IEG WORLD BANK | IFC | MIGA
INDEPENDENT EVALUATION GROUP

MAIN REPORT

World Bank Group Assistance to Low-Income Fragile and Conflict-Affected States

AN INDEPENDENT EVALUATION

DECEMBER 2013

Abbreviations

AAA	analytical and advisory activities
ADB	Asian Development Bank
AfDB	African Development Bank
AfDF	African Development Fund
AGEI	Adolescent Girls Employment Initiative
AS	advisory services
CAFEF	Conflict-Affected and Fragile Economies Facility
CAS	country assistance strategy
CASA	Conflict Affected States in Africa
CASCR	Country Assistance Strategy Completion Report
CCSD	Center on Conflict, Security and Development
CDD	community-driven development
CPA	Comprehensive Peace Agreement
CPIA	Country Policy and Institutional Assessment
DAC	Development Assistance Committee
DDR	demobilization, disarmament and reintegration
DFID	U.K. Department for International Development
DOTS	Development Outcome Tracking System
DPL	Development Policy Lending
DPO	Development Policy Operation
DRC	Democratic Republic of Congo
EITI	Extractive Industries Transparency Initiative
ESW	economic and sector work
EU	European Union
FCS	fragile and conflict-affected states
FCV	fragility, conflict, and violence
FDI	foreign direct investment
FPD	Financial and Private Sector Development Network
GAVI	Global Alliance for Vaccines and Immunizations
GDP	gross domestic product
GTFP	Global Trade Finance Program
HIPC	heavily indebted poor countries
IBRD	International Bank for Reconstruction and Development
ICR	Implementation Completion Report
ICRR	Implementation Completion and Results Report
ICT	Information Communications and Technology
IDA	International Development Association
IDA15	IDA Fifteenth Replenishment
IDA16	IDA Sixteenth Replenishment
IDA17	IDA Seventeenth Replenishment
IEG	Independent Evaluation Group
IFC AS	IFC Advisory Services
IFC	International Finance Corporation
ISN	Interim Strategy Note
ISR	Implementation Status and Results Report
LICUS	Low-Income Countries Under Stress
MDG	Millennium Development Goal

MDRP	Multicountry Demobilization and Reintegration Program
MDTF	multi-donor trust fund
MIGA	Multilateral Investment Guarantee Agency
NGO	nongovernmental organization
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
OPCS	Operations Policy and Country Services
PAF	Poverty Alleviation Fund
PCPI	Post-Conflict Performance Indicators
PEFA	Public Expenditure and Financial Accountability
PFM	public financial management
PIU	Program Implementation Unit
PPP	purchasing power parity
PRI	political risk insurance
PSD	private sector development
SDN	Sustainable Development Network
SFD	Social Fund for Development
SIP	Small Investment Program
SMEs	small and medium enterprises
SPF	Statebuilding and Peacebuilding Fund
TDRP	Transitional Demobilization and Reintegration Program
TF	trust fund
UN	United Nations
UNDP	United Nations Development Programme
WDI	World Development Indicator
WDR	World Development Report

All dollar amounts are in U.S. dollars unless otherwise indicated.

Acknowledgments

This evaluation of World Bank Group support to fragile and conflict-affected states (FCS) was prepared by an Independent Evaluation Group (IEG) team led by Anis Dani. The evaluation was carried out under the guidance of Nick York (Director) and the direction of Caroline Heider (Director General, Evaluation, and Senior Vice President).

Members of the core team included Victor Eduardo Macias Essedin, Ann Elizabeth Flanagan, Amnon Golan, Catherine Gwin, Hiro Hatashima, Shoghik Hovhannisyan, Lauren Kelly, Ali Khadr, Christopher Nelson, Nestor Ntungwanayo, Judith O'Connor, Jack van Holst Pellekaan, Inder Sud, Stephan Wegner, Emily Harwit Whewell, and Disha Zaidi. The case studies in six countries were undertaken by three- to four-person teams from among the core team to prepare background papers on each country.

The desk research team for the portfolio analysis, thematic reviews, and staff and stakeholder surveys included Jacqueline Andrieu, Samia Ausaf, Houqi Hong, Jane Margaret Olmstead-Rumsey, Daniel Palazov, Aida Tapalova, Hrachaya Topalyan, and Kathryn Steingraber. The econometric analysis of portfolio outcomes was undertaken by Kenneth Chomitz. Program assistance for the evaluation was provided by Carla F. Chacaltana, who was assisted by Cecilia Jade Kern in preparation of the evaluation report.

Thanks are also due to Anila Kuka in HR Analytics, World Bank and to Thomas Williams and Svetlana Greenberg of the International Finance Corporation for their help in analyzing the human resources data relevant to work in FCS.

The team also acknowledges the advice received from Geeta Batra on the recommendations and Management Action Record, and the help from Barbara Rice in editing the report.

IEG is grateful to the numerous government representatives and development partners who provided valuable insights into the program in the case study countries. The team is also thankful to World Bank Group management and staff, in particular the staff of the Center on Conflict, Security and Development and the FCS Community of Practice who provided valuable feedback during the course of the evaluation. Thanks are also due to the management and staff in the case study countries for the information they provided and their support to the evaluation team.

The report has benefited from the council of the External Advisory Panel which was comprised of Minister Emilia Pires, Minister of Finance, Timor-Leste, and chair of the g7+ (Panel Chair); Mr. Jordan Ryan, Assistant Secretary General and Director, Bureau of Crisis Prevention and Recovery, United Nations Development Programme; Dr. Ahmed

Mushtaque Chowdhury, Vice Chair, Board of Governors, BRAC; and Dr. Ashutosh Varshney, Sol Goldman Professor of International Studies and the Social Sciences, Brown University. Peer reviewers for the evaluation were Soniya Carvalho (Lead Evaluation Officer), Phil Keefer (Lead Economist), Louise Walker (Private Sector Development Adviser, U.K. Department for International Development), and Ted Kliest (Policy and Operations Evaluation Department, U.K. Department for International Development, Netherlands Ministry of Foreign Affairs).

Overview

Highlights

About 370 million people live in low-income fragile and conflict-affected states (FCS). They have higher poverty rates, lower growth rates, and weaker human development indicators than other low-income countries. The World Bank Group has identified support to FCS as a strategic priority, critical to achieving its mission of poverty alleviation and shared prosperity. Progress is evident in several areas, but Bank Group engagement in FCS is clearly a long-term agenda with several challenges and constraints yet to be overcome.

This review of International Development Association (IDA) countries establishes that the World Bank's portfolio performance in low-income FCS has improved since 2001 compared to low-income countries that are not fragile. The evaluation finds that:

- Country assistance strategies have lacked tailoring to fragility and conflict drivers and realism, and do not currently have contingencies based on political economy and conflict risks to adjust objectives and results if risks materialize.
- The Bank has been relatively effective in mainstreaming gender within the health and education and community-driven development portfolios, but has paid insufficient attention to conflict-related violence against women and economic empowerment of women in low-income fragile and conflict-affected states.
- Community-driven development has been a useful vehicle for short-term assistance to local communities in fragile and conflict-affected states; but in the absence of a mechanism to ensure sustainability their long-term viability remains questionable.
- The World Bank Group lacks a realistic framework for inclusive growth and jobs that is based on economic opportunities and constraints in fragile and conflict-affected states and effective coordination and synergies across World Bank Group institutions.
- The global shift in aid flows toward fragile states has not been matched by IDA, and fragile and conflict-affected states receive less aid per capita from IDA than do other low-income countries.

To enhance the relevance and effectiveness of its assistance to FCS, this evaluation recommends that the World Bank Group adjust its strategy, approach, and product mix by:

- Developing a more suitable and accurate mechanism to classify FCS;
- Tailoring country strategies to fragility and conflict contexts;
- Supporting institutional capacity building at national and subnational levels;
- Enhancing the institutional sustainability of community development programs;
- Addressing the effects of violence against women;
- Developing a more realistic framework for inclusive growth and jobs; and
- Adapting the business models, incentives, and systems of the International Finance Corporation and the Multilateral Investment Guarantee Agency to the needs of FCS.

Introduction

Fragile and conflict-affected states (FCS) have become an important focus of World Bank Group assistance in recent years as recognition of the linkages between fragility, conflict, violence, and poverty has grown. Addressing issues of recurring conflict and political violence and helping build legitimate and accountable state institutions are central to the Bank Group's poverty reduction mission.

The evaluation focuses on IDA-only countries, which are deemed to have certain characteristics such as very low average income and no access to private finance, making them eligible for special finance tools and programs. As the benchmark for measuring results, Bank Group performance is evaluated in 33 fragile and conflict-affected states against that of 31 IDA-only countries that have never been on the FCS list (i.e., Never FCS). The 33 countries include 21 that have always been on the Bank Group's FCS list (i.e., Always FCS), and 12 that were on the list for part of the review period (i.e., Partial FCS).

Among IDA-only countries, fragile and conflict-affected states are much poorer, grow more slowly, and have higher population growth rates than those that are non-FCS. Using the measure of $1.25 a day, poverty is 57 percent in the 21 Always FCS, compared to 43 percent in the Never FCS. The population within the 33 FCS IDA-only countries alone is 370 million. Another 88 million live in FCS that are International Bank for Reconstruction and Development (IBRD) or blend countries; some of them will be covered by a separate Independent Evaluation Group (IEG) evaluation of fragile and conflict-affected situations.

Evaluation Approach

This evaluation assesses the relevance and effectiveness of World Bank Group country strategies and assistance programs to FCS. The operationalization of the *World Development Report 2011: Conflict, Security, and Development* (2011 WDR) is also assessed, to see how the framework has been reflected in subsequent analytical work, country assistance strategies (CASs), and the assistance programs. The evaluation framework has been derived from the concepts and priorities articulated in recent WDRs, policy papers, and progress reports issued by management, based on past experience, to draw lessons from FCS. The framework is organized around the three major themes emerging from the 2011 WDR: building state capacity, building capacity of citizens, and promoting inclusive growth and jobs.

The evaluation comprises six new country case studies; analyses of Bank Group portfolios; human resources and budget data; secondary analysis of IEG evaluations; background studies including those on aid flows, gender, private sector development, and jobs; and surveys of Bank Group staffs and stakeholders.

Country Assistance Strategies in FCS

While Bank strategies in FCS have been relevant in the early stages of post-conflict reconstruction, they have generally not been designed appropriately for medium- and long-term development**.** The Bank is most responsive to FCS in the immediate aftermath of conflict. Relevance of the Bank's medium-term strategy has been lower because of a lack of adequate strategic underpinning and focus. The need for selectivity and strategic sequencing, while important for all countries, is particularly critical in FCS because of the severe limitations in state capacity. In practice the distinction between the Interim Strategy Note (ISN) and the CAS has been blurred with prolonged use of ISNs over several strategy cycles and much longer duration than prescribed in the policy. Lack of realism and selectivity in most FCS country strategies evaluated has resulted in lower outcome ratings for CAS Completion Reports.

Recent CAS's show much more sensitivity to fragility and conflict drivers. However, in most of the FCS inadequate attention was given to dividing up areas of focus among donors and harmonization in practice in order to reduce demands on the limited capacity of the government and to allow donors to have a greater impact. And there is little evidence yet of the 2011 WDR's impact on Bank Group operations. CASs are not the key determinants of engagement in FCS by the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) since their activities are based on alignment with corporate strategies and the availability of clients. The piloting of Bank Group Joint Business Plans for several FCS appears to be a useful mechanism to foster more collaborative approaches.

There is a significant variation in total annual per capita official development assistance (ODA) to the FCS, and IDA and grant allocations by the World Bank largely mirror the distribution of overall ODA. Development policy lending (DPL) has been a significant part of support to FCS, averaging 15 to 25 percent of total IDA commitments. DPLs have helped to support institution building and policy reforms in FCS.

Portfolio Performance in the FCS

In commitment amounts, IDA financing to the FCS more than doubled since FY01. During the FY07–12 period, total commitment to all of the 33 FCS was $11.5 billion from IDA and $4.4 billion from trust funds. During the same period, total commitment to the 31 IDA countries that were not FCS was $32.9 billion from IDA resources and $5.2 billion from trust funds. The sectoral composition of new commitments in FCS during FY07–12 shows the dominance of infrastructure sectors ($5 billion), followed by the human development sectors ($3.8 billion). Bank support for analytical and advisory activities has increased more substantially, with a five-fold increase in spending on technical assistance to build institutional capacity within FCS.

Direct financial support for private sector development (PSD) remained modest over the period FY01–12. Lending and grants from the Finance and Private Sector Development Network to FCS totaled $1.1 billion during FY01–12, but Bank support to other sectors, including infrastructure and mining projects, which are also relevant to PSD, has been more substantial. IFC approved $1.7 billion between FY01 and FY12, of which $1.3 billion was invested during FY07–12. Investments in FCS are on average smaller and riskier than investments in other IDA countries. IFC's investments in FCS are highly concentrated in telecommunications, transportation, oil, gas, and mining. Advisory Services (AS) are more focused on FCS than investment projects, fragile states absorbing 14 percent of AS expenditures.

MIGA guarantees in FCS have been about $1.1 billion between FY07 and FY12. But among providers of political risk insurance in FCS, MIGA played a modest role.

Since FY09, the World Bank's portfolio in FCS has had better outcome ratings than other IDA countries. FCS ratings are now comparable with Bankwide ratings. Outcome ratings lagged in the Africa Region, but by FY10 they had caught up with other FCS.

Although the number of observations is small, IFC investments in FCS have low outcome ratings, and are somewhat lower than those in non-FCS. IFC's Advisory Services in Always FCS perform at par with IDA-only countries that were not fragile. Despite higher country risk, MIGA's portfolio in FCS has not proven more risky than its overall portfolio.

The FCS portfolio is riskier, but this risk has to be taken on and managed if improvements are to be sustained because they are central to delivering the Bank Group's strategic goals on poverty.

Building State Capacity

Building the capacity of the state in FCS requires a particularly strong understanding of conflict and fragility drivers. Understanding the criteria through which an effective, responsive, and accountable state can be supported is essential for successful World Bank engagement in FCS. Measures to build state capacity in FCS need to be sequenced and paced realistically. Priorities need to be based on the needs of governments, the needs of donors, the expectations of citizens, and the major political economy risks in the country.

World Bank support to public expenditure management in FCS has been good, but progress has been uneven across countries and reform areas. Procurement issues in Bank operations within FCS continue to face challenges, despite attempts to provide technical capacity in this area.

Overall, the performance on the efficiency of revenue mobilization in FCS has been good. Recognizing that mismanagement of mineral resources had contributed to conflict in several FCS, the Bank Group focused its support on reforming the regulatory framework in the mining sector. The World Bank has been effective in strengthening the regulatory framework in natural resource sectors but less effective in assisting its clients in FCS to accurately value and negotiate resource contracts. Monitoring and transparent reporting can lead to better revenue valuation, collection, and management of extractives, however, FCS countries perform less well than non-FCS in compliance with the standards set by the Extractive Industries Transparency Initiative.

The World Bank has made considerable effort, but there has been a lack of traction on civil service reform. Decentralization is widely recognized as an important means to improve service delivery and enhance citizen accountability. In FCS, where government responsiveness to citizens has been relatively weak, finding the right modality for reaching people with services is vital to avoiding further fragility and conflict. Decentralization is an important element to this approach. While some effort and results were recorded in the African Region, in other regions the Bank has been reticent to engage with decentralization until recently, despite substantial interest by other development partners.

Building Capacity of Citizens

Poverty reduction and shared prosperity among citizens are the strategic goals of the World Bank Group and the raison d'etre of its engagement in reconstruction and development. Countries that are FCS typically suffer from some or all of the following traits—absence of political settlement, regional inequality, social exclusion, weak administrative capacity, risk of corruption and elite capture, absence of the rule of law, and lack of accountability of citizens. Each of these traits affects citizens adversely by trapping them in vicious cycles of fragility, conflict, and violence that undermine their capabilities to demonstrate resilience in response to these crises. For that reason, assistance for human and social development is a critical dimension of Bank Group support to FCS.

Despite the concerns raised by the 2011 WDR, most fragile and conflict-affected IDA countries are likely to achieve at least one Millennium Development Goal target. Outcome ratings for the health sector have improved while those for the education sector have declined in FCS. Health projects were more likely than education projects to use innovative implementation arrangements through hiring service providers from the private and nonprofit sector, and to utilize performance-based contracting.

Community-driven development (CDD) projects have grown by number and commitment volume much faster in FCS than in IDA countries that were not FCS. They have been effective in providing essential short-term development assistance to local communities, but they have not evolved over time and lack institutional sustainability.

The Bank has little to show in FCS on the 2011 WDR priority of enhancing work on justice reforms. The evaluation team did not find any evidence of demand for a more proactive role by the Bank in the justice sector, nor did stakeholders feel the Bank had a comparative advantage in the justice sector.

Promoting Inclusive Growth and Jobs

In the FCS context, a focus on inclusive growth and employment is highly relevant to address drivers of fragility, with important linkages to state-building and peace-building activities. Vulnerability caused by low per capita income and high unemployment is a major driver of conflict.

Growth and job creation have been slow and face challenges in FCS. The sectors driving economic growth in FCS are not necessarily labor intensive, and in many cases growth has not been inclusive. Promoting inclusive growth and jobs needs sequencing and prioritizing customized to FCS contexts.

The private sector is constrained by lack of infrastructure, a business friendly environment, bankable projects, and skills. World Bank Group support for private sector development has been focused on investment climate reform.

In infrastructure, the Bank prioritized transport, urban, and energy and mining sectors, while IFC invested more in telecommunications infrastructure. There is huge demand for infrastructure services, and a perception that the lack of infrastructure, especially in power and transport, remains a leading constraint to PSD and for growth. The telecommunications sector has attracted private sector investments early in conflict-affected countries, with catalytic support from IFC and MIGA, and is considered "transformational" due to its potential to spur growth, entrepreneurship, and service delivery.

Investment climate reforms are necessary but not sufficient for private sector development. Results of IFC and Bank support for investment climate reform have been mixed, with challenges in implementation.

In some FCS, the World Bank Group was effective in helping establish commercially oriented microfinance institutions and in supporting institutions lending to small and medium enterprises. The Bank's lending to financial sector development in FCS was $270 million. IFC supported small and micro finance institutions in Afghanistan, Cameroon, Democratic Republic of Congo, Haiti, Nepal, and the Republic of Yemen. MIGA also supported a micro finance institution in Afghanistan. Bank Group support for the financial sector in Afghanistan was an example of effective coordination and synergies.

The share of MIGA's guarantee volume in FCS has reached 10 percent in the FY07–12 period and is more highly concentrated in infrastructure. MIGA's Small Investment Program appears to be relevant to supporting smaller size manufacturing, agribusiness, and services projects typical for FCS, but those projects in FCS have performed poorly.

Bank Group support for skills development has been limited and remains insufficient to address long-term human capital constraints.

Agriculture is the largest sector in IDA countries, accounting for one-fourth of gross domestic product on average in FCS and Never FCS but for a much larger share of employment in FCS. Bank Group support for agriculture has not been commensurate with its effects on food security and employment in FCS. Lack of clarity on land rights can be a major cause of conflict, fragility, and stagnation in rural areas, and is a major constraint to private sector development.

Many FCS economies are highly dependent on extractive industries, yet the Bank Group has paid more attention to legislation and regulatory reform and less attention to the distribution of benefits and local economic development. The fragility risks associated with natural resource management have not been sufficiently addressed.

The Bank Group lacks a strategic and effective framework for inclusive growth and job creation in FCS: Bank Group support for long-term jobs has focused on investment climate reforms, which are necessary but not sufficient for private sector development. Synergies across the Bank Group are lacking, and fragmented interventions reduce the potential effect on long-term employment generation.

The Bank has focused targeted support for jobs mainly on short-term jobs through projects supporting community-driven development and public works programs over the FY01–12 period. International migration is another important livelihood strategy in many IDA countries–especially in the short-term when the local economy cannot provide a sufficient number of jobs.

Gender

In several conflict-affected countries, women and girls have been targeted as a tactic of war. The CAS documents that were reviewed recognize gender disparities but not necessarily in an FCS context. Most of the demobilization, disarmament, and reintegration programs were not gender sensitive and focused primarily on ex-combatants, with few programs for victims of violence. Women in FCS affected by gender-based violence could benefit from targeted programs for economic empowerment.

Bank Group Inputs and Processes

Bank Group classification of FCS has not been consistent. The assumption that the Country Policy and Institutional Assessment (CPIA), which was designed primarily as an instrument to determine entitlements under the Performance-Based Allocation system, works equally well for FCS classification has proved to be problematic in recent years with the emergence of new drivers of fragility and conflict.

The World Bank has enhanced its capacity to engage in FCS through significant increases in administrative budgets and in-country staff resources.

The Bank has redeployed administrative budgets for country and operational expenditures in favor of FCS compared with non-FCS. In real terms preparation and supervision expenditures per project have increased since FY07 in the Always FCS group. Projects in these countries have received 9 percent more on average in real terms for project preparation and 19 percent more for supervision than projects in IDA countries that were Never FCS.

World Bank staff numbers in FCS country offices have increased by 68 percent from FY06 to FY12. Internationally recruited staff in FCS grew by 100 percent globally and by 150 percent in the Africa Region. Half of all new international hires to FCS between FY06–12 were women. However, the staff working in FCS remain unconvinced about the adequacy of human resources incentives.

IFC deploys its standard instruments with little adaptation or product innovation in FCS contexts; its conventional products may not be conducive to work with the largely informal economies of FCS. IFC has

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increased its staffing in FCS, as part of internal reforms intended to align its organizational structure, processes, and incentives with its strategic priorities. Staffing in FCS doubled in FY06 to 124 by FY13. Most of the staff in FCS are from Advisory Services. Nevertheless, IFC performance incentives are not well aligned with supporting its strategy of increasing engagement in FCS.

Aid Flows and Donor Coordination

The share of overall ODA flows in IDA-only countries has changed in favor of FCS; however, the share of IDA flows to FCS remains much lower than that to non-FCS IDA countries. Since 2002, overall ODA per capita to FCS has exceeded per capita ODA to other IDA countries, and ODA to FCS continued to grow. Despite the exceptional allocations that supplement Performance-Based Allocations, FCS IDA-only countries still receive less ODA per capita from IDA than countries that are not FCS.

The evaluation also assesses the World Bank's management of multi-donor trust funds (MDTFs) in FCS. MDTFs with active involvement of recipient governments, clear governance protocols and responsibilities, and complementarity with Bank country programs were more effective. The main conclusion from the analysis is that the Bank should look more carefully at the contribution of multi-donor trust funds to FCS development beyond the financial contribution. They can also be a highly effective tool for government engagement, harmonization, and strategic alignment, but these outcomes require structures and skillful management to ensure the process is not compromised by unrealistic expectations.

Conclusions and Recommendations

The World Bank Group has made significant efforts in understanding fragility and conflict drivers, enhancing its capacity to address these issues in some of the poorest and most challenging environments among its client countries. The response to the FCS challenge in IDA-only countries has included scaling up of investments and technical assistance, larger investment of staff and administrative budget resources since 2007, and greater managerial attention leading to improvements in quality of the World Bank's portfolio. It has also included strategic commitments by IFC and MIGA to scale up their support to FCS, the production of the 2011 WDR, and the establishment of the Center on Conflict, Security and Development as well as the Hive, a knowledge-sharing platform designed to connect practitioners, researchers, policy makers, and organizations working on issues of fragility, conflict, and violence around the world.

This evaluation finds the efforts and results to date to be commendable and moving in the right direction. But this is clearly work in progress, with several challenges and constraints identified by this evaluation that are yet to be overcome. In terms of operationalizing the 2011 WDR, the evaluation finds that progress has been made in enhancing support to country teams and achieving greater Bank inputs and improvement in portfolio quality in the FCS, but at least at two levels more clarity and work is needed. First, there is a need to clarify the Bank Group's role on security, justice, and jobs. Second, while considerable efforts have been made to undertake and draw on fragility and conflict analyses to formulate country assistance strategies, the insights and lessons have not yet been applied to Bank Group operations.

On jobs, there was unanimity among clients and development partners that the Bank Group needs to play a leading role. But there was also agreement that a jobs strategy appropriate to high-risk FCS environments has yet to be developed. The evaluation found demand for specialized services such as public expenditure reviews of the security sector conducted in partnership with United Nations (UN) agencies but little demand for Bank work on justice from clients or country departments, and concludes that partnerships are likely to be the principal means of engagement in these two areas.

The Center on Conflict, Security and Development (CCSD) was established by the World Bank in 2011 to strengthen corporate support to the FCS agenda. Progress has undoubtedly been made in the two years since the 2011 WDR but this effort needs to be sustained and in some areas even intensified. CCSD has successfully raised the profile and visibility of Bank Group support to FCS and established a community of practice for FCS work.

At the corporate level, both in preparing the 2011 WDR and during subsequent implementation, the relationship on FCS issues between the World Bank Group and the UN appears to have improved. Significant challenges remain at the country and operational level. A recent independent review concludes that progress in strengthening the UN–World Bank Partnership in FCS has been mixed. CCSD could help to clarify with its UN counterparts the respective roles and boundaries of work, especially on governance and rule of law, and on security and justice.

Lessons

The World Bank Group has made significant efforts in understanding fragility and conflict drivers, in enhancing its capacity to address these issues in some of the poorest and most challenging environments among its client countries. The evaluation finds the efforts and results to date to be commendable and moving in the right direction. A few key lessons have emerged from the evaluation:

- Country assistance strategies are more relevant and realistic when they integrate analysis of fragility and conflict drivers which often persist in FCS for many years, making it imperative that country teams draw on these analyses and adapt to them in the design and implementation of assistance programs.
- Bank Group operations in FCS are more resource intensive, but enhanced financial and staff resources and greater managerial attention can lead to better performance outcomes in FCS.
- Fragile and conflict-affected states are constrained by a lack of capacity, weak infrastructure and services, and social tensions that weaken the effectiveness of public sector reforms. To be effective, Bank Group support for state-building needs to be sustained through careful sequencing, better use of political economy analysis, and prioritization of long-term reforms. This is best achieved by a mix of predictable, programmatic budget support, investment projects and technical assistance to build country capacity and country ownership for reforms.
- Community-driven programs have played an important role in providing local benefits and services in FCS. In the absence of attention to ensure the institutional and financial sustainability of CDD programs, the viability of the community institutions and benefits will remain at risk.
- Inclusive growth and jobs has been constrained by the absence of clearly prioritized and sequenced support for a focused medium- to long-term strategy. Linkages and synergies across the World Bank Group were not systematically developed in critical areas, such as linkages between education, skills development, infrastructure, and private sector development. Many FCS lacked adequate analysis of the conflict and fragility drivers and of the binding constraints and opportunities for the private sector.

- Mainstreaming of gender in country programs is feasible in FCS, but in countries where the conflict affects women disproportionately, deliberately targeted programs by the Bank Group can help to address the social and economic consequences of conflict.
- When the private sector adapts its product mix—as it has done with microfinance—to the social and institutional conditions in FCS, it can provide services relevant to the needs of those countries.
- Multi-donor trust funds are more than a source of finance in FCS and play a central role in donor coordination, policy dialogue, and institution building. MDTFs with active involvement of recipient governments, clear governance protocols and responsibilities, and complementarity with Bank country programs, as in Afghanistan and Liberia, were more effective than those in Haiti and Sudan.

Recommendations

The following recommendations are put forward to strengthen these efforts.

- The Bank Group should develop a more suitable and accurate mechanism to define FCS status. This would involve, at a minimum, integration of indicators of conflict, violence, and political risks within the current system that serves as the basis for FCS classification.
- Country assistance strategies should be tailored better to FCS, with clear articulation and monitoring of risks and contingencies for rapid adjustment of strategic objectives, implementation mechanisms, and results frameworks if those risks materialize.
- To enhance state-building outcomes, the Bank should provide increased support to reform-oriented FCS for capacity building at national and subnational levels through predictable, programmatic budget support, complemented by technical assistance, and investment lending.
- The Bank should develop and implement a plan to ensure the institutional sustainability of the community-driven development programs through which large volumes of investments have been channeled within FCS.
- In post-conflict countries, programs addressing gender issues need to be more responsive to the conflict context and help the government address the effects of violence against women and the legal constraints on economic empowerment.
- The World Bank Group should develop a more realistic medium- to long-term framework for inclusive growth and jobs in FCS and ensure synergies and collaboration across the three Bank Group institutions.
- IFC and MIGA should adapt their business models, risk tolerances, product mix, sources of funds, staff incentives, procedures, and processes to be more responsive to the special needs of FCS and to achieve their strategic priorities of increasing engagement in FCS.