

## VI. LACK OF READINESS FOR A CAS: INTERIM STRATEGY NOTES

1. An Interim Strategy Note is prepared when the Bank team is not ready to prepare a full CAS because (a) a high degree of uncertainty prevents clarity concerning the nature of the longer-term engagement; (b) the country has no medium-term development/poverty reduction strategy to frame the Bank's program; and/or (c) the Bank has insufficient country knowledge.<sup>1</sup> An ISN, which covers a period of 12 to 24 months, can be followed by another ISN if preparing a full CAS continues to be infeasible.<sup>2</sup> An ISN is the usual strategy document for countries undergoing a transition or with the Bank reengaging. Typically, an ISN is also the best choice for countries that are going through an unusually uncertain period in their political and economic policymaking environment and are not covered by an active CAS. In addition, an ISN can now be used to align the CAS cycle with the country's PRS or development plan, or to align the Bank strategy with the political cycle.

2. **Content and Use of ISNs.** ISNs help avoid long gaps between CASs by providing a framework for the Bank's engagement in a country until a full-fledged strategy can be developed. The content of ISN documents is flexible, because ISNs are intended for use in so many varying country circumstances. Because many ISNs are used for post-conflict states, much of the review of content is in Chapter VII on customization of strategies for fragile and conflict-affected states. The diagnosis pillar in ISNs is reviewed as part of Chapter III on CAS design, since ISN content tends to mimic CAS content, albeit often in much limited form.

3. **History of ISNs.** Since ISNs were introduced in 2005, 36 have been prepared. While recent ISNs have been prepared for a variety of countries and Bank engagements, most early ISNs were for fragile and conflict-affected states with weak state policies and institutions or facing risks of conflicts and political instability. A large share of these ISNs were prepared for countries in transition from recent history of conflicts and violence, at differing speeds, with a high degree of political uncertainty preventing a longer term engagement from the Bank. Very few country teams have used ISNs repeatedly; most have transitioned into full CASs. The 36 ISNs can be usefully characterized as reflecting Bank engagements in the following four circumstances, as follows:

- **Transition from conflict:** Afghanistan, Angola, Central African Republic, Comoros, Republic of Congo, Haiti, Kosovo, Liberia, and Somalia, all of which are fragile and conflict-affected states.<sup>3</sup>
- **Uncertainty:** Bolivia, Ethiopia, Lebanon, Nepal, and Zimbabwe. The purpose of the ISN for Bolivia was to remain engaged and focus on informing government policy choices through the provision of expert advice.
- **Need to align timing** (with the country's PRS or political cycles or with other development partners, derived from the need for a medium-term development program): Cameroon, Nicaragua, and Rwanda: in all three countries the preceding

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<sup>1</sup> In June 2005, with the issuance of revised BP2.11, ISNs replaced TSSs and CRNs (strategies for countries in transition from conflict or political crisis and for Bank re-engagement in a country after a prolonged hiatus).

<sup>2</sup> *Note on Interim Strategy Notes and Recent Trends* (OM2007-0010), February 1, 2007.

<sup>3</sup> Fragile and conflict-affected states, under the UN system definition also used by the World Bank, are countries with CPIA scores below 3.2 or with a UN peacekeeping or political mission.

strategies were full CASs. The Nicaragua ISN extended the program of the previous CAS for two more years to bring the CAS cycle in line with the country's election cycle.

- ***Reengagement, inadequate country knowledge***, (usually following a long hiatus in engagement): Namibia and Panama, both IBRD borrowers. For Namibia the ISN was the first strategy of any sort; for Panama it was the first after a five-year hiatus. The Namibia ISN accompanied the first IBRD operation in the country, a proposed DPL in support of the Namibia Education and Training Sector Improvement Program.<sup>4</sup>

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<sup>4</sup> The FY07 Uzbekistan ISN was an exception to the guidance on use of ISNs. An ISN was prepared instead of a CAS because of in-country developments, to allow the Government and the Bank to agree on the most useful program of medium-term engagement. In retrospect, a CAS could have incorporated the same substantive elements of dialogue and confidence-building through immediate results without creating the perception that preparation of a shorter-term ISN was a punitive measure.