

**LOW INCOME COUNTRIES UNDER STRESS  
IMPLEMENTATION TRUST FUND:  
REQUEST FOR SECOND REPLENISHMENT**

**OPERATIONS POLICY AND COUNTRY SERVICES  
Fragile States Unit**

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## ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank	LICUS	Low-Income Countries Under Stress
ASEAN	Association of South East Asian Nations	LICUS TF	Low Income Countries Under Stress Trust Fund
BNI	Banque Nationale d'Investissement	MAM	Multi-Donor Assessment Mission
CAR	Central African Republic	MDTF	Multi-donor Trust Fund
CDD	Community Driven Development	MDTF-NS	Multi-donor Trust Fund for Sudan
CMC	Cash Management Committee	MDTF-SS	Multi-donor Trust Fund for Southern Sudan
CNLS	Conseil National de Lutte Contre le SIDA (National Council for the Fight Against AIDS)	MIGA	Multilateral Investment Guarantee Agency
COOPI	Cooperazione Internazionale	NG	National Government of Sudan
CPA	Comprehensive Peace Agreement	NGO	Non-Governmental Organization
CPAR	Country Procurement Assessment Report	NTGL	National Transitional Government of Liberia
CPIA	Country Policy and Institutional Assessment	OC	Oversight Committee
CPR	Conflict Prevention and Reconstruction Unit	OPCS	Operations Policy and Country Services
CRN	Country Re-engagement Note	PA	Poverty Assessment
DDR	Demobilization, Disarmament and Reintegration	PCF	Post-Conflict Fund
DPR	Development Policy Review	PCPI	Post-Conflict Performance Indicators
ECOWAS	Economic Community of West African States	PER	Public Expenditure Review
EERC	Emergency Economic Recovery Credit	PSI	Population Services International
EPCA	Emergency Post-Conflict Assistance	RFTF	Results-Focused Transitional Framework
EU	European Union	RSA	Rapid Social Assessment
FRM	Resource Mobilization Department	RVP	Regional Vice-President
GDLN	Global Development Learning Network	SACB	Somalia Aid Coordination Body
GEF	Global Environment Facility	SAP	Systems, Applications and Products
GEMAP	Governance and Economic Management Program	SC	Sudan Consortium
GMS	Greater Mekong Subregion	SDV	Social Development Department
GoS	Government of Sudan	SPLM	Sudan People's Liberation Movement
GoSS	Government of Southern Sudan	TF	Trust Fund
IBRD	International Bank of Reconstruction and Development	TFG	Transitional Federal Government of Somalia
ICF	Interim Cooperation Framework	TRM	Transitional Results Matrix
IDA	International Development Association	UN	United Nations
IFC	International Finance Corporation	UNDP	United Nations Development Programme
ILAC	International Legal Assistance Consortium	UNESCO	United Nations Educational Scientific and Cultural Organization
IMF	International Monetary Fund	UNFPA	United Nations Population Fund
ISN	Interim Strategy Note	UNHCR	United Nations High Commissioner for Refugees
JAM	Joint Assessment Mission	UNMIL	United Nations Mission in Liberia
JNTT	Joint National Transition Team	WBI	World Bank Institute

# LOW INCOME COUNTRIES UNDER STRESS IMPLEMENTATION TRUST FUND: REQUEST FOR SECOND REPLENISHMENT

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## LOW INCOME COUNTRIES UNDER STRESS IMPLEMENTATION TRUST FUND: REQUEST FOR SECOND REPLENISHMENT

### I. INTRODUCTION

1. This note outlines a proposal to replenish the Low-Income Countries Under Stress (LICUS) Implementation Trust Fund. Subject to the approval of the resolutions by the Board of Governors, the LICUS Implementation Trust Fund would be replenished with a \$30 million transfer from surplus.<sup>1</sup>

2. **Background.** The LICUS Implementation Trust Fund was established through a \$25 million transfer from IBRD surplus in March 2004, and replenished through a further \$25 million transfer from IBRD surplus in January 2006.<sup>2</sup> The Trust Fund (TF) assists countries in non-accrual and, in exceptional circumstances, funds activities in active IDA LICUS, where the use of existing IDA funds would be impractical for this purpose. It is designed to assist LICUS that have the most severe conflict and institutional problems by:

- supporting the implementation of early policy and institutional reforms to improve performance and facilitate reengagement with the international community;
- developing resilient systems for social service delivery, including HIV/AIDS programs, that can continue to operate effectively and mobilize multi-donor support even in situations of political instability; and
- developing harmonized multi-donor approaches that combine scarce resources behind a selective strategy for reform.

3. The LICUS Trust Fund is managed through close cooperation between the LICUS (Fragile States) Unit in Operations Policy and Country Services (OPCS) and the Conflict Prevention and Reconstruction Unit in the Social Development Department (SDV). The Fragile States Unit provides broad management and policy oversight. The fund is administered according to procedures set out by a joint OPCS/SDV Secretariat, drawing on the CPR's long experience in managing the Post-Conflict Fund (PCF).<sup>3</sup>

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<sup>1</sup> Annex A presents a draft resolution amending the Trust Fund, and Annexes B and C provide the draft report of the Executive Directors and the draft resolution of the Board of Governors.

<sup>2</sup> See *Low-Income Countries Under Stress Implementation Trust Fund* (R2003-0221/1), October 6, 2004, and *Low-Income Countries Under Stress Implementation Trust Fund: Request for Replenishment and Special Support for Sudan* (R2005-0253), December 20, 2005.

<sup>3</sup> The original LICUS TF proposal provided for the Regional vice president's approval for grants above \$1 million. This provision has not proven to be necessary to ensure a strong governance framework for the Trust Fund: the LICUS Committee Structure and the requirement for approval by OPCS and the Resource Mobilization Department (FRM) already ensure close oversight of grant purposes and amounts. The LICUS TF governance structure includes (a) independent technical review; (b) OPCS approval, in consultation with FRM; and (c) review and approval by a Bankwide director-level committee.

4. **Status of Commitments and Disbursements.** From the initial Trust Fund allocation<sup>4</sup> a total of \$26.3 million has been committed across 42 grants, supporting activities ranging from building basic capacity in public financial management in Liberia and Sudan to infrastructure rehabilitation and disaster management in Haiti to improving service delivery in the Central African Republic (CAR) and Somalia. From the second replenishment in January 2006 a total of \$24 million has been committed across 19<sup>5</sup> grants to support, among other things, follow-on governance and capacity building initiatives in CAR and Liberia, peace-building activities in Côte d'Ivoire, Guinea Bissau, and Timor-Leste, and institutional support to African regional organizations. Commitments total \$50.3 million, or 95 percent of all funds available (including investment income of US\$1.8 million); disbursements total \$22.4 million, or 44 percent of the total amount of funds committed. Table 1 summarizes commitments and disbursements, Annex D provides a consolidated financial statement, and Annex E provides a list of all grants by country and implementing agencies.

**Table 1. LICUS Trust Fund Commitments/Disbursements Approvals by Country (US\$)**

<i>Recipient</i>	<b>First Allocation (\$25m)</b>		<b>Second Allocation (\$25m)</b>		<b>Total</b>	
	<i>Commitments</i>	<i>Disbursements</i>	<i>Commitments</i>	<i>Disbursements</i>	<i>Commitments</i>	<i>Disbursements</i>
ADB	-	-	244,913	-	244,913	-
CAR	4,017,020	3,563,558	6,773,700	820,700	10,790,720	3,563,558
Comoros	655,000	308,450	-	-	655,000	308,450
Côte d'Ivoire <sup>a</sup>	-	-	6,400,000	550,910	6,400,000	550,910
Guinea Bissau	-	-	1,600,000	Disb. Pending	1,600,000	-
Haiti	6,868,680	5,674,500	-	-	6,868,680	5,674,500
Liberia <sup>b</sup>	4,757,170	4,184,651	6,900,000	1,900,000	11,657,170	6,084,651
Somalia	1,413,555	689,183	-	-	1,413,555	689,183
Sudan	4,913,200	3,334,922	231,525	-	5,144,725	3,334,922
Timor-Leste	-	-	1,078,100	Disb. Pending	1,078,100	-
Togo <sup>c</sup>	2,826,677	1,045,256	-	-	2,826,677	1,045,256
Zimbabwe <sup>d</sup>	805,150	753,286	794,850	363,300	1,600,000	1,116,586
<b>Total Approved</b>	<b>26,256,452</b>	<b>19,553,806</b>	<b>24,023,088</b>	<b>3,634,910</b>	<b>50,279,540</b>	<b>22,368,016</b>

Disbursements include all activities under Bank-executed grants that have been committed in SAP with activities underway, since these activities are actually expensed with significant time delays.

<sup>a</sup> In Cote D'Ivoire, \$4,500,000 of the \$6,400,000 grant package is approved in principle but has not yet been allocated to specific projects and therefore disbursements to date are from the remaining \$1,900,000.

<sup>b</sup> In Liberia, \$3,400,000 of the \$6,900,000 second grant package is approved in principle but has not yet been allocated to specific projects and therefore disbursements to date are from the remaining \$3,500,000.

<sup>c</sup> In Togo, \$1,700,000 of the \$2,800,000 grant package is approved in principle but has not yet been allocated to specific projects and therefore disbursements to date are from the remaining \$1,100,000.

<sup>d</sup> In Zimbabwe, \$400,000 of the \$1,600,000 grant package is approved in principle but has not yet been allocated to specific projects and therefore disbursements to date are from the remaining \$1,200,000.

<sup>4</sup> Allocation of US\$25 million from IBRD surplus and US\$1.3 million additional contribution from donors (Denmark and Norway).

<sup>5</sup> One of the lessons from the first allocation is that grants tended to be too small and fragmented, requiring high supervision efforts. The second allocation has tended towards somewhat larger individual grants.

## II. ACTIVITIES AND IMPACT ON THE GROUND

5. Staff file regular reports on the progress of all LICUS TF grants. Grants made under the first allocation, most of which are now completed, have made a clear impact on the ground. Grant packages in the first allocation fall into two categories. The larger packages, awarded to countries undergoing post-conflict or political transition processes, generally included a mixture of visible results and capacity building for economic governance (CAR, Liberia, Haiti). In Sudan, they focused on the delivery of commitments that were key to the peace process (the commission that monitors the wealth-sharing agreement and the new national currency) and capacity building to enable the Government of Sudan (GoS) and South Sudan (GoSS) to execute larger reconstruction programs through a multi-donor trust fund (MDTF) at a later stage.<sup>6</sup> The second category consists of grants to countries in prolonged crisis where the Bank aims to maintain operational readiness and pilot small improvements in social service delivery; in these countries, the Trust Fund has supported collaborative analytical work and achieved some modest but significant results in service delivery. Box 1 provides more details on specific results achieved in CAR, Haiti, Liberia, Sudan, Somalia, Togo, and Zimbabwe.

<b>Box 1. Selected LICUS TF Results</b>
<b>Central African Republic</b>
<p><b>Donor coordination and economic governance</b></p> <ul style="list-style-type: none"> <li>• A Code of Conduct for domestic political stakeholders in advance of the 2005 elections, developed through the UN/Bank-convened leadership seminars.</li> <li>• Development of a Government Policy Document and Priority Actions Matrix, paving the way for the development of a coordinated arrears clearance plan.</li> <li>• Economic governance: payroll audited, ghost workers eliminated, treasury account systems upgraded.</li> <li>• Establishment of a unit to deter corruption in the Ministry of Finance.</li> </ul> <p><b>Visible reconstruction activities</b></p> <ul style="list-style-type: none"> <li>• Training of 15,000 teachers, covering approximately 150,000 students.</li> <li>• Provision of clean water to 55,000 persons.</li> <li>• Improved access to health services for about 625,000 people.</li> <li>• Testing of 55,000 people for HIV/AIDS and distribution of more than 1,400,000 condoms, to limit the spread of HIV/AIDS.</li> <li>• Provision of benefits to 200 women affected by violence.</li> </ul>

<sup>6</sup> In January 2006, the Board approved a transfer from surplus of US\$10 million to the two Multi-Donor Trust Funds (MDTFs) for Sudan in order to leverage additional resources and strengthen donor coordination, signaling support for the capacity-building activities ongoing under the LICUS TF grants.

<b>Haiti</b>
<p><b>Economic governance and institution building</b></p> <ul style="list-style-type: none"> <li>• FY05 and FY06 budgets approved on time before the beginning of the FYs; budget allocations and execution disseminated publicly.</li> <li>• Financial audits of key public enterprises and accounting rehabilitation of Teleco completed.</li> <li>• Anticorruption unit established and first draft anticorruption survey prepared.</li> <li>• Civil society governance oversight committee established and first civil society organizations contracted to monitor budget support operations.</li> <li>• National procurement commission created and standard bidding documents prepared, list of government contract awards published, and supplier database set up.</li> <li>• Community-level disaster management and early warning systems piloted in Fond Verret and Mapou; Community Water Management Committees piloted in Zanglais d'Aquin, Morisseau, Pémerle et Saint-Louis-du-Sud.</li> <li>• 76 community-based organizations trained in simple planning, accounting, and project management.</li> <li>• National education and rural water strategies drafted.</li> </ul> <p><b>Visible reconstruction activities</b></p> <ul style="list-style-type: none"> <li>• 200,000 person-days generated through labor-intensive works programs.</li> <li>• Daily school feeding and additional fortified food for more than 25,000 poor children, of whom more than 5,000 live in Cité Soleil, one of the poorest and violence-prone slum areas of Port-au-Prince.</li> <li>• Rehabilitation of three rural water systems.</li> <li>• 44 community subprojects successfully executed in an efficient, effective, and transparent manner.</li> </ul>
<b>Liberia</b>
<p><b>Donor coordination and economic governance</b></p> <ul style="list-style-type: none"> <li>• Results Focused Transitional Framework Implementation and Monitoring Committee established; first comprehensive RFTF results assessment completed in May 2005; RFTF provided platform for concerted action on governance leading to agreement on Governance and Economic Management Action Plan, which was then agreed with UN Security Council and all major donors (including regional actors).</li> <li>• Multidonor Forestry Concession Review completed as first step towards lifting UNSC sanctions.</li> <li>• Public procurement legislation enacted and government wide procurement procedures implemented.</li> <li>• Financial management training unit established in the Ministry of Finance.</li> </ul> <p><b>Visible reconstruction results</b></p> <ul style="list-style-type: none"> <li>• Rapid Social Assessment carried out to provide baseline for quick launch of community reconstruction.</li> <li>• Pilot Community-Driven Development (CDD) program of over 30 projects to address critical reconstruction needs for the most vulnerable populations implemented in first 18 months.</li> <li>• National agency for community empowerment established to scale up CDD work to cover 100 communities.</li> </ul>
<b>Sudan</b>
<p><b>Economic governance</b></p> <ul style="list-style-type: none"> <li>• The Fiscal Financial Allocation and Monitoring Commission, which deals with wealth-sharing agreements central to the Sudanese CPA, has been established with LICUS support (for equipment and Technical Assistance (TA)); the commission is being advised by a panel of experts supported by the LICUS TF, and will submit its report and input for Budget 2007 in October 2006.</li> <li>• Preparation of a \$30 million MDTF-financed Community Development Fund for the Government.</li> <li>• Strengthening of aid management capacity in the Government.</li> <li>• Design of the new national currency, to be issued by early 2007.</li> <li>• The TA provided to the GoSS Capacity Building Unit has led to following achievements: <ul style="list-style-type: none"> <li>➢ Implementation of 2006 GoSS Budget</li> <li>➢ Implementation of Interim Procurement Guidelines for the GoSS</li> <li>➢ Establishment of a Procurement Unit in the Ministry of Finance</li> <li>➢ Headcount of public service personnel leading to appointments policy</li> <li>➢ Preparation of a \$ 13.7 million capacity building project</li> </ul> </li> </ul>

<b>Box 1. Selected LICUS TF Results (Continued)</b>
<p><b>Somalia</b></p> <p><b>Operational readiness</b></p> <ul style="list-style-type: none"> <li>• Establishment of Bank contacts with Somali counterparts in all regions of country.</li> <li>• LICUS TF activities provided input to analytic work.</li> </ul> <p><b>Entry points for reforms</b></p> <ul style="list-style-type: none"> <li>• Distance learning programs in financial planning and management in six Somali universities, which will result in certification by the University of Fort Hare, South Africa; trained Somali authorities in post-conflict leadership and public finance management.</li> <li>• Self-regulating livestock boards, animal health clinic and vaccination program established</li> <li>• Initiated bottom-up development of local governance and accountability mechanisms through a pilot CDR/CDD project.</li> </ul>
<p><b>Togo</b></p> <p><b>Stemming decline in social indicators</b></p> <ul style="list-style-type: none"> <li>• 28 primary schools and community health units rehabilitated and functional.</li> </ul> <p><b>Institution building</b></p> <ul style="list-style-type: none"> <li>• 720 community members trained in community project appraisal and implementation.</li> </ul>
<p><b>Zimbabwe</b></p> <p><b>Operational readiness</b></p> <ul style="list-style-type: none"> <li>• Completed analysis of household survey data to contribute to knowledge and public debate on poverty trends and causes.</li> </ul> <p><b>Stemming decline in social indicators</b></p> <ul style="list-style-type: none"> <li>• Centre for Disease Control and National AIDS Council completed provincial-level training in monitoring and evaluation system; purchase of laboratory equipment and materials completed and training of 40 HIV/AIDS laboratory technicians ongoing.</li> </ul>

6. **Significant Successes, Some Failures.** Overall, the results achieved from the first replenishment are highly significant for a \$25 million allocation, and representatives of governments and other donors interviewed during supervision missions consider the LICUS interventions to have been timely and relevant. However, not all the grants financed by the LICUS TF have succeeded in meeting their objectives. For example, within the LICUS grant package in Haiti – which in aggregate produced impressive results from a small allocation – seven grants were judged satisfactory during supervision missions while one grant failed to meet its objectives. In other cases (specifically Comoros and Sudan), while the original objectives of the grants remain relevant, the execution of activities lags behind initial timelines developed by the country teams because of both delays in progress on peace process benchmarks and weaknesses in Bank support for implementation. The high-risk context of the countries in which the LICUS TF operates means that it can be expected that some grants will fail or have less than satisfactory implementation. Nonetheless, it is important that the Bank continue to learn lessons from implementation successes and failures and feed these into subsequent country strategies and grant proposals.

7. **Lessons Learned.** While grant designs have been customized to respond to specific country contexts, some common lessons from implementation were identified in the last round of on-the-ground assessments and consultations with task teams: (a) the need for close, experienced, and frequent supervision; (b) the need for flexibility in design and implementation to adapt to volatile situations; and (c) the importance of focusing on rapid, visible results.

Country teams have taken these results into account in designing new grants. In addition, further implementation experience has highlighted the following lessons:

- ***Need to increase field presence.*** Supervision reports indicate that Bank field presence is critical for successful implementation of activities funded by the LICUS TF, as well as in wider Bank engagement in fragile states, especially those entering post-conflict recovery, struggling to initiate or maintain gradual reform processes, or those where close dialogue could prospectively mitigate deteriorating governance. The paper *Strengthening the Organizational Response to Fragile States*, to be circulated to Board in January 2007, will provide a more detailed discussion of this subject.
- ***Need for fiduciary framework agreements with the UN.*** LICUS TF-financed partnerships and collaborative programs with the UN secretariat and UN funds and programs have allowed the harnessing of the mandates and competencies of the two institutions to respond effectively to complex fragile state challenges. While this approach is being strengthened at both institutional and country levels through systematic cooperation and joint activities, there are weaknesses that need to be addressed. In particular, the experiences of the LICUS TF and country-specific MDTFs such as Sudan's have highlighted the need to accelerate progress in procurement and financial management framework agreements with the UN.<sup>7</sup>

8. ***Results Expected from Second Allocation (First Replenishment).*** Most of the grants approved under the second allocation began only recently, so it is still too early to report on concrete results. Management expects to report on these results at the time of the next replenishment request. (Annex E provides a detailed list of grants approved). Results expected from the second allocation include:

- enabling countries that had benefited from earlier grants to consolidate and scale up the initial reforms and to enter into a second phase of stabilization and closer international engagement (CAR and Liberia);
- allowing non-accrual countries not previously supported by the LICUS TF to develop critical activities (Côte d'Ivoire); and
- providing a vehicle for donor coordination and formulation of multi-donor strategies to respond to the many challenges facing other fragile states (Guinea-Bissau, Timor-Leste).

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<sup>7</sup> Financial Management Framework Agreement that covers some core financial management and audit issues has been signed by some, but not all, UN agencies (for further information see the [detailed description](#) of the agreement).

<b>Box 2. Côte d'Ivoire - Economic Governance and Improved Security</b>
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<p>In Côte d'Ivoire, the LICUS TF program targets activities that are critical for sustainable peace and that complement ongoing efforts: (a) strategic capacity building for reconstruction planning and implementation, including support to a multi-donor needs assessment process; (b) economic governance (audits in key sectors such as oil and Demobilization, Disarmament and Reintegration (DDR); (c) the national identification process, which is arguably the peace agreement provision that is the least advanced in implementation and one of the root causes of the conflict; and (d) creation of youth employment, to provide disenfranchised youth with alternatives to armed conflict and criminality, thus acting as a preventive demobilization and reintegration program.</p>
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9. ***Changes in the Second Allocation.*** Changes were made in the context of the second allocation to enable regional organizations to receive support and to clarify the use of funds in active IDA LICUS. Progress has been made in both areas.

- ***Support to regional organizations.*** In the context of the last replenishment request, the Board approved using LICUS TF resources to fund joint collaborative training and knowledge activities with regional organizations for the benefit of LICUS countries within that region. In this regard, the World Bank has signed a grant with the African Development Bank (AfDB) to work closely together in developing strategic approaches to fragile states and in specific fragile state programs, including through joint missions, shared analysis, co-financing, and consultations over strategy and operations. AfDB is now developing a new policy framework for fragile states, and World Bank/AfDB teams are collaborating on a joint assistance strategy in CAR. The support to regional organizations is expected to continue under the third allocation.
- ***Clarifying the criteria for support to active IDA LICUS.*** The second replenishment noted that active IDA LICUS would be eligible for assistance for small and urgent activities not easily funded under regular IDA credit or grant operations. Some progress has been made in active IDA LICUS in developing innovative multi-donor programs to support governance transitions. In Guinea-Bissau, for example, a LICUS TF supports strengthening the Ministry of Finance's capacity in public finance, budgeting, payroll, and public procurement management and enhancing donor coordination for aid effectiveness. The use of funds for transition activities in active IDA LICUS is expected to continue under the third allocation.

10. ***Donor Coordination and Co-financing.*** The requirement for multi-donor strategies in LICUS TF grants continues to be particularly effective in ensuring the strong donor coordination necessary to achieve results in these fragile environments. All grants feature multi-donor coordination. In some cases, LICUS TF activities have provided a framework for much larger multi-donor approaches, including the development of an agreed government/multi-donor results matrix (CAR, Haiti, Liberia,); joint strategies with other donors (Somalia, Togo); joint assessment missions (CAR, Haiti, Liberia, Somalia); multi-donor trust funds (Comoros, Sudan); co-financing of specific project interventions with other donors (all recipient countries); and

specific components focused on strengthening donor coordination (CAR, Côte d'Ivoire, Guinea-Bissau, Liberia).

11. ***Innovative Approaches.*** The LICUS TF is also financing innovative approaches that could eventually be replicated in other countries. Past examples include (a) use of the LICUS TF as a catalyst for donor coordination and development of multi-donor support (CAR, Haiti, Liberia, Somalia, Sudan); (b) preparation of transitional results matrices that allow government and donors to jointly prioritize development assistance during a transition (CAR, Haiti, Liberia); (c) design of community-driven programs to help get social services operational (Haiti, Liberia, Somalia); and (d) provision of leadership programs on managing transitions effectively (CAR). More recent innovations are highlighted in Box 3.

### **Box 3. Innovative approaches**

Innovations in grants approved under the second allocation include:

- ***Demand-driven transition funds.*** Experience in post-conflict environments shows that, to support governments successfully during the transition phase, it is critical to provide swift support to positive forces for reform. In Liberia, a LICUS grant supports the newly elected administration during the critical initial period by providing flexible technical assistance to help consolidate peace and recovery through governance reform, government accountability, and the delivery of core services.
- ***Use of engineering capacity of peace-keeping operations.*** In Liberia, a joint program was designed with the United Nations Development Programme (UNDP) and United Nations Mission in Liberia (UNMIL) to provide technical expertise, equipment, and tools to (a) keep the Voinjama-ZorZor highway open and operational to support logistics to humanitarian and recovery actors and input into local recovery; (b) maximize labor-intensive techniques and employment in local communities throughout the project period; and (c) unite the efforts and maximize synergy among government, local communities, UNMIL (including civil and military units), UNDP, and other agencies.
- ***Communications and leadership work in deteriorating situations.*** In Timor-Leste, which went through a damaging political crisis in 2006, the LICUS TF is contributing to multi-donor efforts to support leadership training and communications. A series of training events will be used to reflect on the causes of the crisis and focus on constructive messages and dialogue within the leadership (parliament, the presidency, and the Government) and between the leadership and the population.

12. ***Results Framework.*** Following discussion with the Board in January 2004, a three-year results framework was created for the LICUS TF to allow a quantitative measurement of results achieved. The framework proposed three-year targets for the group of countries eligible for LICUS TF resources: 50 percent would show improvement in country performance ratings; 25 percent would put in place a structured arrears clearance process; 75 percent would put in place an agreed multi-donor approach; and the Trust Fund would leverage at least a 1:1 ratio of co-financing from other donors. Table 2 illustrates results thus far. Over two years into implementation, progress has clearly been made on all areas, and most targets are expected to be met or exceeded by the end of the three-year monitoring period.

Table 2. Progress by Country on Agreed Results Framework

Countries in non-accrual <sup>a</sup> in FY04 (or falling into non-accrual subsequently)	CPIA overall / PCPI <sup>b</sup> improvement	Structured arrears clearance process	Agreed multi- donor approach	Ratio of co-financing <sup>c</sup> Bank : Others
CAR	↑	yes	yes	1 : 4
Côte d'Ivoire	↓	no	yes	1 : 5
Haiti	↑	yes	yes	1 : 0.9
Liberia	↑	no	yes	1 : 6
Myanmar	—	no	—	—
Somalia	—	no	yes	1 : 0.2
Sudan	↑	no	yes	1 : 3
Togo	↓	no	no	1 : 1
Zimbabwe	↓	no	no	1 : 51 <sup>d</sup>
Target (3-year)	50%	25%	75%	1 : 1
30-month outcome <sup>e</sup>	44%	25%	75%	1 : 5.4

<sup>a</sup> Nonaccrual countries as of July 31, 2006; see Monthly Financial Report (<http://mfr5.worldbank.org/webmfr/endUser.jsp>).

<sup>b</sup> Post-conflict performance indicators.

<sup>c</sup> Ratio of co-financing is calculated by summing the Bank contributions listed in the approved LICUS TF grant proposals for a country compared to the contributions of other donors. This does not include financing of subsequent multi-donor approaches such as the Sudan MDTFs and the Liberia GEMAP.

<sup>d</sup> Reflects other donors' high contributions to HIV/AIDS program.

<sup>e</sup> 30-month outcome shows total weighted average of LICUS TF grants to other donor financing.

### III. RATIONALE FOR REPLENISHMENT

13. Eligible countries continue to express strong demand for the LICUS TF, both because TF-funded activities have achieved positive impact on the ground and because of the continuing need for resources to support complex transition environments and the limited availability of funding sources for these countries. LICUS grants have provided critical support to countries in non-accrual and have enabled the Bank to make substantial progress in re-engagement in three of these countries: Haiti has successfully cleared its arrears, CAR is expected to clear arrears in the near future, and Liberia has entered into pre-arrears clearance. The remaining non-accrual countries (Côte d'Ivoire, Sudan, Somalia, Togo, Zimbabwe) do not have access to other sources of Bank funds to sustain engagement and will need to continue relying on the crucial support provided by the LICUS TF.

14. **Pipeline.** The second replenishment (third allocation) this paper requests would support a pipeline of prospective activities. It is expected that the LICUS TF will need to provide additional support to fragile transitions in Côte d'Ivoire, CAR<sup>8</sup> and Sudan — and in Togo, where there is hope of a turnaround. There is also a continued need to maintain operational readiness through updated Interim Strategy Notes in Somalia and Zimbabwe. In active IDA LICUS,

<sup>8</sup> It is expected that CAR will move forward at a faster pace than previously anticipated to clear arrears. For the purposes of the replenishment request, it is still anticipated that CAR will require significant additional support from the LICUS Trust Fund, since the IDA allocation will not easily be used for a continuation of small visible service delivery grants and capacity-building activities.

possible pipeline programs include partnership with the UN peacekeeping operation on reconstruction activities in the east of the Democratic Republic of the Congo (DRC); visible results in support of peace-building in urban areas in Haiti; transitional recovery activities in the Solomon Islands; and in Cambodia, a proposal to build demand for good governance by strengthening partnerships between the state and citizens. Several of these proposals for active IDA countries were developed during the period of the second Trust Fund allocation, but were postponed due to country circumstances or the need to direct funds to priority transition programs in the non-accrual countries. Under the second replenishment, while the remaining non-accrual countries will still receive priority, a higher volume of funds is therefore likely to be needed to finance programs in fragile active IDA countries to meet the objectives of the Trust Fund, where IDA funds cannot easily be used for these purposes.

15. ***Consolidating ad hoc Requests for Surplus.*** A key advantage of the LICUS TF is its ability to consolidate future requests for the use of surplus and eliminate the need for large, ad hoc requests for the use of surplus during the year. The Sudan situation demonstrated the need, during accelerated transitions, for larger country-specific allocations and illustrated how the LICUS TF can build the basis for effective use of such funds. In the future, the Fragile States Unit will work with the Finance Complex to consolidate and provide expanded information on possible requests for surplus at the time of the annual “Net Income” papers, so that the Executive Directors can better consider the priorities and trade-offs for using the IBRD’s scarce surplus resources, recognizing that other urgent needs might arise during the course of each year.

16. ***Relationship to Other Financing Facilities.*** The LICUS TF is complementary to other Bank financing sources. It provides funding to the most fragile states, preparing the ground for IDA engagement and supporting countries that cannot access IDA funds and those in which IDA funds cannot be used to support multi-donor approaches. The LICUS TF complements activities under the Post-Conflict Fund (PCF) which has a narrower focus on small activities related directly to conflict and does not provide financing for integrated programs. Activities under the LICUS TF are designed so as to avoid duplication with those proposed to be financed by the Africa Catalytic Fund, which focuses on scaling up efforts to reach the Millennium Development Goals in good performers, policy turnaround situations and regional programming opportunities, financing larger delivery programs under IDA regular procedures. The LICUS TF, however, focuses on providing support for high risk, high return programs for governance transitions, institution building, visible results and activities that spur multi-donor responses in fragile states. Under the limited circumstances described in paragraph 9, the LICUS TF may be drawn upon to finance a program in a country eligible for the Africa Catalytic Fund, but where the latter would not be adequate to respond to the speed, modality or nature of activities.

#### IV. CONCLUSION AND RECOMMENDATIONS

17. The LICUS TF, now in its third year of implementation, is achieving significant results on the ground. It has provided country teams both quick response ability and flexibility in customizing activities to each country’s specific context, and the teams continue to put forward pioneering and important proposals to support fragile states. As more experience is gathered from the implementation of these grants, a collection of new innovative approaches and lessons learned will provide an invaluable resource to guide Bank staff in devising support programs that adequately respond to the challenges of fragile states. The third allocation to (second

replenishment of) the LICUS TF will allow for continued momentum in existing programs and for implementation of new activities to support development in these difficult environments. It will also provide opportunities for designing innovative multi-donor programs to support governance transitions in active IDA LICUS.

18. **Replenishment Requested.** The total Trust Fund allocation to date of \$50 million has been fully committed. A LICUS TF replenishment of \$30 million will allow the funding of proposals in the pipeline and of new programs.

19. **Availability of IBRD Surplus.** The proposed transfer from surplus is consistent with current IBRD financial capacity. In Management's view, there has been no material adverse change in IBRD's capital adequacy since the end of FY06, when the Executive Directors decided to increase the balance in surplus to \$200 million. Added to the recent transfer of \$70 million to the Trust Fund for Lebanon, the proposed transfer would reduce the remaining balance in surplus to \$100 million.

20. **Accounting Treatment.** As discussed with the Audit Committee, effective for the year-end financial statements of FY06, IBRD retrospectively adopted the policy of reporting all grants from surplus as an expense on the income statement. The application of this preferred accounting policy does not affect allocable net income. It is worth noting that while the accounting treatment has changed, the governance structure surrounding *transfers* from surplus remains the same—all such transfers are recommended by the Executive Directors to the Board of Governors for approval.

21. **Focus and Eligibility.** No changes are proposed in eligibility. In recognition of the lessons learned in the first replenishment, it is proposed to specify rapid, visible reconstruction components for peace-building as an objective. Subject to Board approval, the objectives of the LICUS TF would then be as follows:

- supporting the implementation of early policy and institutional reforms to improve performance and facilitate reengagement with the international community;
- developing resilient systems for social service delivery, including HIV/AIDS programs, that can continue to operate effectively and mobilize multi-donor support even in situations of political instability;
- developing harmonized multi-donor approaches that combine scarce resources behind a selective strategy for reform; and
- promoting the delivery of visible results in support of peace-building efforts.<sup>9</sup>

22. **Independent Evaluation.** The Independent Evaluation Group review of engagement with fragile states indicated that stakeholder experience with the LICUS TF has been generally positive to date, with the TF making an important contribution to stability, reconstruction, and donor coordination in fragile states. As this note illustrates, experience with the implementation

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<sup>9</sup> These activities will include, for example, rapid labor-intensive employment initiatives in conflict-affected groups. Moreover, all activities in support of peace-building will be consistent with the Bank's Articles of Agreement and applicable Bank policies and guidelines.

of the LICUS TF in the last two and a half years has produced significant results on the ground and a number of important lessons that have been used to continuously improve and strengthen the quality of the support extended to fragile states.

23. ***Recommendation.*** It is proposed that the Executive Directors for IDA and IBRD approve the amended resolution for the LICUS Implementation Trust Fund and that the Executive Directors for IBRD approve the draft report of the Executive Directors recommending that the Board of Governors authorize the transfer of \$30 million from Bank surplus to the LICUS Trust Fund.

Annex A  
Draft Resolution of the Board of Directors of IBRD and IDA

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**RESOLUTION NO. \_\_\_\_\_**

**RESOLUTION NO. IDA \_\_\_\_\_**

**SECOND AMENDMENT TO THE TRUST FUND FOR  
LOW-INCOME COUNTRIES UNDER STRESS**

**WHEREAS:**

(A) the Trust Fund for Low-Income Countries Under Stress, TF053301, (the “Trust Fund”) was established by Resolution No. 2004-0001 and Resolution No. IDA 2004-0001 (the “2004 LICUS Resolution”) of the Executive Directors of the International Bank for Reconstruction and Development (“IBRD”) and the Executive Directors of the International Development Association (“IDA” or “Association”) (IBRD and IDA collectively, the “Bank”) in order to promote the purposes of the Association and to improve the provision of grant funding by the Association for the benefit of low-income countries under stress (“LICUS”) that are member countries of the Association;

(B) the Executive Directors of the IBRD and the Association (collectively, the “Executive Directors”) modified the 2004 LICUS Resolution by amending and restating it through Resolution No. 2005-0002 and Resolution No. IDA 2005-0001 adopted on March 18, 2005 (the “2005 LICUS Resolution”). This modification was to enable the Trust Fund to operate as a multi-donor trust fund (“MDTFs”) allowing it to accept contributions from donors as well as transfers from surplus from the IBRD and to enable the Trust Fund to make contributions to Bank and non-Bank administered multi-donor trust funds as defined in paragraph of 5 of this Resolution;

(C) the Executive Directors modified the 2005 LICUS Resolution by amending and stating it through Resolution No. 2006-0002 and Resolution No. IDA 2006-0002 adopted on February 28, 2006 (the “February 2006 LICUS Resolution”). This modifications and amendments clarified certain operational and governance issues, including with respect to contributions made from the Trust Fund to other MDTFs and to expand the category of eligible recipients to consist of regional organizations and other public or private institutions acceptable to the Association as trustee of the Trust Fund (in such capacity, the “Trustee”);

(D) the Executive Directors now desire to make further modifications and amendments to the February 2006 LICUS Resolution by broadening the Trust Fund's ability to promote delivery of visible results in support to peace building activities; and

(E) the Association is prepared to perform the functions designated to it as set forth in this Resolution, subject to the approval of the Executive Directors;

**NOW THEREFORE** it is hereby resolved that the Trust Fund Resolution be amended and restated as follows:

1. The Trust Fund is hereby established as a trust fund of the Association, constituted of the funds which shall from time to time be contributed in accordance with the provisions of this Resolution, and any other assets and receipts of the Trust Fund. The Trust Fund is administered by the Trustee drawing on the approval system, documentation arrangements, and other procedures applicable to the Post-Conflict Fund set forth in R99-105 [IDA/R 99-114] and approved by the Executive Directors on June 11, 1999, and guidelines of the Post-Conflict Fund.

2. The Trustee is authorized to accept contributions to the Trust Fund from the IBRD in its capacity as a donor to the Trust Fund and from other donors (collectively, "Contribution Funds"). The Trustee shall enter into a Trust Fund Administration Agreement with each donor, other than the IBRD (the "Administration Agreement") in form and substance satisfactory to the Trustee, whereby each donor shall agree to pay its contribution to the Trust Fund in accordance with the terms of this Resolution. In order to assist the Trustee in defraying costs and expenses of administering the donor contribution, the Trustee shall deduct and retain, for its own account, from the donor contribution an amount equal to five percent (5%) of such contribution following the deposit of such funds. The Trustee shall not charge an administrative cost recovery fee on IBRD contributions to the Trust Fund. Contributions to the Trust Fund shall be denominated in United States Dollars or any other currencies acceptable to the Trustee, provided, however, that the Trustee shall, upon receipt, convert contributions made in currencies other than in United States Dollars into United States Dollars for the purposes of the Trust Fund.

3. The Trustee shall hold and administer all Contribution Funds, assets and receipts in trust for the benefit of the member countries of the Association that are LICUS and which are either: (1) in non-accrual status with the Bank; or (2) in active status with the Association, but where the Association's funds cannot be used easily or in a timely manner to support the objectives of the Trust Fund set forth in paragraph 6.1. The Trustee shall manage and use such Contribution Funds, assets and receipts only for the purposes of, and the provisions of this Resolution and, except as otherwise provided in this Resolution, in accordance with the policies and procedures of the Association, keeping them separate and apart from all other accounts and assets of the Association, but the Trustee may commingle them with other trust fund assets maintained by the Association. The Contribution Funds may, at any time, be freely exchanged by the Trustee into other currencies as may facilitate their administration and disbursement.

4. Payment of each contribution to the Trust Fund shall be made in accordance with the terms of the relevant Administration Agreement or, in the case of contributions from IBRD, in accordance with the relevant resolution of the IBRD's Board of Governors.

5. The Trustee is authorized to use the Contribution Funds to make grants directly from the Trust Fund and to make contributions from the Trust Fund to Bank and non-Bank administered MDTFs in accordance with the terms of this Resolution. All such grants and contributions shall be made subject to the approval of the LICUS Trust Fund Committee, a committee comprising representatives from various units within the Bank. "Bank administered MDTFs" shall refer to: (a) trust funds administered solely by IBRD or IDA; or (b) trust funds administered collectively by IBRD and IDA. "Non-Bank administered MDTFs" shall refer to trust funds administered by organizations or entities other than IBRD or IDA, either singly or collectively. Grants made from non-Bank administered MDTFs shall be subject to the provisions in paragraph 9.1.

6.1 All Contribution Funds credited to the Trust Fund and all grants and contributions made from the Trust Fund to: (a) eligible grant recipients as defined in paragraph 7.1; (b) Bank administered MDTFs; and (c) non-Bank administered MDTFs, shall be used to provide grants for activities which support the following broad objectives in countries described in paragraph 3:

- (i) supporting the implementation of early policy and institutional reform to improve performance (as defined in the PCPI and CPIA systems) and facilitate reengagement with the international community;
- (ii) developing resilient systems for social service delivery, including HIV/AIDS programs, that can continue to operate effectively and mobilize multi-donor support even in situations of political instability;
- (iii) developing harmonized multi-donor approaches that combine scarce resources behind a selective strategy for reform; and
- (iv) promoting the delivery of visible results in support of peace-building efforts.<sup>10</sup>

6.2 Examples of activities which the Trust Fund shall support may include but are not limited to the following: (a) supporting dialogue among national stakeholders on economic, social and governance issues; (b) promoting dialogue between national stakeholders and the donor community; (c) technical assistance to design and implement basic civil service, public finance or judicial reforms; (d) training for leadership and technical counterparts; (e) data collection and analysis to support key reforms; information campaigns on key reform areas; (f) preparation of capacity needs assessments; (g) supporting reform of policies and institutions; (h) demonstration service delivery projects; (i) establishing and equipping effective service delivery institutions; and (j) promoting the participation of stakeholders in delivering peace-building initiatives.

7.1 In the case of grants made directly from the Trust Fund to eligible grant recipients, the Trustee shall enter into a grant agreement with each recipient setting forth the terms and

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<sup>10</sup> These activities will include, for example, rapid labor-intensive employment initiatives in conflict-affected areas. Moreover, all activities in support of peace-building will be consistent with the Bank's Articles of Agreement and applicable Bank policies and guidelines.

conditions on which such grant shall be provided (“Grant Agreement”). Eligible grant recipients may include LICUS member countries and their agencies or instrumentalities, agencies or instrumentalities of the United Nations, regional organizations, non-governmental organizations and other public or private institutions acceptable to the Trustee. The Trustee shall be solely responsible for the supervision of activities financed under the Grant Agreements.

7.2 The Grant Agreements shall provide that the Contribution Funds will be used by the recipients to finance expenditures for goods and services as the case may be, in accordance with the World Bank’s Guidelines on “Procurement under IBRD Loans and IDA Credits” and the World Bank’s Guidelines on the “Selection and Employment of Consultants by World Bank Borrowers,” as in effect at the date of the Grant Agreements. Upon the written request of the grant recipient, the Bank may act as executing agency for the recipient in carrying out the activities to be financed by the grant. In such cases, categories of eligible operational expenditures would include: short term consultant fees, extended term consultant salaries and benefits; contractual services; travel expenses; media and workshop costs; and when the provisions of the Bank’s operational policy on emergency recovery assistance apply, small contracts for start-up goods and works necessary to enable the recipient to undertake the execution of subsequent project activities. Proposed expenditures for small contracts for start-up goods and works in situations where the Bank’s operational policy on emergency recovery assistance does not apply shall be presented for approval to an internal review committee.

7.3 The Trustee shall promptly inform the donors of any significant modification to the Grant Agreements and of any contractual remedy that is exercised by the Trustee under the Grant Agreements. To the extent practicable, the Trustee shall afford the donors the opportunity to exchange views before effecting any such modification or exercising any such remedy.

7.4 The Trustee shall provide the donors to the Trust Fund with copies of all financial statements and auditors’ reports received by the Association from recipients financed directly from the Trust Fund pursuant to the Grant Agreements. The Trustee shall furnish a copy of each Grant Agreement to the donors.

8. Contributions from the Trust Fund to Bank administered MDTFs shall be managed in accordance with the applicable requirements of such MDTF; provided that in consideration of the administrative fees already paid to the Trustee by the donors as set forth in paragraph 2, the Bank may in appropriate cases adjust as necessary the second administrative fee applied to donors for contributions from the Trust Fund to Bank administered MDTFs. Grants provided under Bank administered MDTFs shall be disbursed in accordance with the applicable requirements of such MDTF.

9.1 For contributions from the Trust Fund to non-Bank administered MDTFs, the Trustee shall enter into appropriate legal agreements with the trustee or administrator of such MDTF. Contributions to such MDTF and grants administered from such MDTF shall be managed in accordance with the applicable requirements of such MDTF. Any administrative cost recovery fees charged by such MDTFs shall be applicable to the Contribution Funds transferred to such MDTFs. The selection and recruitment of consultants, and the procurement and financing of

expenditures for goods, services and other items of expenditure under the grant agreement shall be done in accordance with the applicable procedures of the MDTF.

9.2 In cases where a non-Bank administered MDTF finances activities eligible under the Trust Fund as well as activities that are not eligible for Bank financing, contributions to such non-Bank administered MDTFs shall be subject to the approval of the Executive Directors.

10. The Trustee shall establish and maintain appropriate records and accounts to identify the resources of the Trust Fund, commitments financed out of the Trust Fund, including contributions made to Bank and non-Bank administered MDTFs, and the receipts and disbursements of Contribution Funds in the Trust Fund. Except as set forth in paragraphs 13.1 and 13.2, the Trustee shall not be responsible for the use or reporting of funds, or for providing financial statements of Bank and non-Bank administered MDTFs to which contributions are made from the Trust Fund. The Trustee, upon request by any donor, will forward to such donor all reports it receives from Bank and non-Bank administered MDTFs.

11. Pending the disbursement of Contribution Funds from the Trust Fund, the Trustee shall invest the Contribution Funds held in the Trust Fund in such manner as the Trustee may decide, in accordance with the criteria for the investment of trust funds administered by the Association. All the income from such investment shall be credited to, and used exclusively for the purposes of, the Trust Fund.

12. On the final disbursement date of the Trust Fund pursuant to paragraph 14.1 of this Resolution, except as the Trustee and the donor may otherwise agree in each respective Administration Agreement, undisbursed funds of the Trust Fund shall be forthwith transferred to the Association.

13.1 Within ninety (90) days of each March 31, June 30, September 30 and December 31, the Trustee shall furnish to the donors an unaudited cash-based statement of receipts, disbursements and fund balance in United States dollars with respect to the Contribution Funds.

13.2 In addition to reporting obligations in paragraph 13.1, the Trustee shall, as soon as practical after the end of each fiscal year of the Bank, furnish to the donors: (1) a report on the activities directly financed from the Trust Fund, including the sum of aggregate contributions to both Bank and non-Bank administered MDTFs and a brief summary of activities supported by such MDTFs; and (2) an unaudited cash-based statement of receipts, disbursement and fund balance produced at the aggregate level for the Trust Fund accompanied by a management assertion and an attestation from the Association's external auditors concerning the adequacy of internal control over cash-based financial reporting for trust funds as a whole. The cost of such attestations shall be paid by the Trustee.

13.3 If a donor wishes to request, on an exceptional basis, a financial statement audit by the Association's external auditors of the Trust Fund, the donor shall consult the Association as to whether such an external audit is necessary. The Association and the donor shall agree on the most appropriate scope and terms of reference. Following agreement on the scope and terms of reference, the Association shall arrange for such external audit. The costs of any such audit,

including the internal costs of the Association with respect to such audit, shall be paid by the donor.

14.1 It is expected that the Contribution Funds will be fully disbursed by the Trustee in accordance with the provisions of this Resolution by December 31, 2010. After such date Contribution Funds shall be disbursed only with the written approval of all donors to the Trust Fund. Within six (6) months from the final disbursement date specified above, the Trustee shall furnish to the donors to the Trust Fund an unaudited cash-based statement of receipts, disbursements and fund balance in United States dollars with respect to the Contribution Funds.

14.2 Any donor to the Trust Fund or the Trustee may, upon three (3) months prior written notice, cancel all or part of the donor's pro rata share of any remaining balance of the Contribution Funds that is not committed pursuant to any agreements entered into between the Trustee and any consultants and/or other third parties for the purposes of this Resolution, including the Grant Agreements, prior to the receipt of such notice.

15. The Trustee shall be responsible only for performing those functions specifically set forth in this Resolution. The Trustee shall not be subject to any other duties or responsibilities to the donors to the Trust Fund, including without limitation, any duties or obligations that might otherwise apply to a fiduciary or trustee under general principles of trust or fiduciary law. The privileges and immunities accorded to the Association shall apply to the property, assets, archives, operations and transactions of the Trust Fund.

16. This Resolution will enter into effect on the date of its adoption by the Executive Directors.

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**REPORT OF THE EXECUTIVE DIRECTORS**

**Transfer from Surplus to Replenish the  
Low-Income Countries Under Stress Implementation Trust Fund**

**WHEREAS:**

(1) The Low-Income Countries Under Stress Implementation Trust Fund (the “Trust Fund”) was established by Resolution No. 2004-0001 and Resolution No. IDA 2004-0001 (the “2004 LICUS Resolution”) of the Executive Directors of the International Bank for Reconstruction and Development (the “Bank”) and the Executive Directors of the International Development Association (the “Association”) (collectively, the “Executive Directors”) on January 15, 2004 and the Board of Governors subsequently approved the transfer of: (a) US\$ 25 million from surplus to the Trust Fund on March 4, 2004 and (b) US\$ 25 million from surplus to the Trust Fund on February 21, 2006 as recommended by the Executive Directors;

(2) The Executive Directors modified the 2004 LICUS Resolution by amending and restating it through: (a) Resolution No. 2005-0002 and Resolution No. IDA 2005-0001 adopted on March 18, 2005 enabled the Trust Fund to operate as a multi-donor trust fund permitting it to accept contributions from bilateral organizations and other donors as well as transfers from surplus from the Bank, and to enable the Trust Fund to make contributions to certain Bank and non-Bank administered multi-donor trust funds (“MDTFs”); (b) Resolution No. 2006-0002 and Resolution No. IDA 2006-0002 adopted on February 28, 2006 clarified certain operational and governance issues, including with respect to contributions made from the Trust Fund to other MDTF and expanded the category of eligible recipients to consist of regional organizations and other public or private institutions; and (c) Resolution No. 2007-[\_\_\_\_\_] and Resolution No. IDA 2007-[\_\_\_\_\_] adopted on January\_\_\_\_, 2007 broaden the Trust Fund’s ability to promote delivery of visible results in support to peace building activities.

(3) Since its inception, the Trust Fund has experienced strong demand from eligible countries with current funds being fully committed and over forty-two percent disbursed. In order to continue the momentum gained in the existing program and deepen the Bank’s support for transition in these countries, the Executive Directors recommend that the Board of Governors authorize the transfer from surplus, by way of grant, in the amount of US \$30 million to replenish the Trust Fund;

(4) Accordingly, the Executive Directors recommend that the Board of Governors adopt the draft resolution attached hereto.

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**RESOLUTION FOR SUBMISSION TO THE BOARD OF GOVERNORS**

**RESOLUTION No. 2007- \_\_\_\_\_**

**RESOLVED THAT:**

The Bank transfer from surplus, by way of grant, thirty million dollars (US\$30,000,000) to the LICUS Implementation Trust Fund (the “Trust Fund”), such transfer to be drawn down by the Association immediately and used in accordance with the resolution establishing the Trust Fund, as amended in Resolution No. 2007-[\_\_\_\_\_] and Resolution No. IDA 2007-[\_\_\_\_\_] adopted on January \_\_, 2007.

**Annex D**  
**Consolidated Financial Statement**

<b>Consolidated Financial Statement as of October 13, 2006, in US\$ million</b>	
<b>Sources</b>	
World Bank Net Income	50,000,000
Investment Income	1,798,332
Government of Denmark	748,283
Government of Norway	537,394
<b>Total Sources Available</b>	<b>53,084,009</b>
<b>Uses</b>	
Commitments (FY04-FY08)	50,279,540
<b>Total Uncommitted Balance</b>	<b>2,804,469</b>

**Annex E**  
**LICUS TF Grants in Implementation**

Country	Recipient Organization	Project Title	Total Approved
<b>REGIONAL</b>			
Africa	Bank-executed	Institutional Support to African Regional Organizations on Programming in Fragile and Conflict-Affected States	\$ 244,913
<b>CAR</b>			
CAR	UNDP	Public Financial Management and Governance	\$ 77,500
CAR	UNDP	Public Financial Management and Education Sector	\$ 372,500
CAR	Bank-executed	Strategic Leadership Seminar for CAR	\$ 129,380
CAR	UNDP	Emergency Social Sector Recovery Program	\$ 747,449
CAR	COOPI	Emergency Social Sector Recovery Program - Health Sector	\$ 849,468
CAR	Comite National de Lutte Contre le Sida	Emergency Social Sector Recovery Program	\$ 180,000
CAR	Ministry of Family, Social Affairs, and National Solidarity	Emergency Social Sector Recovery Program	\$ 57,750
CAR	PSI	Emergency Social Sector Recovery Program	\$ 293,110
CAR	UNFPA	Emergency Social Sector Recovery Program, Rehabilitation of Maternity Centers	\$ 56,175
CAR	UNDP	Emergency Social Sector Recovery Program: Maternal and Child Survival	\$ 412,048
CAR	Bank-executed	Strategic Leadership Seminar for CAR- Phase Two	\$ 123,000
CAR	Bank-executed	Technical Assistance to Scale up Government Capacity to Monitor and Evaluate Execution of PRSP and other Financial Programs	\$ 718,640
CAR	CTP/PAS-Prime Minister's Office	Enhancing Governance and Economic Management Systems (EGEMAS)	\$ 2,773,700
CAR	Bank-executed (COCPO)	Mining Sector Assessment	\$ 450,000
CAR	COOPI	CDD LICUS II Social Sectors	\$ 2,750,000
CAR	Comite National de Lutte Contre le SIDA (CNLS)	Interim Support to HIV/AIDS Treatment	\$ 400,000
CAR	TBD	Enhancing Human Governance and Security	\$ 400,000
<b>SUB-TOTAL</b>			<b>\$ 10,790,720</b>
<b>COMOROS</b>			
Comoros	UNDP-Comoros	Support to the Comorian Transition Support	\$ 99,400
Comoros	Ministry of Finance	Support to the Comorian Transition Support	\$ 418,100
Comoros	Bank-executed	Support to the Comorian Transition Process -- Leadership Seminars	\$ 137,500
<b>SUB-TOTAL</b>			<b>\$ 655,000</b>

Country	Recipient Organization	Project Title	Total Approved
<b>COTE D'IVOIRE</b>			
Cote d'Ivoire	Bank-executed	Post-conflict recovery planning and technical assistance, and economic governance reforms	\$ 1,900,000
Cote d'Ivoire	TechnoServe TBD	Youth Reinsertion Pilot	\$ 2,250,000
Cote d'Ivoire	Prime Minister Office	Implementing Critical Governance Reforms on National Identification Process	\$ 2,250,000
<b>SUB-TOTAL</b>			<b>\$ 6,400,000</b>
<b>GUINEA BISSAU</b>			
Guinea Bissau	Ministry of Economy	Support to Donor Harmonization Effort	\$ 100,000
Guinea Bissau	Ministry of Finance of Guinea-Bissau	Support to Economic Governance	\$ 1,200,000
Guinea Bissau	INTERPEACE/National Institute of Studies and Research (INEP) of Guinea Bissau	Support to a National Framework for Dialogue and Peace Building	\$ 300,000
<b>SUB-TOTAL</b>			<b>\$ 1,600,000</b>
<b>HAITI</b>			
Haiti	Ministry of Economy and Finance	Support for Economic Governance Reform	\$ 1,500,000
Haiti	PL-480 Management Office	Labor-Intensive Basic Infrastructure Rehabilitation Pilot Project	\$ 1,000,000
Haiti	Ministry of Education	Building Institutional Capacity & Strengthening Provision of School Feeding Program	\$ 1,089,500
Haiti	UNDP	Haiti Disaster Risk Management Pilot	\$ 1,000,000
Haiti	Ministry of Public Works	Solid Waste Management Strategy	\$ 625,000
Haiti	Ministry of Public Works/ Service National d'Eau Potable	Community Managed Rural Water and Sanitation	\$ 855,000
Haiti	UNESCO	Public-Private Partnership for Education	\$ 500,000
Haiti	Ministry of Economy and Finance	Support to build communications capacity for Economic Governance Reform Program and increase dialogue and outreach activities	\$ 299,180
<b>SUB-TOTAL</b>			<b>\$ 6,868,680</b>

Country	Recipient Organization	Project Title	Total Approved
<b>LIBERIA</b>			
Liberia	Mercy Corps	Community Empowerment Project	\$ 1,177,670
Liberia	Ministry of Finance	Support for Economic Management & Development Strategy	\$ 1,035,000
Liberia	Bank-executed	Public Financial Management	\$ 465,000
Liberia	Bank-executed	Reactivation of the Forestry Sector and Forest Management	\$ 570,000
Liberia	UNDP	Support to Donor Coordination (RIMCO)	\$ 760,000
Liberia	ILAC	Regional Support for reconstruction of the Liberian Legal System	\$ 650,000
Liberia	Bank-executed	Rapid Results Initiative	\$ 99,500
Liberia	UNDP	Liberia Transition Support Fund	\$ 1,800,000
Liberia	Public Procurement and Concessions Commission (PPCC)	Public Procurement Reform	\$ 1,100,000
Liberia	UNDP	Support to LDRC and Communications Program	\$ 600,000
Liberia	TBD	Support to GEMAP – Resource Management Unit	\$ 2,500,000
Liberia	TBD	Civil Service Reform	\$ 900,000
<b>SUB-TOTAL</b>			<b>\$ 11,657,170</b>
<b>SOMALIA</b>			
Somalia	UNDP	Capacity Building for Somali Planners	\$ 382,750
Somalia	CARE-Somalia	Livestock Project: Puntland Pastoralists Program	\$ 498,555
Somalia	Bank-executed	Support for Community Driven Recovery and Service Delivery	\$ 232,250
Somalia	Bank-executed	Technical Assistance to Economic Mangement and Planning Capacity	\$ 300,000
<b>SUB-TOTAL</b>			<b>\$ 1,413,555</b>
<b>SUDAN</b>			
Sudan	Bank-executed	Capacity Building for Development in Post-conflict Sudan	\$ 4,913,200
Sudan	Bank-executed	Technical assistance to post-conflict recovery planning in Darfur	\$ 231,525
<b>SUB-TOTAL</b>			<b>\$ 5,144,725</b>

Country	Recipient Organization	Project Title	Total Approved
<b>TIMOR LESTE</b>			
Timor-Leste	Bank-executed	Communication and Leadership Capacity for National Renewal	\$ 1,078,100
<b>TOGO</b>			
Togo	Agence d'Appui de Base - Savanes (AGAIB-Savanes)	Emergency Program for Poverty Reduction (EPPR)	\$ 427,267
Togo	UNDP	Emergency Program for Poverty Reduction (EPPR)	\$ 195,722
Togo	Agence d'Appui de Base - Maritime (AGAIB-Maritime)	Emergency Program for Poverty Reduction (EPPR)	\$ 427,267
<b>SUB-TOTAL</b>			<b>\$ 1,050,256</b>
<b>ZIMBABWE</b>			
Zimbabwe	UNDP	Second Poverty Assessment Study Survey (PASS II)	\$ 300,000
Zimbabwe	UNDP	Capacity Support in Poverty Analysis	\$ 150,000
Zimbabwe	Bank-executed	Social Sector Delivery Analysis	\$ 100,000
Zimbabwe	UNDP	Support to Capacity in HIV/AIDS	\$ 618,450
<b>SUB-TOTAL</b>			<b>\$ 1,168,450</b>

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