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**UICIFD Briefing No. 2: LICUS Program**  
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**Low-Income Countries Under Stress (LICUS): A World Bank Program<sup>1</sup>**

International development programs and related financial institutions have long been criticized for not appropriately tailoring anti-poverty relief with the specific needs of recipient countries.<sup>2</sup> A new World Bank program called LICUS, currently undergoing a trial period, seeks to address that concern. The program is part of a larger revolution in international finance and development—donor responsiveness to the particular needs of their borrowers. Part I of the Briefing Paper explains the origins of LICUS. Part II outlines the goals of the program. Part III explains how countries qualify for LICUS assistance and describes the criteria considered for eligibility. Part IV illustrates the application of LICUS; World Bank cooperation with the United Nations in Liberia shows how the program moves beyond traditional aid. Finally, Part V offers some recent criticisms of LICUS.

**I. Birth of the Program**

The Low-Income Countries Under Stress (“LICUS”) program grew out of a 2002 report requested by former World Bank President James Wolfensohn.<sup>3</sup> The resulting LICUS Task Force Report offered suggestions for a new program to address the special needs of low-income

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<sup>1</sup> This briefing paper supplements Part II, Section III of the UICIFD E-Book, which discusses how international monetary programs have responded to criticism. LICUS is a recent example of the World Bank’s effort to create more tailored assistance programs.

<sup>2</sup> Refer to Part II, Section II of the UICIFD E-Book for a complete discussion of international finance and development criticisms.

<sup>3</sup> For the factual information about LICUS referenced in this briefing paper, see <http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/STRATEGIES/EXTLICUS/0,,contentMDK:20176979~menuPK:511786~pagePK:64171531~piPK:64171507~theSitePK:511778,0.html>.

countries with unstable government and economic structures.<sup>4</sup> The World Bank noted in their 2004 Annual Review of Development Effectiveness that:

The Bank's efforts have been more successful in countries that are politically stable; where there is strong ownership of reform; where the executive, the legislature, and the bureaucracy are working for common purposes; and where the country has the administrative capacity to implement reforms. The Bank's efforts have been less successful where one or all of these elements have been lacking.<sup>5</sup>

Additionally, reports by Oxford University scholars indicate that a descent into LICUS status generally costs one country \$82 billion dollars.<sup>6</sup> Upgrading a LICUS country from fragile to low-income yields a dollar benefit greater than the global annual aid budget.<sup>7</sup> In January 2004, the LICUS strategic program formed a \$25 million trust fund, which is scheduled to operate through 2007. The program was created to address the general criticism within the finance and development community that poor-performing and unstable countries needed more than large influxes of cash.

Currently, at least thirteen countries have been given LICUS status: Angola, Burundi, Central African Republic, Comoros, Guinea Bissau, Haiti, Liberia, Papua New Guinea, Somalia, Sudan, Tajikistan, Togo, and Zimbabwe. Eight LICUS nations have successfully drafted individual country strategies to strengthen vital domestic institutions and governance. To date, the program has approved about \$19 million in LICUS grants.

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<sup>4</sup> The full task force report describing LICUS's program goals is available at <http://www1.worldbank.org/operations/licus/documents/licus.pdf>.

<sup>5</sup> The full annual development report is available at [http://www.worldbank.org/oed/arde/2004/main\\_report.html](http://www.worldbank.org/oed/arde/2004/main_report.html).

<sup>6</sup> Mark Turner & Martin Wolf, *The Dilemma of Fragile States*, FIN. TIMES, Feb. 18, 2005, at 8.

<sup>7</sup> *Id.*

## II. LICUS Goals

The 2002 LICUS Task Force Report identified several goals for the new initiative.<sup>8</sup> They include “help[ing] chronically weak-performing countries get onto a path leading to sustained growth, development, and poverty reduction” and encouraging “strengthened and sustainable government capacity to provide services and reduce poverty.”<sup>9</sup> LICUS seeks to facilitate policy and institutional change while improving living conditions by focusing on a few feasible reforms. To address disrupted social programs within these countries, LICUS encourages identifying multiple alternative channels to supplement weak government delivery of these services.<sup>10</sup> LICUS seeks to reestablish, as quickly as possible, basic health care and essential social services, like education.<sup>11</sup> The goal of promoting small, realistic projects while delivering important social services is consistent with former World Bank President Wolfensohn’s comprehensive development approach.<sup>12</sup>

## III. Qualifying for LICUS Assistance

LICUS-qualifying standards are not exact. LICUS countries often display similar or “typical” conditions like recent or ongoing violence and limited government ability or willingness to help its poorest citizens.<sup>13</sup> The World Bank’s criteria for eligibility include:

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<sup>8</sup> See generally WORLD BANK, WORLD BANK GROUP WORK IN LOW-INCOME COUNTRIES UNDER STRESS: A TASK FORCE REPORT (September 2002), available at <http://www1.worldbank.org/operations/licus/documents/licus.pdf>.

<sup>9</sup> *Id.* at iii.

<sup>10</sup> *Id.*

<sup>11</sup> *Id.* at 14.

<sup>12</sup> See generally World Bank, CDF – What Is CDF?, at <http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/STRATEGIES/CDF/0,,contentMDK:20072662~pagePK:139301~piPK:139306~theSitePK:140576,00.html> (last visited Mar. 12, 2006).

<sup>13</sup> Tony Addison, George Mavrotas, & Mark McGillivray, *Aid, Debt Relief and New Sources of Finance for Meeting the Millennium Development Goals*, 58 J. INT’L AFFAIRS 113, 113 (2005).

- Weak institutions and institutional performance, as measured by the World Bank’s Country Performance and Institutional Assessment ratings.
- Severe internal conflict.
- Deteriorating socioeconomic climate that is not conducive to receipt and successful use of traditional development assistance.
- Risk of being abandoned by the international community for past poor performance.

In addition, the United Kingdom’s Department for International Development has identified 46 “fragile states” using a broader definition (“Governments that cannot or will not deliver core functions to the majority of its people, including the poor.”). At the time of LICUS’s launch, 267 million people lived in identified fragile or failing countries.<sup>14</sup>

#### **IV. Recent LICUS Program in Liberia**

LICUS is a new program, so the effectiveness of targeting especially vulnerable countries with a combination of aid and strategic assistance is unknown. In 2003, the World Bank joined the United Nations peacekeeping mission in LICUS-qualifying Liberia. The country internally collapsed in the early 2000s following power struggles between President Charles Taylor and rebel groups. The U.N., now with World Bank assistance, has provided Liberia with peacekeepers and funds for reconstruction under its interim government. In granting LICUS funds, the World Bank outlined ten priorities for Liberian reconstruction, including increased security, disarmament, refugee services, and coordination of elections.<sup>15</sup> The intervention has

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<sup>14</sup> Martin Wolf, *The Fate of Failed States Is Our Shared Responsibility*, FIN. TIMES, Feb. 23, 2005, at 23.

<sup>15</sup> See generally World Bank, Liberia: World Bank Signals Support for the Country's Recovery (Mar. 10, 2004), at <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/LIBERIAEXTN/0,,contentMDK:20179401~menuPK:356200~pagePK:141137~piPK:141127~theSitePK:356194,00.html>.

been arguably successful, but costs \$800 million annually or 32 times the current LICUS trust fund.<sup>16</sup>

## V. Criticisms of LICUS

In early 2005, Agulhas Development Consultants Ltd. published a report on the new LICUS initiative.<sup>17</sup> While complimentary of the program's goals, the report urged LICUS to apply the Poverty Reduction Strategies ("PRS") adopted by the World Bank and the International Monetary Fund in 1999.<sup>18</sup> The five PRSs are: country-driven, result-oriented, comprehensive, partnership-oriented, and long-term in perspective.<sup>19</sup> The weakened state of LICUS countries makes these strategies, which are designed for traditional development projects, difficult to implement. But the report urges the gradual introduction of these development goals to: open dialogue about the roots of poverty, gain public commitment to anti-poverty policies, provide a structure for new policymaking, and create partnerships with donors.<sup>20</sup>

At the World Bank's LICUS meetings in mid-2005, Malcolm Chalmers, Professor of International Politics at the University of Bradford (U.K.), presented another critique of the LICUS program.<sup>21</sup> He urged LICUS and its participating states to focus more attention and

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<sup>16</sup> See *From Chaos, Order*, THE ECONOMIST, Mar. 5, 2005, at 59.

<sup>17</sup> See generally NIGEL THORNTON & MARCUS COX, AGUALHAS DEVELOPMENT CONSULTANTS LTD., DEVELOPING POVERTY REDUCTION STRATEGIES IN LOW-INCOME COUNTRIES UNDER STRESS (LICUS): FINAL REPORT (Jan. 6, 2005), available at <http://www.oecd.org/dataoecd/32/17/34255052.pdf>.

<sup>18</sup> *Id.* at 6.

<sup>19</sup> International Monetary Fund, Factsheet – Poverty Reduction Strategy Papers (PRSP), at <http://www.imf.org/external/np/exr/facts/prsp.htm> (last visited Mar. 12, 2006).

<sup>20</sup> THORNTON & COX, *supra* note 17, at 4–5.

<sup>21</sup> See generally MALCOLM CHALMERS, UNIVERSITY OF BRADFORD, SUPPORTING SECURITY IN FRAGILE STATES (Sept. 2005), available at [http://www.bradford.ac.uk/acad/peace/tmp/staff/chalmers\\_m/Supporting\\_security\\_World\\_Bank\\_seminar.pdf](http://www.bradford.ac.uk/acad/peace/tmp/staff/chalmers_m/Supporting_security_World_Bank_seminar.pdf).

funds on security.<sup>22</sup> He argued that, “LICUS states have a high proneness to conflict,”<sup>23</sup> and that the poor governance found in LICUS countries is rooted in violent conflict.<sup>24</sup> His final recommendation was for more conflict prevention funding and further prioritization of security in the LICUS development scheme.<sup>25</sup>

These LICUS evaluations seek to align the program’s goals with broader development principles and to focus attention on the safety and stability problems that make LICUS states unique. Neither report regards LICUS as unnecessary or redundant. However, these suggestions may help LICUS through its infancy.

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<sup>22</sup> *Id.* at 29.

<sup>23</sup> *Id.* at 6.

<sup>24</sup> *Id.* at 38.

<sup>25</sup> *Id.* at 38–39.