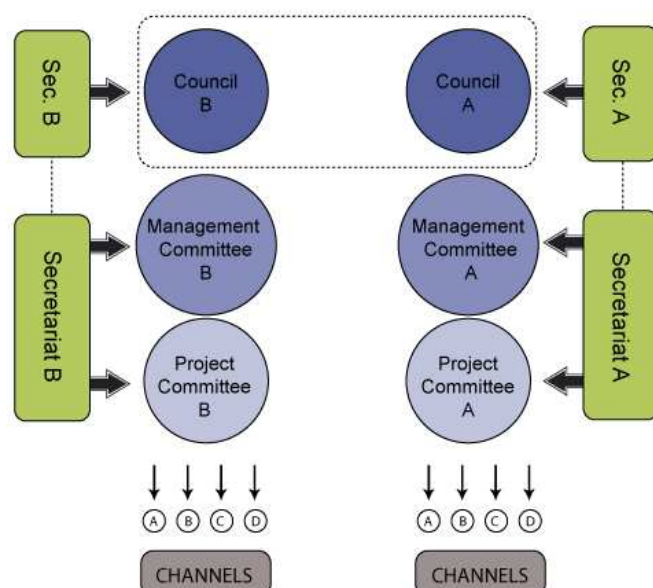


Figure 10.2: Two Fund Model

89. On the partnership issue, the Bank as Administrator retains the monitoring and quality assurance role, and the UN is thus accountable in some sense to the Bank. This comes up against two concerns. The first is a matter of policy: UN agencies are inter-governmental bodies that are accountable to their own Boards and in principle cannot be held answerable to external bodies like the World Bank. But there is also the question of pride and inter-agency competition,

where some staff in the UN are unhappy that MDTF-funded projects make them appear as sub-contractors to the Bank²⁸.

90. *The second issue* with a two-fund model is to ensure that *inter-fund* effectiveness is achieved. This in principle is to be handled through joint policy coordination – either with a formal joint Council, or through a clear division of labor between the two funds, or through the national authorities or some other coordinating body outside and above the two MDTFs ensuring the rational application of the two MDTFs' financing.
91. Figure 10.2 points to several other issues in this connection. With two funds, each one will need its own Management and Project Committees so donors may have to attend both sets (assuming that UN MDTF gets a structure more in line with that of Bank-administered MDTFs). The Council *may* be joint (the dotted line around the two Councils), where a joint Council should, in addition to the policy functions, ensure that the two Funds complement and collaborate and not compete and overlap. This means that the two funds administrators report to the Council, that the Council is the first point of discussion on Fund performance, that implications of possible changes in external factors are reviewed by the Council as well as each Management Committee. The Council may also make suggestions to the donors on shifting resources from one MDTF to another if priorities change. This provides a stronger operational role for the Council than in the unified fund model, so the Council must have its own Secretariat with own resources for activities such as funding conflict studies. Total secretariat costs as a share of MDTF resources may therefore increase. It also means that MDTF administrators face a dual reporting line, to its own management at HQ, and to the Council. This adds a complication to what is an already complex situation.
92. In order for a joint Council and its related Secretariat to function well, there must be clear leadership. Exactly how that should be addressed will have to be decided by the actors on the ground, but having two funds with different Administrators will not make the solution obvious. Having the national authorities take a stronger role would be the best since they should in any case be providing overall guidance. But in a weak governance setting, this is not a feasible option.
93. *A third set of questions* that have been raised with the two-fund model concern external costs. One is that the national authorities will have to deal with two sets of MDTF administrative procedures. The other is that the two MDTFs may compete against each other for the limited donor funding available.
94. The two Administrators should be able to minimize the overall transaction costs to the host country by agreeing on common and harmonized financial and

²⁸ This is not a universal reaction, and there are a number of examples of very good relations and mutual respect. But this is often a function of individuals and personalities, while some UN staff are concerned with the *structural* dimensions to the relationships in a Partner Agency model.

performance reporting, for example, and other issues where there are few if any differences of substance. Compared with the costs of dealing with many bilaterals directly, this is thus not a major issue, though it must be said that generally the MDTFs are *in addition to* bilateral programs rather than *instead of*.

95. Regarding possible negative consequences from competition for funding, so far this does not seem to be an issue. In Iraq, the increase in the funding of the UNDG ITF has not been at the expense of the Bank ITF but rather represents funds that otherwise would have been applied bilaterally – arguably an improvement. An argument in favor of two funds may therefore be that together they may be able to attract a larger *total share* of donor funds. Furthermore, the UN would in any case be present, so where there is a unified Bank administered MDTF, the UN is still on site and mobilizing donor funding. An advantage with the two-fund model is that there would be greater clarity and consistency in the fund raising and the overall transparency of funds use.
96. *A fourth set of issues*, however, concerns political reasons for two MDTFs, as was the case in Iraq. The government may want both the UN and the Bank involved for various reasons. The donors may want to have both actors engaged and have the option of channeling funds through either. There may be an issue of reducing overall risk by having as many credible funding channels in place as possible. The Bank and the UN may be wanted as "preferred partners" by different actors in the post-conflict situation.
97. Overall, the lessons so far do not provide any clear answer to what is the optimal fund structure, in large part because situations vary so much. The factors to consider include (i) total transaction costs from alternative models, (ii) the distribution of the transaction costs on the different actors (the costs to the UN of managing a fund versus being a Partner Agency differ, but what are the differences to the national authorities, for example?), (iii) the expected objectives/ role of the MDTF and most likely channels to be used, (iv) the extent to which alternative MDTF models can handle expected risk better, and (v) the degree of complexity of overall institutional arrangements – can simple answers to coordinating two MDTFs be found?

10.3.7 Eligibility of Implementers

98. There are a number of alternative implementing agencies in a post-crisis situation: line ministries; lower level public administration and other public bodies; UN agencies; international and national civil society actors; and the private sector. As long as funding is on-budget, only public sector entities are involved in the first instance. If they turn around and sub-contract, this does not have any implications for the Administrator, since the fiduciary responsibility is largely handed over to the public sector, which then applies its own rules and procedures to its sub-contracting partners. The Administrator only retains the performance oversight function.
99. When funding is off-budget, the Administrator needs to exercise more caution when transferring the fiduciary responsibilities to other actors. A pro-active

policy of establishing framework agreements with likely partners based on standardized "due diligence" reviews would enable the Administrator to quickly enter into specific collaborative arrangements and begin approving activities and disbursing funds.

100. What has come up as an issue in several cases is the State's reluctance to have resources handled by other implementers. This is in part related to the need for the state to quickly (re-)establish legitimacy and credibility after a conflict, and the best way is by providing highly visible direct services to the population (food, health care, etc). If this is done through for example international NGOs, this lowers the visibility of the government. The challenge is that incipient governments often are not good at delivering. The pragmatic solution has often been that donors have funded alternative service providers directly. In the end an MDTF may not be the best funding mechanism for this, but the eligibility of alternative implementers should anyway be clarified as early as possible.

10.4 Scenarios and MDTF Models

101. Key design elements are (i) *governance* structure, (ii) *funds* structure, (iii) selection of *Administrator*, and (iv) *channels* for the funding. Using these four sets of "building blocks", different models can be envisaged, and their appropriateness under different scenarios can be discussed looking at Strengths and Weaknesses. Below are some options as a starting point for discussion MDTF models given differing situations.

Budget Support Models

102. The simplest model is where all funding is budget support. This requires a unified fund with a simple two-tier Council and Management Committee structure. If the support is on-budget, which is normally the case, the Bank is the logical Administrator. If it is off-budget, the UN has so far provided this service because its own administrative systems can provide direct payments and procurement services. This latter case would normally be an exception where a totally new administration is being set up and the national authorities do not yet have own instruments for paying salaries and doing procurement. These are typically short-term actions: the AIAF served as a six-month transition fund till the ARTF and its on-budget systems were in place. The strength of this model is that even in a "zero local capacity" situation the UN can provide credible, quality financial services for and on behalf of the public sector as a bridging operation till more permanent solutions are developed.

Project Funding Models I: All On Budget

103. Project Funding that is On Budget presumes that the national authorities have sufficient legitimacy and capacity to both have their plans/priorities accepted by the donors and have sufficient capacity and will to push the activities through the public sector systems. This would mean that the third tier of the governance structure – the Project Committee – would be added.

104. If all the funds are for projects on budget, a Unified Fund with a Single Administrator would seem the best solution since there would be no obvious gains to the host government of having to receive project funding through two different administrative systems. To the donors, this model would also reduce a number of transaction costs, ensure maximum consistency and coherence in resource allocation planning and monitoring, etc. Whether the projects are for direct service delivery, capacity development or infrastructure investments does not matter. The on-budget project approach will succeed or fail based on the ability of government to do the planning, ensure implementation – direct or through contracts – and monitor results. If the weaknesses are own capacity to carry out these functions, the donor community needs to (i) decide whether it believes it is feasible and desirable to work through the budget, (ii) if this still is the preferred option, to look at how the appropriate capacities can be developed. This has no particular implications for the model, but would require analysis of which Administrator would be best place to manage the various challenges. Particularly if larger sums are involved, and sector policies may become part of the project development process, the Bank has so far been the Administrator of choice.

Project Funding Models II: All Off Budget

105. The off-budget Project Funding option would be chosen if the national authorities are not able to or not seen as credible channels for providing the project services. This might be in a conflict situation, where one party to the conflict does not want to receive resources through public sector channels, or if the capacity simply is not available. This model assumes that there are other project handlers available who can better deliver value-for-money.

106. It is difficult to imagine that *all* support would be project funding off-budget. This would imply that whatever national authority is in place has absolutely no legitimacy and the donors thus do not want to make funds available through them. The other possibility is that there is no capacity at all – it is not a fragile state but a failed or totally collapsed state. This would thus be a transition phase where the territory is in some sense put under direct administration. Politically this would not be a tenable situation for long, and as soon as some credibility is in place, some resources would be used to rebuild the state. Furthermore, the extreme "all off budget" project funding is not a very likely scenario since it is not clear that a pooled funding mechanism would make any sense at all in this situation.

Complex Models: Project Funding On Budget + Off Budget

107. A more likely option is where some project funding is on-budget while a portion is off-budget, where the off-budget is meant to somehow complement on-budget support. One setting where this may be a possible scenario is in still conflictive settings where some actors do not want to receive funding through the public sector. This may be because they do not trust, or are still actively struggling against the State but have entered a process where the donors want,

in a systematic way, to provide resources and perhaps entice and transform the relations.

108. It is not clear what the appropriate MDTF model in this situation would be. In MDF/Indonesia and MDRP/Great Lakes, there were both on-budget and off-budget project funding, but under a unified fund with Partner Agency approaches. As noted, this turned out to be an administratively cumbersome approach, where the Bank had to use a disproportionate share of its administrative resources to address the needs of the off-budget projects.
109. In some cases the actors may prefer two different funds with two different Administrators, simply because one party to a conflict may trust one over the other, or the donor community may see that it makes sense to address the *political* challenge though this *administrative* arrangement.
110. In many cases, it will be the political situation on the ground that will determine whether the pooled funding should be handled through a unified fund or two funds. In a volatile situation, the additional administrative costs of more cumbersome MDTF arrangements may be worth it if this can contribute to stabilizing the situation and build peace. This is a classic high-cost high-potential-pay-off situation where the merits of organizational options that are *politically* interesting should not be discounted for *administrative/costing* reasons.

MDTF Size: Minimum Values?

111. The question has been asked if an MDTF should have a minimum value to be viable: minimum fund size, or minimum number of donors involved, or minimum share of total resources. – There is no obvious answer to the question. Both the Bank and the UN have one-donor small trust funds – in the UN system in the form of projects. An MDTF is just a simple scaling up and applied in a post-conflict context. At the same time, it is clear that MDTFs imply some lump-sum costs to the Administrator. This ought to be justified by some economies of scale: there are so many donors involved that the reduced transaction costs to the host government of getting funds through a harmonized system justifies the costs; or the share of donor resources is so great that coordination and policy dialogue impact justifies it; or the total sums involved provide overhead justification. But presumably the *political* dimension will once again carry the day: the donors see that joined-up action may be a better way of addressing a particularly complex situation, and therefore are willing to pay the costs of an MDTF administration. There would not seem to be any obvious "rules of thumb" to apply, except to assess carefully the alternatives to an MDTF and see if they seem to provide better solutions.

External Factors

112. The implications of the external factors on the *structure* of the MDTF are less than would be imagined. In almost all cases, all three sets of *needs* are present (direct service delivery, infrastructure investments, capacity building). It is not so much which needs that are to be addressed that becomes important, but whether these needs are going to be addressed through direct budget support

(the government assumes responsibility for addressing the needs), or through on-budget projects (same as above except needs are more directly targeted), or through off-budget projects. It is therefore more the composition of the *channels* that is important – not the needs themselves.

113. *Political will*: If it is strong, national priorities will be provided and the MDTF just needs to address those areas the national authorities define and donors agree to. If political will is weak, the MDTF Council will have to help define where MDTF resources should go, and it may in fact be necessary to include more national stakeholders in the MDTF Council deliberations. In both cases, the key choice variable is the *channel* that is going to be used for the funding, not the structure of governance or the structure of the fund. The scope of the Council's remit may have to expand if political will is fragmented or not totally legitimate to some key actors – but it is still the Council with its core constituency that convenes meetings and makes policy decisions.
114. *Capacity to deliver*: If this is good, this means that the need for going off-budget is lower, and in the case of considerable capacity, most or all of the funding would perhaps be on-budget. However, even in the case of Indonesia, the actual capacity to deliver the critical decisions was lacking because government was not focusing on the MDTF needs, and the MDTF had to re-channel some of the resources off-budget. It did not change the governance structure or the funding structure, though it modified from a simple unified model to a unified with Partner Agency approach. The relatively "strong capacity to deliver" was hence not sufficient to keep resources on-budget, which is a point to note.
115. *Security* is the defining element for MDTF performance, but even that may not affect MDTF *structure* much. If security improves, enhanced predictability allows for a more optimum portfolio. Deteriorating security should make the MDTF reduce its vulnerability to major losses (sabotage of highly visible infrastructure investments, for example). Serious deterioration, such as in Iraq, has knock-on effects on political will and capacity, but the basic impact is on the MDTF *portfolio* and *performance*, not on the MDTF *structure*. The one circumstance possibly favoring change one could foresee is if there was a unified fund under Bank management that was based on long-term on-budget activities. Deteriorating security might make a portfolio adjustment towards smaller off-budget projects desirable and therefore make the use of Partner Agencies or a two fund model more attractive.

10.5 Final Considerations and Looking Ahead

116. MDTFs are highly useful to host governments, donors, the multilateral agencies, and to national stakeholders. They are a way of pooling funds that are more freely available to national programming than most other funds. MDTFs help manage risk and maximize information access that is of strategic importance in a volatile situation. They can provide voice to a wide range of actors – national authorities and other key players in a peace process, the multilateral system, individual donors, and other stakeholders who wish to

contribute. MDTFs, therefore, are not just a funding mechanism, but also a consensus building, information sharing, risk management instrument whose importance goes beyond their relative size – which is often limited – to generate positive externalities that other instruments do not seem to be able to do.

117. The "lessons learned" show that there is a common understanding of what the key building blocks for an MDTF should be. There also seems to be agreement that there needs to be flexibility because the particular circumstances in a given post-crisis situation will inform what kinds of modifications to the "core" design will be necessary. This may be whether the policy-setting body only needs to respond to a strong and legitimate national authority or should be more open and inclusive; whether the fund itself should be a unified or two fund model; which post-crisis needs should be prioritized; and whether funding should be on-budget, off-budget, or both.
118. While there appears to be consensus on the design elements and the factors that influence them, the *performance* of MDTFs has varied. However, there is increasing agreement on how to address performance concerns. MDTF secretariats must be staffed up early with critical skills that include trust funds management, legal, procedural, procurement and financial management. The Administrator organization needs to review its rules and regulations to ensure that key areas such as procurement, recruitment, disbursement are appropriate to post-conflict situations. The Administrator should have a "one-stop-shop" where MDTF staff can turn to for access to institutional memory, senior skills, standardized instruments, and other forms of operational support.
119. While all actors agree that post-crisis situations are high-risk, this study believes that the operational consequences of this have not been fully taken onboard. This relates in particular to the costs of running an MDTF, and thus the acceptance of a sufficient overhead to cover required costs:
 - When delivering humanitarian and emergency assistance, the costs of bringing one dollar of relief can be very high. When the situation becomes a post-crisis, the attitude seems to be that the cost-structure should revert to a "normal" development cooperation situation, and the overhead costs be in line with this. Experience seems to show different: the up-front investments in staffing and management oversight, with specialized and senior skills, are critical to success. Administrative costs will therefore be above average.
 - The early staffing also follows from risk-management studies that point to the value of having "slack" in the organization to address unforeseen or risky events well. This is in line with the finding that an MDTF is seen as delivering a wider range of services than foreseen in the statement of objective. Managing information flows and expectations or hosting policy dialogue may be among these value-added functions. This again points to the need for flexible Secretariat funding.
 - There is a preliminary finding that an MDTF may have a comparative advantage in rebuilding core State functions, and in particular capacity development and the related technical assistance. These are areas that are

management intensive and will also require above average costs to manage well.

120. Most post-crisis situations are not benign and conflict-free. Studies find that a significant share of conflict countries will return to open conflict again within ten years of a peace agreement. While one should not exaggerate the importance of MDTFs, they are a key entry point for the international community. If a well-managed MDTF in such a high-risk, high-cost situation can reduce the probability of return to violence, then the pay-off is also extremely high. This is a proposition that seems worth pursuing.

10.6 Main Findings and Conclusions

- i. The external factors that an MDTF must take into account are: (i) the needs to be addressed, (ii) political commitment by the national actors, (iii) the capacities available to deliver against the needs, (iv) the security situation and its likely dynamics, and (v) the international political context of support for the MDTF.
- ii. External factors can change quite rapidly, and in a considerable number of cases have been towards *deterioration*. These constraints to MDTF performance should thus be understood and tracked actively, since there are a number of choices that an MDTF may opt for as circumstances change.
- iii. MDTF performance has varied across funds and across key dimensions of the funds. The *establishment* of MDTFs has generally been according to designed timelines, but the need to accommodate individual donor concerns has held back legal agreements in a couple of cases. *Funding approvals and disbursements* have varied: budget support has been fairly straight-forward but project funding faces more complex situations that have at times led to major delays, usually due to lack of fulfillment of compliance issues, or procurement problems. *Fiduciary management* is paid a lot of attention and seems good, including an innovative anti-corruption program and ombudsman complaint system. *Policy dialogue* has had the greatest impact when linked with budget support, weakest when funding is for off-budget projects.
- iv. The Bank as *MDTF Administrator* has managed budget support well, building core public systems and capacities in the process. On-budget project support has been good, particularly when it comes to larger-scale projects where quality-at-entry is critical, whether infrastructure or community development. Off-budget and small-scale projects, while representing a small share of overall Bank-administered MDTF funds, have generally taken too much time to approve and fund. *Staffing* has been one of the key challenges. Where the Bank already had a presence on the ground this helped performance. But staff unfamiliar with and unrealistic expectations regarding the flexibility of Bank procedures has in critical cases led to serious dissatisfaction by other stakeholders with Bank-led MDTF performance. The lack of an easily identifiable focal point for relevant skills and "lessons learned" in the Bank has hurt MDTF staff efforts at building on previous MDTF experiences.

- v. While UN managed funds have been few, the UN has performed well administering budget support directly and off-budget projects in a high-risk situation (Iraq). However, longer-term societal impact, capacity building results, and sustainability are not known, with a portfolio that is quite fragmented. The UN has created a *Multi-donor Trust Fund Office* within the UNDP in New York that addresses the focal point concern within the UN system.
- vi. The *design* of an MDTF should consider (i) the objective/s of the MDTF (what are the needs to address), (ii) the governance structure, (iii) the roles of stakeholders in the governance bodies, (iv) choice of Administrator, (v) the structure – whether unified or two-fund model, (vi) the channels for disbursement, and (vii) potential implementers of activities.
- vii. The *governance* structure should be as simple as possible: (a) A policy forum (Council) should focus on setting policy for the MDTF. If other issues are to be addressed (donor coordination, national policy dialogue), this can be accommodated if the Secretariat is provided the resources. (b) A Management Committee should decide on MDTF funding, where contributing donors and government have voting rights. (c) If the MDTF provides project funding, a Project Committee should be established that is flexible and can handle project approvals speedily based on clear criteria.
- viii. Concerning the *fund structure*, the unified fund provides simplicity and clarity but entails costs when situations require multiple channels and Partner Agency agreements for disbursing funds. Two funds allow the UN and the Bank to use their own procedures, which is within-fund efficient, and increases implementer and channel options and thus reduces risk. The downside is coordination costs between the two funds. The fear of competition between the two funds for the same donor resources, and duplication of administrative systems, are not seen as important.
- ix. *Administrator* selection is normally done by national authorities in consultation with donors, based on two sets of considerations. The first is the intrinsic Administrator requirements. The other is contributions to the larger post-conflict situation. The stronger UN presence on the ground and its mandate make it a likely MDTF manager. The Bank, however, has been the preferred Administrator due to its contributions to macro-economic stability and growth, building of core public administration systems and capacities; its own financial and analytical resources; sector policy development skills; and fiduciary management.
- x. *Channels* for funding matter. If *budget support* is on-budget, the Bank is the logical Administrator, while if it is off-budget the UN is better placed with its direct administrative capacities. *Project funding* is more complex. On-budget funding is standard Bank practice, but both the Bank and UN have handled off-budget project funding and across sectors. Once projects are off-budget, non-public implementers are feasible, and should be actively considered. Situations

where the State blocks non-public actors' access to MDTF funds should be reviewed.

- xi. Different *scenarios* can be envisaged that entail different MDTF models. External factors are seen to influence MDTF *performance* but usually not its *structure*, except if the security situation deteriorates seriously. In most cases, the post-crisis situation may be so complex that project funding and both on-budget and off-budget options should be on the table. In that case, the three-tier governance structure should be used, and various permutations of funds structure and funding channels need to be considered.
- xii. The position of the donors on a number of issues may determine the future of MDTFs. While donors support MDTFs, they still channel most of their resources outside, which puts considerable administrative costs on the recipient. Donors continue to earmark funds, which puts limitations on the flexibility of the funds in a situation of high volatility. Donors provide funding to the MDTFs and provide the Administrators with the responsibility for managing, but at the same time want decision making power on the Management Committee, which raises questions regarding fair burden-sharing between the parties.

Overall Conclusions

- xiii. The international community has found MDTFs to be a highly useful instrument in a post-crisis situation: there are important positive externalities from having an MDTF that other instruments do not provide.
- xiv. There is emerging understanding regarding "best practice" MDTF design. There are also "lessons learned" regarding how to improve MDTF performance, including ensuring Secretariats are well staffed and established early.
- xv. There are grounds for believing that MDTFs have a comparative advantage in rebuilding core public administration functions and funding capacity development in the public sector.
- xvi. Administrative costs of MDTFs are higher than for coordination mechanisms in more benign situations. But these will still compare favorably to management costs of non-pooled programming. Also, and most importantly, if well-managed MDTFs can contribute to reducing the chance of a volatile situation reverting to open conflict, this gives a high pay-off potential that could more than justify the costs. This issue is worth pursuing through more careful analysis.
- xvii. Another area of inquiry to pursue as data become increasingly available, is to compare MDTF results with similar activities funded through alternative channels, since at the end of the day, the actual results on the ground are those which will justify the costs of establishing and running an MDTF.

Annex A: Terms of Reference

Background

1. MDTFs are often used to mobilize resources and provide flexible financing mechanisms in conflict-affected environments (including post-conflict), especially to fund activities considered essential by the client government and the donor community. Although MDTFs offer a potentially flexible and responsive funding tool, donors, Bank staff and recipient governments alike have experienced a wide range of challenges, such as complex and cumbersome procedures, costly and lengthy approval processes, and perceived inequities in access. In addition, in countries moving quickly into the post-conflict reconstruction phase, Bank staff and managers, as well as donors, the UN and local authorities are often confronted with the need to provide quick advice and make decisions on whether and how to set up MDTFs, often under enormous time pressures, without direct experience or an easy and accessible reference to the issues and policy trade-offs involved, including MDTFs potential strategic influence on often fragile peace and security situations. A quick reference and guide to the issues and options involved from overall strategy to implementation would considerably facilitate the work.

Objectives

2. The study will undertake a review and analysis of the experiences with the use of Multi-Donor Trust Funds in conflict-affected reconstruction seen from the point of view of main stakeholders such as Recipient Countries, The World Bank, the UN, donors, implementing agencies (national/international NGOs) and other relevant actors.
3. The purpose of this study is to define a typology of conflict-related MDTF arrangements, and to evaluate and assess the purpose, relevance, mechanics, relative advantages, and impact of the different models used, with a view to offering guidance to those which suddenly have to confront this issue. The focus should be on cross-cutting issues that have emerged in connection with MDTFs in recent years such as strategic impact for peace and planning, governing structures, ownership, harmonization, coordination, timeframe for establishment, the relationship between the UN-system and the World Bank, the impact of donor policies, the role of implementing agencies like NGOs and the thematic areas that such funds should/could cover. The study should aim at a set of guidelines to inform decisions that in the final analysis will have to be country- and situation-specific.
4. The key aim is to inform recipient countries, the World Bank, donors, the UN-system, other implementing agencies and civil society about cross-cutting issues and challenges associated with the use of MDTFs, as well as other mechanisms and the policy implications and trade-offs of different approaches. The study will aim at developing good practice for the establishment and administration of these trust funds, including review of when MDTFs are the appropriate tool. This will be done through an interactive phased process, including a proactive follow-up plan of action.

Scope of Work and Questions to be Addressed

5. To guide the study, there are a number of suggested core questions, organized below under cross-cutting headings to guide the analysis. These questions are neither prescriptive nor exclusive, but should guide the approach of the team as they address all cross-cutting issues listed. The team is not limited to the listed questions only. When taking these and other questions into account, care should be taken where appropriate to differentiate between the different stakeholders' perceptions (Donors, recipient countries, WORLD BANK, other IFIs, UN System, NGOs and other implementing agencies).

Cross cutting issues and related questions

- **Policy and decision making structures and processes:** Why are governance structures of MDTFs so different? How are the overall objectives, strategies and policies for MDTFs prepared and agreed upon, who is involved? How is the wish for

influence coming from MDTFs administrators, local authorities, donors, UN, implementing agencies, NGOs and civil society balanced? How are decisions made? At what level and resulting from what procedures? How timely are such decisions and how well are they communicated to relevant stakeholders? How does the application of conditionality vary across MDTFs? How are conditionalities set (for which purposes and according to which guidelines)?

- **Peace-building and conflict sensitivity:** What role do MDTFs play in the overall conflict-affected context to promote peace and security? How do MDTFs contribute to strategic peace-building? Have the MDTFs been conflict sensitive, i.e. strived to ensure not to have negative impact and not to escalate tensions between different parties in a post-conflict situation? Have MDTFs proactively been promoting peace and security through the hidden potential of reconstruction program/projects?
- **Efficiency and timeframe for establishment:** What is the minimum timeframe for the establishment of MDTFs? What explains speedy versus slow establishment of MDTFs? What delays the release of funds? Can MDTFs do quick-impact programs? Are there good examples of timely and efficient procedures, of slow and ineffective procedures? What may explain these? Is there a “benchmark” for speed that can be considered? Which factors matter (expertise of decision-makers, attitude of donors and UN, operational structure of the MDTF etc.)? What general principles, policies and conditions are needed for successful operation?
- **Institutional procedures and challenges.** The World Bank is part of the UN system – however, the mandates of individual bodies often appear similar or overlapping, and may evolve over time. Partly as a result, relations among UN bodies, even on administrative or technical points, is complicated by uncertainties, especially when one body is acting as an implementing agency for another. How far would harmonization of the UN system's (including the World Bank's) procedures for accounting, reporting and procurement help address these challenges? Is it useful to have separate MDTFs administered by different UN bodies (as in Iraq), and in that case what should be the division between the two MDTFs in terms of area of coverage? What role might there be for other funding sources such as the Standing Fund for Peace Building under the Peace Building Commission or World bank trust funds for post conflict?. Is there an appropriate balance between simplicity and controls, *inter alia* as regards procurement, relative to what are often perceived as complicated, time-consuming approval and reporting procedures of donors and the fiduciary organization?
- **Impact of governance structures:** What drives the establishment of different governing structures? Is there any correlation between the different governance mechanisms of the different funds and their apparent impact?
- **Ownership and recipient capacity building:** What is the client government involvement and participation in the approval of activities funded by the MDTF? How is national ownership ensured? Is variable influence of local authorities only related to capacity? Is ownership also related to different administrative procedures? Has the design of MDTF-arrangements led to capacity-building in regular institutions of emerging post-conflict government structures? Has the design of MDTF-arrangements prevented capacity-building in regular institutions of emerging post-conflict government structures in some cases?
- **Thematic areas and activities, access to funding and beneficiaries:** Who are the primary institutional beneficiaries and have access to funding under the MDTFs? Who are excluded and why? What has been the role of national and international civil society in MDTFs? What about the private sector? What types of activities are financed by MDTFs and which are not? On what basis were activities included or excluded? Are thematic areas such as gender and security (UNSC 1325) excluded or included? What about the special needs of youth and children as IDPs/refugees/former combatants?
- **The role of NGOs, knowledge sharing and implementation:** Are MDTFs able to draw on the experience and competence of international and national NGOs? If not, is this due to the rules and regulations used to administrate the MDTFs and/or

because national authorities prefer not to use NGOs?

- **Harmonization and donor coordination:** Does the use of MDTFs generally lead to better donor coordination in post-conflict settings? Is there a “critical threshold” of MDTF size for the mechanism to function as the main body for coordination in relation to ODA from other sources? Are there good lessons on how to reconcile each donor’s understandable desire to “show the flag” and the need for untied and flexible financing? Are MDTFs a good example of donor harmonization in line with the Paris Declaration? Who are the main donors to MDTFs and what motivates them? What do donors expect? Are there alternative ways that have been used to promote enhanced coordination and harmonization? How do the costs and benefits of such mechanisms compare with those of an MDTF? Do countries with particularly effective donor coordination mechanisms seem to have a positive impact on the formation and implementation of MDTFs?

Outcome

6. A study will be prepared by the Consultant team containing an executive summary, a concise main body of the study, including the main findings and policy recommendations, with country studies and thematic notes as annexes. The recommendations must be as clear, tangible and as operational as possible. There will be a validation workshop with main stakeholders in Norway in early April 2006, where initial desk review findings will be discussed. A final validation workshop will take place during October at a place yet to be determined. After the second workshop the study will be completed. The validation workshops will be prepared and run by the consultant team. Subsequent follow up activities will be determined by the steering committee, and are not part of the consultant team TOR.

Methodology and Approach

7. The study will build on the Conflict Prevention and Reconstruction Unit (CPR) Working Paper No. 6, June 2003, Financing and Aid Management Arrangements in Post-Conflict Situations. Other relevant studies undertaken by donors, the World Bank and others, such as the assessment of the Afghanistan Reconstruction Trust Fund (ARTF), done by Scanteam in 2005, will be carefully considered. The study will focus on certain cross-cutting issues with regards to at least eight MDTFs: West Bank/Gaza, Sierra Leone, Timor Leste, Iraq, Afghanistan, Liberia, MDRP Great Lakes, Sudan, Indonesia and Sri Lanka (post-tsunami), and Pakistan or Kashmir (post-earth quake).
8. The study will closely engage and draw from the experience of Bank staff, donors, host country, UN-system, implementing agencies, NGOs and others who have been involved in designing, implementing and managing MDTFs and MDTF-financed programs. The study will interface with a similar study being undertaken by UNDG. The study will be organized according to the cross-cutting issues and relevant information will be drawn from all the actors involved in the various MDTFs. Existing Bank guidelines and other relevant documentation will be reviewed.
9. The study will be done in three phases: Phase 1 is a desk study which will collect key documentation and will produce an Inception Report outlining the main issues. The Inception Report would be discussed in a first validation workshop in Norway. Phase 2 will consist of key stakeholder interviews and field visits to a minimum of four countries. A country report will be produced for each country visited. The final selection of case studies will be made in consultation with the consultant team. Phase 3 will be the compilation of the final report, based on the outputs of previous phases. The draft report will be discussed at a second workshop. At each stage, outputs and preliminary findings will be discussed with the Steering Committee, and the approach adjusted as necessary.

Timing

10. The Inception Report should be submitted by mid March 2006. The validation workshop should be held by early April 2006. Phase 2 should be completed by mid June 2006. The final draft report should be submitted by end August 2006, with a workshop by October 2006. The study should be completed and the final report submitted by end November 2006.

Team Composition

11. The team will consist of two consultants who will be contracted and one World Bank senior staff who will work with and support the consultants.

Management and Reporting

12. The study is anchored in the World Bank CPR Unit/SDV and managed by a joint steering committee comprising one representative each from CPR/SDV, LICUS/OPCS and TFO from the World Bank and from MFA and NORAD from the Government of Norway. CPR will chair the steering committee which will oversee and manage the team and the study.

Annex B: List of Informants

Informants are given in the following order:

1. Indonesia field visit
2. Sudan field visit
3. Greater Lakes region field visit
4. Iraq (Amman) field visit
5. Timor Leste field visit
6. UN officials at head offices
7. World Bank officials at head office
8. Donor officials at head offices
9. Other informants

1: Indonesia Field Visit

Donor Officials

Ms. Bernadette Whitelum, Deputy Representative, *Australia* Indonesia Partnership for Reconstruction and Development (AIPRD)
Ms. Rosalind Coleman, Counsellor (Development), *Embassy of Canada*
Mr. David Fournier, First Secretary (Development), *Embassy of Canada*
Mr. Renaldy B Martin, Programme Officer (Development), *Embassy of Canada*
Mr. Ulrich Sørensen, Deputy Head of Mission, *Embassy of Denmark*
Ms. Francesca Spadola, Programme Officer, Tsunami Relief and Reconstruction, *European Union*
Mr. Jean-Charles Rouge, Commercial Attaché, *Embassy of France*
Mr. Franck Perrault, Head, Economic Mission, *Embassy of France*
Mr. Koji Vonetani, Counsellor for Economy and Development Affairs, *Embassy of Japan*
Ms. Hagar Ligtvoet, Second Secretary for Tsunami Reconstruction, *Netherlands Embassy*
Mr. Leonard Simanjuntak, Development Programme Co-ordinator, *New Zealand Agency for International Development*
Ms. Marit Roti, Counsellor for Development Cooperation, *Norwegian Embassy*
Ms. Christina Wedekull, Counsellor, Post-Tsunami Reconstruction, *Swedish Embassy*
Mr. Shantanu Mitra, Head, Department for International Development, *United Kingdom*
Ms. Emma Fraser, Deputy Programme Manager, Department for International Development, *United Kingdom*
Mr. Richard J. Hough, Director of Programming, *USAID Mission to Indonesia*

World Bank and MDF Officials

Mr. Andrew Steer, Country Director, World Bank
Mr. Joel Hellmann, Aceh Recovery Coordinator
Ms. Preeti S. Ahuja, Country Program Coordinator, East Asia and the Pacific Region (Washington)
Mr. J. Victor Bottini, World Bank Resident Representative, Aceh & Nias
Mr. Josef L. Leitmann, MDF Manager & Lead Environmental Specialist for Indonesia
Mr. George Soraya, Senior Operations Officer (UPP project)
Ms. Sabine Joukes, MDF Deputy for Coordination and Communication
Ms. Diane Zhang, MDF Finance and Legal Officer
Ms. Georgia Wimhofer, MDF Monitoring and Evaluation Specialist
Ms. Bolormaa Amgaabazar, Trust Fund Coordinator, World Bank

Other Informants, Jakarta

Ms. Reiko Niimi, Deputy to Resident Coordinator, and Senior Advisor for Tsunami Recovery, Office of the Humanitarian/Resident Coordinator, *United Nations Development Programme*
Mr. Bowen Uhlenkamp, Program Consultant, Monitoring and Evaluation

Aceh Informants

Indonesian Government Officials

Mr. Eddie Purwanto, Chief of Operations/Deputy Representative/Infrastructure, BRR
Mr. Amin Subekti, Deputy for Programmes and Budget, BRR
Ms. Puteri Watson, Donor Liaison, BRR
Mr. Andi Basrul, Head, Natural Resources Conservation Agency, Ministry of Forestry

MDF Program and World Bank Staff

Ms. Geumala Yatim, Communications/Outreach Officer
Mr. Rusli Mohamad Ali, Provincial Coordinator, Kecamatan Development Project (KDP)
Mr. Wawan Setiono, Consultant, KDP
Mr. Patrick Barron, Conflict Expert, World Bank

UN and Donor Representatives

Mr. Pieter M. Smidt, Head of Extended Mission in Sumatra, *Asian Development Bank*
Ms. Georgina Harley, Program Coordinator, Aceh Rehabilitation Program, *Australia Indonesia Partnership for Reconstruction and Development*.
Mr. Jamal M. Gawi, Chief Adviser, Aceh Program, *CIDA*
Mr. Erich Klinger, Counsellor for Development Cooperation, *German Embassy*
Mr. Kevin McGlothlin, Deputy, *USAID*
Mr. Thomas R. Morris, US Government Representative for Aceh and North Sumatra Reconstruction, *USAID*.
Ms. Michelle Barrett, Project Officer for Aceh and North Sumatra Reconstruction, *USAID*
Mr. Andrew Harper, Deputy Recovery Coordinator/Chief of Staff, *UN Recovery Coordinator for Aceh and Nias*
Mr. Simon Field, Team Leader, Emergency Response and Transitional Recovery, *UNDP*
Mr. Jens Baekholm, Head of Shipping Services, *World Food Programme*

NGO Officials

Mr. Christophe Legrand, Tsunami Program Director, CARE International Indonesia
Mr. Scott T. Campbell, Aceh Director, Catholic Relief Services
Mr. H. Fadlullah Wilmot, Country Director, Muslim Aid Indonesia
Mr. Taf Haikal, Executive Director, Aceh NGO Forum
Mr. Ahmad Human Hamid, Chairman, Aceh Recovery Forum

KDP: Kecamatan Lhoknga

Mr. Jakfar, Head, KDP Unit
Ms. Sri Kurniati, Technical facilitator, KDP unit
Mr. Abdul Hadi, Technical facilitator, KDP unit
Mr. Farlian Arsofyano, Empowerment facilitator, KDP unit
Mr. Umandiansyal, Treasurer, KDP unit
Ms. Mahdaleta, Secretary, KDP unit

Meunash Balee (village)

KDP project staff, beneficiaries

KDP: Kecamatan Darul Kamal

Mr. Ismuhadi, Head, KDP Unit
Ms. Maryati, Technical facilitator, KDP unit
Ms. Nukasimah, Empowerment facilitator, KDP unit
Ms. Mardiana, Treasurer, KDP unit
Ms. Sufnawati, Secretary, KDP unit

Waste Management Project

Mr. Hendra Permana Siregar, Program Officer, UNDP
Mr. Rusli Mohd. Ali, Provincial Coordinator
Project employees

Urban Poverty Project, Banda Aceh

Ms. Resifa Yusiano, Housing facilitator/architect

Mr. Sharifuddin Adi, beneficiary

Mr. Firus Andalan, beneficiary

Mr. Yazir Sanusi, beneficiary

Ms. Tini, beneficiary

2: Sudan Field Visit

Government of National Unity

Prof. Awad, National Census Director, GNU (Khartoum)

Mr. Al Fatih Ali Siddig, Undersecretary, Ministry of International Cooperation, GNU (Khartoum)

Mr. Najwa Ali Gadi and advisor, TAF Unit Project Manager, Ministry of Finance and National Economy, GNU (Khartoum)

Mr. Omer Hajam, Project Manager, Community Development Fund, GNU (Khartoum)

Government of South Sudan

Dr. Nathan Atem, Ministry of Health, GOSS (Juba)

Donor and Diplomatic Officials

Mr. Alan Bones, Charge d'affairs, Embassy of Canada (Khartoum)

Mr. Jim Carpy, Deputy Head of Office, DFID (Khartoum)

Ms. Maria Horno Comet, Operations Coordinator, Delegation of the European Commission in Sudan (Khartoum)

Dr. Stephan Keller, German Ambassador to Sudan (Khartoum)

Ms. Corina van der Laan, Deputy Head of Mission, Embassy of the Netherlands (Khartoum)

Ms. Sara Offermans, Embassy of the Netherlands (Khartoum)

Mr. Rolf Strand, Counsellor, Embassy of Norway (Khartoum)

Ms. Elizabeth Schwabe- Hansen, First Secretary, Embassy of Norway (Khartoum)

Mr. Ashok Chakravarti, Chief Project Advisor, USAID/ Bearing Point Consulting (Juba)

Ms. Liz Gaere, Joint Donor Office, DFID (Juba)

Mr. Philippe Gourdin, Sudan Desk, European Union (Juba)

Mr. John Granville, Democracy and Governance Fellow, USAID Sudan (Juba)

Mr. Ron Hackett, Budget Finance Advisor, USAID/ Bearing Point Consulting (Juba)

Ms. Emily Oldman, Programme Officer, European Union (Juba)

Mr. Jacques Prade, First Counsellor, Head of Operational Section, Delegation of the European Commission in Sudan (Juba)

Mr. Richard Taylor, Joint Donor Office, DFID (Juba)

United Nations

Ms. Fiona Davis, Economic Advisor with responsibility for aid, MOFEP (UNDP secondment to the GoSS, Juba)

Mr. David Gressly, Deputy Resident and Humanitarian Coordinator, Sudan South, United Nations (Juba)

World Bank

Mr. Asif Faiz, Country Manager, Sudan Country Office, World Bank (Khartoum)

Mr. Gunther Gutknecht, Senior Advisor, Water and Sanitation, World Bank (Juba)

Mr. Ron Isaacson, Senior Operations Officer, World Bank (Juba)

Mr. Leonard Matheka, Finance Manager, MDTF-S, KPMG (Juba)

Ms. Isabel Soares, MDTF-N Senior Operations Officer (Khartoum)

Mr. Zablon Murungi M'ringera, Senior Advisor, Procurement, Ministry of Finance and Economic Planning, (Juba)

Civil Society and NGOs

Dr. Muawia Hamid Shaddad, University of Khartoum

Fr. Santos Luko, Secretary General, Catholic Diocese (Juba)

Fr. Thomas, Vicar General, Catholic Diocese (Juba)

3: Greater Lakes Region Field Visit

A. RWANDA

Government Officials

Mr. Jean Sayinzoga, Chairman, Rwanda Demobilization and Reintegration Commission (RDRC)

Mr. John Zigira, Commissioner, RDRC

Mr. Faustin Rwigema, Program Coordinator, RDRC/Rwanda Demobilization and Reintegration Program (RDRP)

Mr. Desire Murokozi, Chief Finance Officer, RDRP

Mr. Justus Kamwesigye, Head, Monitoring and Evaluation, RDRP

Donor and UN Officials

Ms. Sibille de Cartier d'Yves, First Secretary, *Embassy of Belgium*

Mr. Theo Baert, Development Adviser, Rural Development, *Embassy of Belgium*

Mr. Ivan Timnev, Senior Political Analyst and Deputy, *MONUC*

Ms. Felicite Mukantambara Goundjo, National Administrator, Child Protection program, *Unicef*

Ms. Carole Vignaud, Protection Officer, *UNHCR*

World Bank Officials

Ms. Chantal Kajangwe, Procurement Analyst and Country Manager a.i.

Mr. Gregory Gromo Alex, DDR specialist, TTL/ROC and CAR

B. BURUNDI

Government Officials

Major-General Samuel Gahiro, Chief of Staff, National Defense Forces, Ministry of National Defense and Former Combatants

Mr. Silas Ntigurirwa, Executive Secretary, Executive Secretariat/National Commission for Demobilization, Reinsertion and Reintegration (SE/CNDRR)

Mr. Pacelli Rukundo, Director, Administration and Finance, SE/CNDRR

Mr. Leonidas Nijimbere, Director, Demobilization and Reinsertion, SE/CNDRR

Mr. Augustin Nzabampema, Director, Information, Mobilization and Communication, SE/CNDRR

Mr. Pierre-Claver Sinzinkayo, Director, Reintegration, SE/CNDRR

Mr. Gelase-Daniel Ndabirabe, Director, Special Projects and Missions, SE/CNDRR

Colonel Gedeon Karibwami, Director, Child Soldier Demobilization Unit, Ministry of Social Affairs ...

Mr. Damien Mvuyekure, Technical Adviser, Ministry of Finance

Donor and UN Officials

Mr. Anton Broecke, Counselor-Minister, Head of Cooperation, *Belgian Embassy*

Mr. Martin Kaspar, Head, Economic and Society Unit, *EU Delegation*,

Mr. Lewis Carroll, *US Embassy*

Mr. Waldemar Vrey, SSR/DDR Officer, *UN Operations in Burundi, ONUB*

Mr. Gopal Sharma, Acting Country Representative, *Unicef*

World Bank Officials

Mr. Deo-Marcel Niyungeko, Country Manager a.i., Infrastructure Specialist
Mr. Madjior Solness Dingamadi, DRR expert, MDRP Secretariat
Mr. Toni Kayonga, Operations Officer, MDRP-World Bank office

C. REPUBLIC OF CONGO (BRAZZAVILLE)

Government Officials

Mr. Joseph Mbossa, National Coordinator, National Program for Disarmament, Demobilization and Reintegration, High Commission for the Reintegration of Ex-Combatants

Donor Officials

Mr. Arnaud Borchard, Adviser, Head of Operations Section, EU Delegation

World Bank Officials

Mr. Bienvenu Monthe Biyoudi, Country Manager a.i., Economist/Operations Officer

D. CENTRAL AFRICAN REPUBLIC

Government Officials

Mr. Come Zoumara, Chairman, National Commission for Demobilization, Reinsertion and Reintegration (CNDDR), Presidential Adviser/National Defense matters
Minister Tchakpa M'brede, Deputy Chairman, CNDDR
Father Celestine Kette, Member, CNDDR
Mr. Antoine Ngongo, Mayor, Sibut District
Mr. Jean de Dieu Sepokpode Bobanzengue, Deputy Mayor, Sibut District
Mr. Yafongo, Company Commander, National Gendarmerie, Sibut District

Donor Officials

Mr. Milko Van Gool, , EU Delegation

UN and World Bank Officials

Mr. Toby Lanzer, UN Resident Coordinator and Resident Representative, UNDP
Mr. Jean-Charles Dei, Resident Representative, World Food Programme
Dr. Ghyllain Demba Lubambo, Head, Health Action in Crisis (HAC) Team, Emergency Relief and Humanitarian Action, World Health Organization
Mr. Bruno Geddo, Resident Representative, UNHCR
Mr. Fabrice Boussalem, Recovery Adviser, UNDP

MDRP Officials

Mr. Demba Kissima Tandia, Chief Technical Adviser, UNDP-PRAC
Mr. Jean Passendoun, Head of Programme/Sibut, UNDP-PRAC
Mr. Greogory Gromo Alex, Task Team Leader/ World Bank MDRP
Mr. Mamert Sinarinzi, DDR Advisor, World Bank/MDRP

E. UGANDA

Donor Officials

Mr. Warner ten Kate, First Secretary, Royal Netherlands Embassy
Mr. Graham Carrington, Conflict Humanitarian Adviser, DFID

World Bank:

Mr. Kees Kingma, Senior Demobilization and Reintegration Specialist, MDRP Secretariat.
Mr. Mbuba Mbungu, Senior Procurement Specialist.

Ms. Sarah Michael, Senior Development Specialist, MDRP Secretariat.
Mr. Marcelo Jorge Fabre, Senior Development Specialist, MDRP Secretariat.

4: Iraq (Amman) Field Visit

Government of Iraq

Ms. Huda Al-Ani, Iraqi Ministry of Planning and Iraqi Strategic Review Board (Audio connection)

Donor Officials

Ms. Maria Beccarelli, EC Assistance Coordinator for Iraq, EC Mission
Ms. Shereen al Uzaizi Nesheirwat, Economic Specialist, Iraq Policy Support, US Embassy, Amman
Mr. Richard Mccrensky, Iraqi Policy Coordinator, US Embassy, Amman
Ms. Elizabeth Williams, Third Secretary, Canadian Embassy in Iraq (Audio connection)

United Nations

Mr. Seifeldin Abbato, Head of SCSO, UNAMI Amman
Mr. Raad Yousif Matti, Programme Support Officer, UNOPS
Mr. Niels Guenther, Programme Support Team Leader, UNOPS
Mr. Roger Wright, Resident Representative, UNICEF

World Bank

Mr. Ziad Badr, Head of Mission, World Bank
Mr. Peter Buckland, Senior Education Specialist, World Bank (Audio connection)
Mr. Majed El-Bayya, Senior Procurement Specialist, World Bank
Mr. Suhail Jme'an, Senior Financial Analyst, World Bank
Ms. Susan Razzaz, Senior Economist, World Bank

5: Timor Leste Field Visit

Government of Timor Leste

Mr. Eusebio Jeronimo, Ministry of Planning and Finance
Mr. Romerio Reinato Soares, Ministry of Education

Donor Officials

Mr. , Head of Mission, EC
Ms. Tina Redshaw, UK Embassy

United Nations

Mr. Carlos Dinis, UNDP
Mr. Mark Harris, Political Officer, Office of the UN Resident Coordinator

World Bank

Ms. Steffi Stallmeister, Acting Country Manager, Timor Leste

Other Informants

Mr. Gunnar Staalsett, former Bishop of Oslo/Norway, peace negotiator

6. United Nations Officials/New York

UN Secretariat

Mr. Dominik Bartsch, Senior Security Adviser, Peace-building Support Office

UN Development Group

Ms. Sally Fegan-Wyles, Director
Ms. Judith Karl, Senior Policy Adviser
Mr. Marc Jacquand, Policy Specialist
Mr. Christoph Merdes, Policy Analyst

UN Development Programme

Bureau for Crisis Prevention and Recovery

Ms. Sam Barnes, Head, Strategic Planning Unit (SPU)
Ms. Ilaria Carnevali, Program Specialist, SPU

Bureau for Resources and Strategic Partnerships

Ms. Jennifer Topping, Director, Division for Resources Mobilization (DRM)
Ms. Anne Jüpner, Resources Mobilization Adviser, DRM
Mr. Stephane Vigie, Special Adviser, Asia desk

Regional Bureau for Arab States

Mr. Oscar Fernandez-Taranco, Deputy Ass't Administrator, Deputy Regional Director
Mr. Moin Karim, Program Adviser, Country Operations Division
Mr. Bruno Lemarquis, Program Adviser, Country Operations Division

Regional Bureau for Asia

Mr. Jean-Claude Rogivue,

Regional Bureau for Africa

Ms. Marie Dimond, Programme Officer

Bureau of Management

Mr. Ramesh Chandran, Chief, Strategic Planning and Advisory Services, Office of Human Resources
Mr. Krishan Batra, Principal Adviser, Office of Legal and Procurement Support (OLPS)
Ms. Peri Lynne Johnson, Senior Legal Adviser, OLPS
Mr. Rodolfo Sanjurjo, Regional Chief Procurement Officer, a.i., OLPS
Ms. Salima Kane, Procurement Analyst, OLPS

UNDG Iraq Trust Fund

Mr. Bisrat Aklilu, Executive Coordinator
Mr. David Clapp, Program Specialist

Unicef

Ms. Sigrid Kaag, Deputy Director
Mr. Peter Mason, Senior Adviser, Office of the Executive Director
Mr. Paul Hulshoff, Senior Program Officer
Mr. Jun Kukita, Senior Programme Funding Officer
Ms. Ingalill Colbor, Senior Programme Funding Officer
Ms. Hasmik Egian, Program Officer
Ms. Deborah Dishman, Programme Officer/Procurement

UNHCR

Mr. Johan Cels, Senior Policy Adviser, Peace and Security

UN Habitat

Ms. Yamina Djacta, Deputy Director, New York office

World Food Programme

Ms. Peggy Nelson, Deputy Director, Inter-Agency and Inter-Governmental Affairs

7. World Bank Officials, Washington

Africa Region

Mr. Nils Tcheyan, Director of Operations

Mr. Bernard Harborne, Lead Conflict Adviser
Ms. Maria Correia, Program Manager, Multi-Country Demobilization Reintegration Program (MDRP)
Mr. Sean Bradley, Senior Social Development Specialist (MDRP)
Mr. Ingo Wiederhofer, Senior Operations Officer (MDRP)
Mr. Marcelo Jorge Fabre, Senior Social Development Specialist (MDRP)
Mr. Florian Fichtl, Country Manager, Eritrea/Asmara (telephone)
Mr. Guiseppe Zampaglione, Senior Operations Officers
Mr. Mike Diliberti, Senior Country Officer, Sierra Leone

East Asia and Pacific Region

Mr. Sajjad Ali Shah, Senior Operations Officer, Central Operational Services Unit
Ms. May Olalia, Operations Officer, Central Operational Services Unit
Mr. Christopher Naab, Consultant, Central Operational Services Unit
Ms. Elisabeth Huybens, Country Manager, Timor Leste/Dili (telephone)
Ms. Esme Jaya Abedin, Operations Analyst, Timor Leste Country Team

South Asia Region

Ms. Barbara Kafka, Director of Operations
Mr. Jean Mazurelle, Country Manager, Afghanistan
Ms. Deborah A. Bateman, Country Program Coordinator, Sri Lanka
Ms. Mariam Sherman, Senior Country Officer, Afghanistan
Mr. Stephane Guimbert, Country Economist, Afghanistan
Mr. Thomas Buckley, Senior Country Officer, Pakistan

Middle East and North Africa Region

Mr. Christiaan Poortman, Vice President
Mr. Markus Kostner, Country Program Coordinator, West Bank and Gaza
Mr. Claus Pram Astrup, Senior Country Officer, West Bank and Gaza
Ms. Jane Sansbury, Senior Operations Officer, Iraq Trust Fund
Ms. Kathryn Funk, Senior Country Officer, Iraq

Trust Funds Operations Department

Mr. Greg Toulmin, Head, Trust Fund Policy and Client Support
Ms. Magdalena Manzo, Senior Operations Officer
Ms. Valery Ciano, Operations Analyst

Sustainable Development Department

Mr. Ian Bannon, Manager, Conflict Prevention and Reconstruction Unit, CPRU
Mr. Niels Harild, Program Administrator, CPR Trust Funds, CPRU
Mr. Kazuhide Kuroda, Senior Social Development Specialist, CPRU
Mr. Jeff Thindwa, Senior Social Scientist, CPRU
Ms. Stephanie Kuttner, Consultant, CPRU
Ms. Margaret Arnold, Senior Adviser, Disaster Management Unit

Operations Policy and Country Services Department

Mr. Peter Harrold, Director, Operations Services
Ms. Sarah Cliffe, Manager, Fragile States Group
Ms. Laura Bailey, Senior Operations Officer, Fragile States Group

External Relations Department

Mr. John Garrison, Senior Civil Society Specialist, Civil Society Team
Ms. Pamela Bigart, Lead Procurement Officer,
Mr. Quamrul Hassan, Lead Procurement Officer
Mr. Hassan Cisse, Legal
Mr. Thomas Duvall, Legal

8. Donor Officials, Head Offices

Canada

Mr. Derry MacDonell, Political Analyst, Humanitarian Affairs, Department of Foreign Affairs and International Trade (DFAIT)
Mr. Aaron Coe, Political Officer- Darfur, Sudan Task Force, DFAIT
Mr. Aly Rahim, Political Analyst, Conflict Prevention and Peacebuilding Group, DFAIT
Mr. Daniel Jolie, Director, Iraq, Middle East and Maghreb, Canadian International Development Agency (CIDA)
Mr. Stephen Salewicz, Chief, Strategic Policy Planning Unit, Humanitarian Assistance Peace and Security Division, CIDA
Ms. Thora Broughton, Senior Program Manager, World Bank Multilateral Institutions Directorate, CIDA
Ms. Darcy Demarsico, Senior Program Officer; Peace and Security Unit; Humanitarian Assistance; Peace and Security Division; Multilateral Programs Branch, CIDA
Mr. Réjean Hallé, Development Officer, Eastern Africa and the Horn, CIDA
Ms. Marie-Frédérique Roche, Senior Development Officer, Central Africa and Great Lakes, CIDA
Mr. Ron Shatz, Senior Development Officer, Afghanistan, India, Sri Lanka, Nepal Division, CIDA

Netherlands

Mr. Jelte Wieren, Senior Adviser, Good Governance and Peacebuilding division, Directorate for Human Rights, Peacebuilding and Good Governance, MFA
Ms. Marijn Noordam, Policy Adviser, Good Governance and Peacebuilding Division, Directorate for Human Rights, Peacebuilding and Good Governance, MFA
Ms. Marit van Zomeren, Desk officer, Afghanistan desk, Asia Department, MFA
Ms. Mariska van Beijnum, Research Fellow, Netherlands Institute of International Relations, Conflict Research Unit, *Clingendael*

Norway

Mr. Jon Lomoy, Director, Regional Department, Ministry of Foreign Affairs (MFA)
Mr. Fridtjov Thorkildsen, Ambassador to Sudan
Mr. Einar Rystad, Senior Adviser, Regional Department, MFA
Mr. Gjermund Saether, Senior Adviser, MFA
Mr. Tom Eriksen, Senior Adviser, MFA
Mr. Arve Ofstad, Head, Unit for Development Strategies, Poverty reduction and Peacebuilding (UFF); Department of Governance and Macroeconomics (SSO), Norad
Mr. Stein Erik Horjen, Senior Adviser, UFF/SSO, Norad

9. Other Informants

Ms. Judith Randel, Director, Development Initiatives, UK
Mr. Adriaan Verheul, Managing Director, D2CL/Defense and Development Consultants, USA
Mr. Charles Downs, Independent Consultant, New York (working for UNDG on NGO issues), USA

Annex C: Documents Reviewed

1. General Documents

- Apthorpe, Raymond et al (2005): "Evaluating Conflict Prevention and Peace-Building Activities". Report for OECD DAC. Fafo Institute of Applied International Studies, Oslo, 15 December.
- Ball, Nicole and Hendrickson, Dylan (2005a): *Review of International Financing Arrangements for Disarmaments, Demobilization and Reintegration*, Phase 1 Report to Working Group 2 of the Stockholm Initiative on Disarmament, Demobilization and Reintegration (SIDDR). May 16.
- Ball, Nicole and Hendrickson, Dylan (2005b): *Review of International Financing Arrangements for Disarmaments, Demobilization and Reintegration*, Phase 2 Report to Working Group 2 of the Stockholm Initiative on Disarmament, Demobilization and Reintegration (SIDDR). September 26.
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- Collier, Paul, Lani Elliot, Havard Hegre, Anke Hoefler, Marta Reynal-Querol, Nicholas Sambanis, *Breaking the Conflict Trap; Civil War and Development Policy*, World Bank Policy Research Report co-published by the World Bank and Oxford University Press, 2003
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- Hino, Toshiko(1996): "NGO-World Bank Partnerships: A tale of Two Projects". June.
- Kievelitz, Uwe et al (2004): *Practical Guide to Multilateral Needs Assessment in Post-Conflict Situations*. A Joint UNDG, UNDP and Wold Bank Guide. Paper No. 15, August.
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Published on behalf of
the Steering Committee by

Norad

Norwegian Agency for
Development Cooperation

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February 2007
ISBN 978-82-7548-184-7