



Conclusions, Lessons, and Recommendations

This chapter summarizes the conclusions of this review, distills lessons of experience relevant both for the Bank and other donors, and then presents the recommendations.

Conclusions

Early successes

There have been several notable early successes with regard to the LICUS principles. The Bank's operational readiness to support LICUS has improved since the LICUS Initiative began and the Bank has engaged with a number of these countries from the early days of peace or political transition. The Bank has also contributed to macroeconomic stability and to the delivery of significant amounts of physical infrastructure, especially in post-conflict LICUS.

Substantial progress has been made in donor coordination at the international policy level, exemplified by the recent agreement to the 12 OECD-DAC principles of international engagement by a wide spectrum of donors, including the Bank. The Bank has often played a leading role as co-chair of international donor events and coauthor of jointly undertaken policy papers. The Bank's recently introduced business models, which differentiate between different types of LICUS, are likely to permit a more tailored response to these countries.

The Bank's internal support for LICUS work has also progressed in several areas, notably the

following: (i) expanding analytical work by delinking administrative budgets for ESW and technical assistance from lending volumes; (ii) using ISNs, which allow for the design of strategies that cover a shorter period to accommodate the volatile LICUS conditions; (iii) developing guidance notes on specific topics; (iv) providing access to LICUS managers to the Bank's senior management; and (v) introducing the LICUS Trust Fund to finance countries in non-accrual (for which the Bank previously lacked an instrument). Results from the Stakeholder Survey indicate a small positive contribution to development of the Bank's overall program in LICUS—a view that refers to Bank support generally, and not to the LICUS approach per se.

Challenges

The Bank's initial engagement with a number of LICUS has not been adequately followed up by a focused and well-sequenced reform agenda. Furthermore, the Bank has not yet sufficiently internalized political understanding in strategy design and implementation. The Bank also needs to strengthen the quality of its country-level coordination with other donors, especially with respect to implementation follow-through.

In addition, the Bank has made one of its traditional areas of weakness (capacity development and governance) a central part of its focus by adopting the more complex state-building objective. This new emphasis requires that the Bank identify more effectively its comparative advantage; improve performance, including through the development of innovative approaches; and identify partners that can complement its work to ensure the achievement of intended outcomes. Finally, the choice of the term “state-building” may itself be inappropriate, given its political and ideological connotations.

The Bank needs to develop its operational approaches in LICUS, especially for the deterioration and prolonged crisis or impasse business models. Further refinement of the business models by more explicitly factoring in differences in the capacity to perform core state functions (for example, resource generation, resource allocation, basic social service and infrastructure provision, and political accommodation of dissent and security) is also needed. That will enable the Bank to achieve a better fit between its operational approaches and the varying institutional environments of different LICUS.

The Bank’s work on post-conflict countries predates the LICUS approach, and the corresponding business model for post-conflict LICUS is articulated more clearly than the other business models. However, it has shortcomings and needs to be further developed to guide the transition and development phases that follow the immediate post-conflict reconstruction phase.

Furthermore, while the Bank has given more attention to conflict prevention, there is limited knowledge about the effectiveness of those efforts. The Bank’s role and comparative advantage in this area have yet to be clearly established, especially as conflict prevention requires the Bank to give greater attention to the *root causes* of conflict.

The policy selectivity of the PBA system has increased over the years, and fewer IDA funds have been available for countries with weaker policies, institutions, and governance. This has

raised the question of whether LICUS are receiving appropriate amounts of IDA funding. Adjustments to the PBA have resulted in increased IDA financing, including to some post-conflict LICUS and LICUS experiencing political transitions. Yet it remains far from clear whether the current levels of IDA ensure that LICUS are not under- or over-aided.

The aid-allocation issue has once again come to the fore with some research questioning the empirical evidence for the positive link between policies and aid effectiveness (which underlies the PBA). Other research argues that aid can be effective in promoting failing states’ sustainable policy turnarounds by building and strengthening the preconditions for reform or by enhancing the chances that the reform will be sustained once it is set in place. The latter research finds that potential returns from aid to LICUS can be extraordinarily high, even though the risks of failure are substantial. For its part, the Bank has yet to address the aid-allocation issue for LICUS in a way that reflects its objectives for these countries and ensures that LICUS are not under- or over-aided.

The Bank’s internal support for LICUS work has progressed little on critical human resource reforms relating to staffing numbers, staffing quality, and incentives to undertake LICUS work. In IEG’s Stakeholder Survey, the majority of Bank respondents said that there has been no change when working in LICUS with respect to the following human resource matters: overall career prospects, overall financial compensation, realism in expectations by Bank management about what can be accomplished, level of support from Bank management, and efforts made by the Bank to ensure personal security and safety.

The Bank, as other donors, is still learning what approaches work in LICUS contexts. Therefore, closely monitoring experiences in LICUS to draw lessons is critical, and learning and sharing needs to become a more prominent feature of LICUS work. Although the Bank has developed guidance notes that distill lessons of experience in specific areas (such as development policy loans), there is need for much more active and ongoing stock-taking

and sharing of experiences among those working on LICUS.

The implementation narratives presented in chapter 2 of this review illustrate the kind of stock-taking that could prove useful for LICUS. A new series of informal field-oriented discussion notes that strive for timely lesson learning would also be useful. To achieve an open exchange of negative experiences, a more receptive institutional environment that ensures management support for the sharing of negative experiences will be key. So far, the Bank seems much more willing to share positive examples, as in its recent LICUS reports (World Bank 2005e, 2005h). The LICUS Unit's learning-by-doing objective would be much better served by giving adequate attention to both positive and negative experiences.

There is significant duplication of and confusion over the roles and responsibilities of the LICUS Unit and the CPR Unit, which need to be resolved. Of concern to staff were the practical questions of which unit to turn to for specific types of advice and what kinds of support to expect from each unit. In IEG's Stakeholder Survey, about two-thirds of Bank respondents saw some problem with the current organizational arrangement: 37 percent said that there is some duplication between the support of the Bank's LICUS Unit and that of the CPR Unit; 15 percent said that there is a lot of duplication, and 12 percent that there is even a conflict or contradiction.

Lessons of Experience for the Bank and Other Donors

Several lessons emerge from this review's assessment of the Bank's experience in implementing the core principles of the LICUS approach. Many of the issues covered under these lessons were noted as areas in need of improvement in the 2002 LICUS Task Force Report, such as the need to anchor strategies in stronger sociopolitical analysis or support highly focused reform agendas. They were also emphasized in the Bank's 2005 LICUS reports. The lessons derive from the Bank's own implementation experience but may also be useful in guiding other donor assistance in LICUS.

LICUS engagement

Staying engaged is only a means to an end and needs to be quickly followed by a clear and relevant reform agenda in LICUS. In the absence of a clear and relevant reform agenda, early successes of engagement may be short lived and contribute little to the achievement of country strategy objectives. The examples of the Central African Republic and Haiti show that various obstacles may make the follow-up to a successful initial LICUS engagement difficult.

For example, as political successes were insufficiently backed up on the economic side in the Central African Republic, the government is now faced with a potentially disastrous budget crisis. In Haiti, the donor community seems to have given inadequate attention to ensuring a minimum level of security. In both cases, good initial results of the LICUS Initiative are now at risk of being diminished.

In certain instances, strategic disengagement—with the exception of in-house analytical work—may be needed, at least for periods of time, especially when involvement with the Bank is seen as inappropriately giving legitimacy to the LICUS government or when such involvement dampens internal pressure for reform, and thus potentially hinders the emergence of conditions needed to bring about serious and sustainable political reform.

In the deterioration and prolonged crisis or impasse business models, where there is often little consensus between donors and government on development strategy, engagement needs to include policy dialogue aimed at creating an opening for reform, while simultaneously working on a reform agenda should a window of opportunity appear.

In the post-conflict or political transition and gradual improvement business models, engagement will need to have more technical content and a stronger focus on implementing the reform agenda, given the existence of greater reform consensus between donors and government. The Bank's guidance for prolonged conflict or political impasse countries states, "Relatively noncontroversial development issues may provide an entry point for construc-

tive dialogue between the parties to a conflict.” For deteriorating governance countries, the Bank’s guidance states that the Bank should provide “input on specific economic issues which are important for mediation efforts and may serve as a way to restart dialogue” (World Bank 2005e).

Country ownership and absorptive capacity constraints apply as much to knowledge products as to financial products. The involvement of country counterparts in the Bank’s analytical work remains limited to administrative aspects, with much less country-client participation in selecting topics and undertaking analysis. This thereby reduces national buy-in. Yet the involvement of country counterparts is key to ensuring client ownership and improving impact of analytical work.

In Tajikistan, the lack of government involvement in the selection and preparation of the Bank’s analytical work limited the government’s interest in the results, which subsequently hindered effective implementation. In Angola, senior government officials saw some Bank-led analytical work (for instance, the recent Country Economic Memorandum) as an imposition of Bank views on internal affairs, leading to limited ownership and capacity development. Without country ownership, the chance of analytical work influencing government policy is small.

LICUS governments’ absorptive capacity constraints in using analytical work may also limit possible knowledge transfer. The Angolan government, for instance, endorsed the Bank’s ISN but expressed concern regarding the amount of foreseen analytical and advisory activities. This has raised doubt about whether the government would fully use analytical products. The absorptive capacity of the government is severely limited, and analytical and advisory activities undertaken mostly by the Bank risk straining relations with the government, regardless of their technical quality.

In Cambodia, plans for analytical and advisory services in the 2005 CAS—totaling 30 tasks to be completed over fiscal 2005–07—appear overly ambitious, considering the country’s limited institutional capacity.

Political understanding and its use in country strategy

Commissioning and consuming—not necessarily producing—good political analysis is critical for LICUS donors. The objective of a country team should be to commission or consume (not necessarily produce) analysis that is directly relevant to and usable in the development of a strategy. In LICUS situations, especially in environments where speed is of the essence, donors need to ensure that existing political analysis is mined before commissioning a new analysis.

For example, in Lao PDR, the Bank effectively tapped existing political analysis and invited a political scientist who had published extensively on the country to make a presentation to the country team on politics and reform in the country. This allowed for the preparation of an independent summary of relevant political analysis (tailored to the needs of the donor community in general and the Bank in particular) and its dissemination to a relevant group of Bank staff and other donors. It avoided the higher costs of preparing a “Bank” analysis, as well as potential tension with the government because it allowed the Bank to avoid getting bogged down in some of the sensitivities surrounding the analysis. For the Bank, the acquisition of existing knowledge as well as its dissemination proved more important and effective in Lao PDR than knowledge creation.

The main focus of donor efforts needs to be on helping staff internalize political analysis in strategy design and implementation.

Though the Bank has conducted or had access to good political analysis in some LICUS, it has inadequately reflected such analysis in its strategy. For example, the interim strategy in Papua New Guinea contains a good discussion of the political system and recognizes problems such as clan loyalties, political patronage, corruption, and lack of capacity. Yet the strategy treats these problems as technical in nature and does not adequately use them to underpin the overall approach.

Specific types of political analysis that can help strategy design are as follows:

- Political risk analysis, which can help make the decision whether the Bank should engage in a certain country and, if so, how to engage
- Structural analysis, which can help identify major characteristics of the political situation that will affect the Bank's work, no matter what specific strategy is chosen
- Analysis of day-to-day politics, which can help assess the distribution of power among different political forces in the capital and in the Regions, or even localities—which needs to go beyond the political gossip about who is up and who is down in the capital
- Analysis of the history of reform in the country as well as neighboring countries, which can help avoid past reform failures, such as failed privatization attempts that may have created a strong backlash in the past.

Focused reform agenda

In complex LICUS environments, where virtually every sector requires reform, appropriate sequencing of reforms and sufficient time to implement them are crucial for achieving results without overwhelming limited LICUS capacity. Donors must strive for collective donor selectivity, yet this is far from being achieved, as the examples of Afghanistan's donor-endorsed reform agenda and Haiti's ICF (presented below) indicate. However, even if collective donor selectivity is not immediately achieved, the Bank itself needs to ensure focus and selectivity in its own assistance program, based on its core competences. Such Bank selectivity has been increasing in recent years but remains a challenge, as the example of São Tomé and Príncipe suggests.

In Afghanistan, the reforms covered by donors are wide ranging, show lack of sufficient priority, and have led to 120 pieces of pending legislation. These reforms, dealing with virtually every economic and social aspect of the country, need to be carefully prioritized and sequenced. Donors have yet to do this.

In Haiti, the ICF was meant to guide international assistance and cooperation through September 2006 and covers practically all basic state functions, ranging from security, to national dialogue, to economic governance, to

economic recovery, to basic services. Individually, all these areas seem important, but together they add up to a formidable agenda.

With respect to the Bank's own assistance program, São Tomé and Príncipe is an example where the Bank was far too ambitious in relation to the resources allocated to the country, with the result that many of the CAS objectives were not achieved or were only partially achieved.

Beyond selectivity in CASs, it is critical to ensure that actual reform agendas in the field are focused and well prioritized. The lack of selectivity and prioritization in the reform agendas raises questions of effectiveness, especially given the limited capacity in LICUS. While it is difficult to be selective in a country where many things need fixing urgently, the appropriate sequencing of reforms is key to ensuring that limited LICUS capacity is not overtaxed and that partial solutions are avoided.

Well-sequenced reforms spanning a sufficient number of years, along with donor commitment to see them through, will be essential. In Timor-Leste, donors may have pulled out too quickly, without sufficiently dealing with the country's pressing capacity needs. In Haiti, development assistance has fluctuated greatly, with the country having gone through several feast-or-famine cycles in its relations with the donor community. This could have been avoided if various donors had better timed and sequenced their aid.

Capacity development in post-conflict LICUS

Capacity development and governance programs need to start early, even in post-conflict LICUS.

Immediately following the cessation of conflict, the international donor community tends to focus its assistance on physical reconstruction. Because capacity to use aid effectively in post-conflict LICUS is low and governance is often poor, the focus from the beginning also needs to be on the development of capacity and improvement of governance, not merely on reconstruction of physical infrastructure. This may require the creation or strengthening of public institutions, civil service reform, and use of local expertise. If foreign experts are brought in to provide

technical assistance, this must not compromise the long-term development of local capacity.

Donor coordination

Donor coordination cannot succeed without a common vision and purpose among donors—when donor objectives cannot be fully harmonized, it is important that they at least be complementary. The Bank's approach has not fully recognized the differing motivations of donors for engaging with LICUS. Although the broad concept of fragility is widely understood and accepted, the countries identified by donors as fragile vary. Motivations for supporting fragile states range from security, to aid effectiveness, to equitable development, to poverty reduction, to state building, to conflict prevention.

In both Afghanistan and Tajikistan, IEG's fieldwork found that major donors did not subscribe to a single clear objective. Without a common overall objective, policy coherence is unlikely.

The Bank's donor coordination efforts and modalities are insufficiently informed by the objectives of the different players in a country. That said, donor coordination is a form of collective action, requiring that other donors similarly improve their outreach to the Bank and subordinate bilateral agendas to agreed multilateral objectives.

Coordination needs to begin within each donor agency. Coordination is not only important among multilateral and bilateral donor agencies, but it is also a vital issue within each donor agency. Projects in different sectors of the same country often work in parallel and fail to tap synergies, as was the case, for example, with the Bank's Community Empowerment and Agricultural projects in Timor-Leste.

A side effect of the Bank's decentralization to country offices has been the concentration of country knowledge among local staff and its inadequate dissemination across the country team, especially to those based in Washington. Addressing the problems of coordination across the various departments of donor agencies

(such as among Bank departments dealing with public sector management, conflict prevention and reconstruction, LICUS, capacity development, and research departments) is particularly important in LICUS, where problems are complex and widespread and often require multisectoral solutions.

Results measurement and monitoring

Monitoring and evaluation are at least as important in LICUS as they are in any other country. Monitoring and evaluation are crucial in LICUS for several reasons. First, the Bank, like other donors, is still learning what approaches work in LICUS contexts. Therefore, closely monitoring experiences to draw lessons is critical, and learning and sharing needs to become a more prominent feature of LICUS work.

Second, given that progress is often slow in these countries, it is important to reassess continually whether the program is on course to achieve the desired outcomes. Third, a constantly changing and volatile LICUS environment, where progress is often nonlinear, means that program adaptation is essential—closely tracking performance will help determine when and what kind of adaptation is necessary. Effective learning by doing to improve the Bank's future effectiveness in LICUS can only happen with strong monitoring and evaluation.

The Bank has stated that state building and peace building should be the goals by which to measure the LICUS Initiative's success. However, it has yet to identify performance indicators by which this can be done, or yardsticks against which performance may be measured. Where change is often more process oriented—especially in the deterioration and prolonged crisis or impasse business models—outputs and outcomes that may be expected in the other business models may not be appropriate yardsticks of success. Objectives should be appropriate to particular LICUS contexts, which would in turn determine yardsticks and ensure that the bar of success is set at an appropriate height.

Improving internal organizational support for LICUS work

Field presence alone is insufficient for effective country strategy implementation. It needs to be complemented by adequate communication between field and headquarters donor agency staff, as well as an adequate number of field staff with the appropriate authority and skills. Understanding of country circumstances is often best achieved through substantial field presence, though that alone is not enough. Internalizing analysis of the country conditions throughout all involved donor agency departments, and applying its lessons to all interventions, is equally important.

In Cambodia, for example, the Bank's field presence has significantly improved understanding of the political situation. Discussions with country team members and other stakeholders, however, suggest that this knowledge may still be highly concentrated among a few managers and staff (mostly in the country office and Bangkok hub), with relatively limited dissemination to the broader country team.

The issue appears to have shifted from a partial understanding of the political realities of Cambodia to one of where this knowledge is located within the Bank's country team and how it is used to guide decision making in strategy and program implementation. The concentration of in-depth country knowledge among a few staff implies that only some Bank activities and interventions benefit. In general, greater knowledge transfer is needed between donor country offices and their headquarters-based country and sector staff.

Despite the cost, field offices need to be adequately staffed if they are to engage effectively with clients. In Angola, the initially small group of field staff faced a multiplicity of tasks, from strategic dialogue with government and donors to logistics such as moving the office to new premises. The situation was made more difficult by the lack of operational-level staff in the field office who could, in consultation with ministry staff, prepare the ground before high-level meetings between the ministers and the Bank.

Moving issues to the top too quickly—

because of the lack of lower levels—led to unnecessary tensions. Donor decisions regarding the number of staff in each LICUS should reflect the extent and nature of intended engagement, considering respective donor's objectives in those countries.

Apart from the absolute numbers, field office staff also need to have sufficient authority to ensure that not every decision has to be approved by headquarters. Effective field presence requires having the right kind of staff involved in the country.

In semistructured interviews, several donors emphasized that coordination is unusually susceptible to the strengths and the foibles of the individuals involved. More appropriate training for staff posted to difficult field assignments and improved incentives within the Bank that encourage staff to collaborate with other donors might ameliorate these idiosyncratic risks.

In the deterioration business model, where there might be a breakdown of dialogue with the government, donor agency staff will need strong diplomatic and persuasion skills to ensure that the door remains open for a dialogue with the government, while simultaneously mobilizing nongovernmental groups, including civil society.

In the prolonged crisis or impasse business model, where problems are chronic or there is political stalemate, the necessary staff skills will include immense patience as well as creativity, with constant innovation relating to ways of breaking the persisting logjam. In the post-conflict or political transition business model, the necessary staff skills will include specific technical knowledge of how to develop sound economic systems, institutions, and key infrastructure.

Staff should also possess the ability to act quickly and decisively in these environments, before the optimism following peace dissipates. Staff needs to help guard against these countries' falling back into conflict. As these situations often attract massive international aid, donor staff needs strong coordination and sequencing skills to organize both the development partners and their activities.

In the gradual improvement business model, the primary skill needed is the ability to provide customized technical assistance and work hand in hand with a client that is already reforming.

Sharing experiences—both positive and negative—is essential for learning, but doing so effectively requires a receptive institutional environment and management support. Sharing experiences of what is working and what is not in different LICUS situations can foster learning. Learning is especially important in LICUS work, because the donor community is continuing to grapple with the question of how best to assist these challenging countries. While the Bank has shared some lessons through its LICUS Learning Group Seminar Series, much more attention is needed to intensify the systematic stock-taking and dissemination of emerging LICUS experiences—those of both the Bank and other donors, and both positive and negative.

Creating a more receptive institutional environment and ensuring management support for the sharing of negative experiences will be key. So far, the Bank seems mainly willing to share positive examples.

Effective communication is essential to ensure country acceptance of donor approaches for LICUS and to temper unrealistic country expectations about what can be achieved, especially immediately after the cessation of conflict. Better communication of donors' objectives and approaches for LICUS will be needed to ensure country buy-in and to prevent disillusionment among stakeholders about what can be achieved in a specific period of time.

In the Bank's deterioration and prolonged crisis or impasse business models, where the economic and social situation is for the most part worsening or stagnant, the communication strategy would need to disseminate actively the benefits of reform both to the government and to civil society.

In the Bank's post-conflict or political transition business model, to prevent disillusionment from unrealistic expectations, the communication strategy should target the entire population and be explicit about what donors will do, when,

and how, and what results should be expected. The communication strategy in the gradual improvement business model will need to be more informational, presenting relevant cross-country and cross-sectoral experiences.

Immediately following the cessation of conflict, international donors, including the Bank, have often committed large amounts of aid coupled with overly ambitious agendas. This has frequently created high expectations among the population and led to subsequent disillusionment when expectations have remained unfulfilled and day-to-day living has seen few tangible improvements. Avoiding overambitious agendas and providing better communication to lower expectations to realistic levels are critical; the Bank needs to invest in this effort.

Better operational guidance is needed for tailoring donor approaches to the special conditions of LICUS.

The LICUS Initiative has raised awareness of the need to act differently in LICUS, but the Bank and other donors have yet to identify precisely *how* to do this. The extent to which donor approaches to LICUS need to, and can, efficiently address the causes—not just symptoms—of countries becoming or remaining characterized as LICUS also need greater attention. Solutions that view causes as givens may miss all-important contextual factors. Donor operational guidance must ensure that areas outside the comparative advantage of particular donors be left to others, while their own work both adequately factors in the work done by others and complements it.

The Bank's deterioration and prolonged crisis or impasse business models, and the transition and development phases that follow the immediate reconstruction phase in the post-conflict or political transition business model, pose some of the biggest challenges for the donor community. These are areas in which there has been relatively little innovative thinking.

Issues for which operational guidance is particularly needed include ways to prioritize and sequence reforms, while avoiding partial solutions; ways to deliver services quickly, without harming long-term government

capacity development; ways to foster political reconciliation, while also contributing to effective and legitimate governance; ways to internalize political understanding within country strategy design and implementation; and ways to address linkages between politics, security, and development effectively.

The balance of the Bank's recent guidance on LICUS is tilted more toward what instruments should be used than on an outline of actual operational approaches for what needs to be done differently, and how. LICUS country teams would also benefit from more narrative-based guidance, of the kind presented in chapter 2 of this review, and through short, problem-oriented notes rather than only more formal guidance notes, which are often too condensed and devoid of sufficient country context.

Recommendations

- **Clarify the scope and content of the Bank's state-building agenda, and strengthen the design and delivery of capacity development and governance support in LICUS.**

Given its weak record on capacity development and governance, as well as its focus on the more ambitious and complex state-building objective in LICUS, the Bank needs to clarify its areas of comparative advantage in relation to other donors. The Bank needs to adopt innovative approaches that ensure better capacity and governance outcomes. Innovative approaches need to be developed for achieving a better fit between the Bank's interventions and the capacity of LICUS to perform core state functions; ensuring implementation of focused and well-sequenced interventions in LICUS environments, where virtually every aspect of capacity and governance may need significant improvement; and effectively monitoring capacity and governance outcomes.

- **Develop aid-allocation criteria for LICUS that ensure that these countries are not under- or over-aided.**

The Bank needs to conduct a technical review of the cumulative effect of the various adjustments to the performance-based allocation

system on aid volumes to LICUS. Aid-allocation criteria that reflect the Bank's objectives in LICUS and ensure that these countries are not under- or over-aided need to be developed. Whether and to what extent the criteria should be based on factors other than policy performance (such as levels of other donor assistance, assessment of potential risks and rewards, and regional and global spillovers) needs to be examined, keeping in mind that aid is limited and trade-offs will have to be made.

- **Strengthen internal Bank support for LICUS work over the next three years.**

Two aspects of internal Bank support need attention. First, staffing numbers, skills, and incentives for working on LICUS need to be prioritized. Ensuring adequate incentives to attract qualified staff—both at headquarters and in field offices—will require giving clear signals of what is deemed to be success in LICUS, what outcomes staff will be held accountable for, how much risk it is reasonable to take, how failure will be judged, and how overall performance evaluation ratings and staff career development will take these into account.

As in Olympic diving, where the scoring system factors in both the technical perfection and the difficulty of the dive, staff performance in LICUS should be similarly judged by assigning due weight to the extent of challenges presented by varying LICUS environments. Signaling the importance of LICUS work throughout the management hierarchy will also be required.

Apart from incentives, the Bank needs to ensure that staff working on LICUS have relevant skills, are capable of seeking and using political knowledge, and are willing and able to work in interdisciplinary teams. Current plans to address these issues in the forthcoming *Strengthening the Organizational Response to Fragile States* paper are welcome, even if late.

More systematic thinking is needed on staffing decisions for LICUS within the context of the Bank's overall staffing, recognizing that assigning more and better-qualified staff to work on LICUS would likely mean trade-offs for other Bank country teams. Trade-offs to

benefit LICUS may or may not be justified, depending on the Bank's objectives for LICUS, as well as other Bank clients' need for assistance.

Second, the organizational structure for LICUS and conflict work needs to be streamlined. The Bank needs to ensure an efficient organizational arrangement that removes duplication and fragmentation of support between the LICUS and CPR Units.

- ***Reassess the value added by the LICUS approach after three years.***

The value of the LICUS category and approach, including the operational usefulness of

the business models, needs to be independently evaluated after three years, when sufficient experience on the outcomes of the approach will be available. At that time, it should be possible to address the more fundamental question of whether and to what extent Bank assistance can effectively support sustainable state building. Continued Bank support for the LICUS category and approach should be based on the findings of that reassessment.