



## **IDA15 MID-TERM REVIEW**

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# **Post Conflict Performance Indicators: Recommendations of External Panel Review and Next Steps**

International Development Association  
Operations Policy and Country Services (OPCS)

October 2009

## Abbreviations and Acronyms

|      |   |
|------|---|
| PCPI | Post-Conflict Performance Indicators        |
| WDR  | World Development Report                    |
| IDA  | International Development Association       |
| ISAI | IDA Special Allocation Index                |
| CPIA | Country Policy and Institutional Assessment |

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### Attachment

Post-Conflict Performance Indicators: External Panel Review dated March 2009



# **Post Conflict Performance Indicators: Recommendations of External Panel Review and Next Steps**

## **I. Introduction**

1. IDA established a framework to provide exceptional allocations to post-conflict countries starting in the IDA13 period. This framework addresses the special circumstances and challenges that countries emerging from conflict face; in particular that their regular performance based allocations from IDA tend to be low at a time when there is an intense need for resources with which to finance social and economic recovery programs. While this framework has been substantially modified in subsequent replenishment negotiations to incorporate lessons of experience, it retains several key features. First, only countries hard hit by conflict are eligible for exceptional post-conflict allocations. Second, the framework has a strong built-in emphasis on performance, with exceptional allocations determined based on country performance and phased out over time. Country performance is measured by a set of Post-Conflict Performance Indicators (PCPI), which are tailored to the circumstances faced by countries emerging from conflict.

2. The PCPIs have been used to determine exceptional allocations for eligible countries since FY03. The PCPIs have not been subjected to external review; nor have the criteria or the country scores been disclosed. During the IDA15 replenishment negotiations it was therefore proposed that consistent with IDA's efforts to enhance the transparency of the process of allocating IDA resources, IDA would establish an external panel to review the PCPI as part of moving toward the disclosure of the PCPI scores during IDA15. The panel was assembled in December 2008 and the terms of reference were finalized in January 2009. The panel convened in Washington DC on February 11 and 12, and submitted its final report to Bank Management in April 2009.<sup>1</sup>

3. It is widely recognized that tackling conflict and fragility involves a complex interplay of political, institutional, security and economic development factors. Furthermore, it is also clear that global knowledge on the issues of conflict and fragility has advanced considerably since the PCPIs were first developed, and that IDA's operational needs have also changed. In this context the panel's report contains a set of practical and operationally relevant recommendations on how to enhance the PCPI instrument, both with respect to content and process. In sum, Management considers the report to provide a useful framework to guide the revisions of the methodology and of the process that underpin the PCPI.

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<sup>1</sup> The members of the panel are Dr. Ernest Aryeetey, Director of Institute of Statistical, Social and Economic Research, University of Ghana; Dr. Lisa Chauvet, Institut de Recherche pour le Développement; Dr. John Page, Distinguished Visiting Fellow, Global Economy and Development, the Brookings Institution (Chairperson); Dr. Nicholas Sambanis, Professor of Political Science, Yale University; and Dr. Paikiasothy Saravanamuttu, Executive Director of the Center for Policy Alternatives, Sri Lanka. The panel's report is attached to this note.

## II. Summary of Findings

4. **Content.** The panel concluded that the content of the PCPI criteria broadly covers the areas identified in the literature and by practitioners as the most relevant to conflict affected countries. However, the panel also noted that there is overlap in the content of some of the criteria and recommended that the PCPI be revised to eliminate such duplication and to sharpen its focus on the issues that are the most relevant to these country settings.

5. The panel also suggested the preparation of country studies on the transition from conflict. The World Development Report (WDR) for 2011 that is currently under preparation focuses on fragility and conflict and is expected to review the causes of conflict and fragility and the policy prescriptions which have emerged over the past decade. It will also examine the record of attempts to avoid or overcome conflict and fragility in selected countries and regions, and will draw lessons for the further development of policies and for their implementation. The drafting of the revised PCPI criteria (discussed under next steps) will draw on the relevant insights of the available literature as well as on ongoing research, including that undertaken in the context of the ongoing preparation of the WDR.

6. **Process.** The panel recommended strengthening the process used to determine the PCPI country scores. This could be achieved through deeper involvement by the Regional Chief Economists and relevant network staff in the review of the proposals prepared by country teams. To further strengthen the robustness of the scores the panel recommended that country authorities be consulted, possibly following a model similar to that used in the CPIA exercise. The panel also suggested that during the review of the proposed scores the Bank could also consider consulting experts in post conflict issues. These consultations should be carried out in a manner that would not dilute Bank staff's ultimate accountability for the scores. The key recommendations of the panel are presented below in conjunction with detailed Management comments on each of them.

## III. Next Steps

7. The implementation of the panel's recommendations requires several intermediate steps. These include:

- drafting the revised criteria (along the lines recommended by the panel) which would be carried out by the relevant networks;
- internal and external consultations on the revised criteria; and
- testing and refinement of the revised criteria which would be carried out in parallel with the 2009 PCPI exercise and refined on that basis. However, the scores using the current PCPI criteria will remain the basis for determining the FY11 exceptional allocations.
- The 2010 PCPI exercise would be carried out using the revised PCPI and will follow a process similar to that used in the CPIA, including country consultations. The final scores would be used to determine the FY12 exceptional IDA allocations and would be disclosed in June 2011, before the start of IDA 16.

| <b>Panel Recommendations</b>  | <b>Management Response and Next Steps</b>   |
|---|---|
| <b>Methodology</b>  |   |
| <i>Establish more transparent and consistent links between the PCPI and CPIA.</i>   | Management supports the recommendation to establish a more explicit link between the PCPI and the CPIA content. As suggested by the panel, this link could be established by creating a broad correspondence between the 5-6 level of the PCPI rating scale and the 3-3.5 level of the CPIA rating scale. Strengthening the consistency of the links is important given the role both ratings play in the determination of exceptional IDA allocations.   |
| <b>Content</b>  |   |
| <p><i>Aggregate the criteria into the following clusters:</i></p> <p><b>A. Common clusters for all countries eligible for special allocations</b></p> <ol style="list-style-type: none"> <li><b>1. Economic Management</b></li> <li><b>2. Structural Policies</b></li> <li><b>3. Governance</b></li> </ol> <p><b>B. Countries in post-conflict</b></p> <ol style="list-style-type: none"> <li><b>4. Post-Conflict Risk</b></li> </ol> | <p>The panel found overlap in the content of some PCPI criteria. Panel members also noted that since the PCPI includes indicators that are only relevant for post-conflict countries (e.g. demilitarization and implementation of peace agreements), using them to measure performance in countries that are not classified as post-conflict raises issues of comparability.</p> <p>The panel's suggested approach is to separate the criteria that would be used to assess performance in all countries eligible for exceptional IDA allocations (common clusters) from the criteria that cover areas that are mainly relevant to post conflict countries. Specifically the criteria covering the risk of relapsing into conflict would be placed into a single cluster (post-conflict risk cluster). The common clusters would be used for all post-conflict and reengaging countries, as well as for countries that would be assessed for monitoring purposes (e.g., countries without a CPIA). The assessment of performance for post-conflict countries would include the risk cluster.</p> <p>Management considers the panel's suggested approach as a promising way to go forward and intends to explore it.</p> |
| <i>Unbundle and clearly identify each of the criteria sub-components.</i>   | This is a very practical recommendation which Management supports. In drafting the criteria, special attention will be given to appropriately unbundling its content into a few and clearly identified subcomponents. That will help ensure that write ups in support of the ratings prepared by country teams are comprehensive and adequately cover all the different dimensions of each criterion. This will facilitate the review by network staff and contribute to ensuring the robustness of the scores.   |
| <i>Engage the Bank's Networks in drafting the specific contents of the criteria.</i>  | To achieve a robust and internally owned set of criteria the contents of each criterion will be prepared by the appropriate network staff. Before the revised PCPI is finalized, the draft criteria will be discussed with external partners (including members of the external panel) who are also working on conflict and fragility issues.   |

| <b>Panel Recommendations</b>  | <b>Management Response and Next Steps</b>   |
|---|---|
| <b>Review Process</b>   |   |
| <i>Involve the Regional Chief Economists and the Bank's Networks more systematically.</i>   | Management supports this recommendation and intends to strengthen the review process by making the Regional Chief Economists the focal point of the interaction between the region and the OPCS led review. The Chief Economists should provide a first review of the quality of the regional proposals. The networks "own" the criteria and their review provide a crucial check of the consistency between the proposed scores and the criteria, and of their robustness across countries.  |
| <i>Link internal review process with the CPIA process.</i>  | Management recognizes that there is a degree of overlap between the content of some PCPI and CPIA criteria that cover similar policy or institutional dimensions. While this overlap will continue, Management supports a closer linking of the review processes of the two exercises as this would provide an additional consistency check of the scores. This is particularly important given the dominant role of the scores in the allocation of IDA resources. Linking the two review processes entails a tighter coordination of the timetables for the two exercises.  |
| <i>The PCPI exercise should be explicitly funded given the role it plays in the exceptional allocation of IDA resources and to provide a signal to staff on the importance management attaches to it.</i> | Although the PCPI exercise covers a small group of countries, it still absorbs a significant amount of staff time. The panel recommendations such as country consultations and the strengthening of the review process will also have budgetary implications. Management intends to fully fund the PCPI exercise.   |
| <b>Client Consultations</b>   |   |
| <i>Adopt the same, upstream, formal client consultation process as in the CPIA review.</i>  | The process of consultation with country authorities used in the CPIA exercise has worked well and Management believes it provides a good basis for setting the consultation process for countries that are eligible for special allocations. A two step consultation process would be established. First, when the assessments are being prepared and before they are submitted for Bank wide review, Bank teams will consult with country authorities to ensure that all relevant information is being taken into account in preparing the assessments. Staff guidelines will underscore that these interactions are part of a consultation process, not a negotiation over the ratings. Second, at the end of the exercise country teams will communicate the scores and explain their rationale to their country counterparts before the scores are posted on the external web. |
| <i>Consider broadening in-country consultations beyond the government's sphere.</i>   | Since country teams are represented in the field, consultations and exchange of views with other partners are already routinely taking place in many country settings. Further consultations along the lines suggested by the panel, could be explored, if needed, with country teams determining the formal/informal approaches that are appropriate given the country context and existing channels of country dialogue. As the panel noted, such exchanges should not be used to dilute the ultimate accountability for the scores, which should remain squarely with Bank staff.  |



| <b>Panel Recommendations</b>   | <b>Management Response and Next Steps</b>  |
|--|--|
| <b>Disclosure</b>  |  |
| <i>Disclose PCPI scores only for those countries where the scores have implications for their IDA allocations.</i> | Management supports this recommendation. Since the main purpose of the PCPI ratings is an input for the IDA exceptional allocations, the disclosure of country scores should only cover those countries receiving special allocations.   |
| <i>Re-label the PCPI as the IDA Special Allocation Index (ISAI)</i>  | Changing the instrument's name is a useful recommendation given that the criteria will be used to assess country performance in non post-conflict settings. To minimize misunderstandings the new label would need to convey a more accurate depiction of country coverage and the purposes of the revised criteria. The panel's suggested name for the PCPI offers a good starting point.   |
| <b>Eligibility Criteria</b>  |  |
| <i>Consider including a third group of eligible countries – “turnaround countries”.</i>                            | Though the panel's remit was to evaluate the PCPI, the report also suggests that IDA should consider expanding the eligibility criteria for IDA's special allocations to include the so-called “turnaround countries”. The panel recognized that identifying “turnaround countries” is a complex task with high risk and high rewards and a non-negligible chance of a “false positive”. The panel outlined a framework that could be used to identify turnaround countries. The suggested triggers included changes in leadership that result in a significant shift in policy stance, a demonstrated willingness to tackle major reforms that were previously resisted, measurable progress in policy implementation, and the existence of a broad international consensus on the need for and merit of providing support. Management is considering this recommendation as part of further work on the fragile states agenda. |



# **POST-CONFLICT PERFORMANCE INDICATORS**

## **EXTERNAL PANEL REVIEW**

**Report of a panel of external experts convened to review the methodology and process of the World Bank's Post-Conflict Performance Indicators**

**March 2009**



**POST-CONFLICT PERFORMANCE INDICATORS  
EXTERNAL PANEL REVIEW**

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# POST-CONFLICT PERFORMANCE INDICATORS

## EXTERNAL PANEL REVIEW

### SUMMARY

1. On February 11 and 12, 2009, a panel convened by World Bank management met in Washington, DC, to review the Post-Conflict Performance Indicators (PCPI). The panel concluded that the PCPI criteria are focused on the relevant areas, but need to be clarified and simplified to reduce overlap and to provide a clearer link with the main IDA allocation tool, the Country Policy and Institutional Assessment (CPIA). The panel recommended ways to revise the PCPI framework to improve its methodology and content and ways to strengthen the process by which the scores proposed by country teams are internally reviewed. The panel also made some suggestions about modifying the eligibility criteria that determine access to IDA's exceptional allocations for management consideration and possible discussion with the IDA Deputies. In the panel's view the revised PCPI should remain a key tool to assess country performance in post-conflict situations and should, thus, continue to play an important role in determining IDA exceptional allocations for these countries. The panel's major recommendations are summarized below.

2. **Methodology.** The panel noted that although the PCPI criteria broadly cover the policy and institutional issues relevant to post-conflict countries, they need to be revised to reduce overlap and strengthen their content. The PCPI are designed to assess the performance of countries emerging from conflict and of other poorly performing countries (e.g., reengaging countries) that typically receive low scores in the CPIA. The effectiveness of the PCPI can be enhanced by ensuring that they are focused on the policy and institutional issues that are most relevant in these country settings. The panel discussed some of these issues and recommended setting more transparent and consistent links between the PCPI and the CPIA in the areas covered by the two assessments. The panel also felt that an explicit linkage of the top PCPI scores with CPIA scores at the appropriate level would provide a more granular assessment tool by extending the bottom range of the scale for post-conflict countries, which typically score at the lower end of the CPIA scale.

3. **Content.** Post-conflict and reengaging countries and other poorly performing countries face specific challenges that are difficult to capture under a common set of criteria. Thus the panel recommended differentiating between the criteria used to assess performance in post-conflict countries and those used for the remaining countries, while preserving to the extent possible a common set of elements. Under this approach the revised PCPI should contain a set of three common clusters covering Economic Policy, Structural Policies, and Governance, and an additional cluster focused on Post-Conflict Risks. The common clusters would be used for all post-conflict and reengaging countries, as well as for countries that would be assessed for monitoring purposes (e.g., countries without a CPIA). The assessment of performance in post-conflict countries would also include the fourth cluster—Post-Conflict Risks—which would be specifically tailored to post-conflict settings, assessing developments in such areas as security,

disarmament and demobilization, and reconciliation. The country scores for the four clusters would be used to determine a country's exceptional IDA allocation under the post-conflict window. The panel discussed in general terms the content of each cluster and reiterated the need for a selective focus on the dimensions that are most relevant to post-conflict settings. To obtain a robust and internally owned set of criteria, the panel suggested that the Bank's Networks should be engaged in drafting the specific contents of the criteria.

4. ***Process.*** In the panel's view the mechanisms used to review the scores proposed by country teams need to be strengthened to ensure consistency with the criteria and across countries. A first step would be to involve the Regional chief economists and the Bank's Networks more systematically. The internal review should also be more explicitly linked to the CPIA process, thus benefitting from an additional consistency check and raising the internal profile of the PCPI exercise. The panel recommended that the scores continue to be prepared in a bottom-up way, in which country teams prepare the initial write-ups and rating proposals that are then subject to a Bank-wide review. The panel noted that the process of arriving at the final scores needs to be informed, as much as possible, by a careful review of the available information (e.g., databases, academic literature, think-tank reports) as well as in-country information obtained through consultations with the client. Given the nature of the issues covered, in particular those in the Post-Conflict Risks cluster, and the scarcity of available information, the panel suggested that the Bank explore consulting experts in the areas of fragility and conflict during the review of the Regional proposals.

5. ***Client Involvement.*** The panel recommended that the PCPI process mirror the CPIA—that is, that it include an upstream formal consultation with the country authorities, followed later by the communication of the final scores and their rationale to the authorities. The panel underscored that this process should be understood as a consultation, not a negotiation of the scores. Because post-conflict situations are associated with rapidly evolving risks and opportunities, the panel stressed that broadening in-country consultations beyond discussions with the government could add value. Such consultations could be done informally, taking into account the country context and existing venues of dialogue with the authorities, civil society, and the international community. Country teams should determine the formal/informal approaches to be used. The panel stressed that such exchanges should not dilute the ultimate accountability for the scores, which in the panel's view should remain squarely with Bank staff.

6. ***Accountability and Disclosure.*** In the panel's view the recommendations outlined above covering methodology, process, and consultation issues should provide the basis for a sound review process that will strengthen the robustness of the scores. The panel suggested that disclosure should apply only to post-conflict and reengaging countries, whose PCPI scores have implications for their IDA allocation. Because the coverage extends beyond post-conflict countries, the panel proposed that for disclosure purposes the PCPI should be labeled the IDA Special Allocation Index (ISAI). However, disclosing two sets of scores (CPIA and PCPI/ISAI) for some countries could create



confusion about their interpretation and their use in the allocation of IDA resources. The panel therefore recommended that Bank staff should prepare explanatory notes clarifying the conceptual differences between the two set of scores and their links to the allocation of IDA resources, and provide them to country authorities and external audiences.

7. ***Eligibility for Exceptional Post-conflict Allocations.*** The panel offered some suggestions on the parameters that could be used to guide a review of the eligibility criteria under IDA’s exceptional allocation window. In addition to the countries that are now eligible—post-conflict and reengaging countries—the panel suggested that a third set, “turnaround” countries, should be considered. The panel discussed the broad contours of a selection framework that could help identify countries that fall in this category; it could include developments such as changes in leadership that result in a significant shift in policy stance, a demonstrated willingness to tackle major reforms that were previously resisted, measurable progress in policy implementation, and the existence of a broad international consensus on the need and merit of providing support. Recent academic literature and experience suggest that such turnaround events present opportunities for the effective use of increased development assistance. In the panel’s view, the CPIA and IDA allocation criteria are often too backward looking and inflexible to capture opportunities presented by such cases. The panel suggested that in revisiting the selection criteria, staff could build on work already done in the Bank.<sup>1</sup> Broader eligibility criteria would have resource implications for the countries involved, as well as for the resource envelope available to other countries. Thus, the panel suggested that changes in the eligibility criteria, and their resource implications, be fully analyzed before any discussion with the IDA Deputies.

8. ***Resources.*** Although the PCPI exercise covers a small group of countries, it still absorbs a significant amount of the country teams’ time. The panel was informed that no budgetary resources are explicitly allocated to support this work. Because the panel’s recommendations—specifically those concerning country consultations and the strengthening of the review process to include the Networks and key Regional staff—will have budgetary implications, in the panel’s view it is important that the PCPI exercise be fully funded, not only because of its role in the allocation of IDA resources under the exceptional allocation window, but also to provide a further signal to staff on the importance management attaches to it.

9. ***Other Issues.*** The panel recommended carrying out a periodic review of the PCPI framework, possibly every three to five years. It also recommended that the Bank initiate some analytic work to inform the framework; such work could include the study of lessons learned from policy sequencing in successful cases (e.g., Cambodia, Mozambique, Sierra Leone) and the regional impact of instability due to conflict in a neighboring country. The panel also suggested that in future revisions of the PCPI criteria the Bank should further explore the question of the weights to be assigned to individual criteria and clusters.

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<sup>1</sup> See *Africa Catalytic Growth Fund: Request to Establish a Trust Fund – The Africa Catalytic Growth Fund (ACGF)* (IDA/R2006-0011), February 6, 2006.



# POST-CONFLICT PERFORMANCE INDICATORS EXTERNAL PANEL REVIEW

## REPORT AND RECOMMENDATIONS

1. On February 11 and 12, 2009, a panel convened by World Bank management met in Washington, DC, to review the Post-Conflict Performance Indicators (PCPI).<sup>1</sup> The panel concluded that the PCPI criteria are focused on the relevant areas, but need to be clarified and simplified to reduce overlap. They also need to be more clearly linked with the Country Policy and Institutional Assessment (CPIA), a major input in the performance-based allocation (PBA) of IDA resources to eligible countries. The panel made some recommendations on revising the PCPI framework to improve its methodology and content, and strengthening the process by which the scores proposed by country teams are internally reviewed. In the panel's view revised PCPI should remain a key tool to assess country performance in post-conflict situations and thus should continue to play an important role in determining IDA exceptional allocations for these countries. The panel also put forward some suggestions for management consideration and discussion with the IDA Deputies about the eligibility criteria for access to IDA's exceptional allocations.

### I. BACKGROUND

2. During IDA13 the Bank established an allocation framework designed to address the special circumstances of conflicted-affected countries and to provide financial resources for a limited period of time, larger than those that these IDA countries would receive under the normal performance-based allocation (PBA) rules. A key element of this approach was the development of the PCPI, a set of criteria tailored to the circumstances faced by countries emerging from conflict.<sup>2</sup> The PCPI assess country performance during the transition period and provide the basis for the allocation of resources among post-conflict countries. The criteria and other features of the framework have been refined periodically to incorporate lessons of experience, but neither the criteria nor the country scores have been disclosed to date.

3. **Panel Review.** In the context of the IDA15 replenishment, it was agreed that after a review by an external panel the PCPI scores would be disclosed by the end of the IDA15 term. This is consistent with IDA's efforts to increase the transparency of its

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<sup>1</sup> The members of the panel are Dr. Ernest Aryeetey, Director of Institute of Statistical, Social and Economic Research, University of Ghana; Dr. Lisa Chauvet, Institut de Recherche pour le Développement; Dr. John Page, Distinguished Visiting Fellow, Global Economy and Development, the Brookings Institution (Chair); Dr. Nicholas Sambanis, Professor of Political Science, Yale University; and Dr. Paikiasothy Saravanamuttu, Executive Director of the Center for Policy Alternatives, Sri Lanka.

<sup>2</sup> The original PCPI framework is presented in *Adapting IDA's Performance-Based Allocations to Post-Conflict Countries* (IDA, 2001). This innovation in allocating post-conflict resources was piloted during the last half of the IDA12 period and adopted in IDA13.

allocation framework and follows the 2005 disclosure of the CPIA scores. In the context of the commitment made under IDA15, the panel convened for two days and discussed a wide range of issues covering the methodology, content and internal review process of the PCPI, the eligibility criteria, the role of clients in the process of preparing the scores, and future steps toward disclosure (Attachments 1-3 list the documents the panel received and provide its terms of reference and the review agenda).

4. ***Issues for Discussion.*** Bank staff provided a useful and thorough background for the deliberations by briefing the panel on the general context of the review, the evolution of the PCPI, the methodology and process used in determining the scores, and the way these scores are used to determine the allocation of IDA resources for the countries eligible for exceptional allocations. The discussion centered on the areas that in the panel's view needed to be revised to strengthen the robustness of the scores in preparation for disclosure by the end of the IDA15 period. The panel concluded that the revised PCPI should remain an important instrument in determining IDA exceptional allocations to post-conflict and other eligible countries. At the end of the deliberations, the panel outlined several recommendations on how to address a range of issues, and made several suggestions concerning revisions to the PCPI framework.

5. ***Report Content.*** The next section of this report provides the context for the panel's deliberations and elaborates on the major conclusions and recommendations. It covers the PCPI framework, with particular attention to the coverage of the criteria; the internal review process; client involvement and consultation; and disclosure of ratings. The report also provides some suggestions regarding the eligibility criteria, namely how countries that after an extended period of low performance demonstrate a break with past policies (that is, turnaround countries) could be identified and potentially become eligible for additional assistance.

## II. PANEL DISCUSSION AND RECOMMENDATIONS

### A. Methodology

6. The panel discussed the evolution of the PCPI and the key changes made in the criteria, the coverage of the clusters, and the links with the CPIA. Staff noted that in comparison with the CPIA, which was introduced in the mid-1970s as a tool for allocating IDA resources, the PCPI has a much shorter history: the first exercise took place in 2003. Staff noted that the PCPI is designed to assess country performance in critical areas of post-conflict recovery and that capturing all relevant dimensions of a post-conflict transition in a limited number of operational criteria is a challenging task.

7. ***Revisions of the PCPI.*** Bank staff noted that since 2003 the PCPI criteria have been refined through two major revisions. In 2004, three major changes were made. First, the rating scale was changed from a 4-point to a 6-point scale; this change involved the addition of a low rating that typically describes a situation of ongoing or reignited conflict, and a high rating that describes a very strong performance and that was intended to be roughly equivalent to a score of 4 on the CPIA scale. Second, a detailed description

of each of the rating levels was provided for all the criteria. Finally, suggested sources of external data were added to help country teams to prepare their proposals for rating countries and to facilitate cross-country comparisons. The PCPI criteria were further revised before the 2006 exercise: the health and the education criteria were consolidated into a single “building human resources” criterion (Q8); a criterion was added to assess social cohesion and nondiscrimination (Q9); greater emphasis was placed on private sector development in the economic recovery cluster; and the budgetary and fiscal management issues were consolidated in one criterion (Q10).

8. The PCPI now consists of 12 criteria grouped into four clusters: Security and Reconciliation, Economic Recovery, Social Inclusion and Social Sector Development, and Public Sector Management and Institutions (see Table 1; a brief summary of the contents of each criterion is presented in Attachment 2). Each of the four clusters receives an equal weight, and within each cluster all criteria are also equally weighted. The overall score is obtained by calculating the mean score for each cluster and then averaging the scores of the four clusters.

**Table 1: Post-Conflict Performance Indicators**

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|--|
| <p><b>Cluster A: Security and Reconciliation</b><br/>           Q1: Security<br/>           Q2: Reconciliation<br/>           Q3: Disarmament, Demobilization, and Reintegration</p>   |
| <p><b>Cluster B: Economic Recovery</b><br/>           Q4: Fiscal and Monetary Policies, Debt, and Inflation<br/>           Q5: Trade and Foreign Exchange Policies and Private Sector Environment<br/>           Q6: Management and Sustainability of National Recovery Program</p>  |
| <p><b>Cluster C: Social Inclusion and Social Sector Development</b><br/>           Q7: Reintegration of Displaced populations<br/>           Q8: Building Human Resources<br/>           Q9: Social Cohesion, Non-Discrimination, and Human Rights</p>   |
| <p><b>Cluster D: Public Sector Management and Institutions</b><br/>           Q10: Fiscal and Budgetary Management and Efficiency of Revenue Mobilization<br/>           Q11: Reestablishing Public Administration and Rule-Based Governance<br/>           Q12: Transparency, Accountability, and Corruption in the Public Sector</p> |

9. *Coverage of Issues.* The panel discussed the broad focus of the PCPI. Drawing on the insights of the available literature and on the experience gathered in diverse country cases, the panel concluded that the PCPI’s focus on a set of interlinked dimensions covering security, governance, and economic and social issues is broadly adequate. That said, the panel also noted overlap in the contents of the criteria; a few

topics are covered in more than one cluster or indicator. They noted that the PCPI would benefit from a through review to simplify, clarify, and sharpen the criteria contents.

10. ***Links to the CPIA.*** Staff noted that in a few areas there is some overlap with the CPIA, but that the contents of the PCPI criteria are adjusted to take into account the specific circumstances of countries emerging from conflict. The PCPI are designed to provide a specific framework in which to assess the performance of countries that typically tend to rank at the lower end of the CPIA. In addition, the PCPI cover areas that are critical for transition processes, but that are not captured in the CPIA (for example, issues of security, demobilization and reintegration of ex-combatants, political and reconciliation processes that are normally spelled out in a post-conflict agreement, and reintegration of displaced populations).<sup>3</sup> There are some subtle differences between the two instruments. The CPIA focuses on actions that are under the control of the government. For PCPI countries that may not be always be possible or desirable: some of the actions that play a key role in the success of a post-conflict transition may not be fully under the control of the country authorities (for example, security).

11. ***Linking the CPIA and PCPI.*** The panel discussed the pros and cons of combining the CPIA and the PCPI exercises. Staff noted that, although staff clearly understands the differences between the two exercises, it is legitimate to question whether two separate sets of criteria are needed. One option would be to merge the two exercises, amending the CPIA to cover and give appropriate weight to factors important for post-conflict countries. However, the panel concluded that merging the two sets of criteria would likely result in a loss of focus on the specific circumstances of countries emerging from conflict. Therefore, the panel was in favor of continuing to have a specific framework for post-conflict countries; but the panel also noted that in areas that are covered by the two instruments a more transparent link should be established between the corresponding criteria. This would make the PCPI a better tool for assessing performance of post-conflict countries at the lower end of the CPIA scale, and would help to smooth out the transition from exceptional to normal PBA allocations.

12. ***Panel Recommendations.*** The panel noted that although the PCPI criteria broadly cover the policy and institutional issues relevant to post-conflict countries, they need to be revised to reduce overlap and sharpen the contents. The effectiveness of the PCPI as a performance assessment tool can be enhanced by ensuring that they are focused on the policy and institutional issues that are most relevant in the country settings for which they are designed—countries that typically have low scores on the CPIA. The panel recommended establishing more transparent and consistent links between the two instruments. This could be done by explicitly linking the PCPI content for the higher end of the scoring scale with the content of the CPIA criteria at the appropriate level of its scoring scale. One possibility would be to create a broad correspondence between the contents of appropriate criteria at the 5-6 level of the PCPI scale and the corresponding CPIA contents at the 3-3.5 level of its scoring scale. By extending the range of the

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<sup>3</sup> “Post-Conflict Performance Indicators Rating Guidelines, 2007.”

assessment scale for countries at the lower end of the CPIA, the PCPI would become a more granular assessment tool.

## B. Content

13. In recommending a revision of the PCPI criteria to reduce content overlap and to strengthen links with the CPIA, the panel stressed that in preparing the revised criteria staff should focus on the aspects that are the most relevant to post-conflict situations. Selectivity in the choice of these dimensions should be the major consideration driving this task.

14. **Risk Dimension.** The panel underscored the importance of identifying a broad set of risk factors that are highly relevant to post-conflict countries and that, if they materialized, would likely push a country back into conflict. Determining the dominant risk factors for a given country is not easy and depends on many elements: the origins of the conflict, the degree of intensity and the length of the conflict, the way it ended (e.g., by a brokered cease-fire versus an outright military victory for one of the factions), the way grievances from particular groups are being addressed, the extent and form of the reconciliation efforts being undertaken, and the way any regional inequality of access to resources is being addressed. Another important factor is the regional dimensions of the conflict—for example, the extent that neighboring countries are affected by conflict or are supporting groups or actions that create destabilizing forces—which can increase the chances of renewed internal conflict. The panel noted that many of the relevant risk factors are already incorporated in the present PCPI, although in a somewhat scattered form: Cluster A, Security and Reconciliation, covers Security (Q1), Reconciliation (Q2), and Disarmament, Demobilization, and Reintegration (Q3); and Cluster C, Social Inclusion and Social Sector Development, covers Reintegration of Displaced Populations (Q7). These different dimensions could be consolidated into a single cluster.

15. **Coverage.** Topics that are clearly important in post-conflict settings, such as those included as risk factors, are less relevant for other countries that are also eligible for IDA special allocations, for which the PCPI are also used to assess performance—for example, reengaging countries and “turnaround countries” (which, in the panel’s view, could merit being considered for exceptional allocations)<sup>4</sup>. Each of these groups of countries faces specific development challenges that cannot easily be captured in a common set of criteria. That calls for some differentiation in the use of the PCPI instrument.

16. **Revised Criteria.** To take into account the full spectrum of countries that the PCPI framework is intended to cover, the panel recommends that the revised PCPI should consist of four clusters. The first three clusters, covering economic management, structural policies, and governance, would be common clusters, used in assessing the performance of all the countries eligible for special allocations. The fourth cluster, designed to monitor major risk factors that are particularly pertinent in post-conflict situations, would cover security; demobilization, disarmament, and reintegration; and

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<sup>4</sup> The issue of the “turnaround countries” is discussed below, see section G - Eligibility Criteria.

reconciliation (see Table 2). Most of the areas covered in the suggested PCPI are in one form or another already included in the existing set of criteria, but the proposed format would consolidate all the risk factors into a single cluster and would simplify and streamline the contents of several of the criteria included in the other clusters. The panel recommended that, when a given criterion covers several dimensions, its contents should be appropriately unbundled into narrower and clearly identified subcomponents; this would also ensure that the write-ups by country teams would adequately cover all the dimensions specified in the criterion.

17. ***Selectivity.*** The panel discussed in general terms the contents of each cluster and reiterated the need for a selective focus on issues that are the most relevant to countries whose performance will be assessed by the revised PCPI. An important issue is whether the particular circumstances of post-conflict countries require that they pursue policies that are markedly different from countries that did not experience conflict but could become eligible for IDA special allocations. A common characteristic is that these countries' starting point is an inadequate policy framework, typically encompassing unsustainable macroeconomic policies, significant governance deficiencies, and poor delivery of public services. They tend to differ with respect to the risk of falling into further conflict—a risk that is presumably much higher in post-conflict countries, so that actions that lower these risks should receive paramount consideration. The need to monitor these risks provides the rationale for the panel's recommendation of including in the PCPI a separate cluster focused on security and reconciliation issues. Over time, economic recovery that results in job creation and welfare improvements will become an important ingredient to reduce conflict risks.



**Table 2: Revised PCPI: Suggested Contents**

|                                       |   |
|---------------------------------------|---|
| <b>Cluster A: Economic Management</b> |   |
| 1.                                    | <b>Macroeconomic management</b>   |
|                                       | a. Monetary   |
|                                       | b. Fiscal   |
|                                       | c. Exchange rate  |
| 2.                                    | <b>Debt policy</b>  |
| 3.                                    | <b>Functioning of budget administration</b>   |
| <b>Cluster B: Structural Policies</b> |   |
| 1.                                    | <b>Investment climate</b>   |
|                                       | a. Trade  |
|                                       | b. Financial sector   |
|                                       | c. Business regulatory environment  |
| 2.                                    | <b>Capacity of public administration</b> (public services, capacity building, management of natural assets) |
| 3.                                    | <b>Infrastructure</b>   |
| 4.                                    | <b>Education and health</b>   |
| <b>Cluster C: Governance</b>          |   |
| 1.                                    | <b>Rule of law /personal security</b> (crime)   |
| 2.                                    | <b>Accountability and transparency</b>  |
|                                       | a. Elections and voice  |
|                                       | b. Natural resources management   |
|                                       | c. Corruption   |
| 3.                                    | <b>Gender, ethnic, and regional discrimination</b>  |
| <b>Cluster D: Post-Conflict Risk</b>  |   |
| 1.                                    | <b>Security</b>   |
|                                       | a. Level of political violence  |
|                                       | b. Control of territory   |
|                                       | c. Presence of peace-keeping operations (PKO)   |
|                                       | d. War ended in a truce/no settlement or victory  |
| 2.                                    | <b>DDR</b>  |
|                                       | a. Respective roles of army and police  |
|                                       | b. Demilitarization of ex-combatants  |
| 3.                                    | <b>Reconciliation</b>   |
|                                       | a. Implemented peace settlement   |
|                                       | b. Repatriation of refugees and internally displaced people (IDPs)  |
|                                       | c. Addressing past grievances/rights violations   |

18. **Cluster Contents.** The panel pointed out that the end of conflict opens up political and economic reform possibilities but also highlights binding constraints. An important constraint is country capacity. Years of conflict and mismanagement tend to erode the quality of public administration, as the most able tend to leave the civil service.

This may limit the scope of actions that country authorities can pursue on their own without external assistance. Although it is difficult to generalize, there are some common issues that should be covered in the common clusters—for example, the panel noted several areas that typically require urgent attention: infrastructure reconstruction and rehabilitation (power, water supply, ports, and roads); the elimination of major macroeconomic imbalances, including the overhaul of the public revenue and expenditure systems to remove major distortions and to ensure that the budget becomes a de facto policy tool; improvements in the delivery of basic public services (e.g., health and education); and the establishment of a basic framework for private sector recovery. The panel also cautioned against an excessive emphasis on early elections soon after the end of conflict. There is recent evidence supporting the view that in the absence of the necessary institutional check and balances such step could be destabilizing. To obtain a robust and internally owned set of criteria, the panel suggested that the Bank’s Networks should be engaged in drafting the specific contents of the criteria.

19. **Cluster Weights.** The panel discussed the weights to be attached to each of the four clusters. It noted that the causes of conflict are typically country-specific, usually rooted in complex historical, ethnic, and political factors. The process of transition out of conflict is not linear, and countries may experience renewed conflict episodes. The panel pointed out that the available literature provides no clear guidance on how important the policies in each cluster are for the success of that transition. It can be argued, for example, that immediately after the cessation of hostilities security issues should receive priority to lower the risk of a return to conflict. But that risk also depends on how the conflict ended—for example, through an externally brokered peace agreement versus a clear victory for one of the factions. Post-conflict situations have different social and political dynamics, which affect the pace and sequence of changes in security, political, and economic settings. Although these considerations would call for attaching different weights to the clusters depending on the country context, from the IDA allocation standpoint a common metric is inescapable. The panel concluded that, in the absence of evidence supporting specific cluster weights and to emphasize transparency, the clusters should be equally weighted. If robust empirical evidence emerges supporting a different formulation, this approach would need to be revisited.

20. **Rating Scale.** Compounding the inherent difficulties of assessing country performance, the countries covered in the PCPI exercise typically suffer from even more pronounced information gaps than other low- and middle-income countries. To help address this issue, the panel discussed the value of using a more qualitative (e.g., a three-tier) scoring scale. However, they noted that a three-tier scale would limit country differentiation and that countries would tend to be scored in the middle tier. They viewed the existing 6-point scale as preferable because it would address the differentiation issue and help strengthen the link between the CPIA and the PCPI. They also noted that one consideration in revising the criteria should be to draw its contents in such a manner as to measure changes in performance in smaller steps. This can be done by increasing the granularity of the criteria, thus increasing the ability to assess progress from one year to another. The recommended correspondence between the PCPI criteria in the 5-6 range to the equivalent CPIA criteria around the 3-3.5 range would be consistent with this

approach. It is also important to ensure that the steps represent similar degrees of policy effort across the criteria.

21. ***Applying the Criteria.*** In the two-track approach recommended by the panel, the first three clusters of the revised PCPI would be a set of common indicators to be used to assess the performance of all post-conflict, reengaging, and turnaround countries, as well as others (e.g., countries without a CPIA) that would be assessed for monitoring purposes. The fourth cluster, Post-Conflict Risks, would be used to assess the performance of post-conflict countries only. For all countries, the overall score would be the average of the scores of all three or four clusters used. For eligible countries these overall country scores would be used to determine a country's IDA exceptional allocation.

22. ***Panel Recommendations.*** Post-conflict and reengaging countries and other poorly performing countries face specific challenges that are difficult to capture under a common set of criteria. Thus the panel recommended differentiating the criteria used to assess performance in post-conflict countries from those used for the remaining countries, while preserving to the extent possible a common set of elements. Under this approach the revised PCPI should contain a set of three common clusters covering Economic Policy, Structural Policies, and Governance, and an additional cluster focused on Post-Conflict Risks. The common clusters would be used for all post-conflict and reengaging countries, as well as for countries that would be assessed for monitoring purposes (e.g., countries without a CPIA). In post-conflict countries the assessment of performance would also include a fourth cluster—Post-Conflict Risks—which would be specifically tailored to post-conflict settings and would assess developments in such areas as security, disarmament and demobilization, and reconciliation. For eligible countries, the mean score for the all clusters used in a specific country would be used to determine that country's IDA exceptional allocation. Because the exceptional allocations in IDA are specific to country circumstances – post conflict countries are in one resource pool and reengagement countries are in a separate pool – the use of the fourth cluster for resource allocation in the case of post conflict countries will not penalize them relative to reengagement countries; the resource allocation process will be comparing like with like. The panel recommended that the 6-point scale continue to be used, and that the clusters continue to be equally weighted. The panel discussed in general terms the content of each cluster and reiterated the need for a selective focus on the dimensions that are most relevant to post-conflict settings. To obtain a robust and internally owned set of criteria, the panel suggested that the Bank's Networks should be engaged in drafting the specific contents of the criteria.

### **C. Review Process**

23. Staff outlined to the panel the different steps in the PCPI exercise. The process starts with country teams preparing a write-up with a proposed set of scores for their respective countries. The PCPI criteria and the accompanying guidelines provide guidance on the preparation of the write-ups and their expected coverage. A review committee, comprising representatives from several Bank departments, examines and discusses the submissions from the country teams and provides to the teams comments on

the write-ups and recommendations on any changes in scores. In some cases the committee asks the country teams for additional information for further review. The final decision on the country scores rests with the review committee. In terms of timing, the PCPI exercise process is launched in December, country teams submit their proposals in January/February, the review committee meets in February/March, and the exercise is completed in May.

24. **Process Approach.** The panel discussed whether the process should remain a bottom-up approach (country teams prepare the initial proposals that are then reviewed by the center), or whether it would be preferable to start with the center proposing a set of scores that could then be contested by country teams. It was noted that staff in the field have a comparative advantage with respect to up-to-date information on economic and political developments, and that a bottom-up approach strengthens country teams' ownership of the scores. There was general agreement that, as for the CPIA, the PCPI should continue to use the bottom-up approach. The panel noted that the process of converging toward the final scores needs to be informed by a careful review of the available information (e.g., databases, academic literature, think-tank reports) as well as in-country information obtained through consultations with the client. To strengthen the review process, the panel suggested that the Bank explore consulting outside experts who closely follow developments in these countries.

25. **Coverage.** Staff explained to the panel that in recent years the PCPI exercise has covered up to about 20 countries. The ongoing 2008 exercise includes nine post-conflict countries (Afghanistan, Angola, Burundi, Democratic Republic of Congo, Republic of Congo, Côte D'Ivoire, Eritrea, Liberia, and Timor-Leste) and three reengaging countries (Haiti, CAR, and Togo), and, for monitoring purposes, Myanmar, Somalia, Guinea Bissau, Sudan, and Zimbabwe.

26. **Comparison with the CPIA Process.** The panel asked Bank staff to clarify the differences and similarities between the CPIA and the PCPI processes. Staff responded that the annual CPIA exercise covers about 140 countries and systematically involves Network anchors' Regional front offices in the review process. The CPIA also benefits from a well-established Regional-level vetting process led by the Regional chief economist's office, which helps ensure comparability and realism of the scores before they are submitted to Bankwide review. In addition, the CPIA central review stage is a multiprocess exercise in which teams have an opportunity to explain/dispute the rationale for changes in the proposed ratings.

27. **Benchmarking.** The panel also discussed whether it would be useful to include in the PCPI process a benchmarking step akin to the CPIA's—a step that is intended to ensure that the ratings are comparable within and across Regions and to guide staff in rating non-benchmark countries.<sup>5</sup> Benchmarking scores are determined at a meeting in which representatives from the Regions, Networks, and Central Departments review the

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<sup>5</sup> For each of the benchmark countries, country teams propose ratings for each criterion, accompanied by written justifications. The proposals and the write-ups are first vetted by the respective Regional chief economist, and then reviewed by the Networks and Central Departments. The final scores are then determined during a benchmark meeting.

proposed ratings for all the criteria. These ratings are then “frozen,” and the broader phase of the CPIA exercise begins.<sup>6</sup> It was mentioned that the PCPI covers a limited number of countries, fewer than those included in the typical benchmarking exercise. The panel also noted that the committee review meeting that is part of the PCPI process plays a de facto benchmarking role. Moreover, because the majority of the countries covered by the PCPI exercise are in the Africa Region, the involvement of the Regional chief economist in the internal Regional review goes a long way to ensure adequate calibration of the scores.

28. ***Panel Recommendations.*** In the panel’s view the process of reviewing the scores proposed by country teams needs to be strengthened to ensure consistency with the criteria and across countries. A first step would be to involve the Regional chief economists and the Bank’s Networks more systematically. The internal review should also be more explicitly linked to the CPIA process, thus benefitting from an additional consistency check and raising the internal profile of the PCPI exercise. The panel recommended that the scores continue to be prepared in a bottom-up way, in which country teams prepare the initial write-ups and rating proposals, which are then subject to a Bankwide review. The panel noted that the process of arriving at the final scores needs to be informed, as much as possible, by a careful review of the available information (e.g., databases, academic literature, think-tank reports) as well as in-country information obtained through consultations with the client. Given the nature of the issues covered, in particular those in the Post-Conflict Risk cluster, and the scarcity of available information, the panel suggested that the Bank explore consulting experts in the areas of fragility and conflict during the review of the Regional proposals.

#### **D. Client Consultations**

29. The panel discussed the role that client consultation should play in the PCPI exercise. Bank staff indicated that until now the scores have remained confidential and have not been discussed with country authorities. The panel agreed that going forward client involvement in the PCPI process would be important. Given that country authorities are likely to be unaware of the methodology, content, process, and use of PCPI ratings, the Bank will need to fill this information gap. Country teams are well positioned to play a role in this area, but they will need major support from the center. In terms of the specific consultation steps, the approach used in the CPIA was viewed as adequate—an upstream formal consultation with the country authorities, followed later by the communication of the final scores and their rationale to the authorities.

- During the initial set of PCPI consultations, country teams would be able to collect relevant data and other inputs that could inform their assessments. In turn, country authorities would have an opportunity put forward any additional information that they considered relevant to inform the

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<sup>6</sup> In the second phase of the CPIA, the steps are similar to those in the benchmarking phase, that is, country teams prepare ratings proposals with written justifications, which in turn are reviewed within the Region by the chief economist and then submitted to a Bankwide review by the Networks and Central Departments. Given the large number of countries involved there is typically no meeting and the review and discussion is conducted through a virtual process.

assessments. The consultation would also provide a forum for an early discussion of the Bank's views on the progress the country has made in addressing previously identified issues. The panel noted that it is crucial that the authorities be fully aware that these discussions are consultations, not negotiations. The responsibility for the scores should rest squarely with Bank staff.

- Because post-conflict situations are associated with rapidly evolving risks and opportunities, the panel stressed that broadening in-country consultations beyond discussions with the government could add value. Such consultations could be done informally, taking into account the country context and existing venues of dialogue with the authorities, civil society, and the international community. Country teams should determine the formal/informal approaches to be used.
- During the second step of the consultation process, country teams would communicate the final scores to the authorities and discuss their rationale. This could be part of the ongoing policy dialogue between the country and the Bank, contributing to identify policy areas where country performance is perceived to be relatively weak, options to address the identified issues, and possible avenues for Bank support.

30. ***Policy Dialogue.*** The panel agreed that country teams are best placed to decide how to carry out such steps, within ongoing policy dialogue between the Bank and the country. Given the rapidly evolving risks and opportunities in post-conflict settings, the panel saw some merit in extending country consultations beyond the government's sphere. Such consultations could be done informally but should not be used to dilute accountability for the scores and jeopardize the integrity of the PCPI process. Country teams should determine the formal/informal approaches to be used, taking into account the country context and existing avenues of dialogue with the authorities, civil society, and the international community.

31. ***Panel Recommendations.*** The panel reiterated that the PCPI process needs to be driven upstream by sound consultation to ensure that all relevant information is being considered and to strengthen the robustness of the score. The panel agreed that client involvement would be welcome. The panel recommended that the PCPI process mirror the CPIA—that is, that it include an upstream formal consultation with the country authorities, followed later by the communication of the final scores and their rationale to the authorities. The panel underscored that this process should be understood as a consultation, not a negotiation of the scores. Because post-conflict situations are associated with rapidly evolving risks and opportunities, the panel noted that broadening in-country consultations beyond the government's sphere could add value. Such consultations could be done informally. The panel stressed that such exchanges should not be used to dilute the ultimate accountability for the scores, which in the panel's view should remain squarely with Bank staff. Country teams should determine the formal/informal approaches to be used, taking into account the country context and

existing avenues of dialogue with the authorities, civil society, and the international community.

### **E. Accountability**

32. In the panel's view, a rigorous review process and sound consultation framework along the lines recommended in this report should go a long way to ensure accountability. The panel discussed the benefits of disclosing the PCPI scores for IDA borrowers that are eligible for exceptional post-conflict allocations. Panel members felt that disclosure would be beneficial for rated countries, for the Bank, and for such other stakeholders as bilateral and multilateral institutions, researchers, and academia. The panel noted that information sharing and outside scrutiny would likely contribute to further improvement of the PCPI methodology, content, and process over time. That said, it is important to reiterate that the accountability for the scores rests with Bank staff.

33. ***Panel Recommendations.*** In the panel's view, the recommendations outlined above covering methodology, process, and consultations should provide the basis for a sound review process that will strengthen the robustness of the scores and help ensure accountability.

### **F. Disclosure**

34. Disclosure of PCPI ratings would need to take into account the fact that in post-conflict countries the limited data and information and the complex and heterogeneous settings complicate country assessments and widen measurement errors. In conjunction with disclosure it will be important that external audiences (including governments) are fully aware of the differences between PCPI and CPIA scores (which are currently made public), given that a handful of countries would have two different sets of scores from the Bank. Thus disclosure should be accompanied by appropriate background materials explaining what the two instruments' different objectives are and how they are used in the allocation of IDA resources.

35. ***Sequenced Approach.*** The panel also suggested that disclosure should apply only to countries where the PCPI scores have implications in terms of IDA resources, that is, to post-conflict and reengaging countries and eventually to turnaround countries (see below). Concerning the timing of disclosure, the panel advised staff to take a carefully sequenced approach. It could be useful to test the revised PCPI in tandem with the CPIA to assess the consistency of criteria and process, then to refine the PCPI on the basis of the feedback, and only then to disclose the scores under the revised system during IDA15. Because the scope of disclosure would extend beyond the post-conflict countries, for the sake of accuracy and to minimize misunderstandings the panel proposed that the PCPI should be renamed the IDA Special Allocation Index (ISAI).

36. ***Panel Recommendations.*** The panel suggested that disclosure should apply only to post-conflict and reengaging countries, whose PCPI scores have implications for their IDA allocation. Because the coverage extends beyond post-conflict countries, the panel proposed that for disclosure purposes the PCPI should be labeled the IDA Special

Allocation Index (ISAI). However, disclosing two sets of scores (CPIA and PCPI/ISAI) for some countries could create confusion about their interpretation and their use in the allocation of IDA resources. The panel therefore recommended that Bank staff should prepare explanatory notes clarifying the conceptual differences between the two set of scores and their links to the allocation of IDA resources, and provide them to country authorities and external audiences.

### G. Eligibility Criteria

37. Staff briefed the panel on the present arrangements for exceptional allocations under IDA. Two sets of countries are eligible for such allocations: post-conflict and reengaging countries. For post-conflict countries, three indicators are used to assess conflict impact. A country is considered to be eligible for post-conflict exceptional allocations depending on (a) the extent of human casualty caused by the conflict, (b) the proportion of the population that is internally displaced or in exile, or (c) the extent of physical destruction. A decision on Bank's involvement is guided by the principles defined on the Bank's Operational Policy (OP) 2.30, which sets out four conditions: (a) sufficient reduction of conflict to allow the implementation of IDA-supported activities, (b) reasonable expectations of continued stability, (c) presence of an effective government counterpart, and (d) evidence of strong international cooperation.<sup>7</sup> Since IDA 14 another group of countries, reengaging countries, has also become eligible for exceptional allocations. These are countries that did not experience severe conflict and reengage with IDA after an extended period of inactivity on the basis of a strong transitional program with concerted donor support. The eligible countries are presently Haiti, Central African Republic and Togo.

38. **Assistance Period.** When the post-conflict window was established in IDA13, it was envisaged to provide 5 years of exceptional allocations, including 2 years of phase-out to a normal PBA. During the IDA13 Mid-Term Review the length of exceptional allocations was increased to 7 years, including 3 years of phase-out to normal PBA allocations. For IDA15, the duration of the exceptional allocation for the post-conflict countries was further lengthened to 10 years by doubling the phase-out period from 3 to 6 years. The extension allowed countries that would otherwise have graduated to remain eligible for exceptional allocations. Reengaging countries in turn receive exceptional allocations for up to 5 years, of which the first 2 are for special allocations and the remaining 3 for proportional phase-out to their regular PBA level.

39. **Turnaround Countries.** The panel noted that there might be room to modify the criteria, suggesting in particular that a third group of countries—"turnaround" countries—could be considered for eligibility under this window. As the PBA has a time lag in translating a change in economic governance into resource allocation, the panel suggested that a case could be made to provide exceptional allocations to support countries undergoing marked and sustained improvement in policies, on the basis of compelling evidence on both the depth and durability of the reform program. Turnaround countries could be characterized as having made a major shift in economic governance.

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<sup>7</sup> IDA (2007), *op. cit.*



This shift would include evidence of government commitment and demonstrated improvement in economic governance, supported by political leadership; evidence of implementation of a credible and sound strategy for a sustained reform program for shared growth as measured by improvements in the PCPI (using the most current data available); and evidence that aid is being used well in the country, as reflected in the judgment of the donor community. In such countries, critical capacity and resource limitations often hamper the ability to implement reforms, and timely financial and technical assistance could have very high payoffs. The panel suggested that in establishing a more precise criterion to define a turnaround country, Bank staff may want to review work already done by the Bank in this area.<sup>8</sup> The panel also noted that enlarging the eligibility criteria would have implications for the allocation of IDA resources across countries that would need to be carefully analyzed, and they emphasized the merit of tabling the issue for consideration by the IDA Deputies.

40. ***Panel Recommendations.*** The panel offered some suggestions on the parameters that could be used to guide a review of the eligibility criteria under IDA's exceptional allocation window. In addition to the post-conflict and reengaging countries that are now eligible, the panel suggested the consideration of a third set of potential turnaround countries. The panel discussed the broad contours of a selection framework that could help identify countries that fall in this category; it could include developments such as changes in leadership that result in a significant shift in policy stance, a demonstrated willingness to tackle major reforms that were previously resisted, measurable progress in policy implementation, and the existence of a broad international consensus on the need and merit of providing support. The panel suggested that in revisiting the selection criteria, staff could build on work already done in the Bank. Broader eligibility criteria would have resource implications for the countries involved, as well as for the resource envelope available to other countries. Thus, the panel suggested that changes in the eligibility criteria, and their resource implications, be fully analyzed before any discussion with the IDA Deputies.

## **H. Resources**

41. Although the PCPI exercise covers a small group of countries, it still absorbs a significant amount of the country teams' time. The panel understands that no budgetary resources are explicitly allocated to support this work. The recommendations in this report, specifically those concerning country consultations and the strengthening of the review process to include the Networks and key Regional staff, will have budgetary implications. Therefore, it is important that the PCPI exercise be fully funded, not only because of its role in the allocation of IDA resources under the exceptional allocation window, but also to provide a further signal to staff on the importance management attaches to it.

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<sup>8</sup> See *Africa Catalytic Growth Fund: Request to Establish a Trust Fund – The Africa Catalytic Growth Fund (ACGF)* (IDA/R2006-0011), February 6, 2006.

## **I. Other Issues**

42. The panel pointed to the rapidly growing literature on conflict and suggested that the Bank carry out a review of the (new) PCPI framework every three to five years to incorporate relevant findings from these efforts. The panel also recommended the continuation of analytic work to inform the PCPI exercise, including the development of databases and indicators. In addition, it recommended that the Bank initiate some analytic work to inform the framework; such work could include the study of lessons learned from policy sequencing in successful cases (e.g., Cambodia, Mozambique, Sierra Leone) and the regional impact of instability due to conflict in a neighboring country. The panel also suggested that in future revisions of the PCPI criteria the Bank should further explore the question of the weights to be assigned to individual criteria and clusters.

## **III. CONCLUSIONS**

43. Panel members would like to thank the Bank for organizing the panel and for giving them the opportunity to participate in this review. The panel would also like to thank staff for the timely and comprehensive background information they provided and for the candid and useful discussions that took place throughout the panel's deliberations. Overall, panel members found the review stimulating, and they hope that their recommendations will prove useful in improving the PCPI methodology and content, and in helping the exercise meet its current and future challenges.

**ATTACHMENT 1****List of Documents Provided to the PCPI External Panel**

- Panel Terms of Reference
- Post-Conflict Performance Indicators
  - Criteria
  - Guidelines
  - PCPI scores
  - Sample of PCPI Write-ups
- IDA15
  - Excerpt from “Additions to IDA Resources: Fifteenth Replenishment”, March 21, 2008, IDA/SecM2008-0134.
  - Operational Approaches and Financing in Fragile States, June 14, 2007, IDA/SecM2007-049.
- Robert B. Zoellick “Fragile States: Securing Development”, Geneva, Switzerland, September 2008

**ATTACHMENT 2**

**POST-CONFLICT PERFORMANCE INDICATORS**

**PANEL OF EXPERTS REVIEW**

**Terms of Reference**

**OPCS  
January 2009**

## POST-CONFLICT PERFORMANCE INDICATORS: PANEL OF EXPERTS REVIEW

### TERMS OF REFERENCE

1. To address the special circumstances of conflicted-affected countries, during IDA13 the Bank established an allocation framework to provide, for a limited period of time, financial resources above those that such countries would receive under the normal performance-based allocation (PBA) rules. A key element of this approach was the development of Post-Conflict Performance Indicators (PCPI), a set of criteria tailored to the circumstances faced by countries emerging from conflict. The PCPI assessed performance during the transition period and provided the basis for the allocation of resources among post-conflict countries. The criteria and other features of the framework have been refined periodically to incorporate lessons of experience, but neither the criteria nor the country scores have been disclosed. In the context of the IDA15 replenishment and as part of IDA's efforts to enhance the transparency of the allocation process, it was agreed that after a review by an external panel whose findings would be made public, the PCPI scores would be disclosed during IDA15. The terms of reference for the external panel are provided below.

#### A. Background

2. Assisting post-conflict countries in their recovery process poses a special challenge for IDA.<sup>1</sup> In some carefully ring-fenced situations established during past replenishment rounds, IDA has deviated from the PBA system to provide exceptional allocations to post-conflict and reengaging states.<sup>2</sup> Its approaches included authorization of pre-arrears clearance grants to allow IDA to engage earlier in countries in arrears that are emerging from severe conflict, the provision for exceptional financing to post-conflict countries, and the provision in the IDA14 replenishment for exceptional allocations for countries reengaging with IDA after a prolonged period. (Annex A summarizes the allocation process.) For these countries, an effective assistance strategy clearly needs to extend beyond the provision of financial resources:<sup>3</sup> it needs to take into account the country context to formulate appropriate forms of engagement, and it should be prepared in coordination with other international agencies.

3. ***PCPI Criteria.*** The PCPI criteria, which are designed to assess performance in countries eligible for IDA's exceptional post-conflict allocations, were tailored to take into account the special challenges these countries face.<sup>4</sup> While the current methodology

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<sup>1</sup> Before IDA13, the Bank made exceptional allocations available to post-conflict countries on a case-by-case basis, leaving the majority of the post-conflict countries to rely on the CPIA-based PBA system.

<sup>2</sup> *Operational Approaches and Financing in Fragile States*, IDA (2007).

<sup>3</sup> The OECD-DAC's "Principles of Good International Engagement in Fragile States and Situations" (2007) offers a broad framework for an integrated approach to fragile states by the international community.

<sup>4</sup> The PCPI were initially designated "Post-Conflict Progress Indicators." The original framework is presented in *Adapting IDA's Performance-Based Allocations to Post-Conflict Countries* (IDA, 2001).

4. of allocating exceptional IDA resources has generally worked well, experience has shown the need for further improvements. During the IDA15 replenishment three areas for improvement were identified: (a) linking post-conflict allocations to changes in the overall size of the IDA envelope; (b) strengthening the PCPI review process on which these allocations are based, in preparation for eventual disclosure of the country scores; and (c) lengthening the phase-out period of post-conflict allocations.<sup>5</sup> Both (a) and (c) are already in place.

5. ***Post-Conflict and Fragile States.*** Effective engagement in fragile country situations has become an important priority for IDA and the development community. While there is no agreed definition of a fragile state or fragile situations, broad characteristics of these settings include weak institutions and governance systems, weak state capacity, deterioration in the rule of law and security, discrimination against particular groups, and inability to fulfill key functions of the state, including the provision of basic services. In many cases conflict may have contributed to, or directly caused, such problems, but other factors (for example, regional conflicts outside the country borders) may also be a major cause of fragility. The Bank has explored some broad classifications of fragile states on the basis of their Country Policy and Institutional Assessment (CPIA) scores.<sup>6</sup> Post-conflict countries fall under the umbrella of fragile states. However, this umbrella does not in itself have allocation implications; allocations to post-conflict and reengaging states are covered under specific IDA provisions.

6. The current IDA framework that determines access to post conflict allocations takes in account the degree of destruction of physical assets that require reconstructing and level of social dislocation after conflict (see Annex A). Analytic work that suggested the existence of a window of opportunity after a conflict where high levels of foreign assistance can be used effectively provided a basis for the timing and levels of assistance.<sup>7</sup> Thus the selection of countries to be included in PCPI exercise has been based on their eligibility for post conflict IDA allocations and an issue is whether this

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This innovation in allocating post-conflict resources was piloted during the last half of the IDA12 period and adopted in IDA13.

<sup>5</sup> *Report from the Executive Directors International Development Association to the Board of Governors, Additions to IDA Resources: Fifteenth Replenishment*, IDA (2007).

<sup>6</sup> The World Bank's CPIA consists of 16 criteria grouped in four equally weighted clusters: Economic Management, Structural Policies, Policies for Social Inclusion and Equity, and Public Sector Management and Institutions. The criteria focus on policies and institutional arrangements, key elements that are within the country's control. For indicative purposes, countries have been classified as fragile if they fall into the low-income category and have a CPIA score of 3.2 or below. A broader definition could include countries with no CPIA score (e.g., countries where there is no Bank engagement) and those with UN or peace-building and political mission operations. The OECD-DAC does not have an agreed list of fragile states and situations, but for research purposes has used the bottom two quintiles of the World Bank's CPIA, resulting in a grouping similar to the World Bank's 3.2 CPIA cut-off line. The criteria and the scores for IDA-eligible countries are available at: <http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/IDA/0,,contentMDK:20052347~menuPK:2607525~pagePK:51236175~piPK:437394~theSitePK:73154,00.html>

<sup>7</sup> Collier, Paul, V.L.Elliot, Havard Hegre, Anke Hoeffler, Marta Reynal-Quero, and Nicholas Sambanis, *Breaking the Conflict Trap: Civil War and Development Policy*, Washington DC, World Bank and Oxford University Press, 2003.

selection mechanism is adequate. The implications of broadening the concept of fragility are being explored in the context of the IDA 15 mid term review.

## **B. PCPI Methodology and Process**

7. The PCPI criteria assess country performance in a broad range of areas that cover critical aspects of post-conflict recovery. Capturing all relevant dimensions of such processes in a limited number of criteria that can be operationally applied poses challenges, and it not clear that a single model can be applicable to all country circumstances. The roots of conflict are inherently country-specific and in most cases are the outcome of a complex and interlinked set of historical, ethnic, and political factors. Furthermore, the process of transition is not linear, and countries may fall in and out of conflict. Every post-conflict and transition situation is therefore unique in its social and political dynamics, the severity of the conflict-related damage, and the pace and sequence of changes in security, political, and economic settings. Moreover, country authorities may not be in control of all the key elements of such a transition (for example, security).

8. **Criteria.** Drawing on experience in diverse country cases, the PCPI criteria focus on a set of interlinked dimensions covering security, governance, and economic and social issues. Specifically, the PCPI comprise 12 criteria grouped into four clusters: Security and Reconciliation; Economic Recovery; Social Inclusion and Social Sector Development; and Public Sector Management and Institutions. Each of the four clusters receives an equal weight, and within each cluster all criteria are also equally weighted. The overall score is obtained by calculating the mean score for each cluster and then averaging the scores of the four clusters. (Details on the PCPI criteria are provided in Annex B.)

9. **Revisions of the Criteria.** Since the first PCPI exercise took place in 2003, the criteria have been refined. In 2004, three major changes were made. First, the rating scale was changed from a 1-to-4 to a 1-to-6 scale. That involved the addition of a low rating that typically describes a situation of ongoing or reignited conflict, and the addition of a high rating that describes a very strong performance, and roughly equates to a score of 4 in the CPIA. Second, a detailed description of each of the rating levels was provided for all the criteria. Finally, suggested sources of external data were added to help country teams to prepare their proposals for rating countries and to facilitate cross-country comparisons. The PCPI criteria were further revised before the 2006 exercise: the health and the education criteria were consolidated into a single “building human resources” criterion (Q8); a criterion was added to assess social cohesion and non-discrimination (Q9); greater emphasis was placed on private sector development in the economic recovery cluster; and the budgetary and fiscal management issues were consolidated in one criterion (Q10).

10. **PCPI and the CPIA.** In a few areas there is some overlap with the CPIA, but the PCPI criteria are adjusted to take into account that countries are emerging from conflict and provides a more specific framework to assess performance of countries that typically rank at the lower end of the CPIA. In addition, the PCPI measure progress in areas that are critical for transition processes, but that are not captured in the CPIA (for example,

issues of security, demobilization and reintegration of ex-combatants, political and reconciliation processes normally enshrined in a post-conflict agreement, and reintegration of displaced populations).<sup>8</sup> Moreover, while the CPIA is focused on actions that are under the control of the government, the PCPI cover some steps that play a key role for the success of a post-conflict transition and that may not be fully under the ultimate control of the country authorities (for example, security). Thus the PCPI and the CPIA provide different snapshots of country performance at a particular point in time.

11. ***Process and Coverage.*** The PCPI exercise, carried out annually for allocation purposes, covers the eligible set of post-conflict countries. In the 2007 exercise nine countries were included: Afghanistan, Angola, Burundi, Democratic Republic of Congo, Republic of Congo, Côte d'Ivoire, Eritrea, Liberia, and Timor-Leste.<sup>9</sup> The exercise is guided by two documents: the PCPI Rating Guidelines and the PCPI Guidance Note. In line with the Rating Guidelines, country teams are requested to submit a write-up with the rationale for the proposed scores for each of the 12 criteria. Country proposals are submitted to a Bank review committee comprising representatives from the Networks and central departments. After the committee examines the proposals, the write-ups with the committee's comments and recommendations are sent back to country teams for revision. In case of persistent divergence of viewpoints with regard to a particular score, the committee reviews any additional information presented by the country team and has the final word. The final PCPI ratings are then circulated to the country teams. Operations Policy and Country Services (OPCS) coordinates the review process and manages the overall exercise.

### **C. Terms of Reference**

12. Although the changes outlined above strengthened the PCPI exercise, it was pointed out during the IDA15 replenishment that there is room for further improvement. Given the importance of transparency in the allocation process and the significant IDA resources allocated on the basis of the PCPI scores, it is important to ensure that the PCPI criteria cover the key areas in a post-conflict transition, that they can adequately capture both improvement and deterioration in performance, and that the scores are robust. Thus, in preparation for the disclosure of the PCPI scores during IDA15, Bank Management agreed to convene an external panel that would examine the methodology and process underpinning the PCPI exercise and the robustness of the ratings, and suggest how they can be strengthened. The Panel's findings will be shared with the Executive Directors, and the Panel's report will be posted on the IDA external web page. The Panel's recommendations and the Management Action Plan will be presented to IDA Deputies at the time of the IDA15 Mid-Term Review in the fall of 2009.

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<sup>8</sup> "Post-Conflict Performance Indicators Rating Guidelines, 2007."

<sup>9</sup> For monitoring purposes, PCPI assessments have also been historically prepared for Low-Income Countries under Stress (LICUS) Trust Fund countries. In the 2007 exercise assessments were conducted for 10 countries: Cambodia, Central African Republic, Comoros, Guinea Bissau, Haiti, Myanmar, Somalia, Sudan, Togo, and Zimbabwe. These assessments were conducted for monitoring purposes; they do not have implications for the allocation of IDA resources.



13. **Issues to be Covered.** Outlined below are issues that the external review Panel is expected to address; however, the Panel may also add other issues that it finds appropriate to ensure a full review of the PCPI.

- **Methodology.** Are the PCPI criteria adequate to measure progress in areas that are critical for post-conflict countries? Should additional dimensions be included to capture key elements of the transition from conflict to stability? Are the PCPI criteria applicable to countries where conflict is not “explicit”?
- **Content.** Could any criteria be streamlined? What needs to be done to further strengthen the robustness of the scores across countries? Is the overlap with the CPIA in some criteria appropriate? Given the data limitations for most of the countries covered in the PCPI, do the criteria adequately balance design and ability to assess countries? Are the existing guideposts/external indicators adequate? To what extent can quantitative information from other indicators and assessments be used?
- **Weighting procedure.** Given the complexities of providing a clear rationale for attaching different weights to each cluster or criterion, an equal-weight approach is used in the PCPI. Should different weights be assigned to each of the criteria (clusters)? Can a consensus be reached on how to weight the different criteria in terms of their contribution to the success of the post-conflict transition?
- **Eligibility.** Countries are defined as post-conflict according to a set of measures of conflict impact that ring-fences access to the exceptional allocations. Do the criteria adequately cover key dimensions of conflict? Are these measures adequately reflected in the PCPI?
- **Process.** Is the present review system adequate? Are the questions explicit enough to guide staff? Is the PCPI exercise underpinned by an adequate balance between staff judgment and the use of objective indicators?
- **Accountability.** The link between the PCPI scores and IDA allocation, disclosure, and associated country dialogue issues may influence a country team’s assessment. Are the existing checks and balances appropriate to address these potential incentive issues? Should the ratings process become more centralized?
- **Client involvement.** Should the PCPI process include country consultations? How can the benefits of such consultations (for example, increased ownership and credibility of the ratings) be balanced against possible dilution of accountability?
- **Disclosure.** Disclosure of the ratings has implications for the rated countries and for the Bank. Does the PCPI exercise provide a sufficiently robust framework to make these risks manageable? What further steps could be taken to mitigate the risks? Should a periodic review of the PCPI be instituted?

#### **D. Panel Composition**

14. The members of the Panel are:

Dr. Ernest Aryeetey, Director of Institute of Statistical, Social and Economic Research, University of Ghana

Dr. Lisa Chauvet, Institut de Recherche pour le Développement

Dr. John Page, Distinguished Visiting Fellow, Global Economy and Development, Brookings Institution

Dr. Nicholas Sambanis, Professor of Political Science, Yale University

Dr. Paikiasothy Saravanamuttu, Executive Director of the Center for Policy Alternatives, Sri Lanka

#### **E. Panel Process**

15. The Panel will convene at the World Bank headquarters in Washington, D.C., on February 11 and 12, 2009. Dr. John Page has kindly agreed to chair the proceedings. Before traveling to Washington, Panel members will be provided with a set of background materials to help inform the Panel's assessment of the different topics covered in the terms of reference. It should be noted that the country scores are confidential and not subject to disclosure or wider circulation. Bank staff and a secretariat will be available to answer questions from the Panel and provide clarifications throughout its deliberations.

16. The Panel is expected to discuss the issues outlined above, as well as others that may arise in the context of its deliberations. By the end of the two-day session, and on the basis of the Panel's findings, the Chair will prepare a preliminary set of conclusions and recommendations. These would be elaborated in a short report to be presented to Bank Management by mid-April. The secretariat will assist the Chair and the other Panel members with the preparation of the report and, as needed, will facilitate communications among Panel members during the report's preparation.

#### **F. Activity Management and Administration**

17. Mr. Rui Coutinho, OPCVP, will serve as the Bank's management contact for this activity. Any questions regarding the overall administration of the Panel should be directed to him.

18. The Panel activity will cover the meeting period 2/11/09 - 2/12/09 plus, as needed, additional time for travel to Bank offices and any preparatory work and/or post Panel reporting work requested by the Bank. The Bank will make all air fare and hotel reservations for the Panelists. However, if desired, a Panelist may make his/her own travel arrangements with the approval of the Bank. If a Panelist chooses to make his/her own flight arrangements, the selected air fare cannot be higher than what the Bank would

have been charged through its internal ticketing process, and ticketing statement/invoice must be provided to the Bank. In all cases, the air travel costs would be limited to business class air fare.

19. Panelists will submit an invoice to the Bank to request payment for days spent on Panel activities. The invoice will be submitted using the Bank's standard payment request form, which will be provided by the Bank. In addition, Panelists will submit a Statement of Expenses (SOE) with receipts to claim reimbursement for travel expenditures. Such expenditures may include hotel accommodations (room charge and taxes), transport to/from airport or Bank offices, and any required entry/exit or visa fees. Per diem covering the cost of meals, valet, and tips will be reimbursed up to \$73.00 without receipts. Charges exceeding this level will be subject to review and the total charge must be fully documented with appropriate receipts. Panelists must also present boarding passes along with itinerary statement or ticket coupon summary with the SOE package.

### **Timetable**

| <i><b>Action</b></i>                                     | <i><b>Timing</b></i>   | <i><b>Responsibility</b></i> |
|--|------------------------|------------------------------|
| Draft TOR for circulation                                | October 2008           | OPCS                         |
| Agreement from panel participants                        | November/December 2008 | OPCS                         |
| Meeting of the Panel and preliminary recommendations     | February 2009          | OPCS<br>Panel Chair          |
| Panel's report submitted to Management                   | April 2009             | Panel Chair                  |
| Management response and action plan discussed with Board | May 2009               | OPCS                         |
| IDA Mid-Term Review paper                                | September 2009         | OPCS                         |

## ANNEX A. POST-CONFLICT COUNTRIES' ALLOCATIONS

1. In some carefully ring-fenced cases, IDA makes exceptional allocations to fragile states to meet special needs. One such case is the exceptional post-conflict allocation to help countries meet their special reconstruction needs following a conflict. IDA reengages with countries emerging from conflict if there is a credible, internationally recognized window of opportunity for peace.
2. The methodology for providing exceptional allocations to post-conflict countries was piloted during the last half of the IDA12 period and adopted in IDA13.<sup>10</sup> Eligibility for exceptional support is assessed according to three measures of conflict impact: (a) the extent of human casualties directly or indirectly caused by the conflict, or (b) the proportion of population that is either internally displaced or in exile, or (c) the extent of physical destruction. Impact must be judged high against any *one* of these indicators for a country to qualify for exceptional post-conflict allocations.
3. The period of eligibility has been lengthened since the inception of this approach. When the post-conflict window was set up in IDA13, it was envisaged to provide 5 years of exceptional allocations, including 2 years of phase-out to a normal Performance-Based Allocation (PBA). Informed by research that suggested the desirability of providing lower exceptional allocations but over a longer period of time, during the IDA13 Mid-Term Review the length of exceptional allocations was increased to 7 years, including 3 years of phase-out to normal PBA allocations. For IDA15, the duration of the exceptional allocation for the post-conflict countries was further lengthened from 7 to 10 years by doubling the phase-out period from 3 to 6 years, with the countries' exceptional allocations continuing to be calibrated on the basis of performance as measured by the PCPI. In IDA15, it was also agreed that the share of post-conflict allocations in the overall allocation would be linked to changes in the overall replenishment size.
4. During the first four years of exceptional allocations, post-conflict countries receive per capita allocations that are much higher than those warranted by their policies and performance using the regular PBA formula. During this period, the level of exceptional allocation is determined on the basis of the table below. The first-year allocation for post-conflict countries is determined on the basis of: (a) prospects of peace, (b) country needs, capacity, and resources, (c) government commitment to sustainable development, and (d) moral hazard considerations. Allocations for the second year and beyond are determined on the basis of the country's PCPI scores and, when available, portfolio performance as given by the Annual Review of Portfolio Performance (ARPP). After the fourth year, exceptional allocations are gradually phased down to the levels determined by IDA's PBA formula.

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<sup>10</sup> IDA reengagement is laid out in Bank policy, in particular Operational Policy (OP) 2.30, which sets out four conditions: (a) sufficient reduction of conflict to allow implementation of IDA-supported activities, (b) reasonable expectation of continued stability, (c) presence of an effective government counterpart, and (d) evidence of strong international cooperation.

### PCPI and Allocations per Capita

| <i>PCPI score</i> | <i>Allocation maximum<br/>(\$ per capita per annum)</i> |
|-------------------|---|
| 2.0 to 2.5        | 3.4   |
| 2.5 to 3.0        | 6.0   |
| 3.0 to 3.5        | 8.5   |
| 3.5 to 4.0        | 11.9  |
| 4.0 to 4.5        | 14.4  |
| 4.5 to 5.0        | 17.0  |

Source: *Operational Approaches and Financing in Fragile States*, IDA (2007).

5. During the phase-out period (years 5-10 of the eligibility period), annual allocations are calculated so as to gradually reduce the post-conflict premium. This premium is calculated as a difference between allocations computed using the PCPI and those computed using the PBA formula. In the first year of the phase-out period the country is allocated the PBA amount plus six-sevenths of the post-conflict premium year. In the second year of the phase-out, it receives the PBA amount plus five-sevenths of the post-conflict premium and so on, to finally reach the PBA allocation in the seventh year at the end of the phase-out period.

6. The 10-year transition period does not represent an entitlement, and under certain circumstances countries would revert to regular PBA allocations before the end of the 10-year period. Early graduation would be triggered by events such as (a) attaining “gap” country status, which would mean that per capita income would have exceeded IDA’s operational cutoff; (b) attaining “blend” country status, which would suggest creditworthiness and access to other sources of financing; or (c) violating IDA’s non-concessional borrowing policy.

## **ANNEX B. POST-CONFLICT PERFORMANCE INDICATORS**

1. This annex provides a brief description of the contents of the PCPI criteria. The PCPI assess country performance in critical aspects of post-conflict recovery. It is recognized that the roots of conflict are inherently country-specific and linked to a complex and intertwined set of historical, ethnic, and political factors. Similarly, every post-conflict and transition situation is unique in its social and political dynamics, the severity of the conflict-related damage, and the pace and sequence of changes in the post-conflict period. Drawing on experience from the transition from conflict in diverse country settings, the PCPI criteria focus on a set of interlinked dimensions covering security, governance, and economic and social issues.

2. The criteria are grouped in four clusters: Security and Reconciliation; Economic Recovery; Social Inclusion and Social Sector Development; and Public Sector Management and Institutions. Some of the criteria cover the same areas as the CPIA (for example, transparency and corruption in the public sector, or revenue mobilization), but performance standards are different and less ambitious than for non-conflict situations. The PCPI also cover critical areas for the success of the transition processes—security, demobilization and reintegration of ex-combatants, political and reconciliation processes, and reintegration of displaced populations—that are not covered in the CPIA.

### **Post-Conflict Performance Indicators**

#### **Cluster A: Security and Reconciliation**

Q1: Security

Q2: Reconciliation

Q3: Disarmament, Demobilization, and Reintegration

#### **Cluster B: Economic Recovery**

Q4: Fiscal and Monetary Policies, Debt, and Inflation

Q5: Trade and Foreign Exchange Policies and Private Sector Environment

Q6: Management and Sustainability of National Recovery Program

#### **Cluster C: Social Inclusion and Social Sector Development**

Q7: Reintegration of Displaced populations

Q8: Building Human Resources

Q9: Social Cohesion, Non-Discrimination, and Human Rights

#### **Cluster D: Public Sector Management and Institutions**

Q10: Fiscal and Budgetary Management and Efficiency of Revenue Mobilization

Q11: Reestablishing Public Administration and Rule-Based Governance

Q12: Transparency, Accountability, and Corruption in the Public Sector

## **Cluster A: Security and Reconciliation**

***Q1. Security.*** Reestablishing security is a high priority in post-conflict transitions. This criterion assesses the extent of war-related violence and progress in improving citizen security and in controlling crime; improvements in the accountability and effectiveness of the armed forces and police; and the shift to police primacy as the security situation normalizes.

***Q2. Reconciliation.*** This criterion assesses the political process under way to end or prevent conflict and the extent to which reconciliation is institutionalized through the development of political processes and bodies. This normally includes a peace agreement or some form of political settlement endorsed by all major parties to the conflict, the establishment of a provisional or transitional government to oversee the recovery process, a road-map to elections, and broad agreement on the scope and content of a new or reformed constitution.

***Q3. Disarmament, Demobilization, and Reintegration.*** By reducing the ability of armed factions to wage conflict through weapons removal, demilitarization is central to the reestablishment of security. This criterion covers progress in the efforts to reduce the spread of small arms and the presence of armed groups outside state structures, the development and implementation of an effective demilitarization process, and progress in increasing the number of ex-combatants completing the process.

## **Cluster B: Economic Recovery**

***Q4. Fiscal and Monetary Policies, Debt, and Inflation.*** This criterion assesses progress toward macroeconomic stability in the post-conflict period. It covers improvement in macroeconomic policies, including control of inflation, and progress toward management of external debt and arrears clearance, where applicable.

***Q5. Trade and Foreign Exchange Policies, and Private Sector Environment.*** Well-functioning markets and private sector development play an important role in promoting economic recovery. This criterion focuses on how well trade, foreign exchange, and price policies, and the climate for private sector development, are supporting economic recovery and investment. It underscores the need to dismantle the highly discretionary policy distortions that generally emerge during conflict.

***Q6. Management and Sustainability of National Recovery Program.*** This criterion assesses progress in developing and implementing credible and nationally owned recovery plans, their degree of government ownership and stakeholder buy-in, and the extent to which they have a credible operational strategy and reporting mechanisms. These frameworks set out rehabilitation and reconstruction priorities, which become the basis for donor support and coordination and set the basis for a long-term development framework, such as a Poverty Reduction Strategy Paper.

### **Cluster C: Social Inclusion and Social Sector Development**

***Q7. Reintegration of Displaced Populations.*** This criterion assesses progress in reintegrating local populations that were displaced as a result of the conflict—both those inside the country (internally displaced persons) and those that became refugees in another country as a result of the conflict.

***Q8. Human Resource Building.*** This criterion measures progress in carrying out needs assessments in education and health in the early post-conflict period and in implementing short-term/urgent programs (for example, for rehabilitation of school and health facilities and back-to-school programs or provision of emergency healthcare). It also covers the development of longer-term education and health sector rehabilitation programs, which include emphasis on building capacity among government officials, teachers, and healthcare workers.

***Q9. Social Cohesion, Non-Discrimination, and Human Rights.*** In post-conflict environments it is critical to begin rebuilding social cohesion and to reduce ethnic, religious, and other forms of discrimination that may have been used to justify or exacerbate the conflict. This criterion assesses the extent to which the government is addressing issues of ethnic, religious, linguistic, and gender discrimination, and other human rights abuses.

### **Cluster D: Public Sector Management and Institutions**

***Q10. Fiscal and Budgetary Management and Efficiency of Revenue Mobilization.*** This criterion assesses progress in implementing effective public financial management processes, and the (re)establishment of effective and accountable revenue raising mechanisms. It also covers the development of a consolidated, comprehensive budget that supports aggregate fiscal control.

***Q11. Reestablishing Public Administration and Rule-Based Governance.*** In post-conflict contexts, the rules and systems on which civilian administration was based have typically broken down and need rebuilding. The rule of law—meaning the extent to which citizens and the state are accountable to laws that are publicly promulgated, equally enforced, and independently adjudicated—is often undermined by conflict-related violence and crime, as well as by the collapse of legal and judicial systems. This criterion assesses countries' progress in rehabilitating public administration and reestablishing the rule of law.

***Q12. Transparency, Accountability, and Corruption in the Public Sector.*** High levels of transparency and accountability are important to increase credibility and public confidence. This criterion assesses the effectiveness of efforts to increase transparency and accountability and to reduce corruption in post-conflict environments. It also covers management of natural resources, given the important role these resources often play in causing or prolonging conflict and, when managed transparently, in sustaining economic recovery in the post-conflict period. Therefore, when relevant, it assesses adherence to external accountability mechanisms (such as the Kimberley Process, EITI).



## ATTACHMENT 3

**PCPI External Panel Review  
Agenda  
Wednesday, February 11, 2009  
MC10-300**

|                          |  |
|--------------------------|--|
| <b>8:30 - 9:00 a.m.</b>  | <b>Breakfast</b>   |
| <b>9:00 - 9:15 a.m.</b>  | <b>Opening remarks<br/>Alastair McKechnie (OPCS)</b>   |
| <b>9:15 - 9:45 a.m.</b>  | <b>Overview of PCPI exercise -- Nicola Pontara (OPCS)</b><br><br><b>Regional/country team perspective – Antonella Bassani (AFR)</b><br><br><b>PCPI and IDA Allocation - Gaiv Tata (FRM)</b>  |
| <b>9:45 - 10:15 a.m.</b> | <b>Questions &amp; Answers</b>   |
| <b>10:15 -10:30 a.m.</b> | <b>Coffee break</b>  |
| <b>10:30 - 12:30 pm</b>  | <b>Methodology.</b> Are the PCPI criteria adequate to measure progress in areas that are critical for post-conflict countries? Should additional dimensions be included to capture key elements of the transition from conflict to stability? Are the PCPI criteria applicable to countries where conflict is not “explicit”?  |
| <b>12:30 - 2:00 p.m.</b> | <b>Lunch --- Jeffrey Gutman (OPCSVP)</b>   |
| <b>2:00 – 3:30 p.m.</b>  | <b>Content.</b> Could any criteria be streamlined? What needs to be done to further strengthen the robustness of the scores across countries? Is the overlap with the CPIA in some criteria appropriate? Given the data limitations for most of the countries covered in the PCPI, do the criteria adequately balance design and ability to assess countries? Are the existing guideposts/external indicators adequate? To what extent can quantitative information from other indicators and assessments be used?   |
| <b>3:30 - 3:45 p.m.</b>  | <b>Coffee break</b>  |
| <b>3:45 - 5:30 p.m.</b>  | <b>Weighting procedure.</b> Given the complexities of providing a clear rationale for attaching different weights to each cluster or criterion, an equal-weight approach is used in the PCPI. Should different weights be assigned to each of the criteria (clusters)? Can a consensus be reached on how to weight the different criteria in terms of their contribution to the success of the post-conflict transition?<br><br><b>Eligibility.</b> Countries are defined as post-conflict according to a set of measures of conflict impact that ring-fences access to the exceptional allocations. Do the criteria adequately cover key dimensions of conflict? Are these measures adequately reflected in the PCPI? |
| <b>5:30 - 6:30 p.m.</b>  | <b>Cocktail</b>  |

**PCPI External Panel Review  
Agenda  
Thursday, February 12, 2009  
MC10- 300**

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|---------------------------|---|
| <b>8:30 - 9:00 a.m.</b>   | <b>Breakfast</b>  |
| <b>9:00 – 10:30 a.m.</b>  | <i>Process.</i> Is the present review system adequate? Are the questions explicit enough to guide staff? Is the PCPI exercise underpinned by an adequate balance between staff judgment and the use of objective indicators?  |
| <b>10:30 – 10:45 a.m.</b> | <b>Coffee break</b>   |
| <b>10:45 – 12:30 p.m.</b> | <i>Accountability.</i> The link between the PCPI scores and IDA allocation, disclosure, and associated country dialogue issues may influence a country team's assessment. Are the existing checks and balances appropriate to address these potential incentive issues? Should the ratings process become more centralized?   |
| <b>12:30 – 1:00 p.m.</b>  | <b>Lunch break</b>  |
| <b>1:00 – 3:00 p.m.</b>   | <p><i>Client involvement.</i> Should the PCPI process include country consultations? How can the benefits of such consultations (for example, increased ownership and credibility of the ratings) be balanced against possible dilution of accountability?</p> <p><i>Disclosure.</i> Disclosure of the ratings has implications for the rated countries and for the Bank. Does the PCPI exercise provide a sufficiently robust framework to make these risks manageable? What further steps could be taken to mitigate the risks? Should a periodic review of the PCPI be instituted?</p> |
| <b>3:00 – 3:15 p.m.</b>   | <b>Coffee break</b>   |
| <b>3:15 – 4:30 p.m.</b>   | <b>Panel deliberations and Chair summing up</b>   |
| <b>4:30 – 5:00 p.m.</b>   | <b>Management response and next steps</b>   |