



WORLD BANK GROUP

World Bank Group Strategy for **Fragility, Conflict, and Violence** 2020–2025



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Table of Contents

Acronyms and Abbreviations	iv
Executive Summary	vii
Introduction	1
Section I: Fragility, Conflict and Violence in the World	5
A. What Is Fragility, Conflict, and Violence?	6
B. Evolution of Fragility, Conflict, and Violence	6
C. Lessons Learned and the WBG Response	8
Section II: Framework for WBG Engagement in FCV	15
A. Guiding Principles	16
DIFFERENTIATION	17
INCLUSION	18
LEGITIMACY, TRANSPARENCY, AND ACCOUNTABILITY	19
SCALING UP PRIVATE SECTOR SOLUTIONS FOR IMPACT	20
B. Pillars of Engagement	21
1. PREVENTING VIOLENT CONFLICT AND INTERPERSONAL VIOLENCE	21
2. REMAINING ENGAGED DURING CRISES AND ACTIVE CONFLICTS	23
3. HELPING COUNTRIES TRANSITION OUT OF FRAGILITY	27
4. MITIGATING THE SPILLOVERS OF FCV	30
C. Areas of Special Emphasis	34
Section III: Operationalizing the WBG's Strategy for FCV	39
A. Policies, Processes, and Practices: Ensuring the WBG Is Fit-for-purpose	40
B. Programming: Maximizing Impact on the Ground	48
C. Partnerships	52
D. Personnel	56
E. The Financing Toolkit for FCV Settings	61
F. Risk Management in FCV Settings	67
G. Expected Impact at the Country Level	69
H. Monitoring and Reporting Progress	71
Conclusion	77
Annexes	80
Endnotes	111

Acronyms and Abbreviations

ACLED	Armed Conflict Location & Event Data Project	EAC	East African Community
ACReMAP	Anti-Corruption and Results Monitoring Action Plan	EBRD	European Bank for Reconstruction and Development
AfDB	African Development Bank	ECA	Europe and Central Asia Region
AFR	Africa Region	ECCAS	Economic Community of Central African States
AIMM	Anticipated Impact Measurement and Monitoring	ECOWAS	Economic Community of West African States
APA	Alternative Procurement Arrangements	EIB	European Investment Bank
ARTF	Afghanistan Reconstruction Trust Fund	ESCP	Environmental and Social Commitment Plan
ASA	Advisory Services and Analytics	ESF	Environmental and Social Framework
AUC	African Union Commission	ESG	Environmental, Social, and Governance
CAFEP	Conflict-Affected and Fragile Economies Facility	ESHS	Environmental, Social, Health and Safety
CASA	Conflict Affected States in Africa initiative	ESS	Environmental and Social Standard
Cat-DDO	Catastrophe Deferred Drawdown Option	EU	European Union
CCRIF	Caribbean Catastrophe Risk Insurance Facility	FAM	Famine Action Mechanism
CDC	Community Development Councils	FAO	Food and Agriculture Organization
CD	Country Director	FBO	Faith-Based Organization
CDD	Community-Driven Development	FCS	Fragile and Conflict-Affected Situations
CEMAC	Central African Economic and Monetary Community	FCV	Fragility, Conflict and Violence
CEN	Country Engagement Note	FDI	Foreign Direct Investment
CERC	Contingent Emergency Response Component	FIF	Financial Intermediary Fund
CEWS	(Africa Union) Continental Early Warning System	FM	Financial Management
CILSS	Permanent Interstate Committee for Drought Control in the Sahel	FSIN	Food Security Information Network
CLR	Completion and Learning Review	FY	Fiscal Year
CM	Country Manager	GAFFSP	Global Agriculture and Food Security Program
CMAW	Creating Markets Advisory Window	GBV	Gender-Based Violence
CMU	Country Management Unit	GCFF	Global Concessional Financing Facility
CODE	Committee on Development Effectiveness	GCRP	Global Crisis Risk Platform
CPF	Country Partnership Framework	GEMS	Geo-Enabling Initiative for Monitoring and Supervision
CPIA	Country Policy and Institutional Assessment	GP	Global Practice
CPSD	Country Private Sector Diagnostic	GPGs	Global Public Goods
CRW	Crisis Response Window	GPG Fund	IBRD Fund for Innovative Global Public Goods Solutions
CSO	Civil Society Organization	GRiF	Global Risk Financing Facility
DDR	Disarmament, demobilization and reintegration	H&S	Health and Safety
DFI	Development Finance Institution	HACCP	Hazard Analysis and Critical Control Points
DG ECHO	Directorate-General for European Civil Protection and Humanitarian Aid Operations	HCP	Human Capital Project
DFID	Department for International Development	HDP	Humanitarian-Development-Peace
DO	Development Objective	HDS	Health and Safety Directorate
DOTS	Development Outcome Tracking System	HEIS	Hands-On Expanded Implementation Support
DPF	Development Policy Financing	HIPC	Heavily Indebted Poor Country
DPL	Development Policy Loan	IBM	Iterative Beneficiary Monitoring
DPO	UN Department of Peace Operations	IBRD	International Bank for Reconstruction and Development
DRDIP	Development Response to Displacement Impacts Project	ICRC	International Committee of the Red Cross and Red Crescent
DRM	Disaster Risk Management	ICT	Information and Communication Technologies
E&S	Environmental and Social	IDA	International Development Association
EAP	East Asia and Pacific Region	IDD	Integrity Due Diligence

IDP	Internally Displaced Person	OECD	Organisation for Economic Co-operation and Development
IE	Impact Evaluation	OPCS	Operations Policy and Country Services
IEG	The Independent Evaluation Group	PAD	Program Appraisal Document
IEG RAP	The IEG Results and Performance review of the World Bank Group	PCNA	Post-Crisis Needs Assessment
IDMC	Internal Displacement Monitoring Centre	PER	Public Expenditure Review
IFC	International Finance Corporation	PLR	Performance and Learning Review
IFI	International Financial Institution	PNG	Papua New Guinea
IFMIS	Integrated Financial and Management Information Systems	PPF	Policies and Procedures Framework
IFPRI	International Food Policy Research Institute	PRA	Prevention and Resilience Allocation
IFR	Interim financial reports	PSW	Private Sector Window
IGAD	Intergovernmental Authority on Development	RECA	Remaining Engaged during Conflict Allocation
IMF	International Monetary Fund	RETF	Recipient-Executed Trust Fund
IMPACT	Impact Measurement and Project Assessment Comparison Tool	RPBA	Recovery and Peacebuilding Assessment
INGO	International Non-Governmental Organization	RRA	Risk and Resilience Assessment
IP	Implementation Progress	SAR	South Asia Region
IPF	Investment Project Financing	SSAFE	Safe and Secure Approaches in Field Environments
IPV	Intimate Partner Violence	SCD	Systematic Country Diagnostic
IsDB	Islamic Development Bank	SDFP	Sustainable Debt Financing Policy
ISR	Implementation Status and Results Report	SDG	Sustainable Development Goal
JET	Jobs and Economic Transformation	SME	Small- and Medium-sized Enterprise
KTF	Korea Trust Fund for Economic and Peacebuilding Transitions	SORT	Systematic Operations Risk-Rating Tool
LCR	Latin America and the Caribbean Region	SPF	State and Peacebuilding Trust Fund
LIC	Low-Income Country	STC	Short-term Consultant
LMIC	Lower-Middle-Income Country	STT	Short-term Temporary
M&E	Monitoring and Evaluation	TAA	Turn Around Allocation
MDB	Multilateral Development Bank	TDRP	Transitional Demobilization and Reintegration Program
MDRP	Multi-Country Demobilization and Reintegration Program	TOCs	Theories of Change
MDTF	Multi-Donor Trust Fund	TF	Trust Fund
MFD	Maximizing Finance for Development	TPM	Third-Party Monitoring
MIC	Middle-Income Country	TTL	Task Team Leader
MIGA	Multilateral Investment Guarantee Agency	UCDP	Uppsala Conflict Data Project
MNA	Middle East and North Africa Region	UN	United Nations
MS+	Moderately Satisfactory or above	UNDP	United Nations Development Programme
MSMEs	Micro-, Small- and Medium-sized Enterprises	UNHCR	United Nations High Commissioner for Refugees
MTF	Mindanao Trust Fund	UNICEF	United Nations Children's Fund
MTR	Mid-Term Review	VAC	Violence Against Children
NGO	Nongovernmental Organization	VPU	Vice Presidential Unit
NSP	National Solidarity Programme	WB	World Bank
NTF	Nordic Trust Fund	WBG	World Bank Group
OCHA	(UN) Office for the Coordination of Humanitarian Affairs	WDR	World Development Report
ODA	Official Development Assistance	WFP	World Food Programme
OP	Operational Policy	WHO	World Health Organization
		WHR	Window for Host Communities and Refugees
		YPP	Young Professionals Program
		YPS	Youth, Peace and Security



Executive Summary

The Growing Challenge of Fragility, Conflict, and Violence

i. Addressing the challenges of fragility, conflict, and violence is critical to achieving the World Bank Group's twin goals of ending extreme poverty and boosting shared prosperity.

By 2030, more than half of the world's extreme poor will live in countries characterized by fragility, conflict, and violence (FCV).¹ Preventing and mitigating FCV challenges is key to making progress toward the Sustainable Development Goals (SDGs) and to the international community's broader efforts to promote peace and prosperity.

ii. The global fragility landscape has worsened significantly in recent years, impacting both low- and middle-income countries.

Violent conflicts have increased to the highest levels observed over the past three decades.² The world is also facing the largest forced displacement crisis ever recorded.³ Rising inequality, lack of opportunity, discrimination, and exclusion are fueling grievances and perceptions of injustice. Climate change, demographic change, migration, technological transformations, illicit financial flows, and violent extremism are often interconnected, posing risks that transcend borders. Many countries also suffer from chronically poor governance. These factors can increase vulnerability to shocks and crises and can create regional and global spillovers. They could cause devastating impacts, especially for women, children, youth and people with disabilities, that could be felt for generations. Without swift and effective action, FCV risks could both erode gains made in the fight against poverty and undermine the prospects for further progress.

iii. Faced with these dynamics, the World Bank Group (WBG) has been changing the way it works in FCV settings.

This work has evolved from a focus on post-conflict reconstruction to addressing challenges across the full spectrum of fragility. The 2011 World Development Report *Conflict, Security, and Development* emphasized the close link between security, justice, and development. The 2018 joint UN-WBG report, *Pathways for Peace*, called on the WBG to “pivot to prevention” by further prioritizing inclusive approaches to development that can help prevent and mitigate FCV risks before conflict and violence take hold. Furthermore, even in the toughest environments during

conflict, the WBG can meaningfully engage to preserve institutional capacity and human capital that will be critical for the country's future recovery. And when signs of recovery emerge, the WBG can support governments that are embarking on transformational change.

iv. To meet the growing challenges, the WBG is significantly scaling up the volume and types of financial support it provides for FCV in both low- and middle-income countries. For low-income and lower-middle income countries (LICs and LMICs) that are classified as “fragile and conflict-affected situations” (FCS),⁴ the 18th replenishment of the International Development Association (IDA18) represented a paradigm shift in terms of both the volume of resources and how those resources are provided. The \$14 billion available in IDA18 for IDA countries affected by FCS is double the level of IDA17, the previous three-year replenishment period. IDA18 has also introduced a more tailored engagement in different situations of fragility, including investing in conflict prevention, supporting refugees and host communities, preventing and responding to gender-based violence, engaging in situations of active conflict, and supporting transitions from conflict to peace.

Looking forward, the 19th replenishment of IDA (IDA19)⁵ will scale up resources to countries affected by FCV, including through an FCV Envelope that offers a structure of incentives and accountabilities for countries to reduce FCV risks. For International Bank for Reconstruction and Development (IBRD) countries, the Global Concessional Financing Facility has provided more than \$3 billion in concessional assistance to middle-income countries affected by refugee crises, and a new IBRD Fund for Innovative Global Public Goods Solutions (GPG Fund) offers incentives for countries to address FCV spillovers. More broadly, the 2018 IBRD and International Finance Corporation (IFC) Capital Increase package highlighted the importance of stronger WBG efforts to systematically address FCV in middle-income countries, with a view to reinforcing country, regional, and global stability and development.

v. Recognizing that the private sector lies at the center of a sustainable development model in FCV settings, IFC and the Multilateral Investment Guarantee Agency (MIGA) are significantly scaling up their efforts. The 2018 IFC Capital Increase

package placed strong emphasis on IFC's growth in IDA and FCS countries. IFC committed to increasing its share of investment commitments in IDA and FCS to 40 percent by Fiscal Year 2030, with 15-20 percent in low-income IDA and IDA FCS countries. This would require at least a five-fold increase in investment volumes from the current level. Similarly, MIGA has prioritized FCS since 2005. MIGA's portfolio in FCS has increased continuously since 2013 and stood at a record \$2 billion in 2019. IFC and MIGA efforts were further boosted by the introduction in IDA18 of the \$2.5 billion Private Sector Window (PSW), which allows them to further scale up their investments in FCS, thus complementing IDA's support for policy reforms that are aimed at stimulating private sector-led growth. IFC has also strengthened its engagement in FCS through the Conflict-Affected States in Africa (CASA) and FCS Africa initiatives, and its advisory support through the Creating Markets Advisory Window (CMAW).

The WBG Framework for Engagement in FCV

vi. The objective of the WBG's FCV Strategy is to enhance the WBG's effectiveness to support countries in addressing the drivers and impacts of FCV and strengthening their resilience, especially for their most vulnerable and marginalized populations. This work is critical to achieving the WBG's twin goals. The strategy sets out a new framework for understanding FCV and a robust set of measures to increase the effectiveness of WBG development support to both low- and middle-income countries that are dealing with diverse challenges across the FCV spectrum, including high levels of violence, forced displacement shocks, and subnational conflict.

vii. The FCV Strategy builds on a range of inputs—including successive Independent Evaluation Group (IEG) reviews of WBG engagement in FCV settings, portfolio reviews, global consultations carried out during 2019, and lessons learned from operational experience—to systematically address the root causes of fragility as well as the long-term risks that can drive or exacerbate conflict and violence.

viii. An essential premise for the FCV Strategy is that, given the diversity of FCV challenges, there can be no one-size-fits-all approach. Operating in FCV settings is far from business as usual because of often rapidly changing circumstances, differing levels of insecurity, fragile and volatile political situations, macroeconomic instability, low institutional capacity, a weak enabling and investment climate for the private sector, higher risks of violence against vulnerable populations, and significantly higher risks and costs of engagement.

ix. The WBG approach must therefore be adapted to the distinct circumstances of FCV settings, with Country Partnership Frameworks (CPFs) and programs tailored to addressing the root causes of fragility. Greater on-the-ground presence is key in the most challenging environments. And given the protracted and complex nature of FCV, development actors must plan to stay engaged over the long term, including during conflict and crisis situations. This requires an acceptance of higher risks by development actors, as well as partnerships with a diverse range of stakeholders.

x. Building on operational and analytic experience in FCV settings, the FCV Strategy articulates a differentiated approach to FCV. It is structured around a set of guiding principles and four pillars of engagement that are designed to strengthen the WBG's approach and address challenges across the full spectrum of FCV. The four pillars provide specific guidance on how to engage in different types of FCV settings, help inform CPFs and programs, and ultimately provide more effective and tailored support to both government and private sector clients. They are:

1. ***Preventing violent conflict and interpersonal violence*** by addressing the drivers of fragility and immediate- to long-term risks—such as climate change, demographic shocks, gender inequality, patterns of discrimination, economic and social exclusion, and perceptions of grievances and injustice—and strengthening the sources of resilience and peace before tensions turn into full-blown crises.
2. ***Remaining engaged during conflict and crisis situations*** to preserve hard-won development gains, protect essential institutions, build resilience, and be ready for future recovery.

3. **Helping countries transition out of fragility**, by promoting approaches that can renew the social contract between citizens and the state, foster a healthy local private sector, and strengthen the legitimacy and capacity of core institutions.
4. **Mitigating the spillovers of FCV** to support countries and the most vulnerable and marginalized communities that are impacted by cross-border crises, such as forced displacement or shocks resulting from famines, pandemics, and climate and environmental challenges.

xi. In addition, the WBG will place special emphasis on six high-priority issues in FCV settings: (i) investing in human capital; (ii) supporting macroeconomic stability and debt sustainability; (iii) creating jobs and economic opportunities; (iv) building community resilience and preparedness, especially regarding the impacts of climate change and environmental degradation; (v) engaging on justice and the rule of law; and (vi) developing approaches to dealing with the security sector within the WBG's mandate and comparative advantage. Throughout WBG engagement in FCV settings, a special focus will be put on gender in line with the WBG Gender Strategy.

xii. The FCV Strategy articulates the WBG's comparative advantage in FCV settings. This centers on the WBG's role as a development actor committed to sustained and long-term engagement that can support national systems, strengthen core state functions, and build institutional resilience and capacity. The strategy stresses the WBG's role in engaging with a wide array of clients from the public and private sectors—including national, subnational, and local governments; local micro-, small-, and medium-sized enterprises (MSMEs); and regional and multinational private sector firms—and leveraging financing to incentivize investments and influence critical policy reforms that address the root causes of fragility.

xiii. The FCV Strategy recognizes the importance of pursuing public and private sector solutions to help create jobs, deliver services, foster social cohesion, and promote inclusive economic growth. Achieving impact at the market and sector levels requires an integrated WBG approach in which the World Bank, IFC, and MIGA operate in a complementary manner, both upstream and

downstream, to deliver investments and help create jobs. The strategy therefore emphasizes the WBG's role in strengthening the enabling environment for private sector-led growth and upstream project development, supporting local private sector actors, enhancing conflict-sensitive approaches to investments, and helping catalyze and de-risk investments in FCV settings. IFC's Creating Markets strategy, which is critical in the FCV context, focuses on looking beyond individual projects to impacts on entire markets; this requires a sectoral focus for project development and advisory work.

xiv. The FCV Strategy highlights the importance both of a calibrated response to risk that ensures full compliance with WBG safeguards, and a higher tolerance for the likelihood that some risks will materialize during program implementation.

Working in FCV settings often carries significantly higher risks, such as (i) the physical security risk to WBG staff, borrower counterparts, and beneficiaries; (ii) high risk of violence against vulnerable groups; (iii) weak or nonexistent institutional capacity, which can negatively affect development impact; (iv) environmental, social, and governance (ESG) risks; and (v) fiduciary risks, including fraud and corruption. Elevated risks require more proactive risk management, combined with targeted and rapid support when risks do materialize. More specifically, to pursue projects in FCV settings that are characterized by increased political and conflict risks, market uncertainty, and high operational costs, IFC and MIGA will appropriately balance the increased risks and costs of expanded FCV engagement with diversification of programs across sectors and countries of operation.

Operationalizing the FCV Strategy

xv. To carry out the FCV Strategy, the WBG has set out 23 measures to strengthen its effectiveness in FCV settings. Some of these are also included as policy commitments under the FCV Special Theme for the IDA19 Replenishment. While full operationalization of the strategy will take place through WBG regional implementation plans, country programs, and operations covering FCV, these measures are crucial to strengthening the WBG's approach to the distinct

nature of FCV settings. The measures are organized along “Four P’s”: *policies, programming, personnel, and partnerships* (see table 1):



On **policies**, the WBG will update the framework with regards to engagement in humanitarian crises and forced displacement situations, and engagement on approaches to dealing with security and military actors within its mandate and comparative advantage. The aim is to ensure that policies, processes, and practices are fit-for-purpose, streamlined, and flexible for FCV settings.



On **programming**, the WBG’s strategies and operations will more systematically address the drivers of FCV in their design and will adapt implementation and supervision approaches to the complex and rapidly changing dynamics of FCV settings. The WBG will also enhance its operations and ensure coordinated approaches across its institutions for upstream project development and downstream capacity building for the private sector.



On **personnel**, the WBG will increase its on-the-ground presence in FCV settings, strengthen the link between FCV experience and career development, as well as further invest in the skills, knowledge, and incentives needed for staff to deliver.



On **partnerships**, based on respective complementarities and comparative advantages, the WBG will further step up its partnerships with humanitarian, development, peacebuilding, security, and private sector actors to maximize impact on the ground.

xvi. The FCV Strategy articulates a tailored financing architecture for countries impacted by FCV challenges, in line with the four pillars of engagement. The WBG’s financing architecture—

which includes IDA and IBRD financing, trust funds, IFC investments, and MIGA guarantees—complements and aligns both with the IDA19 FCV Special Theme and with the focus on FCV in the 2018 IBRD and IFC Capital Increase package. In addition, IFC and MIGA have specific arrangements to further support FCS, including through access to the Private Sector Window and other blended facilities, as well as the IFC-MIGA Partnership Joint Business Agreement.

xvii. The implementation of the operational framework and the specific measures articulated by the strategy will strengthen the WBG’s impact on the ground in the most challenging settings.

To this end, the strategy will offer direction for staff on the WBG’s operational parameters and comparative advantage in FCV settings to support country strategies and operations. The aim is to be more selective, adaptive, and geographically targeted on the areas most affected by FCV challenges and on where the WBG’s development support can have the greatest impact. Through increased presence, enhanced skills, and greater incentives for staff in FCS, the strategy is expected to result in greater on-the-ground support to help government and private sector clients build capacity and implement projects.



xviii. Implementation of the strategy will occur at four levels to ensure that the WBG adapts its approach to the distinct nature of FCV settings: (1)

through the 23 operational measures outlined in the strategy; (2) through corporate strategies, initiatives, and commitments where FCV is prioritized, such as the IDA19 Replenishment, the IBRD and IFC Capital Increase package, the FY20-22 HR Strategy, and MIGA’s FY21-23 Strategy; (3) through FCV country and regional programs; and (4) through analytics and operations in FCV-impacted countries.

xix. Progress on implementation of the FCV strategy will be monitored and reported back to the WBG’s Board of Executive Directors.

There will be stocktaking through annual updates to the WBG Board, a mid-term review on the operationalization of the strategy by the end of 2022, and a review to be conducted by the Independent Evaluation Group by 2024.

Table 1: Measures to Operationalize the WBG FCV Strategy

 Policies, Processes & Practices
1 <i>Articulate how the WBG will operate in humanitarian crises, in refugee and forced-displacement situations, and when dealing with security and military actors</i> , particularly in insecure environments, and <i>update Operational Policy (OP) 2.30 on Development Cooperation and Conflict</i> accordingly.
2 <i>Systematize the use of digital solutions in FCV settings</i> , including Geo-enabling for Monitoring and Supervision (GEMS) and remote-sensing technologies, to enhance supervision and implementation. <i>[See also IDA19 FCV policy commitment #5].</i>
3 <i>Enhance the use of operational flexibilities as needed in FCV settings</i> . This includes providing training to staff and fostering communities of practice to increase awareness among teams of the operational flexibilities that exist in FCV settings, particularly for procurement, environmental and social safeguards, and for financial management.
4 <i>Enhance monitoring and evaluation (M&E) frameworks</i> to build access to more reliable data, design context-specific solutions, and measure impact on the ground in FCV settings, including through the use of information and communication technology (ICT) tools and more fit-for-purpose survey designs to fully capture beneficiary feedback.
5 <i>Enhance the WBG evaluation framework that assesses country programs and operations in FCV settings</i> , including encouraging more realism in objective-setting and project design and implementation, as well as adaptability to dynamic circumstances and situations of low institutional capacity and high levels of uncertainty and risk.
6 <i>Simplify and streamline IFC and MIGA processes to more nimbly address FCV challenges</i> , including streamlining the processing of small loans.
 Programming
7 <i>Revise the methodology for Risk and Resilience Assessments (RRAs) and ensure that they are conducted systematically for countries impacted by FCV</i> . Each RRA/fragility assessment will analyze FCV drivers and sources of resilience and include operational recommendations that can be integrated into country programming. <i>[See also IDA19 FCV policy commitment #1].</i>
8 <i>Ensure that country partnership frameworks and operations in FCV settings systematically address the key drivers of fragility and sources of resilience</i> . <i>[See also IDA19 FCV policy commitment #1].</i>
9 <i>Ensure that operations in FCV settings take security considerations into account throughout the project cycle</i> , including factoring security issues into project design and documentation, implementation, supervision, and monitoring and evaluation.
10 <i>Promote the use of portfolio reviews, conflict filters, and peace lenses in FCV settings</i> to support Bank teams in ensuring that portfolios and operations identify and address fragility drivers and conflict risks, particularly in countries with pockets of fragility.
11 <i>Scale up regional and cross-border programs focusing on key fragility risks</i> . Conduct regional RRAs, which can inform both regional and country programming to address the regional dimensions of fragility. <i>[See also IDA19 FCV policy commitment #2].</i>

12 **Systematize conflict-sensitive approaches for private sector investments in FCV**, building on country-level contextual analysis and pilot project-level conflict analysis. [See also IDA19 JET policy commitment #6].

13 **Engage across the WBG to develop the private sector and help create markets in FCV settings**; this includes upstream project development, SCDs, Country Private Sector Diagnostics (CPSDs), and implementation of the Cascade Approach / Maximizing Finance for Development.

14 **Scale up IFC's special advisory funding and implementation facilities**, including IFC's Creating Markets Advisory Window, FCS Africa, and an expanded Environmental, Social and Governance (ESG) advisory program, to increase support for market development and capacity building; and address FCV needs in MICs not covered by current facilities.



Partnerships

15 **Systematize partnerships with humanitarian, development, security, and peacebuilding actors at the country level** by drawing on the WBG's comparative advantage as a development actor, enhancing the impact of operations on the ground, and ensuring effective implementation arrangements with third parties as needed. This includes conducting joint assessments such as Recovery and Peace-Building Assessments (RPBAs) more systematically, and deepening coordination at the country level with actors operating in insecure environments.

16 **Operationalize and deepen partnerships with multilateral development banks (MDBs) at the country level** on areas of focus in the FCV agenda, including through more regular joint trainings and joint diagnostics.

17 **Continue to consolidate partnerships with regional organizations** that have the authority and capacity to address cross-border FCV challenges.

18 **Scale up engagement with civil society organizations (CSOs)** at the country level in FCV settings, particularly those operating in insecure areas and in proximity to vulnerable and marginalized communities, and those that are women-led and promote women and girls' empowerment.



Personnel

19 **Increase on-the-ground presence by deploying more professional staff to fragile and conflict-affected situations**, as well as nearby locations. [See also IDA19 policy commitment #6].

20 **Strengthen the link between FCS experience and career development** by creating further incentives for WBG staff to work in FCV contexts, and ensuring that FCS experience is systematically recognized and considered as part of performance, talent reviews, and next-assignment planning.

21 **Introduce an enhanced FCV learning curriculum for staff working in FCV settings**, with learning focusing on increasing operational competencies, analytic competencies, and personal effectiveness. Staff and managers working in or on FCV will be expected to participate in all relevant training.

22 **Provide enhanced support for staff well-being, safety, and security** before, during, and after assignments in FCV settings, including health and psychosocial support, as well as security awareness and management training.

23 **Leverage World Bank staff in countries where IFC lacks on-the-ground presence** by providing training and support to World Bank managers and staff who fulfill IFC functions in these contexts.



Introduction

1. By 2030, more than half of the world's extreme poor will live in countries characterized by fragility, conflict, and violence.⁶ Preventing and mitigating fragility, conflict, and violence (FCV) is central to achieving the Sustainable Development Goals (SDGs) and the World Bank Group's (WBG) twin goals of ending extreme poverty and promoting shared prosperity. It will also support the international community's broader efforts to promote peace and prosperity.

2. The global fragility landscape has worsened significantly. According to *Pathways for Peace: Inclusive Approaches to Preventing Violent Conflict*, there are now more violent conflicts globally than at any time in the past 30 years,⁷ and the world is also facing the largest forced displacement crisis ever recorded.⁸ Rising inequality, lack of opportunity, discrimination, and exclusion are fueling grievances and perceptions of injustice. Climate change, demographic change, migration, digital transformation, illicit financial flows, and violent extremism are often interconnected, with effects that transcend borders. These factors can increase vulnerability to shocks and crises and create regional spillovers. They can cause lasting and devastating impacts, especially on women, children, youth, and people with disabilities, that will be felt for generations. Without swift and effective action, FCV risks could both erode gains made in the fight against poverty and undermine the prospects for progress.

3. The objective of the FCV Strategy is to enhance the WBG's effectiveness to support countries in addressing the drivers and impacts of FCV and strengthening their resilience, especially for the most vulnerable and marginalized populations. To this end, the strategy sets out a framework to support countries in addressing diverse challenges across the FCV spectrum. While these are often more long-standing and acute in low-income and lower-middle-income countries (LICs and LMICs), the strategy will guide WBG engagement in all countries facing FCV challenges, including those at higher income levels that are affected by high levels of violence, forced displacement shocks, and subnational conflict. The FCV Strategy builds on successive IEG reviews of WBG engagement in FCV settings, portfolio reviews, and lessons learned in fragile and conflicted-affected situations (FCS) to systematically address the root

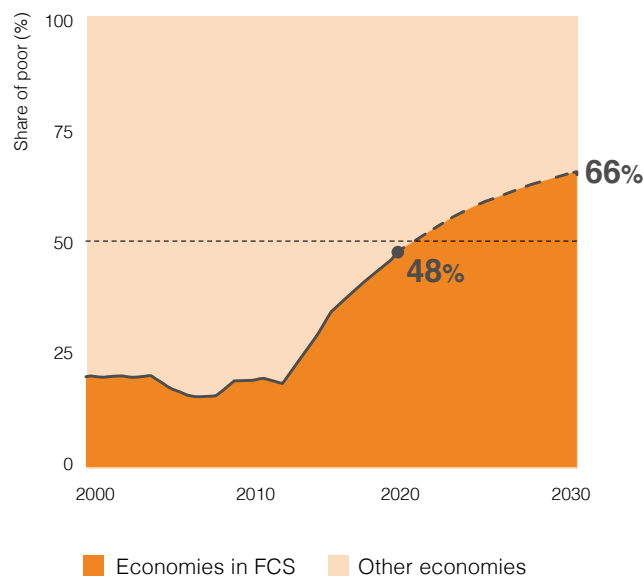
causes of fragility and long-term risks that can drive or exacerbate conflict and violence.

4. It will be impossible to achieve the twin goals or to meet the SDGs⁹ without tackling fragility, conflict, and violence. Extreme poverty is increasingly concentrated in FCS, and global poverty goals will not be met without intensified action there. It is estimated that today about half of the world's live poor in fragile and conflict-affected situations, and that by 2030 as many as two-thirds of the world's poor may live in such settings (figure 1).¹⁰ This is particularly striking given that only about 10 percent of the global population lives in FCS countries, where poverty rates have been increasing while declining in most of the world (figure 2). More specifically, the 43 poorest countries are either FCS or are located in Sub-Saharan Africa; all of these have poverty rates of 19 percent or higher. And historical analysis¹¹ shows striking and diverging poverty patterns (figure 3). Countries with chronic FCS have had poverty rates stuck at over 40 percent, while countries that have escaped FCS have cut their poverty rates by more than half. Countries that have entered the FCS list have seen significant increases in their poverty rates, while those that have never been on the list have seen poverty decline steadily, to about 5 percent.

5. This strategy is among the WBG's contributions to the collective global effort to tackle FCV. While the WBG strives to increase its direct impact on FCV, it also approaches this task with humility. It recognizes the intractable challenges of FCV, and that the full commitment of local and national actors is imperative to achieve progress. The WBG has prioritized supporting countries' efforts to mitigate FCV and promote peace and is committed to deepening partnerships with a diverse set of actors, based on respective complementarities and comparative advantages.¹²

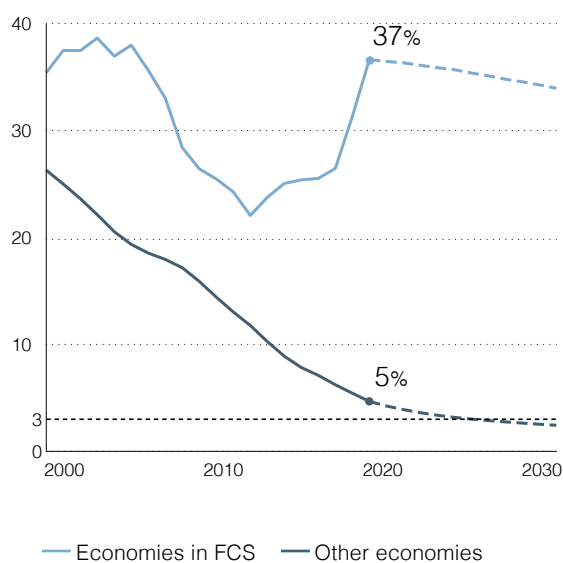
6. This strategy has greatly benefitted from extensive global consultations held throughout the strategy development process. The consultations engaged a wide range of partners, including governments, international organizations, global and local civil society, and the private sector. This captured lessons and best practices such as (i) the need to tailor interventions and financing to the distinct FCV challenges faced by a country; (ii) the importance

Figure 1: Share of Poor Living in FCS



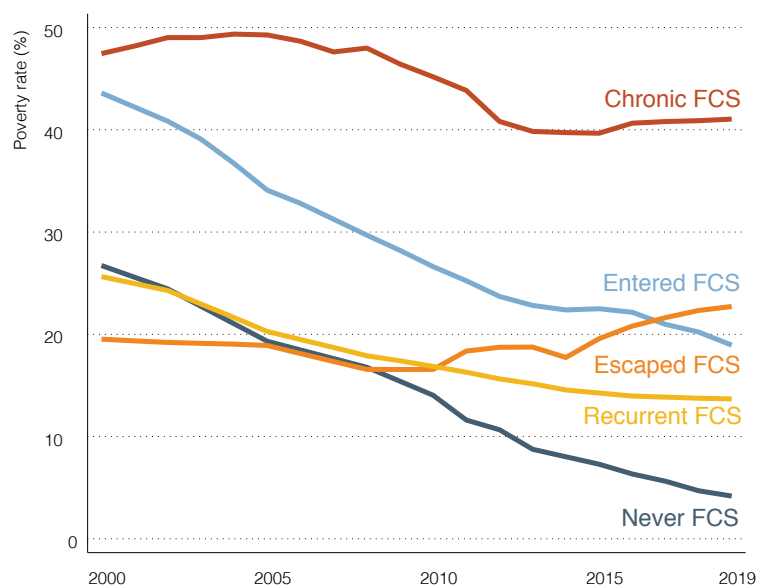
Source: Corral, Paul, Alexander Irwin, Nandini Krishnan, Daniel Gerszon Mahler, and Tara Vishwanath. 2020. "Fragility and Conflict: On the Front Lines of the Fight Against Poverty." Washington, DC: World Bank.

Figure 2: Poverty Rates in FCS Countries



Note: Three-year moving averages are used between 2001 and 2018 to smooth out trends. All displaced populations are included in the figures for "Economies in FCS."

Figure 3: Poverty Trends by FCS Category (Historical Analysis, 2000-2019)



Source: Corral et al., 2020.

of supporting the most vulnerable and marginalized groups, and addressing the grievances underlying and driving FCV; (iii) the importance of vibrant and inclusive private sector development to support job creation and provide economic opportunities; and (iv) the recognition of the crucial role of partnerships in FCV settings to address the drivers and impacts of FCV.

7. The FCV Strategy is organized as follows:

Section I provides an overview of the FCV landscape. Section II describes the framework for WBG engagement across the spectrum of FCV. Section III sets out how the WBG will operationalize the framework to strengthen its effectiveness.



Section I: Fragility, Conflict, and Violence in the World

A. What Is Fragility, Conflict, and Violence?

8. FCV challenges are context-specific, complex, and nuanced, requiring approaches tailored to the distinct geography, history, and conflict drivers of each setting.

FCV is often the result of tensions that have evolved over years, decades, and even generations, yet its triggers can be immediate. The three elements—fragility, conflict, and violence—are often interrelated and mutually reinforcing:-

Fragility: *Countries with deep governance issues and state institutional weakness* are identified through policy-based and governance indicators. Fragile situations tend to be characterized by deep grievances and/or high levels of exclusion, lack of capacity, and limited provision of basic services to the population. Fragile situations tend also to be characterized by the inability or unwillingness of the state to manage or mitigate risks, including those linked to social, economic, political, security, or environmental and climatic factors.¹³

Conflict: *Countries in active conflict* are identified based on a threshold rate of conflict-related deaths. Violent conflicts occur when organized groups or institutions, sometimes including the state, use violence to settle grievances or assert power.

Violence: *Countries with high levels of interpersonal and gang violence*, with major destabilizing impact, are identified based on the per capita level of intentional homicides. Gender-based violence (GBV) and violence against children (VAC) are also integrated into this definition.

9. Many countries can be affected by FCV, and this strategy focuses on supporting all countries that face FCV challenges. All countries facing FCV risks—including those experiencing subnational conflict, forced displacement shocks, or high levels of interpersonal violence—are at the core of this strategy and will be the focus of its operationalization.

10. To help differentiate approaches, policies, and instruments so that the WBG can adapt its engagement to difficult and complex situations and tailor it to each context, this strategy articulates a new methodology to identify and classify FCS. The new classification is embodied in a list that will replace

the previous Harmonized List of Fragile Situations. The new FCS List distinguishes between countries based on the nature and severity of the issues they face. It will be updated annually. The FCS List for FY20 is attached in annex 1 and includes 36 countries and the West Bank and Gaza. The classification uses the following categories:

- **Countries with high levels of institutional and social fragility**, identified based on publicly available indicators that measure the quality of policies and institutions and manifestations of fragility.
- **Countries affected by violent conflict**, identified based on a threshold number of conflict-related deaths relative to the population. This category will include two subcategories based on the intensity of violence: countries in high-intensity conflict and countries in medium-intensity conflict.

B. Evolution of Fragility, Conflict, and Violence

11. Violent conflict has increased significantly in the past decade. Since 2010, the number of major violent conflict events has tripled globally. Much of the increase is characterized by a rise in intrastate conflict and the proliferation of non-state armed groups. Recently, the number of deaths from violent conflict has fallen slightly, but the footprint of violent conflict has expanded, with an 11 percent increase in the number of locations impacted worldwide.¹⁴

12. Fragility tends to be chronic and deep-seated. Over the past decade, nearly 30 countries have shown chronic fragility; most of these are LICs and LMICs.¹⁵ Where institutions and governments are unable to manage the stresses or absorb the shocks of a changing climate, natural disasters, or economic and social crises, the risks to the stability of states and societies often increase. Countries tend to follow a path-dependent trajectory strongly influenced by their history or geography, or by their social, economic, and power structures—elements that are all difficult to change. Tackling fragility—by addressing deep-seated grievances, perceptions of injustice, and legacies of human rights violations and by improving governance and institutions' accountability—is a delicate process that takes place over decades.

13. What makes people fight, and what they fight over, are not new issues, but today's conflicts are happening in a more complex landscape. Fragility, conflict, and violence span country income levels, and the recent surge of violent conflict in countries that have, or had, functioning institutions, upends assumptions that it is exclusively a problem for LICs and LMICs or that seemingly stable societies are immune. Many of today's subnational conflicts are taking place in middle-income countries (MICs) with relatively strong institutional capacity, regular elections, and capable security forces. Rather than a direct function of poverty alone, these forms of conflict are increasingly linked to a lack of political and economic inclusion and equity as well as grievances and perceptions of injustice. Transnational violent extremist groups have taken advantage of unmanaged local tensions to root themselves in fragile contexts, cross national boundaries, and threaten entire regions.

14. In addition to violent conflict, interpersonal, gang-related, drug-related, and gender-based violence all pose a major threat to development and to the well-being of millions. Every year, about half a million people die from violence, two-thirds of them victims of intentional homicide.¹⁶ In some areas, homicide rates are higher than deaths in conflict zones, causing major human suffering as well as economic and social disruption. While a majority of the victims of lethal violence are young males,¹⁷ high levels of homicide go hand in hand with high levels of GBV and VAC, with severe, lifelong impacts on those affected.

15. FCV challenges are also increasingly international—they cross borders and produce regional and global spillovers that often spiral into multidimensional crises. In a world where communications, finance, crime, and ideas all flow more rapidly across borders, many conflicts have evolved into complex systems with international, regional, national, and communal links. This explains in part why it is so challenging to address FCV effectively. Armed conflicts and high levels of interpersonal violence heighten vulnerabilities, including food insecurity and forced displacement. Financial crises stress the social fabric and can lead to more instability and violence. Pandemics more easily take hold in areas where the presence of the state is weak and where there is low trust in service delivery. These dynamics deepen a country's fragility and often lead to situations of protracted crisis.

16. As a result of the increased levels of conflict and violence, the world is seeing the largest forced displacement crisis ever recorded. There are about 71 million forcibly displaced people globally, of whom some 41 million are internally displaced. Forced displacement has become increasingly complex and protracted, with substantial socioeconomic impacts on both refugee and host communities. More than half of the displaced are women; together, women and children comprise about 75 percent. Approximately 85 percent of the world's forcibly displaced are concentrated in LICs and MICs,¹⁸ with 72 percent of the forcibly displaced living in lagging regions within these countries.

17. FCV both affects, and is affected by, global factors including climate change, demographic challenges, gender inequalities, digital transformation, and illicit trafficking.

- **Climate change** is a driver of fragility and a threat multiplier. Both in the immediate term and long term, it can aggravate already fragile situations and increase vulnerabilities, exacerbate grievances, and deepen existing fragility. By 2030, climate impacts could push an additional 100 million people into poverty. By 2050, in three regions alone that have been studied (Sub-Saharan Africa, South Asia, and Latin America), as many as 143 million people could become climate migrants, with potentially destabilizing effects.¹⁹
- **Demographic challenges** such as high fertility and youth dependency rates can lead to higher poverty, lower investments in children, high unemployment or underemployment, and the risk of instability and unrest.
- **Gender inequalities** are an aggravating factor in fragile situations. They tend to be magnified in FCV settings when regressive gender norms, including those related to masculinities, and higher risk of gender-based violence, including sexual exploitation and abuse, combine with lack of access to health, education, and employment. Because the share of women-headed households tends to increase during violence and conflict, promoting economic opportunities for women is key. This is also paramount for the successful implementation of the Women, Peace, and Security Agenda of the United Nations (UN).

- **Digital transformation** has the potential to play a positive role in promoting peace but can also widen economic gaps and drive exclusion. It can present uncharted territory when demands for openness are not met, or when criminal networks or extremist groups prey on disenfranchised and marginalized communities.
- **Illicit trafficking** and criminal networks have benefitted from greater mobility and interconnectedness and, in many contexts, this exacerbates FCV challenges. Elite capture, poverty, and inequality are associated with increases in a range of illicit activities, including trafficking, corruption, and illicit financial flows.²⁰

18. Lack of economic opportunities and high unemployment exacerbate other FCV drivers. A vibrant and inclusive private sector can ignite economic growth, provide jobs and services, and help stabilize societies. Yet the domestic private sector in most FCV settings is underdeveloped, and only 1 percent of global foreign direct investment (FDI) goes to FCS countries.²¹ This means lower prospects for the private sector-led growth that FCV settings need to lift people out of poverty and that can help create trust, inclusion, and stability.

C. Lessons Learned and the WBG Response

19. The WBG's work has evolved from a focus on post-conflict reconstruction to addressing challenges across the full spectrum of fragility (see figure 4). The 2011 World Development Report, *Conflict, Security, and Development*, introduced a major shift in how the WBG conceived fragility, highlighting that fragility-related challenges cannot be resolved by short-term or partial solutions in the absence of institutions that provide people with security, justice, and jobs. Building on the 2011 WDR, the 2018 joint UN-WBG *Pathways for Peace* report further shifted the WBG's approach to prevent and mitigate FCV risks before conflict and violence take hold. Through its expanded engagement in FCV settings, the WBG has learned many lessons, including from IEG reviews, that can inform future progress.²² In particular, the WBG has matured in its approach to become more adaptive to fluid situations and to provide more tailored support depending on context. Key lessons are outlined below.

Figure 4: Evolution of the WBG Role in FCV



20. The WBG should approach its development engagement with a sense of humility. The WBG is a large development institution, but its work is only one element of the larger political economy of a country. Ultimately, conflicts are resolved by political and security actors through political processes, and even the best development strategy or program cannot win a war or ensure peace. Nonetheless, development interventions can help address FCV drivers and yield meaningful results in FCV settings, particularly when they are approached in an inclusive and conflict-sensitive manner, as outlined in *Pathways for Peace*. Development interventions can help reduce or mitigate fragility risks, strengthen communities' resilience, preserve development gains, enable reformers to seize windows of opportunity, and support longer-term transitions out of fragility. These should be the focus of WBG engagements in FCV settings.

21. CPFs and programs need to be better tailored to address FCV drivers, based on FCV tools and analytics. In many cases, Systematic Country Diagnostics (SCDs) and CPFs in FCS have not looked markedly different from those in non-FCS. While WBG analytics on FCV drivers have improved over time, their recommendations have not always carried over into CPFs. The result is a partial disconnect between enhanced analytical capacity and the WBG's portfolio of operations. Ensuring that programs in FCV settings are truly tailored to FCV drivers requires a two-pronged approach. First, WBG analysis must be made more relevant to operations. And second, as IEG suggests, CPFs should incorporate the analysis and recommendations of Risk and Resilience Assessments (RRAs) "more forcefully," focus more systematically on FCV drivers, and translate these more directly into country program priorities.

22. WBG financing arrangements should be calibrated to the specific needs of FCV settings, with appropriate incentives and accountabilities. The traditional approach to aid effectiveness, in which countries with low institutional capacity received little finance, has at times limited the WBG's effectiveness in FCV settings. Over the last decade this has changed, with a growing recognition that by allocating more resources through tailored mechanisms, impact in FCV settings is possible. IDA has made many adjustments to its allocation framework, including

increasing country allocations, providing more grants and debt relief, and using exceptional allocations to address specific needs, for example, in countries that are in, or emerging from, conflict. Other important examples are the Refugee Sub-Window for IDA-eligible countries and the Global Concessional Finance Facility for MICs, which provide concessional financing to help clients pursue development approaches for both refugee and host communities. In some FCV settings, the use of multi-donor trust funds (MDTFs) has helped galvanize international support to invest in large development programs, while lessening the burden on new governments with thin capacity. The WBG is still learning what works—the latest innovation is the FCV Envelope in IDA19, which creates a strong incentive and accountability structure to encourage clients to address FCV drivers.

23. The WBG needs to do more to improve project performance in FCS. While performance in FCS has improved markedly, it is below that of non-FCS. In part, improvements to project performance can come indirectly through better strategies and programming and a stronger on-the-ground presence, but direct efforts are also needed. IEG calls for simpler and more pragmatic project designs in FCV settings, including by encouraging teams and clients to make more realistic estimations of results and risks from the outset. Interestingly, crisis-related operations tend to perform well, likely because they are focused, simple, and realistic: this offers a lesson for other programming in FCV settings. Projects in fluid environments need built-in flexibility that allows for rapid adaptation to changing circumstances. In some FCV settings, it can range from difficult to impossible to plan accurately over a standard five-year project time horizon. Hence teams should seize opportunities to adjust and correct course early and often. FCV settings tend to have lower implementation capacity, so more proactive and hands-on supervision with clients is often needed, and this should be factored into planning and resourcing for the implementation phase. IEG evidence also underscores how capacity building is critical to the sustainability of public service delivery in FCV settings.

24. Experience also highlights the importance of good governance in addressing FCV challenges, and the WBG has a comparative advantage in supporting core governance functions. The WBG

has learned that the effectiveness of development programming in any sector, from health and education to agriculture and jobs, will be realized only if a country's underlying governance is sufficiently robust and inclusive. Governance weaknesses tend to be key chronic drivers of FCV. The WBG should therefore focus on supporting clients to improve governance over the long term, including by enhancing citizen security, strengthening the rule of law, building systems of accountability, enhancing systems for service delivery, and fostering citizen engagement. Progress on governance may not be linear, but the effort is a worthy investment in future resilience and stability. It can help to address horizontal and vertical inequities, build legitimacy and trust in institutions, address FCV drivers, and mend the social contract, while also providing the foundation for sectoral programming to achieve better results.

25. Another key lesson is the importance of sourcing, developing, and supporting WBG staff working in FCV settings. Having the right staff on the ground is essential for effectiveness and project performance. Resident staff are better able to understand the political economy; provide proactive support to clients in preparing and implementing operations; find practical, agile, and best-fit solutions to problems; build relationships with partners, including civil society organizations (CSOs); travel to supervise project activities; and ensure that operations become more tailored to FCV drivers. Like other institutions, however, the WBG has struggled to attract staff to work in FCS, and there remains an impression among staff that working in FCS is not always career-enhancing. With strong management attention, the staffing footprint in FCS has increased significantly in recent years, and this will continue during the IDA19 period, including through new recruitments. Training and capacity building for staff has improved but could be enhanced further. Moreover, staff working in or on FCV need to feel that WBG management recognize and value their efforts in these tough environments. In particular, the WBG needs to do more to enhance the employment value proposition for staff focusing on FCV, including through mentoring, next-assignment planning, and career progression. Security is also a primary concern for the WBG's presence on the ground.

26. As the WBG takes on increasing challenges, its operational guidance should be adapted and updated to remain fit-for-purpose. In some ways, WBG engagement has evolved faster than its operational guidance. For example, the WBG increasingly engages with non-state, civil society, military, or security actors, in contexts such as humanitarian crises or forced displacement situations, where greater policy clarity would be helpful for teams. In other ways, the WBG already offers a range of operational flexibilities, but teams have not always pursued these, either because of a lack of awareness, overall risk aversion, or a sense that teams may not receive support from management and/or shareholders. Efforts are needed to ensure that teams are aware and feel empowered to draw on flexibilities as needed so that practice aligns with policy.

27. Engagement in FCV settings has broadened the WBG's perspective on managing risk. FCV settings have large residual risks, not all of which can be mitigated, and additional risks may materialize during project implementation. At times, the WBG and other actors in the international community may have been too optimistic about the complexity and risk levels in FCV settings, and the extent to which these can be managed and mitigated. There have been times when risks materialize, prompting the WBG to pull back or shy away from further risk, which is not always consistent with the WBG's role in tackling the most important development challenges. Looking forward, the WBG should use a comprehensive and candid approach so that it can take informed risks, mitigate unforeseen risks proactively, seize opportunities, and remain steady in fluid situations—in full compliance with WBG environmental, social, and fiduciary standards.

28. WBG engagement in FCV settings entails higher costs. Working effectively in FCV settings inherently requires new investments in data and analytics, greater investment in security and staff welfare, expansion of the WBG's on-the-ground presence, more proactive implementation support, and more collaboration with partners. These factors all create budgetary pressures. WBG budget allocations for FCS have increased,²³ and they will require a sustained focus for the WBG to be effective in these settings.

29. Partnerships are critical, and the WBG has learned that these should be mission-driven and grounded in the comparative advantages of each partner. Over the years, the WBG has worked with wide range of partners—from local CSOs, the private sector, and bilateral donors to other multilateral development banks (MDBs) and UN agencies. Effective partnerships have often been built from the ground up by in-country staff who seize opportunities to achieve better results for clients. Experience also finds that partnerships take time and effort to nurture and involve transaction costs, with time and resource implications. Hence partnerships need not be pursued at all times with all players or for their own sake—but rather, pursued selectively when partnering can generate results greater than the sum of the contributions of each partner to meet project objectives and advance common goals.

30. Engaging in FCV settings also means working differently with data. In these settings, the data environment is often weak. But there are now innovative ways to collect data or draw on partners' datasets. In recent years, digital solutions have emerged to address data challenges, but overall, teams need to think differently about monitoring and evaluation in FCV settings. It is equally important to support governments over the long term in improving their data environment for evidence-based policy making.

31. For the private sector, FCV settings are the toughest markets, but the WBG must work to find windows of opportunity for sustainable and conflict-sensitive private sector development. The private sector is an essential source of growth, jobs, and resilience. But challenges abound in promoting a healthy private sector in FCV settings, including difficult operating environments, higher costs of doing business, skills shortages, the lack of rule of law, high levels of informality, and poor infrastructure and supply chains (see box 1). It is essential for the WBG to persevere and find windows of opportunity to support conflict-sensitive and sustainable private sector development. Tailored financing that de-risks investments can also help. WBG support for viable investments in FCV settings also requires a longer time

horizon—including for project gestation, a long-term commitment to sector-wide regulatory and policy reform, and more focus on client capacity building and proactive implementation support. It can be extremely challenging to find bankable private sector projects.

32. For IFC and MIGA, working in FCV settings also means dealing with significant reputational and financial risks. Reputational risks include issues related to sponsors' (lead investors') integrity, such as previous illegal activities or corruption. There are also Environmental, Social, and Governance risks such as impacts from pollution or problems with resettlement. To mitigate these risks, IFC and MIGA work extensively prior to any investment to implement strict safeguards and thoroughly review potential sponsors to ensure that private sector projects do not negatively affect local communities. Financial risks can be related to inadequate returns to cover or compensate for the associated FCV-environment risks (such as conflict or regulatory issues, or poorly developed markets) or to higher operating costs related to security issues, long project gestation, and, frequently, small project size. There must be a recognition that some risks may materialize during the life of a project that cannot be fully avoided or mitigated.

33. Increasing support for private sector development —through IFC's investment and advisory services operations as well as MIGA's guarantees —is a critical element of the WBG's approach to FCV. IFC first included FCS as a strategic priority in 2010 and started monitoring FCS targets soon after. Over this time, IFC continued to evolve and scale up engagement in FCV settings, including through advisory services. The 2018 IFC Capital Increase package placed strong emphasis on IFC's growth in FCS and IDA countries as a key outcome reflected in IFC's Corporate Scorecard. Similarly, MIGA has prioritized FCS since 2005. MIGA's role is critical given that the perception of high risk in FCV settings often precludes other providers from offering coverage. MIGA's portfolio in FCS has increased continuously since 2013 and stood at a record \$2 billion in 2019.

34. Over time, these lessons have led to substantial changes in how the WBG operates in fragile situations.

For FCS that are eligible for concessional IDA resources, IDA18 represents a paradigm shift in terms of the volume of resources allocated: the \$14 billion available for FCS is double the level for the previous three-year replenishment period. IDA18 also introduced a more tailored engagement in situations of fragility, including investing in conflict prevention, supporting refugees and host communities, preventing and responding to gender-based violence, engaging in situations of active conflict, and supporting transitions from conflict to peace.

Box 1.
Challenges to Private Sector Development in FCS

Experience over the past decade has shown that working with the private sector in FCV is far from business as usual, with higher risks and costs because of unique challenges on the ground. These include (i) a limited private sector, often largely informal, with poor capabilities and lack of access to finance; (ii) underdeveloped market structures characterized by a prevalence of state-owned enterprises or otherwise imperfect or incomplete markets; (iii) poor infrastructure and supply chains; and (iv) a weak legal and regulatory environment, low government capacity, and weak institutions.

Supporting viable private sector investments in FCV countries often requires long-term, extensive, upfront work related to project development and client capacity building. For example, developing infrastructure projects in FCV settings may take 3-6 years or longer, including work on the regulatory regime, sector policies, feasibility studies, and government capacity.

Similarly, after commitment, projects in FCS countries require significant assistance to realize their potential. Supply chains need to be developed, local community interactions supported, and land and other environmental and social issues addressed.

35. IFC and MIGA efforts have been further boosted by the introduction of the \$2.5 billion IDA-IFC-MIGA Private Sector Window (PSW) in IDA18.

This allows IFC and MIGA to access IDA resources to de-risk investments and guarantees, enabling a substantial scale-up of their activities in FCS. The PSW is an important complement to IDA's ongoing support for policy reforms aimed at stimulating private sector-led growth.

36. IFC and MIGA have also strengthened their attention to enabling environments, regulatory reforms, upstream project development, and capacity building; and they are increasing locally based staff and developing risk mitigation tools.

Delivering impact at the market and sector levels requires an integrated WBG approach, in which the World Bank, IFC, and MIGA operate in a complementary manner, both upstream and downstream. This facilitates the creation of private sector markets at scale to deliver significant numbers of inclusive jobs and services that benefit local

populations. IFC has increased its use of technical assistance and blended finance, and established the Conflict-Affected States in Africa (CASA) initiative in 2008 and the FCS Africa Program in 2014 to deploy dedicated funding for advisory services and staff on the ground. IFC has also partnered with the World Bank on upstream reforms and advisory work and developed the Cascade/Maximizing Finance for Development approach. Additional IFC advisory funding for FCS became available with the establishment of the Creating Markets Advisory Window (CMAW) in 2017. In 2013, MIGA established the Conflict-Affected and Fragile Economies Facility (CAFEF), with the objective of catalyzing additional private capital flows to FCS by expanding political risk insurance. These efforts all reflect growing awareness that engagement in FCV settings requires a fundamentally different approach to development and that significant resources must be harnessed to maximize impact on the ground. They provide a solid foundation on which to build a framework for expanding engagement in FCV.

Box 2.

IFC's Conflict Affected States in Africa (CASA) Initiative Taking on Challenges in FCS

Recognizing the unique challenges fragile countries face, IFC launched the Conflict-Affected States in Africa (CASA) initiative in 2008 to help Africa's FCS countries rebuild their private sectors, create jobs, and attract investment.

Supported by Ireland, the Netherlands, and Norway, CASA initially rolled out in four countries and today supports IFC's advisory engagements in 13 African countries.

CASA's experience shows that three factors are critical for bringing sustainable private sector development to fragile markets: long-term engagement, market intelligence, and flexible funding. Having the team on the ground helps gather the right market intelligence, speeds up project implementation, and provides clearer communication with

clients and stakeholders. Strategies need to be flexible and resilient in times of crisis and based on the country context. The legal, financial, cultural, and historical contexts must all be considered. FCS require mitigation of fragility risks but also broadening of the impact of investments through advisory services to help clients and operators improve their governance; enhance their compliance with environmental, social, and governance standards; and integrate with local value chains and regulatory frameworks to generate broader, stronger, systematic development effects. CASA now focuses on the Sahel, Lake Chad, and Horn of Africa and is helping address evolving regional and subregional conflict dynamics.



Section II: Framework for WBG Engagement in FCV

37. The framework to deliver on the FCV Strategy comprises four Guiding Principles and four Pillars of Engagement. The *Guiding Principles* are (i) Differentiation; (ii) Inclusion; (iii) Legitimacy and accountability; and (iv) Growing private sector solutions for impact. The *Pillars of Engagement* are (1) Preventing violent conflict and interpersonal

violence; (2) Remaining engaged during crisis situations and active conflicts; (3) Helping countries transition out of fragility; and (4) Mitigating the spillovers of FCV. Critically, FCV risks are interrelated and mutually reinforcing and cut across each of the four pillars of engagement.

Figure 5: The Four Pillars of Engagement



A. Guiding Principles

38. The WBG engages in FCV settings to address the drivers of fragility and strengthen the sources of resilience and peace, in line with its mandate and comparative advantage, and in cooperation with a broad set of stakeholders. The WBG's efforts are most effective when they are designed and implemented to foster synergies with local and national actors and international partners in the peace, security, development, and humanitarian arenas, based on the mandate and comparative advantage of each institution.²⁴

39. The WBG's comparative advantage in FCV settings is based on its long-term experience and sustained engagement in countries, as well as its capacity to leverage analytics, financing, and convening power at scale. As a development actor, the WBG complements the engagement of other stakeholders by helping to build systems and develop capacity; strengthen institutions and core state functions; support shared economic growth; improve service delivery and protect human capital; and manage risks and enhance preparedness. In acting on its comparative advantage, the WBG strives to promote efficient and equitable economic and social policies, and ultimately to increase social capital and build more resilient societies.

40. With the FCV Strategy, the WBG does not seek to go beyond its core social and economic competencies and development mandate under its institutions' Articles of Agreement. In determining whether activities or engagements are consistent with its mandate, the WBG examines whether they are grounded in an appropriate and objective economic rationale and are structured to avoid interference in the political affairs of a member country.

41. In a given setting, the WBG will determine the feasibility, desirability, focus, and modalities of its engagement on the basis of the following criteria: its mandate; the complementarity of its potential activities with those led by other actors; do-no-harm considerations; its ability to engage effectively with key stakeholders, including government authorities; the likely impact of the programs it can support; and its capacity to ensure staff security and manage risks.

DIFFERENTIATION

42. The WBG's approach and interventions will be tailored to the specifics of FCV drivers. Some drivers are rooted in local issues, such as conflicts around land, water, or extractive industries; others are subnational, such as when territories are disconnected or lagging in terms of opportunity and access to resources; and some are national, such as problems of accountability, elite capture, and corruption within the state. Drivers can also have cross-border or regional dimensions. In addition, drivers can be global and linked to such threats as climate change or pandemics. These dynamics require differentiated responses that need to be clearly articulated through analytical products such as Risk and Resilience Assessments (RRAs), then translated into the SCD and the CPF, and ultimately into WBG operations.

43. WBG engagement should be guided by the capacity of both the government and the private sector. Government capacities should be reflected in the content of WBG operations and implementation mechanisms. Where government capacity is strong, the WBG can support relatively complex projects that can be implemented through line ministries and create openings for private sector solutions. But when government capacity is weak, the WBG will use

a selective approach with a focus on the long-term development of central and local institutions, as well as of the local private sector.

44. Overall, the WBG will put special focus on the spatial dimensions of its interventions in FCV settings. Scaling up interventions to address fragility at the community, subnational, and regional levels is essential. Tackling FCV drivers involves addressing cross-border challenges and, where relevant, developing effective regional approaches. While the WBG operates from a country-based model, regional programs and initiatives that focus on mitigating fragility and security risks are under development for the Sahel, the Horn of Africa, and the Lake Chad region, as well as in at-risk border regions such as those between Tajikistan and Afghanistan. Regional RRAs will be conducted to focus on the cross-border dimensions of FCV and the regional drivers of fragility and conflict, with the aim of identifying priorities for regional activities that aim at reducing FCV risks.²⁵

45. When a government's actions or policies are directly responsible for causing fragility, conflict, and violence, the WBG would adjust its approach. In such cases, the WBG may maintain a low-key engagement and risk-mitigation strategy (including policy dialogue and interactions with relevant stakeholders), guided by "do no harm" considerations, in accordance with its development mandate under the Articles of Agreement and its policies.²⁶ According to the "do no harm" principle, activities financed by donors and development partners should avoid causing or contributing to adverse human or environmental impacts. In FCV contexts, this calls for donors and development partners to adopt a context-specific, conflict-sensitive approach based on adequate due diligence, diagnostics, and risk analysis and citizen engagement. Such an approach identifies factors that divide societies; provides a clearer understanding of local contexts to avoid aggravating social tensions, reinforcing power imbalances, or exacerbating conflict risks; and may also help promote accountability, sustainability and local ownership. In these contexts, it is important for the WBG to engage with civil society organizations (CSOs) and local actors that continue to operate on the ground. Disengagement would be a last resort, as it invariably impacts the most vulnerable and marginalized groups.

46. When fragility is exacerbated by stresses on environmental and natural resources, the WBG needs to pursue actions and policies to mitigate stresses, manage risks, and strengthen the resilience of its country and regional strategies.

Increasing competition over diminishing renewable resources, such as land and water, is further aggravated by environmental degradation and depletion, population growth, and climate change. Successful management of natural resources can prevent them from becoming a powerful driver of FCV that can both spur and finance conflicts. Overall, 65 percent of today's conflicts have a significant land dimension, while conflicts around water are increasing. In parts of Africa, tensions between pastoralists and agriculturists over access to land and water have escalated to violence. The WBG has recently adopted frameworks, including the Action Plan on Climate Change Adaptation and Resilience,²⁷ to boost finance and long-term policy change for the most climate vulnerable countries.

INCLUSION

47. The WBG will pursue a people-centric approach in line with the principle to leave no one behind.

It will focus on the most vulnerable and excluded groups.²⁸ Exclusion, inequalities, and perceptions of injustice can drive fragility.²⁹ Evidence also shows that relative deprivation (for example, the absence of opportunities relative to expectations) is an important driver of support for violent extremism, notably when labor market outcomes do not reflect educational attainment.³⁰ Inclusion is difficult to achieve because in polarized environments, the inclusion of some groups can be perceived as a threat, sometimes at the expense of other groups. This is a complex balancing act for policymakers and requires sound communication to avoid frustration with programs that are perceived as unfair or discriminatory. In these contexts, the WBG will engage more systematically in policy dialogue with governments and support various modalities for engagement with citizens, civil society, and community-based organizations (for example, citizen engagement and perception surveys with feedback loops).

48. Similarly, some groups may perceive private sector development as connected to elite capture and corruption, and this is often a source of grievances. Addressing this problem is context-specific but involves efforts that support new investors, including regional and local companies; that draw on local value chains; and that promote small- and medium-sized enterprises (SMEs) and entrepreneurship to extend opportunities for local revenue-generating activities. Critically, private sector development should also be guided by a “do no harm” approach to avoid exacerbating tensions.

49. The WBG will scale up its activities in areas where discrimination and exclusion are particularly strong and where sentiments of exclusion risk turning violent because of a range of issues.

Such issues include access to land and water; land tenure rights; the sharing of benefits from extractive industries; subregional marginalization and inequality between groups; and the rule of law, corruption, and poor state legitimacy, with special attention to security and justice. Impunity, corruption, and human rights violations undermine the confidence between states and citizens and increase the risks of violence and potential conflict. Reducing exclusion from access to services is essential, as it has a clear, direct impact on the building of trust in institutions.

50. Youth should be mobilized as key agents of change who can contribute to less fragile and more peaceful societies.³¹ The direct and indirect impacts of FCV on children and youth can result in generations suffering from life-long mental trauma, while also affecting the ability of states, economies and societies to recover, stabilize, and develop. For many young women, roles in society continue to be restricted by an exclusive focus on their protection; and while it is important to acknowledge and address their experiences of sexual and gender-based violence, they should not be seen solely as victims. Efforts should be scaled up, in partnership with international and local actors, to address these challenges as well as to help youth play an active role in addressing FCV drivers and building local resilience. WBG operations need to explore how best to provide opportunities for young men and women to play positive roles in their economy and society and for their voices to be heard in decision-

making. Programs for youth inclusion should be comprehensive, respond to the different needs of young men and young women and encompass social engagement, psychosocial development, community development, and socialization. This is often better done by mainstreaming youth issues across programs rather than pursuing self-standing youth inclusion projects. Inclusive education entails improving access to school as well as equipping young people with critical-thinking tools and a sense of purpose. Citizen participation efforts should be accountable and transparent and include youth from the outset.

51. The WBG is increasing its focus on gender equality in FCV, in alignment with the WBG Gender Strategy (2016-2023)³² and the UN's Women, Peace, and Security Agenda, which aims to empower women to prevent conflict and build peace, while working to rectify the disproportionate, adverse impacts of armed conflict on women and girls.³³ Societies with more gender equality tend to be more resistant to violence and conflict. The WBG must therefore help close gender gaps in education, economic opportunities, and access to labor markets; tailor social protection to households where family structures have been disrupted by conflict; increase access to finance for women-owned businesses; provide employment opportunities for male and female youth at risk; prevent and respond to GBV; and enhance women's participation in all levels of governance, including peace- and state-building processes. WBG interventions will continue to empower women to become more involved in their society and have a stronger say in economic, social, and power-sharing arrangements at the local and national levels. They will also deal with the issue of young men's marginalization.

LEGITIMACY, TRANSPARENCY, AND ACCOUNTABILITY

52. The WBG is adopting a long-term focus on the capacity and integrity of core institutions. Strong institutions—which are recognized as legitimate, transparent, and accountable—are central to addressing FCV. The extent to which people see institutions as working for or against them can define the degree to which a society is ready and able to address potential drivers of FCV.³⁴

53. Trust is related to an institution's effectiveness as well as to how fair and inclusive it is perceived to be. Hence, it is essential for WBG programming to invest in strengthening core institutions and inclusive governance. Efforts will mainly address the state but will also aim to build the capacity of local authorities, communities, markets, customary institutions, civil society, and private sector actors, as well as citizens' capacity to hold institutions accountable. Strengthening institutions that provide a direct interface between the state and citizens is a priority of WBG engagement on a par with delivering core services, conflict resolution and grievance redress mechanisms, justice, and in some cases, security. The focus will include tax and fiscal institutions as well as organizations focused on macroeconomic management. Communication between the state and citizens is also fundamental to building trust, and the WBG will put special emphasis on the use of communication and new technologies.

54. Risks of fraud and corruption are heightened in environments marked by instability, insecurity, and low capacity. In FCV settings, corruption, lack of rule of law, and fear of violence are pervasive challenges and major bottlenecks to private sector development. More broadly, the lack of market contestability leads to cronyism and rent-seeking activities, discourages both domestic and foreign competition, deters inclusion and integration, and ultimately reverberates at the regional level. Macroeconomic policies—including efforts to improve taxation and make public expenditure more efficient and equitable, ensure access to credit, and avoid price spikes—should be systematically assessed to understand how they affect inclusion, exclusion, and perceptions of fairness. Macroeconomic advice to governments should focus on promoting equitable and inclusive reforms, not merely on economic efficiency.

55. WBG interventions need to be programmed over the long term and focus on institutions that can strengthen the rule of law, and those that can improve the business environment and payment systems. FCV settings are typically constrained by the absence or poor functioning of formal institutions. It can be difficult for WBG programs to support the informal institutions that play an important role in addressing FCV. However, the WBG can ensure

that it understands the ecosystem in which they operate, then design efforts so as not to undermine these dynamics. Support to market institutions and to regulators goes hand in hand with support to entrepreneurs and investors. In FCV settings, corruption and lack of rule of law are the main bottlenecks to private sector development. To address these issues, the World Bank and IFC are working jointly through Country Private Sector Diagnostics (CPSDs) and assessments of institutional barriers to inform programmatic support for the private sector.

SCALING UP PRIVATE SECTOR SOLUTIONS FOR IMPACT

56. The WBG will strive to leverage both public and private finance solutions to support private sector development in diverse FCV settings.

The ability and approach of the WBG to support private sector solutions in FCV settings depends on numerous factors, including the country's security situation, income levels, market development, and the government's capacity to leverage the private sector for its development goals. For countries with strong government commitment to private sector-led solutions, a broad range of solutions are possible, from direct support through local and regional financial institutions, to support for local, regional, and international companies seeking to engage in these markets, as well as infrastructure projects. For countries in conflict or crisis, the opportunities for private sector engagement are much more limited, but engagement may still be possible by providing financing, advice and technical assistance to SMEs and local companies, including household enterprises and self-employed workers.

57. The World Bank, IFC, MIGA, and their partners each have an important role to play in supporting the private sector and creating economic opportunities for people and communities.

Economic opportunities can pave the way for growth and contribute to peace and stability. But supporting the private sector and creating markets in FCV contexts is difficult and entails integrated project development efforts, regulatory reforms, and capacity building on the ground to help identify and mitigate risks. The World Bank can play a critical role in creating a regulatory and investment climate

that can enable a strong private sector to emerge. WBG coordination efforts such as via Country Private Sector Diagnostics, country strategy processes including SCDs and CPFs, and IFC's upstream efforts under the Creating Markets strategy will help ensure that WBG institutions complement one another, going beyond individual projects to pursue overall approaches to sector development. In addition, for active engagement across FCV settings, special field-based platforms such as FCS Africa will be expanded to help with project development and downstream client support. Strengthened advisory programs for ESG issues, including extended time frames to meet ESG standards, will also help address company and country capacity issues related to ESG program implementation. In addition, enhanced partnerships, such as with other development finance institutions (DFIs), will be crucial to scaling up engagements, programs, and investments in FCV settings.

58. However, high financial and non-financial risks remain to be addressed.

To support its financial capacity to scale up activity in FCV settings, IFC will expand the scope of simplified procedures, including the Credit Delegation Framework for small projects, and program platforms, such as the Small Loan Guarantee Program, which provides simplified approval for multiple projects better suited for FCV settings. In conjunction with special advisory facilities such as the CMAW, which provides funding for upstream project development and capacity building, this should help address some of the high costs of project development. In addition, blended finance facilities, including the PSW, will continue and be expanded for greater coverage of MICs to help mitigate financial risks. IFC looks at impact and returns on a portfolio basis, an approach that can help further manage the financial risk of engaging in FCV countries, balancing risk and costs of FCV projects with transactions in more stable countries, including in middle- and upper-middle-income countries.

59. For non-financial risks, IFC will expand risk mitigation approaches prior to project development and investment, expanding comprehensive pre-emptive approaches to integrity due diligence to mitigate reputational risks, and systematizing conflict-sensitive approaches in investment operations to address risks such as those related to a lack of inclusion, insufficient stakeholder engagement, and

elite capture. However, despite precautions and risk mitigation approaches, it is possible that some risks will materialize with a higher level of activity in the private sector in FCV settings.

B. Pillars of Engagement

60. The WBG will tailor its approach and adapt to the distinct challenges of FCV settings. Given the nature of fragility, conflict, and violence situations, WBG strategies and programming will differ to best assist countries and people in need, in line with the “do no harm” principle. The four Pillars of Engagement are relevant across the FCV spectrum because countries may experience several of these challenges at the same time.

1. PREVENTING VIOLENT CONFLICT AND INTERPERSONAL VIOLENCE

61. The WBG is scaling up its focus on prevention as part of a broader institutional shift toward proactive crisis risk management. On average, for every \$1 spent on prevention, up to \$16 can be saved in terms of the cost of conflicts. And yet development actors have not acted in this area at the scale required by current risks. Prevention is not only about conflict, but also about tackling interpersonal, gang-related, and drug-related violence and violent extremism that, in many places, threaten to erase hard-won development gains. The correlation between gender inequality and a society’s propensity for civil or inter-state conflict is now well established.³⁵ Addressing the root causes of gender inequality and closing gender gaps in human capital, access to jobs and assets, and voice and agency must be a priority.³⁶

62. Preventing violent extremism is critical to a concerted international effort. Over the last two decades, extremism has played a significant role in the upsurge of deaths from violent conflict around the world. The threat it poses has become more geographically dispersed and has intensified in conflict-affected regions. Hence, it merits a proactive, prevention-based approach to address its structural drivers. In addition to lives lost, violent extremism displaces people from their homes and livelihoods, destroys infrastructure, exacerbates tensions in society,

weakens government structures and governance, and diverts resources from service delivery as governments are forced to invest more in security.³⁷

63. Preventing conflict requires directly addressing the key drivers of fragility and strengthening the factors of resilience. To prevent violent conflict more effectively, the WBG aims to (1) scale up its efforts to identify risks and engage with partners; (2) mitigate risks and strengthen resilience; and (3) adopt a holistic approach to prevention that encompasses security, peacebuilding, and development. This approach is aligned with the WBG’s increased focus on crisis risk management, including the establishment of the Global Crisis Risk Platform (GCRP) to ramp up efforts that identify, prevent, and mitigate risks before they spiral into full-blown crises.

64. Identifying drivers of fragility and resilience to mitigate risks and strengthen coping capacities:

The WBG is strengthening its ability to analyze risks and drivers of fragility, as well as putting special focus on identifying sources of resilience and peace. Drivers of fragility will be highly context-specific and may include a range of risks related to the distribution of power; the political settlement; the human rights situation;³⁸ women’s inclusion in peace settlements and political processes;³⁹ broader governance issues; land and natural resources; access to basic services; the health of the labor market and how much economic growth is benefitting the entire population; and broader issues of social cohesion, including perceptions of fairness and inclusion among groups and regions, as well as between the state and its citizens.

65. Sources of resilience and peace will also be context-specific and are important to highlight and support through programming. For example, issues of power contestation and resource capture can be addressed through more transparency in government operations, devolution, and various forms of subnational autonomy, as well as improving the distribution of public investments across a country’s territory. Tensions around natural resources such as land and water require better policies and conflict resolution systems. Lack of trust in the state, human rights violations, poor governance, lack of rule of law, and corruption can be addressed through more accountability, transparency, and citizen engagement. To respond more effectively to the drivers of fragility as

well as strengthen the WBG's ability to directly support resilience, the methodology of RRAs is being improved to gain a better understanding of country specificities, including political economy, incentive structures, and multidimensional risk factors that may compound the risk of FCV, as well as coping capacities that can mitigate this risk.

66. Through the GCRP, the World Bank is strengthening its capacity to identify and monitor multidimensional crisis risks in both low- and middle-income countries, even beyond those in the FCS classification.

The GCRP supports identification and continuous monitoring of interconnected risks such as food insecurity, disease outbreaks, conflict, and economic shocks by bringing together expertise and innovations from across the institution and from external partners. To ensure a systematic focus on incentivizing prevention and preparedness in FCV contexts and beyond, the platform also delivers analytical and convening services to support consistent integration of short- and medium- to long-term risks into sector-level and country-level programming, and to enable timely and multisectoral interventions for crisis response and resilient recovery. Through the GCRP, the World Bank is also developing mechanisms to monitor FCV early warning signals. This includes partnering with relevant organizations, including the UN and the EU, to share monitoring

data and analysis, and to exchange knowledge on approaches and methodologies for conflict risk monitoring. In parallel, the GCRP is supporting the development of multisectoral country crisis preparedness metrics with an intersectoral working group of WBG experts. This work is expected to further highlight the linkages between crises and FCV risks.

67. The WBG's diagnostic tools must contribute to collective prevention efforts.

As the WBG undertakes joint risk analyses with partners, it should also be more able to share key findings with governments and stakeholders. This will facilitate common approaches and lay the foundation for renewed dialogue with governments. These analyses will be discussed in country or regional platforms and can also be the basis for designing country and regional FCV monitoring systems, which are essential for ensuring a coordinated and sustained focus on prevention.

68. Adopting a holistic approach to conflict prevention.

The WBG will work to embed prevention into country programs where there is a high risk of conflict. When a country is at risk of sliding into wide-scale violence, mitigating risks is the top development priority. As conflict is fundamentally a political tool, development interventions have to be part of a broader effort that includes political, security, and diplomatic actors. In implementing a conflict

Box 3.

The Global Crisis Risk Platform: A Multisectoral Approach to Crisis Prevention and Preparedness

The World Bank has been ramping up efforts to identify, prevent, and mitigate risks before they spiral into full-blown crises. The GCRP was established in 2018 to promote coherence in crisis risk management approaches across the institution, including through consistent integration of risks into sector- and country-level programming, and a systematic focus on incentivizing prevention and preparedness in country and regional programming. Through the GCRP, the WBG is strengthening its focus on

(i) **Multidimensional risk monitoring** to identify early signs of crises and enable investments in preparedness and early action interventions. Monitoring of the risk factors of natural hazards, health pandemics outbreaks, food insecurity, conflict, and shocks will help inform multisectoral institutional responses.

(ii) **Crisis risk assessment and analytics** to support prioritization and risk-informed programming at the country and regional level.

(iii) **Promoting innovation in crisis risk financing, including supporting reforms of the IDA crisis risk toolkit**, such as proposed enhancements to the Crisis Response Window (CRW), to enable early response to food insecurity and health emergencies.

(iv) **Strengthening partnerships, including across the humanitarian-development nexus**, to support shared approaches, collaborative planning, and the development of joint tools for risk identification, crisis preparedness, and early response.

prevention agenda, the WBG should (i) refocus the country dialogue around prevention and resilience; (ii) review portfolios and pipelines to ensure strong alignment with prevention and risk mitigation efforts, including the nature of activities, their geographical scope and focus, and the details of implementation; (iii) strengthen partnerships with other international actors that are critical to reducing risks, including security actors as appropriate, while leveraging the WBG's convening power; and (iv) monitor conflict dynamics and WBG programming to make needed adjustments in real time.

69. The private sector has an instrumental role to play in addressing the risk of violent conflicts.

Prevention can include expanding inclusive economic opportunities by engaging across ethnic and social groups, supporting lagging regions, diversifying the economy and broadening the investor base, improving basic service provision such as in health and education, and providing resilience products such as weather insurance. The private sector can also be an important contributor to climate mitigation and resilience, for example, through the support of resilient and renewable infrastructure and the development of drought-resistant crops. IFC has engaged with excluded groups in rural settings through MSME finance and agricultural supply chains (for example, in Cambodia, Nepal, and West Africa) and has attempted to broaden the investor base in countries through programs such as SME Ventures, which focuses on high-growth SMEs. IFC has also worked to enhance investment projects' engagements with women and youth (for example, in Guinea and Côte d'Ivoire) and has helped clients improve institutional trust and transparency in the context of community-driven development programs related to private sector investments.

70. *Preventing interpersonal violence:* The WBG engages in countries where interpersonal violence constitutes a major challenge. Over the last decade, the WBG has initiated a two-pronged violence prevention agenda mainly in Latin America⁴⁰ and Sub-Saharan Africa, with (i) stand-alone integrated operations at the local level and (ii) a mainstreaming strategy focusing on urban development and youth employment projects, which now needs to be consolidated and stepped up. This requires

active engagement at the community level, as it aims to mainstream violence prevention across relevant WBG sectors. The WBG also aims to scale up engagement on the issue of citizen security as well as on security and justice sector reform and institutional improvement.

71. The WBG will continue to develop an integrated approach at the local level and a mainstreaming approach at the sector level.

Integrated approaches seek to address the multidimensional and multicausal aspects of violence in a geographic space, usually a city or a community, through a combination of social and infrastructure interventions that seek to strengthen social resilience and build trust. *Mainstreaming approaches* seek to apply a violence prevention lens across all sectors.⁴¹

72. The WBG will continue to scale up engagement to prevent gender-based violence, learning especially from its work on the issue over the last five years.

GBV is lowered by reducing violence overall but, in some cases, it also requires specific approaches. The WBG includes an assessment of GBV risks in its safeguard policies, in line with the UN's recommendation to undertake effective measures to prevent and respond to violence against women and girls. In this context, enhancing girls' education and promoting sexual and reproductive health and rights also contribute to violence prevention. Foundational investments are needed to improve human development outcomes, including maternal and infant mortality rates, mental health challenges, access to services for people with disabilities, and inclusive quality education.⁴²

2. REMAINING ENGAGED DURING CRISES AND ACTIVE CONFLICTS

73. The WBG increasingly remains engaged during situations of crisis and active violent conflict.

Recent examples of this include interventions in South Sudan and Yemen. The Bank has also supported specific areas and local populations during violent conflict within countries such as Colombia, Iraq, and the Philippines. These experiences have demonstrated that the WBG can play a role during conflicts and crises by pursuing conflict-sensitive and inclusive approaches to development interventions that can

help mitigate conflict and lay the foundations for peace, working together with partners. In such cases, the WBG needs to clearly articulate why, when, and how it should focus its interventions. Staying engaged in the immediate aftermath of conflicts is equally critical, and the World Bank has been significantly engaged in such programs as Disarmament, Demobilization, and Reintegration (DDR) to contribute to security, stability, and poverty reduction. This is supporting combatants' demobilization from fighting forces and their social and economic integration into society, while also supporting community reintegration, reconciliation, and recovery.⁴³

74. *Principles to consider for engagement:* The WBG will conduct the necessary assessments and due diligence to determine which situations warrant engagement during crises and open conflicts. Engagement is also to be informed by clear analysis of the unique benefits and value that the WBG program can add to what is provided by organizations that are already involved. It is also key to consider how active engagement could prepare for post-crisis recovery as well as the possibility and practicality of maintaining a development focus in specific sectors and geographies. This assessment should help identify possible partnerships with on-the-ground entities that can be trusted to implement projects inclusively and effectively in a non-partisan way, conduct high-quality supervision, and help monitor activities.

75. In these situations, the WBG should focus on protecting the human capital of vulnerable groups, empowering women and girls, and strengthening selected institutions to preserve development gains and build capacity for future recovery. The WBG's justification for being engaged during crises and violent armed conflict is premised on maintaining a development approach in areas where security is sufficient to implement efforts that build resilience, support service delivery, and promote livelihoods and job creation. Protecting core institutions—for example, service-oriented ministries, community-based organizations, SMEs, central banks, social funds, and project implementation structures—is essential to support recovery.

76. Well-targeted development interventions in such situations—especially when aid is limited—can convey important support to the most vulnerable groups. Efforts can have positive benefits by promoting education, health, and productive activities; encouraging stakeholders to adopt medium-term strategies that benefit the local economy; and reducing the influence of armed groups and other actors that engage in conflict. Appropriate outreach and inclusiveness can help mitigate people's incentives to flee across borders or for youth to join armed groups, and instead support these groups' valuable roles as peacebuilders. WBG interventions should aim to restore social capital and collaboration among social groups, support private sector activities, and maintain trust in local institutions.

77. In these settings, development programming should be careful to follow “do no harm” principles, without bias toward specific groups or entities. This entails active monitoring and engagement with partners and heightened attention to communication and transparency. Risk mitigation strategies are anchored in

- In-depth understanding of social and conflict dynamics as well as the political economy in areas where programming will be implemented.
- A solid monitoring system to follow project implementation and understand how the situation is evolving on the ground.
- Regular and open dialogue with civil society and communities, including conducting short, regular perception surveys among project beneficiaries.
- Robust oversight and training of local units and staff working on such issues as GBV and VAC; communication skills to engage beneficiaries; risks of petty corruption and trafficking; minority groups' potential exclusion and discrimination; and other context-specific issues.
- Flexible program design to adjust project implementation when issues arise.

Box 4.**Yemen: The Humanitarian-Development-Peace Nexus in Practice**

The WBG has remained engaged in Yemen since conflict broke out in 2015, and early lessons demonstrate the value of applying a humanitarian-development nexus approach. In a complex humanitarian crisis, the WBG's development funding supports a system-oriented approach that complements the emergency response of humanitarian agencies, which is generally predicated on a substitution approach. The WBG's predictable multi-year funding adds value and helps preserve institutional capacity, protect human capital, and bolster national preparedness for shock response. Working in close partnership with local institutions and the UN actors who pursue life-saving emergency response, IDA's multi-year development funding makes a significant difference in scale/outreach and flexibility/speed, both of which are critical in crisis contexts.

Coordination across the HDP nexus is critical but entails defining shared or collective outcomes. This should take into consideration the different actors' comparative advantages and capacity to deliver in a given context. The coordination between development and humanitarian efforts enhances the overall impact of respective programs.⁴⁴ The Yemen WBG-funded operations have demonstrated that it is possible to combine both short- and medium-term objectives while maintaining national systems—and even strengthening them through innovation. Such institution-focused investments can result in considerable savings in the medium and longer term.⁴⁵ Since July 2016, IDA grants have reached \$1.76 billion to finance emergency operations that benefit people across the country.

WBG operations are anchored in a selective and integrated programmatic approach that leverages the WBG's comparative advantage in basic service delivery, institutional preservation, and resilience-building. The

portfolio includes sectors not covered by humanitarian actors (e.g., energy, urban development, and agriculture). Projects being implemented in tandem with UN agencies include the Emergency Crisis Response Project (\$840 million, in partnership with UNDP and UNICEF); the Yemen Emergency Health and Nutrition Project (\$683 million, with WHO); the Smallholder Agricultural Production Restoration and Enhancement Project (\$36 million financed from the Global Agriculture and Food Security Program, with FAO); and the Yemen Integrated Urban Services Emergency Project (\$150 million) and the Emergency Electricity Access Project (\$50 million) with UNOPS.

WBG support to the private sector has fostered resilience in ways not covered by traditional humanitarian response.

During conflict, it is vital to invest in the private sector to sustain jobs and livelihoods and to preserve basic private sector capacity for post-conflict recovery, including by promoting the resilience of micro-level and informal sector activity. The solar energy Yemen Emergency Electricity Access Project is a key example of finding ways to support value chains that had been developed by Yemenis themselves out of necessity, rather than launching a more conventional intervention.

WBG knowledge products also provide a convening platform for strategic dialogue on development, resilience, and recovery that complements the work of humanitarian partners. The WBG's Advisory Services and Analytics portfolio serves three purposes in Yemen: (a) to inform operations and strategic engagement; (b) to remain engaged in sectors not currently supported by a lending portfolio; and (c) to facilitate strategic dialogue with external and internal partners on long-term sustainable reconstruction.

78. Working across the humanitarian-development-peace nexus:

The WBG will continue to engage in partnerships with humanitarian, development, and peacebuilding actors while remaining focused on its development mandate. The WBG seeks to integrate long-term development considerations of institutional support and sustainability and to work with humanitarian and peacebuilding actors to establish strong synergies and coordination across various interventions. This includes (i) deploying joint mechanisms for assisting vulnerable groups, closing gender gaps and empowering women and

girls, and ensuring that “do no harm” approaches are implemented; (ii) exchanging knowledge on how best to support in-country institutions and how to engage populations/beneficiaries to strengthen resilience and build trust; (iii) carrying out joint data collection and analysis; (iv) collaborating on design and implementation of monitoring in the field; (v) identifying and preparing development responses to tackle the consequences of armed conflict, such as massive flows of internally displaced people, or disasters caused or exacerbated by conflict, including famines or pandemics; (vi) facilitating engagement between humanitarian organizations and

the private sector; and (vii) contracting on-the-ground partner organizations when needed (especially because of access and security constraints).⁴⁶

79. The WBG should support drivers of peace and resilience whenever possible as this is critical for sustainable development outcomes in conflict-affected environments. Creating trust and consensus in societies and communities fractured by violent conflict takes time and substantial local knowledge. Partnering with international and local peacebuilding actors that have extensive on-the-ground presence, including nongovernmental and civil society organizations (NGOs and CSOs), is needed for effective operations in conflict-affected contexts where development is not possible without also fostering cohesion and reconciliation.

80. In FCV settings, the WBG will continue to monitor the macro-financial situation and provide advice to governments on how to reduce negative impacts on the population and on the private sector. During active conflict, monetary and exchange flows require special attention. In such contexts, foreign inflows can be large and volatile relative to the scale of the conflict-affected economy—for example, natural resource revenues, aid, and remittances—while domestic payment systems remain vital to the continuation of services. Sanctions may also be in place against individuals, firms, or whole sectors; challenges may be posed by the high transaction costs of cross-border money transfers; and there may be suspensions of correspondent banking relationships arising from de-risking. In some recent situations, despite the government's fragmentation into competing institutions, the central bank was able to keep functioning and play its role facilitating in domestic and international payment systems. In these circumstances, the WBG can advise the authorities, with the engagement of neighboring countries and major financial centers, on interventions such as stepped-up surveillance on anti-money laundering activities and combating the financing of terrorism.

81. Remittances may be the main source of household buffers for countries in conflict, so keeping these channels open has important social welfare benefits. Migrants and their families in sending countries do not always possess the financial and digital skills necessary to channel remittances

through regulated remittance service providers and may have to resort to informal methods. At the same time, recipient families desperately depend on remittances and are therefore often unable to convert the receipts into longer-term, productive, entrepreneurial uses because of limited access to finance or an underdeveloped private sector. In FCV settings, these challenges are amplified by such factors as the relative lack of competition and the higher transaction costs arising from a lack of foreign exchange markets and less frequently used currencies. The WBG can support the establishment of “safe corridors” for remittances as well as help governments implement legislative and financial infrastructure reforms to ensure greater account access, which in turn would promote the sending of remittances via regulated channels and the use of further financial services by the recipients.

82. Engaging with international humanitarian organizations, NGOs, civil society, and local actors operating in insecure settings is often critical.

These organizations and groups often have substantial presence on the ground in hard-to-reach areas and offer contextual expertise as well as technical know-how for working effectively in FCV settings. For example, collaboration between the World Bank, ICRC, and UNICEF in South Sudan through the 2019 Provision of Essential Health Services Project was crucial to providing health services to vulnerable and marginalized communities in conflict-affected areas. In this spirit, engaging with the UN Resident Coordinator, the Office for the Coordination of Humanitarian Affairs (OCHA), or the European Commission (DG ECHO) across the humanitarian-development nexus is important to maximize impact on the ground. To ensure access to and acceptance by all parties to a conflict, organizations seek to follow the humanitarian principles of neutrality, independence, and impartiality.

83. In cases of high-intensity subnational conflict, private sector engagement will focus on more stable areas of a country. For example, in Afghanistan, the Democratic Republic of Congo, and Iraq, IFC has had significant investments in agribusiness, MSME finance, and power generation in areas that remain stable. IFC has also been able to reach into some areas of subnational conflict, for instance, through investments in financial institutions that remain active near areas of conflict (for example,

in Nigeria). IFC and MIGA will continue to engage in countries with subnational conflicts, focusing on areas of relative stability where investments and guarantees can be made. In areas of widespread conflict, opportunities for engagement with the private sector are limited, but there may be potential to support existing clients and MSMEs with advisory services and finance.

84. Mitigating the risk of regional spillovers and preparing for post-crisis recovery: The WBG plays an important role in applying a regional perspective to a conflict's wider social and economic impact and in helping countries that border a conflict area to address risks of spillover. The WBG will engage with neighboring countries and regional organizations to help governments respond to refugee flows and other conflict impacts. Efforts should consist of multisectoral and targeted interventions to support development and create economic opportunities in border zones—for example, the large-scale investments in northern Kenya); engagement with authorities to combat illicit trafficking; and assistance to neighboring governments as they manage the economic impact of the crisis on their own countries.⁴⁷ Doing this requires early engagement and active policy dialogue with neighboring countries, such as carrying out RRA-type assessments of the potential impact of the crisis on these countries, including its macroeconomic impact.

85. The WBG can leverage its analytical depth to stay prepared to engage in post-crisis interventions. Early preparedness is essential for successful recovery, and the WBG has an important role to play. Early political economy analysis of some critical sectors, such as energy and extractives, should be carried out with an eye to re-engagement. Additionally, private sector reviews or Recovery and Peace-Building Assessments (RPBAs) should be leveraged to create platforms for dialogue and to lay the groundwork for recovery efforts.

3. HELPING COUNTRIES TRANSITION OUT OF FRAGILITY

86. The WBG aims to build on its experience of working in complex situations to help countries exit fragility. Several countries are currently in situations of deep, protracted fragility, while others have started to emerge from it. Overall, 80 percent of countries that were on the FCS list in 2012 remain on it today. These countries tend to relapse into violence and present major risks for their neighbors; they constitute hubs for extremist groups and trafficking organizations and contribute to forced migration to neighboring countries. Deep and protracted fragility also exists at the subnational level in countries that have limited state capacity. In these situations, it is critical to focus on sustained engagement, adaptability, flexibility, and presence on the ground.

87. The WBG will continue to support countries that are recovering from violent conflict. Recovery and reconstruction do not necessarily take place with a formal peace agreement. After a conflict's violent phase, in countries that have functional institutions and high levels of human capital, reconstruction should follow a different path than in those that remain in deep fragility. Recovery efforts must place a premium on rebuilding social cohesion and addressing the long-term drivers of violence, including grievances. They must also be careful to do no harm, as reconstruction in most cases takes place in highly polarized environments.

88. Understanding fragility and implementing context-specific strategies: Building on more targeted and systematic analytics, the WBG will enhance its understanding of fragility, examine countries' political economy, and engage with governments and partners on related operational implications. Once a country experiences high levels of violence and low government capacity, the pact between elites becomes fragile or absent, and the state can be captured by specific vested interests that are disconnected from the population's needs and rights. At this point, it can be said that a "fragile system" is taking hold. In these contexts, people's trust in the state erodes quickly, as does trust between social groups, and violence becomes more frequent. Through analytical instruments such as RRAs, the

Box 5.**Improving Financial Governance to Help Somalia Transition out of Fragility**

Since re-engaging in Somalia, the World Bank has worked in close partnership with the EU, the United Kingdom, Norway, the UNDP, the IMF, the African Development Bank, and others to strengthen the country's financial governance. The program's success has been linked to (i) sustained engagement despite recurring crises; (ii) a holistic approach that looked at many aspects of financial governance, from central bank management to asset recovery and public financial management reform; (iii) a flexible approach that supported experimentation and trial-and-error approaches; (iv) intense policy dialogue; and (v) hands-on support to the Somali government that created an effective partnership with an ongoing platform for dialogue.

In full alignment with WBG's development mandate, the program has engaged in key areas such as applying a public

financial management lens to security sector expenditures, natural resource revenue management, public property protection, improvement of mechanisms to support fiscal federalism, and currency reform. It was also directly linked to EU budget support and IMF staff monitoring, creating strong incentives for reform.

Related programs and analytics have supported flexibility in financing for the long term. Supported by IDA pre-arrears clearance grants and trust fund resources, Somalia has been able to develop a track record of improved economic governance. Somalia has recently been approved for an Upper Credit Tranche Staff Monitored Program with the IMF, putting it on a path toward HIPC Decision Point and IFI normalization.

WBG will pay more attention to analyzing such situations and discussing findings with partners and relevant local actors.

89. Fragility is not limited to the drivers of conflict but encompasses multiple and intersectional risks that weaken systems and threaten lives. Climate change, natural disasters, and natural resource degradation put stress on economic, social, and political systems. Where institutions and governments are unable to manage the stress or absorb the shocks of a changing climate, the risks to the stability of states and societies may increase. Natural disasters (for example, floods, droughts, and sea level rise) cause greater forced displacement than conflict, and managing them is central to prevention and preparedness.⁴⁸ The nexus between climate change, geographic isolation, and fragility is most pronounced in the Pacific, where half of the 12 WBG member states are impacted: Kiribati, the Marshall Islands, the Federated States of Micronesia, Papua New Guinea, the Solomon Islands, and Tuvalu. These countries already suffer from severe fragility because of their small size, weak infrastructure and capacity, limited economic opportunities, and high youth unemployment—notably in Papua New Guinea and the Solomon Islands—as well as repeated natural disasters.

90. When helping countries transition out of fragility, the WBG will engage with a broad range of actors and consider the government's capacity and the strength of its social contract with citizens as it designs its engagement. Experience shows that exiting such situations requires strong leadership at the national level, a population mobilized against the existing fragility system, and the backing of at least part of the private sector and civil society. Such an alliance is delicate to achieve because of the incentives that push actors toward fragility.⁴⁹

91. *Fostering trust, shifting incentives, and laying the foundations for growth:* The WBG has a clear comparative advantage in strengthening core government functions, notably through resource mobilization, transparency, and improved effectiveness in expenditures. Reforms must be initiated to restore resource mobilization capacity through taxation schemes that are perceived as fair and can be easily implemented. This is essential to finance core state functions, but also because taxation can help increase people's trust in the state. Revenue generated by extractive industries requires priority attention because it can be easily channeled toward illicit or corrupt activities.

92. In most cases, it is critical to support adequate funding to frontline service delivery and reinforce local governments to ensure positive and inclusive interface with people. The World Bank is increasingly supporting interventions that pay civil servants based on an initial identification of their posts, cleaned-up payrolls, and more secure ways to process payments (for example, using digital methods or mobile phone payments)⁵⁰. Incremental and trial-and-error approaches are helpful to identify the most appropriate systems.

93. Macroeconomic support should be adapted to the conditions that characterize fragility, while helping governments manage trade-offs in improving their fiscal space, managing debt, and providing credit to the economy. This requires dialogue with the IMF as well as sensitivity to the political economy and to managing the incentives of various actors, especially spoilers. Efforts must be incremental, as pushing for overly ambitious reforms can be counterproductive. Debt management and debt sustainability require clear monitoring and careful attention to the recurrent cost obligations created by development programs. The health of the banking sector and ability to access foreign currency are also essential for countries trying to transition out of fragility.

94. The WBG will scale up support for private sector development through partnerships and joint operations across IFC, MIGA, and the World Bank. In this context, early engagement can concentrate on such areas as agribusiness value chains, SMEs, trade finance, restoring banking services, as well as some investments in communication and urban services. IFC and the Bank are increasingly working jointly on advisory services, public-private dialogues, strengthening of basic legal frameworks, and cutting red tape for business interactions with government (for example, in Afghanistan, Chad, the Central African Republic, and Somalia). Enclave investments, such as mining, ports, or special economic zones, may also be possible. The World Bank plays an important role in restoring the value chain, including in banking and communication, and in improving the rule of law by facilitating the interface between the formal private sector and the state. The Bank will, whenever possible, include private sector facilitation and the regulatory framework in programming to strengthen core state

functions. This can help reduce corruption, set up grievance mechanisms for entrepreneurs, and improve access to land titles and property rights. These projects will be prepared with strong involvement from IFC, and with MIGA where appropriate.

95. As countries emerge from deep fragility, the potential for private sector engagement expands. Countries where fragility is declining, and where the government and other stakeholders are committed to growing the private sector, present an important transformational opportunity for engagement. Despite challenges, WBG programming for the private sector in these fragile settings has been quite broad, covering investments in job-intensive industries such as agribusiness, MSMEs, and manufacturing and service industries, as well as infrastructure investment, particularly in power. Extensive upfront work is required to develop markets, projects, and sponsors, and to provide necessary support in areas such as ESG capacity, sponsor identification, and conflict assessments. IFC and MIGA can promote investment by helping identify sponsors and by mitigating risks and dispelling perceptions about the non-viability of FCV settings for investors. Developing local and regional clients and strengthening value chains is key to helping generate good jobs. Special attention will be placed on promoting gender inclusion and mobilizing new investors.

96. The dual challenges of capacity and legitimacy are especially relevant when trying to build resilient economies and societies. The WBG needs to support delivery systems for projects that do not overwhelm the capacity of line ministries, so that they can stay focused on formulating and implementing policies. It has proven effective to design unified delivery mechanisms that can help different projects deliver benefits, be quickly executed and adaptable, and be used in the event of crisis. The Yemen Social Development Fund and the AGETIP in the Central African Republic (CAR) and Mali are examples of delivery structures that have successfully reached people in need. They reduced the burden of dealing with multiple systems of donor procedures and complex rules.

97. *Post-conflict reconstruction, recovery, and resilience*: The WBG will continue to engage in reconstruction, recovery, and resilience. This includes countries where conflict is mostly subnational or where conflicts exist at the national level, but government capacity and the social fabric remain strong. In most cases, special attention should be given to addressing grievances and strengthening preventive measures.

98. When engaged in recovery and reconstruction, the WBG will continue to cooperate through platforms with security, development, peacebuilding, and humanitarian actors. It is the WBG's comparative advantage to help governments design recovery plans and mechanisms, including around DDR; to provide technical advice and financing; and to leverage its convening power.⁵¹ The RPBA methodology and existing platforms between the EU, UN, and World Bank offer such an approach and can help governments identify their priority needs for recovery, reconstruction and peacebuilding, prioritize relevant investments, and prepare sound financing strategies in collaboration with donor partners—for example, in the Central African Republic, Iraq, and northern Mali.

99. The WBG will increase its engagement with governments to ensure that grievances around exclusion are integrated into reconstruction programs⁵² and that the incentives of spoilers are addressed. Reconstruction is an opportunity

to change patterns of discrimination and address deep grievances. The war economy is often resilient, and illicit networks often continue to operate even after conflicts end. In many cases, the situations warrant more decentralized systems or some levels of subnational autonomy, areas in which the WBG possesses recognized expertise and where peacebuilding requires drilling down into specific technical issues such as transferring resources, managing services, and building the capacity of local government. Similarly, building resilience is a long-term effort in which the WBG is increasingly engaged.

4. MITIGATING THE SPILLOVERS OF FCV

100. The WBG focuses on the negative impacts that FCV has on people, especially the most vulnerable and marginalized. However, a differentiated approach requires understanding the distinct effects that FCV has on people living in these contexts. The definition of vulnerability will vary depending on the context, whether it is people in remote areas of a country who lack access to basic services, those living in daily fear because their city experiences high levels of interpersonal violence, or those who are forcibly displaced. Vulnerability will also vary depending on how different parts of a society experience FCV—with minorities, persons with disabilities, older persons, and other marginalized groups often facing challenges related to discrimination and exclusion.

Box 6.

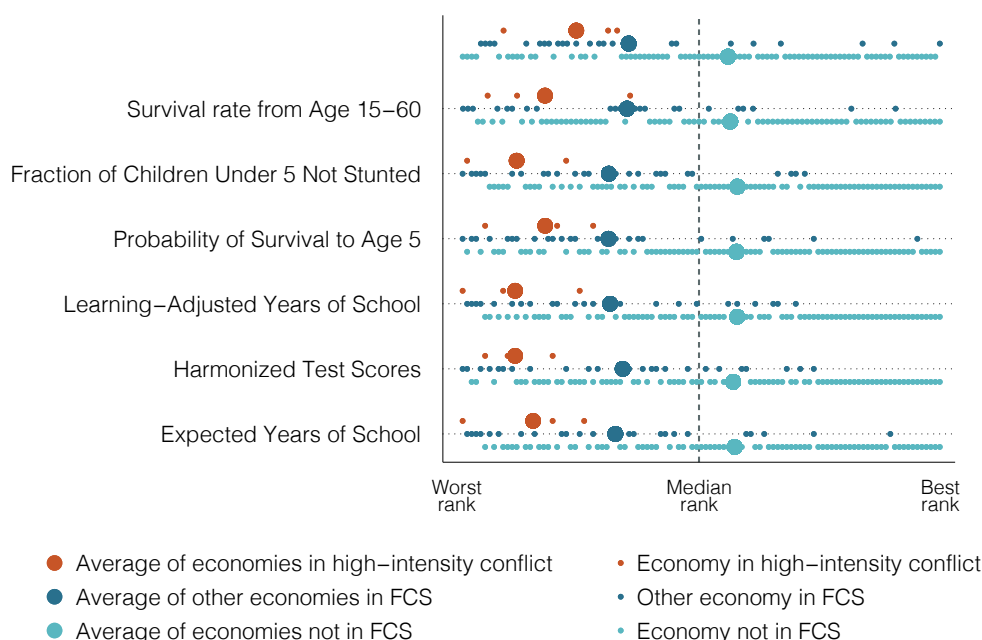
Addressing Subnational FCV in Middle-Income Countries (MICs): WBG Support in Mindanao

Many subnational conflicts occur in middle-income countries not on the FCS List. However, the WBG has been engaged in these situations for over a decade through a range of programs. National-level projects have built-in subcomponents to directly benefit communities in FCV-affected areas, while standalone sectoral projects have addressed FCV-induced problems.

In the Philippines, an estimated 62 percent of people in Mindanao, the country's poorest region, have been impacted by conflict. The World Bank has been engaged there since 2005, working to promote peace, social cohesion, and livelihood development. This is a good example of how Bank support has been holistic, both in using multiple financing options and in the range of projects implemented.

In 2005, the Bank-administered \$29 million Mindanao Trust Fund was established, and over a period of 12 years, it provided access to basic services for more than 650,000 beneficiaries in conflict-affected communities. It delivered community infrastructure as well as livelihood and functional literacy programs in 25 base camps and six acknowledged camps of the Moro Islamic Liberation Front, reaching over 50,000 combatants and community members. When the trust fund closed in 2017, the Bank Group agreed with the government and development partners to carry out a follow-up project for two years (FY18-19), with \$3-4 million in grant financing from donor partners.

Figure 6: Economies in FCS Are Lagging Behind in All Aspects of Human Capital



Source: World Bank (2018b).

Note: The figure excludes high-income countries.

101. It is therefore critical that, whenever possible, interventions to address FCV and increase resilience be paired with interventions that foster and protect human capital. The delivery of social services is also more complicated in fragile settings, where institutions are more limited in their ability to function and where conflict and violence can impede project implementation and equity. Fragile settings also tend to have fewer resources, which makes investments in human capital even harder.

102. The WBG has gradually entered several areas traditionally considered to be the purview of humanitarian actors, such as natural disaster response and risk management, food crises and health epidemics, and forced displacement. In each case, the WBG has focused on contributing a development approach that is complementary to humanitarian relief. New thinking and practices have further developed this approach, as evidenced by the rollout of adaptive social protection systems to respond to famine risks in Ethiopia and Somalia, social safety nets to channel post-cyclone humanitarian cash transfers in the Philippines, and the WBG's efforts to develop private sector programs that address the needs of displaced populations.

103. *Improving human and social capital for FCV-impacted people:* The WBG's Human Capital Project (HCP) provides the framework for addressing the impact of FCV on the highly vulnerable. The Human Capital Index shows that FCS countries significantly lag non-FCS countries in every measure of human capital (see figure 6). Half of the bottom 20 percent of countries in the index are FCS countries. Protecting and building human capital is arguably one of the most important sources of resilience.⁵³ This means addressing FCV and human development work in tandem. On the one hand, many individual and relationship risk factors related to violence and fragility are closely linked to human development, which makes education, health, and social protection key entry points for addressing the impact of violence. On the other hand, experiencing or witnessing violence, particularly at a young age, has negative multiplier effects on education, health, and employment, jeopardizing the achievement of each sector's core objectives as this negatively impacts the next generation.⁵⁴ Similarly, child marriage puts present and future generations at risk.⁵⁵ The HCP also promotes a multi-sector approach that takes the life cycle into account.⁵⁶

104. WBG programs should adapt to the needs of at-risk groups that suffer disproportionately from the violence and economic disruption of war. This includes (i) children, who need improved nutrition, education, and basic health care, including mental health; (ii) women at risk of GBV who are suffering from trauma and who need equal access to productive assets, revenue-generating opportunities, education, and representation and authority in decision-making at the household, community, and higher levels; and (iii) young men and women, who need employment opportunities and skills as well as opportunities to play a constructive role in society, particularly those traumatized by warfare who need to find new roles in their communities. The inclusion of sociocultural minority groups particularly targeted by violence and abuse is key. Intersectional approaches may be needed to address multiple forms of vulnerability (for example, minority group members with disabilities).

105. Addressing the needs of the forcibly displaced and their host communities: The WBG will further support transforming the global response to forced displacement, in line with the Global Compact on Refugees.⁵⁷ There is a broad consensus to promote synergies between humanitarian assistance and long-term development interventions. The WBG brings a development perspective to the forced displacement agenda, as endorsed by the Development Committee in April 2016⁵⁸ and further articulated in the *Forcibly Displaced* report.⁵⁹ This is distinct from, but complementary to, the emergency responses and the rights-based agenda of humanitarian actors. It includes (i) enhancing ownership and leadership of the response to displacement by host governments and regional organizations, as appropriate; (ii) strengthening the focus on the socioeconomic dimension of the crisis, for both the displaced and their hosts; (iii) focusing on key areas for medium-term success, especially jobs and education, and closing gender gaps by empowering women and girls; (iv) underlining the importance of policies and institutions to provide an adequate response; and (v) increasing the use of data and evidence to inform results-driven strategies.

106. The WBG can build on a solid foundation, with active programs financed by IBRD and IDA across all regions and sectors.⁶⁰ IFC has also developed MSME and vocational training programs

for displaced populations and host communities and has worked to engage the private sector, for example, building on the 2018 *Kakuma as a Marketplace* report⁶¹ and the 2019 *Private Sector Refugees: Pathways to Scale* report. IFC has created blended and risk-sharing facilities for financial institutions that lend to SMEs and is exploring the creation of more programs, in collaboration with the World Bank, to provide economic opportunities for refugees and host communities. Another example is the Partnership for Improved Prospects, established by the Netherlands, IFC, the International Labour Organization, UNICEF, the World Bank, and UNHCR, which aims to help transform the way governments and other stakeholders, including the private sector, respond to forced displacement crises. The WBG's engagement is grounded in a solid partnership with UNHCR, structured around the complementarity of their mandates and capacities.

107. Looking ahead, the WBG has three goals to support forcibly displaced communities: (i) to mitigate the shocks caused by in-flows of refugees and internally displaced persons (IDPs), as well as to create social and economic development opportunities for the forcibly displaced and their host communities; (ii) to facilitate sustainable solutions to protracted displacement situations, including through the sustainable socioeconomic inclusion of refugees in the host country and/or their return to their country of origin; and (iii) to strengthen countries' preparedness for forced displacement crises. The WBG will continue to focus on helping the forcibly displaced offset their vulnerabilities and on helping host communities absorb the shock.

108. Internal displacement is also a development challenge, and effective support will require collaborating with partners and guiding development funds to prevent escalation or a relapse of conflict. A fundamental challenge in addressing situations of internal displacement through a government-led approach is that the same country is both the cause and the host of the displaced population. Conflict- and violence-induced internal displacement is in most cases caused by endogenous drivers and cannot be addressed in isolation from the dynamics that caused it.

Box 7.**Responding to Forced Displacement in Ethiopia**

In Ethiopia, the World Bank is helping the government shift its policies from encampment to sustainable management of protracted refugee situations.⁶² Over time, this strategy will provide out-of-camp opportunities and facilitate the socioeconomic integration of refugees; improve living standards for host communities; build human capital among refugees; and help transition away from humanitarian aid where possible. Ethiopia passed a new Refugee Proclamation in January 2019, making its legal framework on this issue one

of the world's most progressive. It provides enhanced rights for refugees seeking to access services and employment. The Bank's support to the Jobs Compact contributed to the timely adoption of the Proclamation. The Bank, in partnership with UNHCR, is also providing the government with policy advice, analytics, capacity-building, and financing. In addition, Ethiopia is receiving substantial support from IDA to support refugees and host communities.

109. Addressing global and regional crises, including spillover effects:

FCV conditions exacerbate already dire existing vulnerabilities and can lead to extreme, multi-hazard crises such as severe food insecurity or famine. Today's famines are primarily the result of political events,⁶³ and nearly every famine since the 1980s has occurred in countries affected by FCV.⁶⁴ FCV conditions threaten food supplies by limiting production and trade, and livelihoods may be intentionally interrupted or destroyed. At the same time, access to aid is often deliberately hindered by warring parties.⁶⁵ Combined, these FCV dynamics can push people into destitution and eventually famine.⁶⁶ If history is a guide to future trends, the rising number of conflicts will inevitably lead to a greater risk of multidimensional crises such as famine.⁶⁷

110. Food security is a priority for the WBG. The linkages between sustainable agriculture, climate, natural resources, food security, and peace and stability cannot be overemphasized. WBG is scaling up efforts to address famine risk with a broad crisis management approach that encompasses prevention, preparedness, and early-warning measures while relying on country systems. Through the Famine Action Mechanism (FAM)⁶⁸ and other initiatives and programs, the WBG is (i) supporting more quantitative and timely data and analytics to better detect and forecast emerging food security threats; (ii) filling gaps in financing to bolster long-term investments that tackle root causes, while developing instruments that can respond more quickly and flexibly to warning signs; and (iii) working with existing, country-based systems to better integrate short-, medium- and long-term goals—in short, a “whole-of-aid” approach.

111. The WBG is also reinforcing its capacity to address pandemic risks and health crises in FCV settings. Recent pandemics—such as the cholera epidemic in Haiti and the Ebola crises in the Mano River region of West Africa, the Democratic Republic of Congo, and neighboring countries—have affected countries wrestling with FCV. Many countries that are in active conflict or face periodic violent flare-ups have weak health systems, doubly burdened by supply disruptions and acute surges in trauma and injuries. The World Bank will strengthen its capacity to identify risks and intervene rapidly through the GCRP mechanism, as well as engage early through tailored multisectoral interventions to help restore health systems and support communities, especially during and after episodes of violence. In the Democratic Republic of Congo, for example, the Bank is deploying a multisectoral program to respond to the ongoing Ebola crisis, strengthening public health systems, and supporting cash-for-work interventions to bolster community engagement.

112. Climate-related change can influence factors that cause or exacerbate conflict. Climate change is a driver of FCV, and its impacts fall more disproportionately on the poorest and most vulnerable living in FCV situations. Ultimately, the nexus of FCV and climate change can undermine human security and peace. Adverse climatic events and natural disasters⁶⁹ can increase the risk of violence and conflict, at both the interpersonal level and between groups.⁷⁰

113. Climate change is also emerging as a potent driver of internal migration. The 2018 World Bank report *Groundswell: Preparing for Internal Climate Migration*⁷¹ predicts that slow-onset climate change

Box 8.**Dealing with Trauma Caused by War and Crisis**

Living with poor mental health and lingering trauma is a harsh daily reality for a large swath of the global population. Estimates from the World Health Organization (WHO, 2019) reveal that among people who have experienced war or other conflicts in the previous 10 years, almost 1 in 10 have a moderate or severe mental disorder. In areas affected by conflict, 1 in 5 people are living with some form of mental disorder, ranging from mild depression and anxiety to psychosis. Given the sizeable proportion of people living in countries affected by fragility, conflict, violence, and human rights violations, the burden of trauma and poor mental health on people, communities, and institutions is staggering and

impacts entire generations. This increases when violence and sexual violence are weaponized during warfare, as is often the case in conflict and post-conflict situations. Mental health programs are important but not sufficient, and trauma requires strong support from communities, restoration for assets lost, jobs and social engagement activities whenever possible, as well as some form of action and accountability that recognizes the suffering of victims. In post-conflict situations, it is important to factor in that many beneficiaries will be suffering from trauma.

affecting crop productivity, water stress, and sea level rise, compounded by storm surges, will result in the emergence of hotspots of climate induced in-migration and out-migration. Without concrete climate and development action, by 2050 some 143 million people—about 3 percent of the population across Sub-Saharan Africa, Latin America and South Asia—could be forced to move within their own countries as part of climate-induced migration. This trend will increase across the three regions, the study says. It is therefore vital to pursue more climate-friendly and inclusive development scenarios to reduce the number of climate migrants.

114. The WBG recognizes the importance of addressing FCV's environmental impacts as well as environment-related drivers of FCV. The combination of climate change, poor state capacity, mismanagement, and insecurity can seriously impact natural resources and the environment, exacerbating tensions between groups, compounding vulnerabilities, and increasing hardship on the poorest. Building up a community's resilience and protecting natural resources such as arable land, fresh water, and biodiversity are important components of the World Bank's engagements in fragile areas such as the Sahel, Central Africa, and the Pacific Island countries,⁷² where multidimensional fragility is prevalent. Interventions need to be highly contextual, community-driven, and tailored to how various populations actually use natural resources.

115. It is urgent to shift from reactive to proactive and anticipatory responses. Crises in hotspots require immediate attention, yet responses must go beyond the proximate causes to address the underlying drivers, including environmental and climate-related factors, that jeopardize livelihoods and fuel conflicts. It is also essential to step up preventative approaches to enable holistic and integrated solutions across spatial and temporal scales. For example, the Bank-funded Regional Sahel Pastoralism Support Project supports transboundary migration as an adaptation strategy for pastoralists who are threatened by drought and conflict. It uses a range of interventions, including migration corridors, shared water points, surveillance for major diseases and other veterinary services, more robust early-warning systems, and enhanced crises response.

C. Areas of Special Emphasis

116. The WBG will be selective and promote areas of special emphasis, as engaging in FCV settings is fundamentally different from engaging in non-FCV settings. Emphases will include (i) investing in people and their human capital; (ii) supporting macroeconomic stability and debt sustainability; (iii) creating jobs and economic opportunities; (iv) building community preparedness and resilience to impacts such as climate change and environmental degradation; (v) engaging on justice and the rule of law; and (vi) and engaging with the security sector.

117. Throughout its engagement in FCV settings, the WBG will emphasize closing gender gaps and addressing the needs of women and girls. The Bank will increase operationally relevant analytical work that identifies gender-based discrimination and harmful gender norms (including those that drive GBV), as well as gender gaps in access to economic opportunities, assets, and human capital in FCV settings. Evidence-based operations across sectors will aim to close these gaps as well as prevent and respond to GBV, delivering better outcomes for women and girls as well as men and boys. The Bank recognizes that achieving gender equality outcomes creates resilience at the individual and community level, and that it is instrumental in promoting prevention and providing a foundation for building and preserving human capital.

118. (i) Investing in people and their human capital: The WBG is heavily engaged in efforts to improve the delivery of health, education, and nutrition services and the availability of drinking water. Together with safety nets' support to disadvantaged families, these services help build and protect human capital, especially for the most vulnerable communities. The WBG will address gender gaps, disability, and other socioeconomic gaps in human capital, both for their intrinsic benefits and for their links to social inclusion and cohesion. WBG operations will focus not only on the quantity of services but also on how they are delivered, recognizing that inclusive and effective social sector service delivery is central to improving state legitimacy and trust in institutions.⁷³

119. When supporting systems, the WBG is cognizant of capacity constraints, the recurrent cost of maintaining service delivery, communities' level of commitment and engagement, and the need to mitigate major context-specific issues such as distance to facilities, security, corruption, exclusion, and discrimination risks. Special focus will be placed on supporting the agency of the most vulnerable and marginalized groups, including women and children,⁷⁴ minorities, and people with disabilities. The WBG also acknowledges the importance of deepening partnerships with local institutions to deliver services and increase the agency of women and girls. Regardless of the type of institution that delivers services, governments should maintain a strong policy and monitoring role and ensure that service delivery is inclusive and equitable.

120. (ii) Supporting macroeconomic stability and debt sustainability: Countries at high risk of violence also typically experience challenges with their macroeconomic policy. Depending on context, these can include limited fiscal space and debt intolerance, a tax system perceived as unfair, poorly targeted subsidies, limited control over public expenditures, weak management and low transparency of revenues, difficult access to credit, high inflation, and capital flight. These situations tend to undermine economic growth, reinforce corruption, worsen service delivery, reduce trust in public institutions, and create disincentives for private sector investment and growth. Analytical work that incorporates differential impacts across households and firms (for example, Policy Social Impact Assessments) and that mobilizes economic expertise specific to FCV countries is the first step toward ensuring that macroeconomic policies are conflict-sensitive. In contexts marked by fiscal pressures and urgent financing needs, it is all the more critical to support governments in designing a feasible adjustment and to convene partner support. This includes preserving budget cash flow through large cuts to the capital budget or by accumulating arrears—both of which are undesirable measures in “normal” times but are potentially capable of buying time while conflict factors are being addressed.⁷⁵ Advice on macroeconomic adjustment and debt sustainability should also take into account the proposed reform package's impact on the poor and middle class, as perceptions of unfairness often trigger violence.

121. (iii) Creating jobs and economic opportunities: Job creation is among the most pressing challenges in FCV. The social externalities linked to jobs—beyond the benefits that workers themselves enjoy—are especially high in FCV settings. Job creation and improvements in earnings can contribute to peacebuilding through their impact on social cohesion and dignity. Better jobs can help break cycles of violence, restore confidence in institutions, and give people an increased stake in peaceful society. But job creation in FCV settings is complicated by the impact of conflict and fragility on infrastructure, on the ability of workers and firms (whether formal or informal) to plan and to bear risks, and on the business environment. In addition, about two-thirds of existing employment in FCS countries is classified as vulnerable.⁷⁶

122. Real job creation can be sustained only through improved governance and security, and it must be driven by the private sector, which accounts for about 80 percent of employment in FCS countries. Jobs in FCV settings involve diverse actors, including formal and informal firms, MSMEs, household enterprises, and self-employed workers. Job outcomes can be improved by a range of measures, including improving the functioning of markets through better information and connectivity; facilitating company registration; de-risking tools; support for MSME development; and skills upgrading and support to the self-employed to increase their productivity. WBG support to jobs in FCV will continue to be guided by Jobs Diagnostics that analyze the obstacles to improving livelihoods and to increasing earnings and job quality.

123. (iv) *Scaling up community approaches to addressing drivers of fragility and supporting the dynamics of resilience, including efforts to address environmental challenges.* Community-driven operations empower communities.⁷⁷ These approaches help reorient service delivery systems and make people partners in the design and delivery of public services. In fragile situations, engaging citizens to oversee service delivery and creating mechanisms to reinforce their participation is critical to improving services and social cohesion. These efforts can be designed to support prevention and resilience in polarized situations and to help local governments deliver infrastructure and services in remote and insecure regions, foster inclusion of marginalized populations, remove perceptions of injustice, improve fairness, and generate acceptance on the distribution of public resources.⁷⁸

124. *Prioritizing social protection systems to enhance human capital and productivity, fight poverty, reduce inequalities and contribute to social peace.* Building social protection programs in line with state capacities, including social safety nets and cash transfers, are essential to promoting equity and to building resilience and opportunity. After a conflict, they ensure welfare in the short term, and they provide resources to local economies and people in the medium term. This allows households to invest in health, education, and nutrition, thus protecting human capital and reducing the incidence of poverty. Such programs can also discourage

a renewal of conflict. Recent randomized trials in the Central African Republic, Côte d'Ivoire, Egypt, Liberia, and Uganda have yielded encouraging results, in terms of both livelihoods and conflict. The impact of cash transfers may be even stronger when combined with ancillary services such as mentoring or counselling. Evidence from cash transfer programs demonstrates that alleviating income constraints can reduce the incidence of violence and gender-based violence. But challenges remain, such as fiscal sustainability and evidence gaps in the long-term effects, especially on child learning and nutrition, as well as on adult employment.

125. *Increasing efforts to address the environmental impacts of FCV and disasters.* The combination of climate change, poor state capacity, and insecurity can seriously impact natural resources and the environment, exacerbating tensions between groups and increasing hardship on the most vulnerable. Building a community's resilience and protecting its natural resources, such as access to land and water, is an important component of Bank engagements in fragile areas, such as the Sahel or the Pacific Islands, where multidimensional fragility is high. Such interventions need to be contextual and tailored to how local populations use land. WBG operations encompass how to manage pasture, protect and restore forests, better use water supplies, protect and prevent the contamination of water and land, and develop small irrigation schemes. Similarly, disasters hit people living in FCV-affected countries hardest and can further erode citizen trust where governments are unable or unwilling to respond. Disasters set back economic and social progress. Most notably, water-related disasters can act as risk multipliers in fragile contexts, contributing to conflict, violence, and/or migration.⁷⁹

126. (v) *Engaging on justice and the rule of law:* A robust justice system creates incentives for peaceful behavior. It can settle disputes in a peaceful manner, ensure accountability through limits on the exercise of power, and combat corruption. But calls for justice and the rule of law from a country's citizens can contrast starkly with the capacity of governments to actually meet these demands. Both formal and informal justice systems play an important role in resolving grievances that might otherwise lead to conflict, crime, and violence. Building resilient institutions capable

of addressing grievances and delivering services is critical to transforming the dynamics of FCV settings.

127. Since the early 1990s, the Bank has worked with justice institutions of member countries, particularly courts, ministries of justice, legal aid providers, CSOs, and bar associations. It has provided financing from its own resources and trust funds, technical assistance, and advisory services through projects whose objectives and activities focused, in whole or in part, on improving the administration of justice and the rule of law. The Bank has also worked to improve case-management systems, train judges, enhance legal aid and outreach. Similarly, the Bank has worked on designing and implementing projects across its FCV portfolio to be more effective, equitable, and responsive to grievances and disputes, particularly those of affected persons.

128. Going forward, the Bank will explore ways to strengthen the justice and rule-of-law dimensions of operational and analytical work to help countries better address grievances; enforce rights; reduce and manage crime; equitably resolve disputes over land and natural resources; promote legal aid and access to legal services; and strengthen contract enforcement and commercial dispute resolution. Of special concern is that all GBV survivors—including survivors of sexual violence—need access to legal and judicial services for prevention, protection and prosecution.

129. (vi) Engaging with the security sector: Security is vitally important to addressing the development challenges posed by FCV. Although the WBG's involvement with member countries' security sector has been limited, there is growing recognition that

the institution may engage with security actors while remaining consistent with its mandate, comparative advantage, and technical competence. The WBG's engagement with security and military actors ranges from national military units providing non-military functions such as disaster relief;⁸⁰ to financing of road construction in an active conflict zone in, for example, Cameroon using the country's Army Corps of Engineers because there were no private contractors willing and able to undertake the work;⁸¹ to partnering with the UN peacekeeping mission and UNDP in Liberia to support the newly elected government's efforts to improve infrastructure, with employment-intensive road repairs as part of recovery in war-affected areas.

130. In response to client demand, the WBG has partnered with the UN in carrying out public expenditure reviews and public financial management. This has provided governments with inputs about the economic and budget tradeoffs of ensuring security and promoting peacebuilding. To date, the WBG has undertaken more than 20 such reviews in the security sector. These have led to key strategic and operational outcomes, ranging from a dialogue on pensions and aging personnel in Guinea-Bissau, to procurement reform in Afghanistan. To provide greater clarity, the Bank is reviewing its legal and policy framework for security engagements and has adopted a case-by-case approach that identifies, manages, and mitigates risks while ensuring that all Bank engagements and activities with security actors are designed to be consistent with its development mandate under the Articles of Agreement.



Section III: Operationalizing the WBG's Strategy for FCV

131. To operationalize the FCV Strategy, this section sets out an implementation model. It articulates 23 measures⁸² to strengthen the WBG's effectiveness in FCV settings.

132. Implementation is structured around “4 Ps”: policies, programming, partnerships, and personnel. These are underpinned by **financing** (IDA and IBRD financing, trust funds, IFC investments, and MIGA guarantees), with the strategy offering a tailored financing architecture for FCV settings aligned with the four Pillars of Engagement.

133. Flexibility and adaptation to individual country contexts will be key for effective operationalization of the FCV strategy on the ground. The operationalization of the 23 measures proposed will thus be conducted at both the global level—as part of WBG's corporate commitments and applicable across the institution—and at the country level. This will ensure that the measures can be translated into WBG programming in a manner that is tailored to each specific situation.

A. Policies, Processes, and Practices: Ensuring the WBG is Fit-for-purpose

134. *Clarifying and articulating the WBG's engagement in FCV settings*: The policy framework of the WBG provides the backbone of its engagement around the world. In settings that require special flexibility to respond to FCV challenges and rapidly changing dynamics, it is especially important to ensure that these policies, and related processes and practices, are fit-for-purpose and allow the WBG to maximize its impact on FCV.

135. World Bank Operational Policy (OP) 2.30 on Development Cooperation and Conflict, which includes provisions that apply to FCV and other contexts, is being updated, drawing on inputs and guidance from the Bank's Board of Executive Directors.⁸³ Among other things, the updated policy will clarify the application of provisions of the policy in several key areas, including

- **Response to humanitarian crises.** The policy will clarify that the Bank may provide development assistance in response to humanitarian crises under certain limited parameters.
- **Forced displacement.** The update will mainstream key principles of the IDA18 Refugee Sub-Window and reflect emerging practice derived from displacement operations in different developing regions.
- **Security and related issues.** The update will provide clarified parameters for the Bank's engagements with military and security actors through ASA activities (such as security-sector public expenditure reviews) and, where appropriate and warranted, for project implementation. It may also clarify parameters and the scope of the World Bank's support for peacebuilding activities and engagements with non-state actors.

To support the rollout of the new FCV strategy and updated OP 2.30, the Bank will update and prepare new guidance to staff on key FCV-relevant topics, including support for the implementation and supervision of Bank projects in insecure areas.

136. The updated policy will be finalized and submitted to the Bank's Board of Directors for approval following a discussion with the Committee on Development Effectiveness. The updated OP 2.30 will be accompanied by guidance to staff on key FCV-relevant topics, including support for the implementation and supervision of Bank projects in insecure areas.

137. In recent years, the Bank has enhanced its operational flexibilities in FCV settings in an effort to increase operational effectiveness. The Bank will enhance the practice of systematically using operational flexibilities introduced for FCV settings in full consistency with existing guidelines. This includes providing staff trainings and fostering communities of practice to raise awareness of flexibilities in procurement, the Environmental and Social Framework (ESF), or financial management in FCV settings.

138. Overall, the WBG has enhanced its operational flexibilities in FCV settings. Several flexibilities have been successfully introduced for FCV contexts to increase operational effectiveness while maintaining adherence to standards, such as paragraphs 11 and 12 of the Policy on Investment Project Financing that address situations of urgent need or assistance and capacity constraints. However, many of these flexibilities are not being used systematically in FCV contexts. To increase awareness of flexibilities, staff learning should include formal training and other relevant approaches (e.g., Communities of Practice).

139. The Initiative for Improving Impact and Effectiveness in Fragile and Conflict-Affected Situations (the FCV Pilots) was implemented and conducted between September 2018 and June 2019. The objectives were to (i) strengthen project supervision and implementation support, including through a Bank-wide review of third-party monitoring (TPM) arrangements (including data on delivery models, risks, costs, duty of care, terms of reference, etc.); (ii) enhance program effectiveness; and (iii) improve portfolio selectivity. The focus was on Afghanistan, the Democratic Republic of Congo, Haiti, Iraq, Kosovo, the Philippines, and the Sahel countries. Among key lessons learned on operational challenges, the pilots highlighted:

- **Geospatial analysis and portfolio mapping are important to enhance operational effectiveness:** specifically, deploying low-cost, high-impact geospatial technology (specifically, the GEMS initiative) to map the project sites.
- **Supervision and implementation support are subject to access constraints because of persistent insecurity.** Limited access to project sites in high-risk locations can be mitigated by (i) strategically contracting TPM agents to help fulfill the Bank's supervision obligations; and (ii) building the M&E capacity of governments to deploy low-cost ICT solutions such as GEMS to better capture granular data on project implementation.
- **Insecurity makes supervision more expensive, especially TPM.** Yet as has been shown in Iraq, technology and the joining of supervision budgets

to contract portfolio-wide TPM can help reduce costs and increase economies of scale. Additional options include using project proceeds to pay for technical and social audits to monitor technical quality, performance, social risks, and safeguards.

- **Making programs FCV-sensitive reduces fragmentation.** Lessons gathered highlight the importance of concentrating programs on the most important sectors and themes that can curtail FCV drivers. Portfolio reviews and deep dives have been conducted in the Democratic Republic of Congo and Haiti to assess performance and identify improvements in supervision. In the Democratic Republic of Congo, this means reducing the geographical coverage of the portfolio in order to focus on conflict-affected areas where the needs of the poor are most acute.
- **Special focus on the political economy helps staff understand the drivers of fragility.** In MICs with subnational conflict, such as the Philippines, staff report that systematic FCV awareness and training are necessary to ensure that conflict and fragility issues do not become overshadowed by standard development interventions. This entails customized FCV trainings. In Haiti, the Philippines, and the Sahel, the FCV pilot programs supported customized trainings that covered project design, partnerships with the UN and NGOs, working with the private sector, and safety and security.

140. Operating in FCV settings calls for enhanced implementation support. In low-capacity environments especially, it is critical to provide support and build capacity to address deep institutional fragility, and to develop smart country-wide approaches to compliance. The World Bank is developing new approaches to support teams throughout implementation and to ensure that projects can adjust to changing circumstances. For instance, in Afghanistan, under the Anti-Corruption and Results Monitoring Action Plan (ACReMAP), the objective is to enhance the value for money of Bank-financed operations by reducing their vulnerability to corruption, while strengthening monitoring of implementation progress and results.

Box 9.**ACReMAP in Afghanistan**

In Afghanistan, the WBG is working with the government to enhance implementation support, with emphasis on fiduciary aspects through a unified compliance package. The ACReMAP project includes (i) strengthening vigilance and rigor in results monitoring, including through risk-based smart implementation support and by ramping up TPM to cover all projects; (ii) helping the government implement its anticorruption strategy, notably through demand-driven capacity building in selected government agencies; (iii) increasing transparency and citizen engagement, including by rolling out a portfolio footprint (district-level visualization of the Afghanistan Reconstruction Trust Fund portfolio), TPM dashboard, and ultimately a compliance management system, built iteratively across the WBG (starting with audits dashboards); and (iv) strengthening the safeguards system by addressing gaps between the Environmental and Social Framework (ESF) and country systems, supporting capacity development, and proactively managing risks and bottlenecks in the pipeline and portfolio.

141. Building on the WB Procurement Framework Policy implemented in 2016, the World Bank is ramping up its Hands-On Expanded Implementation Support (HEIS) in FCV settings. HEIS is currently being provided in 16 projects, and preliminary evidence shows that it speeds up procurement and mitigates project implementation delays. For instance, in Myanmar, a consultant selection process that would have normally taken 18 months was completed within seven months. Similarly, alternative procurement arrangements (APAs) are supporting borrowers' capacity to implement projects in countries with particularly difficult environments, including FCV, and can increase the Bank's operational flexibility. Projects in Somalia, South Sudan, Yemen, and Zimbabwe are good examples of how the Procurement Framework's APAs have helped the Bank exercise greater flexibility in responding to FCV needs on the ground.

142. Environmental and Social Aspects: The World Bank's new Environmental and Social Framework (ESF) has introduced a comprehensive set of 10 Environmental and Social Standards (ESSs), with multiple entry points to address risks in FCV settings. In these as in other settings, the World Bank remains committed to the strong environmental and

social standards set forth in the ESF. The principles of inclusion, social development, participation, and non-discrimination are among those that underlie the ESF, which puts special emphasis on those that are more disadvantaged or vulnerable. The Environmental and Social Policy, which is part of the ESF, explicitly calls for the World Bank's due diligence process to take into account threats to human security through the escalation of personal, communal, or inter-state conflict, crime, or violence.

143. The ESF requires a higher level of environmental and social risk management from borrowers than the previous safeguards regime.

The ESF includes more explicit requirements in some areas (e.g., labor, non-discrimination, stakeholder engagement) and new project documents (e.g., Environmental and Social Commitment Plan, Labor Management Plan, Stakeholder Engagement Plan). Issues relating to ESF implementation that will require increased efforts on the part of borrowers include labor and working conditions, non-discrimination, biodiversity, GBV, and occupational health and safety. Client capacity to manage environmental and social issues is limited in some countries and is expected to strengthen only gradually. The ESF does not have a separate procedure for FCV situations, and the application of the ESF in the context of FCV situations can be challenging, given low capacity and often volatile conditions.

Box 10.**Flexible Procurement in FCV: Somalia**

In 2017, the Somali government requested the Bank's financial support for emergency drought assistance. Although there was no active IDA program in the country, the Bank used APAs under the Somalia Emergency Drought Responses and Recovery Project to channel a single multisector program through the FAO (\$30 million) and the ICRC (\$20 million). In addition, the program allowed 100 percent retroactive financing for the ICRC component, with the proper risk mitigation measures in place. Through this program, 500,000 people gained access to food, 700,000 to clean water, and 50,000 households benefited from livestock vaccinations or animal treatment support.

144. The ESF offers a range of flexibilities for FCV settings. The ESF is supported by notions of proportionality, adaptive management, and judgment-based decision making, which enables operational flexibility when agreeing with borrowers on the environmental, social, health and safety (ESHS) risk management measures that are reflected in the Environmental and Social Commitment Plan (ESCP). The flexibility built into the ESF can be combined with strengthened Bank support to governments and thus help make the process more manageable in FCV contexts. The World Bank and the borrower can agree to the preparation of the ESF instruments during project implementation, provided that there is a detailed timetable for delivery to ensure that measures are in place prior to the start of any activities that could result in negative environmental and social risks and impacts. These elements of policy flexibility are especially true in emergency conditions.

145. To support the ESF, the World Bank issued a Directive to address risks and impacts on disadvantaged or vulnerable groups and individuals. The Directive provides staff with clear instructions to conduct the due diligence process on identification and mitigation of risks to those who may be disadvantaged or vulnerable, whose presence may be more prevalent in FCV contexts. The World Bank is developing guidelines to operationalize the ESF that may be particularly useful in FCV settings, including already published good practice notes on GBV, gender, use of security personnel, non-discrimination and disability, non-discrimination and sexual orientation and gender identity, and third-party monitoring.

146. Financial management. Although the financial management specialist (FMS) of each World Bank project is required to undertake periodic financial management supervision of project activities, depending on the level of risk, this is hampered by insecurity in FCV settings. In Yemen, for instance, the Bank currently has no access, and in South Sudan, Bank staff are not allowed to travel outside the capital, Juba. To provide fiduciary oversight in these environments, the Bank relies on alternative arrangements such as TPM, remote supervision through GPS-enabled technology, reliance on UN agencies with a presence in the country, and independent verification agents. Current financial

management policy allows for innovative ways to contextualize appropriate interventions in FCV settings. Key examples include

- **Risk assessment and mitigation.** The WB IPF Policy requires the FMS to assess the risks to project implementation and suggest mitigation measures depending on the level of risk and the operating environment. For example, in cases of low or no capacity, FM policy allows the borrower to transfer its fiduciary responsibilities to a third party with adequate capacity (for example, the South Sudan Safety Net program, and the Timor-Leste Community Driven Nutrition Improvement project).
- **Flexibility in retroactive financing and PPF that can be used to support project implementation.** In the Comoros's Comprehensive Approach to Health System Strengthening project, for example, retroactive financing has prevented delays in project preparation.

Box 11. **Standards and Policy Application in FCV Operations**

The Somalia Urban Resilience Project Phase II illustrates how the Environmental and Social Framework enables projects to take a more proactive and systematic approach to issues that are particularly relevant for FCV settings. With Al-Shabaab still in control of parts of the country and attacks frequently targeting government, strategic infrastructure, and people in urban areas, the clear provisions provided under the ESF—including ESS2 (Labor and Working Conditions), ESS4 (Community Health and Safety), and ESS10 (Stakeholder Engagement and Information Disclosure)—have helped the project identify relevant risks and design feasible mitigation measures. This has helped address security risks for (i) project workers (such as putting in place restrictions on work hours and access control to construction sites), (ii) the host community (such as management of risks from the use of public security forces), and (iii) public stakeholders (such as the use of low-profile focus group meetings and individual interviews rather than high-profile public consultations). The government has committed to implementing these measures in the Environmental and Social Commitment Plan (ESCP), which enables the Bank to systematically monitor and strengthen the effectiveness of these measures throughout the project's life.

- **Disbursement methods** that can provide increased flexibility for FCV operations. Since 2017, the entire South Sudan portfolio has migrated to the transaction-based SOE system, with direct payments used for almost all payments.
- **Flexibility in financial reporting frequency, format, and content** that have also been used to support operations. For high-risk projects, it is normally agreed with the implementing entity to submit more frequent IFRs with additional details to provide accountability. Whenever feasible and appropriate, projects are also encouraged to use the government's own IFMIS for project accounting rather than parallel accounting systems.
- **Audit and assurance services.** The flexibility allowed in the Investment Project Financing policy in terms of the borrower's responsibility for assurance of the proper use of funds allows for alternative assurance arrangements, including adjustments in the periodicity and types of audits, third-party monitoring, and independent verification as an additional or alternative means of assurance. For high-risk projects, third-party monitoring has leveraged the presence of other development and relief agencies, such as the UN and international non-governmental organizations (INGOs), that are on the ground in FCV settings, to provide assurance on the use of Bank financing—for example, in South Sudan, the West Bank and Gaza, and Yemen.
- **Capacity building.** The Financial Management (FM) Directive requires each project to ensure that the implementing entity maintains adequate FM capacity. However, in FCV countries, capacity constraints are significant, so knowledge-sharing and hands-on support are critical. Several approaches have been implemented to promote compliance through capacity-strengthening measures. In the Solomon Islands, for example, FM workshops to discuss cross-cutting portfolio issues enable project accountants to raise issues both in relation to their specific project and about their communications within the Bank. These have become a regular part of the financial management mission agenda.

147. Consultations. Accountability to affected populations in FCV settings is key. The Bank's *Strategic Framework for Mainstreaming Citizen*

*Engagement*⁸⁴ requires all investment project financing operations to integrate into the project results framework at least one mechanism to engage with the project's ultimate beneficiaries, and one or more indicators of beneficiary feedback. Furthermore, the ESF's *Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure* emphasizes the importance of engaging stakeholders throughout the project life cycle, especially those who may be disadvantaged or vulnerable. All project-affected parties and other interested parties will be identified through stakeholder identification and analysis at the beginning of project preparation. Projects with heavy security constraints have benefitted from modified or alternative processes for stakeholder engagement and consultation on environmental and social (E&S) risks and impacts (for example, Iraq and Yemen). Given the difficulty to carry out consultations in accordance with regular procedures and modalities in such cases, the Bank has explored undertaking independent consultations or contracting third parties. E&S risks and impacts will require close monitoring, frequent consultation, and strong feedback mechanisms throughout the project.

148. All projects supported by the Bank through IPF require stakeholder consultations, information disclosure, and the establishment of grievance mechanisms. Project stakeholder engagement plans will elaborate on these processes. These accountability and feedback mechanisms are especially key in high-risk FCV situations where regular supervision by the Bank may be curtailed. More specifically, in FCV settings, stakeholders can be engaged more effectively through various methods such as using social and conflict analyses to inform the stakeholder engagement design; involving local networks to identify stakeholders and those at risk; negotiating access via local communities; targeting engagement techniques to specific excluded groups; strengthening communications with local communities about the project's impacts on community safety and security; regular dialogues with security personnel if warranted; awareness-raising concerning workers' Codes of Conduct and project grievance mechanisms; and using third-party monitors and/or local facilitators because often they have local trust and better access to contested areas.

149. IFC processes are being simplified to address FCV challenges more nimbly. IFC has already streamlined some processes for implementing projects in FCS. For instance, many FCS projects use a simplified term sheet and simplified legal documentation. Several other efforts are under way:

- Streamlining the processing of small loans. Loan size is often smaller in FCS, so efforts to streamline the processing of small loans will benefit most projects in FCS. IFC has rolled out the Credit Delegation Framework for these loans in some sectors where credit decisions will be delegated to operations. Other programs and approaches allowing for delegation both from senior management and from IFC's Board will also be considered.
- Standardizing programmatic approaches for investments, which has been established for small investments.
- Aligning processes between IFC and other development actors in project development, particularly in relation to ESG and integrity due diligence (IDD) work.

150. MIGA will continue to make use of its streamlined Small Investment Program in FCS and will look for further opportunities to enhance that program.

151. Strong ESG performance correlates with positive development outcomes. The IFC and MIGA Performance Standards reflect good international industry practice and offer an effective framework for environmentally and socially sustainable private sector outcomes in FCV settings. However, ESG risks are heightened in these settings because many of the contextual risks are systemic—for example, security, gender-based violence, and land rights—while others are outside the control of private sector actors. Private sector investment can also unintentionally exacerbate conflict and violence if the allocation of benefits and jobs sparks tensions among conflicting groups. IFC continues to develop new tools and guidance to assist teams working in FCV settings. Pilot programs incorporating conflict-sensitivity approaches are under way such as a Contextual Risk Screening Framework for systematically identifying high risks

that are context-specific; and guidance to define approaches to project-level conflict analysis. MIGA is leveraging this work by IFC.

152. IFC and MIGA's existing approach to ESG (since the development of the 2006 Performance Standards) requires clients to progressively achieve the Performance Standards within a "reasonable period of time."⁸⁵ The time agreed between IFC and MIGA and their clients may be longer in FCV settings, and progress may be phased. Hence, it may take longer for client operations to be consistent with the Performance Standards than in other contexts, and there is a higher risk that some clients may be unable to fully achieve their commitments. IFC and MIGA will seek to work with their clients through capacity-building or additional resources to enable them to address their specific challenges and meet the Standards over time. In cases where a client's or project's challenges appear particularly significant, IFC and MIGA will identify the circumstances and any proposed responses in the Board paper and disclosure documents so that they may inform the Board's decision to approve those investments. This approach will better enable IFC and MIGA to assist clients to develop their ESG capacity over time to meet international standards and to facilitate projects with high developmental impact in FCV situations.

153. IFC and MIGA cannot guarantee outcomes but can advise their clients on how to mitigate negative impacts. Because this work is resource-intensive, IFC and MIGA must continue to be selective in their choice of clients to support, as they scale up in FCV settings. The selection process will require a candid and robust debate at entry to determine client commitment to IFC and MIGA's standards throughout the course of their investments. Monitoring clients' progress in the portfolio will be costly and challenging: for instance, conflict and fragility may impact timely client reporting and even prevent staff from visiting client operations.

154. Even with these enhanced efforts, there will likely be a higher frequency of investment and client failure. Social and environmental sustainability in the private sector are preconditioned on financial sustainability, and business failure is a natural part of market operations that is even more likely in FCV. IFC and MIGA's responsibility to perform due diligence and monitoring of clients ends on exit, and their ability

to mitigate post-exit impacts is limited. Although IFC and MIGA cannot guarantee outcomes or ensure a client's performance during the investment or subsequently, they will give due consideration to any potential adverse impacts on the community that are likely to subsist (from the project) at the time of exit.

155. To help firms implement the IFC Performance Standards in FCV settings and improve their corporate governance, IFC is developing a new ESG advisory program. The program will focus on upstream interventions to ease ESG constraints and address issues in key IFC pipeline projects early in the project cycle to help prepare them for investment. The program will include additional ESG staff in the field and targeted internal and external funding to support advice for clients. In addition, IFC will seek donor-funded advisory resources and combine this with blended finance, as relevant, to help clients address the additional costs and capacity needed to meet the expectations of the Performance Standards. MIGA, for its part, is exploring an ESG technical assistance program.

156. *Developing stronger monitoring and evaluation systems and fostering client capacity to better understand the drivers of FCV:* Monitoring and evaluation (M&E) plays a central role in tracking the impact of development interventions on beneficiaries, notably the most vulnerable. For governments, partners, and the WBG alike, strong M&E systems help enhance operational effectiveness and improve the design and programming of WBG operations. Tackling drivers of fragility and sources of resilience, as well as assessing the effects of programs and policies on risk mitigation and prevention, require adapted M&E frameworks. Monitoring systems need to be able to measure real impact on the ground, including on beneficiaries and those who might experience unintended project impacts. This is difficult in insecure and/or low-capacity environments, where data collection is an even greater challenge. Systems must be designed to facilitate adaptation when evidence suggests a need for this.

157. Stronger monitoring systems require adapted results frameworks and greater institutional oversight on the design and implementation of project monitoring. High-quality monitoring systems are participatory and provide feedback loops that give project management insight into implementation realities. They provide the evidence to

adapt implementation when needed and to verify the effectiveness of these adaptations. A rapid-evaluation tool to assess the strength of monitoring systems is under development.

158. New tools, methodologies, and technologies can generate data, track both quantitative and qualitative indicators, and empower beneficiaries and recipients to take a stronger role in monitoring the services they receive.⁸⁶ For instance, integrating perception surveys into M&E frameworks will help gather beneficiary feedback so that the WBG can learn, adapt, and correct course as needed to help improve service delivery and strengthen trust in institutions. Similarly, approaches such as iterative beneficiary monitoring (IBM) or participatory tracking can facilitate early identification of problems, inform course corrections, and improve the design, collection, and use of survey data. The IBM approach collects data directly from beneficiaries but keeps data collection efforts to a minimum, thus lowering costs, increasing speed, and ultimately giving feedback that is directly relevant to resolving key implementation questions. Developed in northern Mali to support an education project, IBM is now being used in other fragile settings such as the Central African Republic, Chad, Niger, and northern Nigeria. While these tools and approaches are promising, they are a complement and not an alternative to well-designed and executed M&E systems.

159. The WBG will help improve project M&E systems; it will also support operations aimed at strengthening national systems to obtain more reliable data and promote evidence-based public policymaking. To strengthen M&E and impact evaluation, the WBG will continue to rely on results frameworks and theories of change (TOCs) but integrate more FCV indicators into the results frameworks of projects to monitor FCV risks. The WBG will also intensify oversight over the design and implementation of monitoring systems at the project appraisal and the implementation stages.

160. In FCV settings, elaboration of programs and projects can be informed and sequenced in five phases: (i) first, understand the FCV drivers and sources of resilience through RRAs⁸⁷ and other analyses; (ii) then, establish an intervention logic to focus on the FCV challenges where the Bank has a well-

identified comparative advantage and integrate it into strategies and programming; (iii) now, identify indicators that will measure achievement of the intervention logic and establish a baseline; (iv) next, design a real-time monitoring system that allows for the adaptation of the strategy and program as information becomes available; (v) and finally, carry out impact analysis on how WBG efforts contribute to addressing FCV drivers.

161. The WBG will also leverage impact evaluation for learning and decision-making. Impact evaluation (IE) applies scientific research methods to test for the existence and magnitude of causal relationships between project activities and target outcomes. IE should be used strategically to generate data, experimentation, and evidence to meet learning objectives and ultimately enhance the effectiveness and efficiency of program and policy design.

162. *Using technology to enable supervision in insecure environments:* In insecure environments, remaining engaged during conflicts and crises requires enhanced monitoring. The major challenge is to develop smart, cost-effective tools and supervision mechanisms such as:

- i. Innovative tools to support operations at the project and portfolio levels.** Faced with higher risks and the need for flexibility, simple yet effective tools should be used to help operational project teams contextualize project design within the FCV environment and to monitor results. The rapid development of innovative and less expensive data collection technologies, including mobile phones, as well as remote-sensing data has made it feasible to monitor and learn even from extremely fragile settings. Also, monitoring at the portfolio level will enable further insight into where Bank financing is directed spatially, and what types of projects are supported. For instance, the Portfolio Footprint tool can be used to map and compare World Bank project expenditures by geographic location to a range of FCV, socioeconomic, and subjective indicators, including incidences of violence or areas of influence by armed groups.
- ii. Geo-Enabling for Monitoring and Supervision (GEMS) allows access to more regular, real-time, actionable data in challenging environments.** In remote and insecure

environments, leveraging ICT and local capacity-building tools has proven successful in generating structured, real-time data and closing information gaps on the ground. To foster local ownership and sustainability, the Bank will build capacity among clients, beneficiaries, local staff, and partners to harness field-appropriate and cost-effective open-source ICT to enhance supervision, M&E, citizen engagement, and coordination. The GEMS initiative⁸⁸ was launched as a public good to support project implementation in FCV settings by systematically building client capacity in these areas. To date, it has supported about 550 projects in more than 30 countries, with more than 2,000 clients, partners, and local staff having received access to the tools and to capacity-building training. In cases where beneficiary input is collected by WBG teams and feedback loops are created, GEMS will be offered in combination with the IBM approach.

- iii. Third-party monitoring (TPM) to help track project results.** When environments are so insecure that task teams cannot regularly visit site locations, the Bank can hire specialized firms or engage UN agencies to help with monitoring, compliance verification, and implementation support. This approach is being used in Afghanistan, Cameroon, Iraq, Pakistan, Somalia, South Sudan, and Yemen.⁸⁹ The WBG will be selective in its use of TPM, given its cost implications.
- iv. Rapid-response data.** In environments at risk of fragility, rapid-response systems provide critical information about the nature of the risk, collect information about the characteristics of the most vulnerable, and provide interventions with the data needed for targeting and monitoring. Rapid-response centers typically use mobile phone interviews and, at times, resident enumerators to collect their information. They operate at low cost and are designed around registries of phone numbers of households and key informants who can be contacted during times of crisis. The typical rapid-response statistical center collects perception and early-warning data on a regular basis, then intensifies its data gathering once an event is triggered. This approach has been tested in Mali and South Sudan.

B. Programming: Maximizing Impact on the Ground

163. *Drivers of fragility should guide the WBG's CPFs and programming:* The WBG is committed to ensuring that Country Partnership Frameworks (CPFs) and operations in FCV-impacted countries systematically address the key drivers of fragility and sources of resilience.⁹⁰ As the WBG continues to strengthen the analytical tools used in FCV settings, ensure they are fit-for-purpose, and scale up the practice of conducting joint assessments with partners, analytics and operations will mutually reinforce each other and set the stage for better programs.

164. The WBG will revise the methodology of RRAs to frame key drivers of fragility more clearly. Underpinned by the analytical framework introduced in *Pathways for Peace*, this revised approach aims to increase multidimensional understanding of the political economy of FCV and the grievances and risk factors that exacerbate FCV; to systematically apply a gender lens in their analysis; and to better identify entry points to promote prevention and strengthen resilience. The methodology will also prioritize a multi-sectoral approach and external consultations as part of the RRA process to provide clear, comprehensive, and operationally relevant recommendations for country programming, and to identify FCV entry points for projects in the pipeline. Teams working on RRAs will also collaborate closely with teams leading on SCD and CPF preparation to ensure that FCV issues are appropriately represented. The WBG is additionally committed to increasing the number of FCV analyses, such as RRAs, that are conducted in partnership and shared with relevant partners.⁹¹ This more robust approach—linking diagnostics to operational impact across the chain of different WBG products and programs for FCV-affected contexts—is already being rolled out.

165. The Bank will promote the use of portfolio reviews, conflict filters, and peace lenses to ensure that portfolios and operations identify and address fragility drivers and conflict risks, particularly in countries with pockets of fragility. These tools can be used to design conflict- and fragility-sensitive operations and take national, macro-level analyses such as RRAs to a more granular portfolio or project level. In some cases, they can be developed for specific sectors. These filters, or lenses, aim to identify

key project risks—for example, those relating to the choice of geographic areas, how benefits are divided, or how consultation processes are organized—and then identify mitigating measures. They can also guide teams to think through and adjust projects during implementation, including during supervision missions, mid-term reviews, and restructurings. In Myanmar, for example, an Inclusion and Peace Lens has been developed to strengthen the conflict sensitivity of operations. An Inclusion and Peace Lens note will be prepared for each project in the country and annexed to the Project Appraisal Document.⁹²

166. IFC and MIGA will explore systematic approaches to conflict sensitivity in projects and develop new analytical-strategic tools and training, including detailed conflict assessments and preemptive IDD screening of potential lead investors (sponsors). These processes will help identify how potential projects and sponsors interact with drivers of fragility to ensure that projects do not contribute to instability and make as positive a contribution to stability as possible, such as via the creation of inclusive employment opportunities and fair use of resources. The programs should increase the positive impact of private sector investments while also reducing risks to project success. Pilot programs are under way using conflict analysis approaches, including country-level contextual analysis and more detailed project-level conflict analysis. After testing and analyzing the pilots, a systematic conflict-sensitivity approach will be developed that retains the flexibility necessary to operate effectively across FCV settings. CPSDs will also apply an FCV lens in their assessment of priorities for private sector development and policy dialogue, and these priorities will be reflected in country strategies. MIGA will leverage IFC CPSDs and conflict assessments for its operations in FCV. In addition, the Anticipated Impact Measurement and Monitoring (AIMM) system⁹³ will incorporate an FCV lens. For FCV situations, project impact measurement and monitoring will, where relevant, reflect key fragility drivers identified in CPSDs, country strategies and WBG research. The information identified through the FCV lens will assist IFC integrate the FCV context into its development impact assessments by informing the gap assessment in AIMM ratings. MIGA plans to leverage this work for its IMPACT system.⁹⁴ IFC is also committed to screening

investment projects specifically for risks associated with GBV, as is MIGA, and to implementing targets for projects that address gender in FCV settings.

167. Tackling FCV drivers involves addressing cross-border challenges and, where relevant, developing effective regional approaches. While the WBG operates primarily from a country-based model, it is sometimes critical to develop regional and cross-border programs and approaches. Regional programs and initiatives that focus on mitigating key fragility and security risks are under development for the Sahel, the Horn of Africa, and the Lake Chad region. Regional RRAs will be conducted, with the goal of identifying priority regional activities aimed at reducing FCV risks.⁹⁵

168. The World Bank will revise and update the Results Framework and M&E guidance to ensure that FCV factors are reflected in project design and M&E frameworks, with room for adjustment during project implementation, and work to enhance practical M&E systems for better assessment of results and learning from projects in FCV countries.

169. It is equally important to reflect FCV dynamics in country engagement deliverables themselves: Country Partnership Frameworks (CPFs), Country Engagement Notes (CENs), and Performance and Learning Reviews (PLRs). As such, the following flexibilities are already available:

- Teams can undertake more than one PLR during the life of a CPF, allowing them flexibility to adjust the nature and scope of the WBG program and its expected results based on country conditions. The results framework of the last PLR would then form the basis for assessments in the Completion and Learning Review (CLR) and by IEG. These PLRs would elaborate on any changes in country context that have led to revisions in the program and the results framework.
- In countries where enough information and engagement exist to warrant a CPF, teams can opt for a four-year program and flesh out plans only for the first 1-2 years to reflect uncertainty in the engagement. The PLR conducted during the mid-life of the CPF would allow adjustments to the program and the results framework as needed, or even extension of the CPF if circumstances warrant this.

- In limited cases, where there is not enough knowledge or where the country situation prevents development of a medium-term program, teams have the option of preparing a CEN. A CEN is normally prepared for a period of 12 to 24 months. It may be followed by another CEN in exceptional cases where the WBG still remains unable to define detailed objectives, develop a program, or engage at significant scale in the medium term. A CEN includes the description of a basis for assessing progress but not a detailed results framework, given the fluidity of the situation and the need for flexibility.

170. Project documents in FCV settings will reflect security considerations in project design and institutional arrangements. They will also reflect the approach to supervision (e.g., TPM, ICT, social media monitoring, and partnerships). The use of “contingency scenarios” in project design will be broadened to adapt implementation by identifying potential changes or mitigation measures and by facilitating mid-course corrections, with or without project restructuring. The guidance on preparation of the Project Appraisal Document for IPF will be updated to ensure that operations in FCV environments more systematically take security considerations into account in project design, institutional arrangements, and risks (including mitigation measures).

171. Selectivity, simplicity, and flexibility at the core of the implementation model. The complexity of FCV settings paradoxically calls for simple responses but greater selectivity in the way projects and policies are identified, designed, and implemented. In these settings, linear development responses are unlikely to produce tangible, sustainable results. Because FCV is both multidimensional and multi-causal, responses must be multisectoral and flexible, with longer-term project timelines that allow for capacity building and adaptation. To achieve successful outcomes, it is key to be agile and to adjust the ways that the WBG approaches project design, implementation, and impact assessment.

172. Start with institutions and build programmatic approaches for sustained engagement. It is critical for Bank support to focus directly on core governance in ways that address FCV drivers.⁹⁶

Strengthening institutions that set the stage for transparency, accountability, and participation is a difficult and long-term process, but it should guide WBG interventions in FCV settings. As demonstrated in the 2017 WDR, governance institutions that balance, divide, and share power play a crucial role in addressing grievances and reducing incentives to engage in violence. Hence, the WBG should promote problem-solving and evidence-based approaches that seek to improve results by identifying sustainable improvements in governance processes.

173. Institution-building projects that have a longer-term horizon enable a strategic approach, support sequencing, and promote ownership of reforms. While reforms are driven by country leadership, the WBG's comparative advantage is to support systems and sustain their engagement. This entails aligning the operational model (in terms of simplicity and flexibility) to government capacity and allowing for corrections and adjustments. It also involves continually incorporating feedback, both from institutional stakeholders and from beneficiaries. These processes should run in tandem with efforts to improve accountability. In operational terms, projects will increasingly be designed to feature more organic, participatory, trial-and-error approaches, monitor trust (qualitative indicators to capture perceptions and values), roll out citizen engagement programs, and place special focus on subnational levels.

174. *Leverage public spending management tools to optimize policy reforms.* Macroeconomic stability is key to building resilient economies. Through its Development Policy Financing (DPF) instrument, the WBG plays an important role, along with the IMF, in stabilizing economies and influencing the allocation of resources and management of public spending. In FCV settings, macroeconomic stability is often among the first casualties of war and political crisis, resulting in rapid accumulation of public debt, capital flight, high and rising inflation, and/or exchange rate volatility.

175. Rebuilding the state's capacity to drive fiscal and monetary policy is a precondition for achieving effective service delivery, developing the private sector, and ensuring resilience to shocks. Development policy operations should be conflict-sensitive, and engagement with the IMF in such contexts is essential. It is important to strengthen

risk analyses for such operations in FCV settings to focus not only on economic risk but also on the risk of increasing tensions between social groups and with the state. It is also important to ensure that reform packages are simple and well aligned with the government's capacity to implement.

176. *Tailor private sector development responses to specific FCV challenges and contexts.* The many challenges to private sector development in FCV settings include a limited private sector, often with poor capabilities; underdeveloped market structures; poor infrastructure and supply chains; weak legal and regulatory environments; and low government capacity. Yet mobilizing the private sector is essential to help countries grow and create jobs. Beyond individual projects, the overarching objective is to create functioning markets, support international and local investors, and grow regional and local private sector champions. Ultimately, generating income and opportunities helps mitigate FCV risks.

177. To define the nature and level of their private sector work in FCV settings, the World Bank, IFC, and MIGA are strengthening their joint approach on several fronts.

- **Coordination.** Strong cooperation to assist in creating private sector markets in FCV settings—including through CPSDs, Country Strategies, Sector Deep Dives, new IFC upstream units, and new WBG sector teams—is vital. Private sector policy issues need to be further systematized.
- **Upstream project development.** Facilitating increased investment in FCV settings requires more flexibility and a focus on upstream and advisory work. Approaches include:
 - **FCV regional initiatives:** Similar to the current IFC FCS Africa, these initiatives will be strengthened and expanded to increase the flexible application of early-stage upstream market, client, and project pipeline development, with a focus on proximity to markets and to public and private stakeholders.
 - Upstream coordination work in FCV under IFC's **new upstream units**, which will have appropriate plans and targets to reflect the unique needs of FCS countries.

- Implementation of systematic approaches to **conflict sensitivity analysis, pre-emptive integrity due diligence, and ESG advisory work.**
- **Programming and training.** In FCV settings it is vital, though challenging, to bring in new investors, scale up local companies, and expand value chains. Key approaches include SME support/ investments and de-risking tools and programs to spur ecosystems in which SMEs can thrive. This also requires consolidating and expanding in-country vocational training and skills enhancement programs.
- **Financing.** Developing blended finance, including the IDA-IFC-MIGA Private Sector Window, helps lower the risks to investors in FCV- and IDA-country markets and helps launch pioneering firms. There is also a need to scale up the use of special advisory funding, including the CMAW, to facilitate upstream and downstream project preparation and implementation. Efforts will be made to expand these resources for FCV settings in MICs. In exceptional cases, this may require additional capital to increase investments in higher-risk countries. To this end, MIGA will also continue to use its Conflict-Affected and Fragile Economies Facility (CAFEF) and explore options for replenishing it.

Box 12.

Implementing the Cascade Approach in FCV settings

The Maximizing Finance for Development Approach (MFD), also known as the Cascade Approach, is the WBG's systematic method of helping client countries broaden all sources of finance, expertise, and solutions to support sustainable growth, with a focus on more engagement with the private sector. In working to meet the SDGs, countries' resource needs frequently surpass their own budgets and available donor funding. The WBG's approach encourages the use of scarce public/ODA funds to help attract private capital by removing obstacles, bottlenecks, cumbersome regulations, and risks. The approach follows this algorithm:

Commercial financing: *Can commercial financing be cost-effectively mobilized for sustainable investment? If not...*



Upstream reforms and market failures: *Can upstream reforms—for example, country and sector policies, regulations and pricing, institutions and capacity, and so on—be put in place to address market failures? If not...*



Public and concessional resources for risk instruments and credit enhancements: *Can risk instruments and credit enhancements cost-effectively cover remaining risks? If not...*



Public and concessional financing, including sub-sovereign financing: *Can development objectives be resolved with scarce public financing—for example, development banks, sovereign wealth funds, MDBs and DFIs?*

C. Partnerships

178. Partnerships are essential and must be the “new normal” to effectively prevent conflict, build resilience, and sustain peace.⁹⁷ No single organization can act alone to help countries reduce their FCV challenges. In FCV settings, a coordinated approach that brings together humanitarian, development, security, peacebuilding, and private sector entities—leveraging these actors’ respective comparative advantages—is key to combining short- to medium-term objectives and strengthening national systems.

179. As a development actor, the WBG’s comparative advantage is to work with governments to influence critical policy reforms that address the drivers of FCV, leveraging financing to incentivize investments in prevention and to tackle the root causes of fragility, and remaining engaged over the long term to strengthen core institutions and build capacity. The WBG’s value added also includes its ability to combine private sector solutions and public sector support to help create more and better jobs, foster social cohesion, and promote inclusive economic growth.

180. Operationalizing effective partnerships to maximize impact on the ground. To be effective, partnerships must be mission-driven and encompass a diverse range of stakeholders to optimize outreach and impact on the ground.⁹⁸ Importantly, partnerships need to be driven by the respective mandate and comparative advantages of each partner organization—whether local, national, regional or international.

181. The UN and the WBG are increasingly collaborating in FCV settings through cooperation at both strategic and operational levels. The structured partnership between the UN and the WBG is institutionalized in more than 40 crisis-affected situations. Partnerships across the humanitarian-development-peace (HDP) nexus are necessary, given the highly protracted nature of fragile situations, as well as the spillover impacts caused by conflict. In these situations, the WBG aims to complement the essential short-term relief provided by humanitarian actors with longer-term development support.

Box 13.

UN–WB Partnership Framework for Crisis-Affected Situations

In April 2017, the UN and WBG launched a joint platform that enables the two organizations to work better together to build up the resilience of the world’s most vulnerable people, reduce poverty, enhance food security, promote shared prosperity, and sustain peace. This **Partnership Framework for Crisis-Affected Situations**, signed by the UN secretary-general and the WBG president, laid out practical commitments to enhance strategic collaboration. Under each of the framework’s operational commitments, UN and WBG country teams have made substantial progress, leveraging their comparative advantages across the spectrum of fragility, conflict, and crisis situations.

The commitments are:

1. Identify and reduce the critical multi-dimensional risk of crisis and prevent violent conflict in relevant countries.
2. Coordinate support to situations of protracted crisis by aligning—where possible—strategies, objectives, and collective outcomes, based on joint analyses and assessments.

3. Develop joint analyses/tools where the complementarity of mandates may enable more effective solutions.
4. Scale up impact by leveraging existing financing and comparative advantages, and continuously seek to ensure that operational policies and tools facilitate cooperation and increase effectiveness.
5. Address upcoming issues that need the WBG’s collective engagement.

There are many real-life examples of the partnership’s impact at the country level, including

- In the Central African Republic and Mali, where the WBG is working with UN peacekeeping forces to offer critical development support that addresses the drivers of insecurity.
- In Tunisia, where findings from an RRA have informed engagement in programs to prevent civil unrest in at-risk areas. This has led the UN to expand work on youth in border communities.

Box 14.**Cameroon, the Central African Republic, and Chad: Delivering Development Results in Highly Insecure Situations**

The Central African Economic and Monetary Community (CEMAC) Transport-Transit Facilitation Project is designed to mitigate conflict risks in Central Africa. In northern Cameroon, in two and a half years, Boko Haram has killed at least 1,300 civilians and 120 soldiers as well as abducted an estimated 1,000 people. The Far North region, among the poorest areas of Cameroon, has been an active military conflict zone since early 2015.

CEMAC is rehabilitating 205 kilometers of road that are of critical regional importance in an active military conflict area, under an Output Based Disbursement Force Account arrangement with the Army Corps of Engineers (ACE). In addition to the high security and social risks, this approach

entails other risks, including the lack of safeguards, and fiduciary, operational, and reputational risks. Specific implementation arrangements and social risk mitigation measures have been established to enable the proposed execution of the arrangement and mitigate the associated risks. Key project innovations include (i) execution of civil works by the ACE with protection by a specific military detachment; robust risk management, including careful selection of military personnel, training, and a zero-tolerance policy for proven allegations of misconduct; (ii) adoption of a culturally appropriate grievance redress mechanism; and (iii) adoption of a regional approach to transport-FCV linkages.

182. Increasingly, partnerships with security actors have been key to providing development support in the most insecure environments. By working closely with security actors—for instance, with UN peacekeeping missions in the Central African Republic, the Democratic Republic of Congo, and Mali—the WBG can provide rapid development support as soon as insecure areas are stabilized.

183. In exceptional circumstances, the Bank may be able to provide third parties—such as UN agencies and other international organizations, or entities with a proven record and capacity to implement projects and deliver results—with direct financing from its own resources or trust funds.

The circumstances may include situations where (i) there is no government in power; (ii) the government is not in control of project sites; (iii) the government's technical capacity is severely limited; or (iv) Bank staff are unable to access project sites because of insecurity. Development interventions financed in this way will focus on rebuilding national or local systems, institutional strengthening and capacity building, and sustainability.

184. *Engaging with bilateral, regional, and multilateral organizations.* The WBG will continue to consolidate partnerships with these actors, who play a central geopolitical role and often drive the political, diplomatic, and security agenda.

The WBG aims to support international efforts for peace and stability and will partner with regional

organizations, which have an important role to play in taking preventive action against security challenges that go beyond national borders.⁹⁹ A key example is the continent-wide initiatives spurred by the African Union, which has created specialized institutions and capacities to support political mediation, crisis management, post-conflict reconstruction, and peacekeeping, including under its African Peace and Security Architecture. Other examples include the conflict prevention and resolution mechanisms of the Regional Economic Communities—for example, ECOWAS, IGAD, EAC, and ECCAS—other regional fora and platforms—for example, the Sahel Alliance—and key regional organizations like the African Development Bank.

185. The WBG is also strengthening partnerships with other multilateral development banks on shared areas of focus in the FCV agenda. The MDB Platform on Economic Migration and Forced Displacement is an example of collaboration¹⁰⁰ to foster strategic alignment and strengthen operational coordination on the ground. Moving forward, efforts will include more regular joint trainings and diagnostics—including through country platforms—that can be scaled up to develop a shared understanding of FCV drivers, as well as coordinated approaches to collectively address these challenges. At the 2019 WBG/IMF Annual Meetings, a forum of MDBs was launched to strengthen cooperation and develop joint analytical and operational approaches in FCV settings.

Box 15.**Partnering with UN Organizations and NGOs in Practice**

Partnerships are a key element of the World Bank's engagement in FCV settings. One aspect of this is when a country's implementation capacity needs to be strengthened by engaging third parties. These engagements can be financed by the Bank (directly from IDA or trust funds) or by the government (via IDA, IBRD, or trust fund financing). UN agencies are long-standing partners, and the Bank has standardized the way it contracts UN agencies during implementation to address various business models, policy requirements, and WB–UN internal processes. The Bank has standard template agreements (for goods, services, outputs) to ease client countries' contracting of UN agencies; these are in place with 12 UN agencies. From FY06 to FY16, about \$4 billion of World Bank financing was provided through UN agencies for the implementation of projects, with about 26 percent of this financing being provided in FCV settings. The Bank's partnership with the UN is growing rapidly in FCV countries, with the volume of WB financing provided through UN agencies there reaching approximately \$2 billion between FY17 and FY20.

Since FY17, the WB's Board has approved, on an exceptional basis, direct IDA grants to UN agencies and the ICRC to implement project-related activities in emergency operations. For direct grants from the Bank, engagement with UN agencies is guided by the WB–UN Financial Management Framework Agreement, Investment Project Finance policy, and the fraud and corruption protocol of the WB–UN Fiduciary Principles Accord. For direct contracting of UN agencies for Bank-related work—for example, contracting with the UN for third-party monitoring—the usual Bank corporate procurement procedures are followed.

Based on implementation experience and lessons, the Bank regularly reviews its instruments for engaging third parties—such as UN agencies, NGOs, and international organizations—to ensure alignment with the evolving nature of partnerships and the needs in FCV settings. The Bank also coordinates an operational partnership network with key UN agencies for prompt resolution of any bottlenecks that may arise in specific operations.

186. Coordination in FCV settings will also be strengthened through the newly established country platforms. These platforms are a government-led approach to enhancing development impact by improving coordination on reforms and investments aimed at addressing key drivers of fragility. They provide a forum for development partners, including the private sector, to discuss, coordinate and align support for country priorities. Country platforms can develop at the national, subnational, or sectoral level, depending on the issues being addressed or the level at which coordination would be most effective. The WBG expects to support selected FCV countries in this exercise. Sharing diagnostics and analytical work among platform participants is important, as is identifying high-potential reforms and investments, then working together to implement them. The coordination, prioritization, and coherence that the platforms enable can play an important role in scaling up private sector investments.

187. WBG cooperation with the IMF is key, as macroeconomic stability and macro-adjustment are essential in conflict and post-conflict situations.

Collaborations on development policy operations, debt sustainability, and macro reforms need to be well sequenced and FCV-sensitive. The IMF and the WBG will cooperate more systematically on management of public investment, such as pro-poor spending, strengthening institutions, reducing corruption, and fostering inclusive growth.

188. *Broadening engagement with civil society.*

Based on specific country needs, the WBG will scale up engagement with civil society organizations (CSOs) operating at the country level in FCV settings, particularly with peacebuilding actors in insecure areas.¹⁰¹ These groups can complement WBG programming through their on-the-ground experience, as well as to support efforts on social accountability and citizen engagement, with a focus on service provision to the most disadvantaged and marginalized populations. CSO engagement with World Bank financing includes direct and indirect

financing modalities. In direct financing, CSO may receive grants from trust funds (as allowed in the trust fund establishment) or, exceptionally, from IDA (following procedures for Board approval). Standard procurement documents are available to facilitate the borrower's contracting with CSOs. Country circumstances and needs are the primary driver of decisions about CSO engagement, including the modalities of engagement.

189. CSOs can play a critical role in addressing the root causes of fragility, ensuring service delivery and inclusion, peacebuilding, monitoring and evaluation, and building greater accountability.

By engaging with civil society through participatory approaches at all stages of project design and implementation, WBG teams will ensure greater ownership, effectiveness, and accountability. The WBG will regularly convene CSOs and faith-based organizations (FBOs) at the country level to share information about opportunities for engagement and, where possible, help build their capacity to be more effective. At the institutional level, the WBG will build on the country platforms to promote innovative approaches and disseminate lessons learned and good practices. It will also support the participation of CSOs in global and regional platforms, including at the Annual and Spring Meetings. The WBG will develop training modules for staff and clients on CSO stakeholder mapping and relationship building.

190. *Leveraging the private sector.* The WBG is also partnering with other development finance institutions (DFIs) and the investment community to support private sector development in FCV settings. This initiative will build on the collaboration between the World Bank, IFC and MIGA¹⁰² on priority setting, sequencing, and joint activities necessary for

successful private sector development, particularly on upstream work and market creation. The WBG also recognizes the need to leverage partnerships with other DFIs to catalyze private investment at the levels needed for FCV countries to meet the SDGs.¹⁰³ Efforts also under way through pilots in select countries focus on unlocking investment bottlenecks, facilitating dialogue with governments and the private sector, helping build robust project pipelines through upstream activities, and developing opportunities for co-investments. Beyond the DFIs, the WBG is increasingly engaging with the investment community at large—networks, impact investors, outcome funders—to leverage new financing and tackle new development frontiers such as digital technologies.

191. *Partnering on analytics, learning, and training.* Effective collaboration is underpinned by a shared understanding of the context, the drivers of fragility, and the assessment of needs. The WBG promotes joint analysis through mechanisms such as Recovery and Peace-Building Assessments (RPBAs),¹⁰⁴ a trilateral instrument used by the EU, UN, and WBG. To deepen partnerships, synergies can also be accelerated through joint data analysis and training. On forced displacement, strategic and operational alignment between the WBG and UNHCR has led to concrete outcomes and is largely generated by complementarity in programming and coordinated policy dialogue with client governments, as well as joint assessments, data analysis, and evidence-building. An example of this is the establishment of the Joint Data Center on Forced Displacement. Joint training is equally important, and the WBG is rolling out FCV regional trainings and extending these to multilateral and bilateral partners.¹⁰⁵

D. Personnel

192. As engagement in FCV settings increases, it is essential for the WBG's effectiveness to deploy more staff with the right skills and motivation closer to clients. Scaling up and managing the WBG's presence in FCV settings presents unique challenges because these situations are volatile, dynamic, and often insecure. The fact that some FCS duty stations are non-family posts can exacerbate the challenges and has implications for staff diversity and family-related issues such as education, health, and spouse employment, which in turn may require more flexible arrangements and some use of nearby duty stations. With a high level of management attention, the staffing footprint in FCS has increased significantly in recent years, and this will continue as WBG engagement in FCS keeps growing.

193. Training and capacity building for FCV staff have also improved but must be enhanced further to build strong professional communities that are able to adapt global knowledge to the needs and circumstances of FCV settings. Moreover, WBG management must recognize and value the efforts of staff working in or on FCS. In particular, the WBG needs to do more to enhance the employment value proposition for these staff through mentoring, next-assignment planning, career development, and other means. Staff must also feel reassured that their security will always remain a primary concern.

194. The FCV Strategy aims to ensure that the overall skills mix, and on-the-ground presence in FCS, are in place when needed, and that staff are motivated and incentivized to work in and on FCV. These efforts are supported both by the new World Bank's FY20-22 Human Resources Strategy, which features a focus on delivering in FCV settings, and by the WBG's broader push to expand its global footprint so that approximately 55 percent of Bank staff and 65 percent of IFC staff are in the field by the mid-2020s. Expanding the WBG's field presence is expected to especially benefit FCS, because one of the key operational priorities is to place half of all Practice Managers in the field by FY22—one-third of them in Africa—and to provide a greater staff presence in or near FCS. The growing proportion of field-based task team leaders (TTLs) in FCS is also expected to continue increasing. The FCV Strategy sets out

specific measures that support two key objectives: (i) continue to deploy more staff on the ground in FCS while complementing them with staff in nearby locations; and (ii) strengthen staff skills and capacity while enhancing the incentives and rewards for staff to work in and pursue careers in FCS.

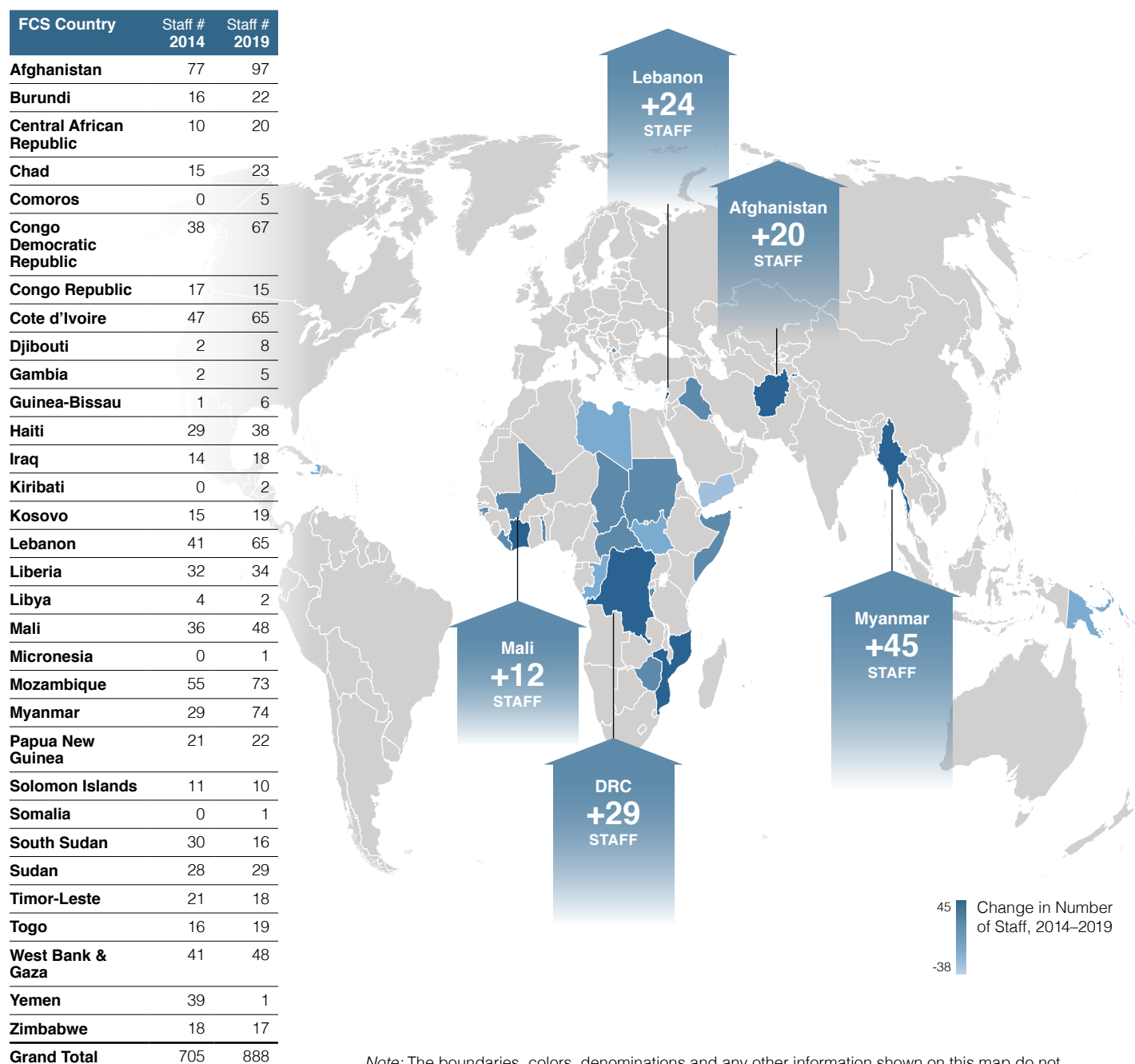
195. *Footprint, recruitment, and skills mix:* The WBG has been ambitious in scaling up staffing to FCS. Already the World Bank has about 900 staff based in FCS, in addition to about 1,000 staff with FCS experience. Over the past five years, the Bank has seen an increase of 183 staff based in FCS locations (figure 7), from 705 to 888 staff. Much of the increase took place during the IDA18 cycle: the number of staff in IDA FCS has increased by more than 130 and is on track to meet the target of net 150 additional staff by June 30, 2020. Staffing has increased most in FCS locations where the Bank has scaled up its financing and engagement significantly, for instance, in Afghanistan (with a 26 percent increase in the number of staff), Mali (33 percent), the Democratic Republic of Congo (76 percent), and Lebanon (58 percent). Of the new staff deployed to FCS over the past five years, 90 percent are grade level GE or higher, over 50 percent are female, and 66 percent are local appointments.

196. The trend of deploying additional staff in the most challenging settings will continue, with FCS on-the-ground presence being a priority during implementation of the FCV Strategy. Under IDA19, the Bank will deploy at least 150 additional GE+ staff, including extended-term consultants, to IDA FCS and nearby locations by June 2023. This will be complemented by increased face time and mission travel to FCS countries. For its part, IFC plans to increase its support to FCS by increasing the number of skilled staff on the ground while simultaneously pursuing a hub model. IFC will ensure it has a well-resourced global function to help drive and coordinate strategy implementation. MIGA has already dedicated operational staff to the challenge of IDA/FCS and may expand its use of such dedicated resources.

197. Where staff cannot be based permanently on the ground because of security and family constraints, the Bank will leverage nearby locations to better support FCS countries. These nearby duty stations can act as extensions of Country Management Units (CMUs), with staff primarily dedicated to working

Figure 7: Increase in WBG Staffing in FCS (2014-2019)

Figures in absolute numbers, with countries with greater staff increases in darker shades



Note: The boundaries, colors, denominations and any other information shown on this map do not imply, on the part of the WBG, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries.

on neighboring FCS and able to operate in a similar time zone, travel with relative ease, and be deployed flexibly based on business needs.

198. To maximize impact on the ground, the WBG will mainstream the necessary skills for operational staff to work in and on FCV, through recruitment efforts, next-assignment planning, and training, as well as develop a specialized cadre of FCV-focused staff.¹⁰⁶ This includes developing FCV-relevant skill

sets for the following four groups: (i) core operational staff such as task team leaders who design and lead projects; (ii) operational support functions such as procurement, financial management, and safeguards specialists; (iii) dedicated FCV specialists who support Country Management Units (CMUs) to address the key drivers of fragility through CPFs, policy dialogue, and programming; and (iv) non-operational staff from institutional, governance, and administration Vice Presidential Units (VPUs)—for example, corporate security, health services, BPS (Budget, Performance Review and Strategic Planning) who support operational delivery.

199. In all categories, it is important for the WBG to leverage national and international both staff and third-country nationals, including those who work across countries and regions. Local staff bring significant country knowledge, a deep understanding of local and regional political economy issues, language skills, and operational experience. Management will increase the number of FCV specialists based in the field to strengthen hands-on support to FCV-impacted CMUs.¹⁰⁷ In addition, the WBG will continue to build the talent pipeline and mainstream FCV skills, with a focus on recruitment, building the FCV-relevant skills of junior staff, and leveraging the experience of mid-career professionals.

200. Having FCV experience is important also for the institution's leadership. The Young Professionals Program (YPP), the World Bank's flagship recruitment program, is an important pipeline through which staff often develop into key leadership roles. The WBG is revamping the YPP to place a high emphasis on working in the field, particularly in FCS countries. This will help signal the central importance of FCV experience to WBG effectiveness.

201. IFC and MIGA will pursue opportunities to leverage the presence of World Bank staff in FCS countries to help meet ambitious growth targets.

IFC will train a select group of Bank country staff on IFC criteria and methods for developing new projects.

202. *Career development:* The Bank will strengthen the link between FCS experience and career development. It will ensure that FCS experience is systematically recognized and taken into account during performance and talent reviews and next-assignment planning, and that it is highly recommended as part of managerial selection processes. The Bank will introduce an FCV mentoring and sponsoring program to support staff working in and on FCS and to ensure that they receive the necessary career guidance and support before, during, and after their FCS assignments.

203. Working in and on FCS is fundamentally different from non-FCS assignments, and staff performance in these contexts should be recognized accordingly. While the WBG will continue to evaluate staff based on individual performance and deliverables, it will also be important for management to factor in the specific challenges staff face in FCV settings when evaluating staff performance. The Bank will introduce guaranteed next assignment for staff with good performance standing¹⁰⁸ who are currently on FCS assignments. IFC is also considering the option of giving next-assignment priority to staff who are currently on FCS assignments through its new centralized talent brokerage function, which is in its pilot phase. The World Bank, IFC, and MIGA will also continue to leverage rewards programs to recognize the contributions made by staff working in/on FCV.

204. *Capacity building and learning:* To ensure that staff working in and on FCV can acquire the skills necessary for engaging in FCV contexts, learning offerings and knowledge-sharing initiatives will be expanded, diversified, and streamlined through the introduction of the *FCV Learning Curriculum*. Management will require all staff based in FCS to participate in the full analytical and operational curriculum. The program will also be recommended to all other staff working on FCV issues. The curriculum will help recognize FCS experience for next-assignment planning, performance management, and

career development. It will harmonize existing training programs offered throughout the WBG¹⁰⁹ and combine face-to-face and virtual learning to help ensure that staff have the analytical, operational, and personal tools to design and implement projects in FCV contexts. The aim will be to develop

- **Analytical competencies** to better understand and diagnose FCV risks, challenges, and sources of resilience—for example, understanding the political economy of FCV and patterns of marginalization and exclusion, diagnostic tools, financing mechanisms in FCV, and macroeconomic development in FCV.
- **Operational competencies** to have the necessary tools to design and implement programs and projects in FCV settings—for example, operational flexibilities in designing projects in FCV and how to use them; partnering effectively across the humanitarian-development-peace nexus; how to leverage ICT solutions or third-party monitoring for supervision; leveraging the private sector; and how to design strategies, programs, and projects differently for FCV settings.
- **Leadership and personal effectiveness competencies** to understand and respond to the personal health and security challenges that staff may face, and to develop the leadership, teamwork, business, language, and relational skills to work effectively in FCV settings.

205. *Leadership*: To better reflect the complexity of managing WBG engagements in FCV settings, the selection criteria for Country Managers (CMs) and Country Directors (CDs) in FCS countries will be reviewed and bolstered, and will include both operational and behavioral dimensions—for example, managing programs in high-risk settings, stakeholder engagements in complex environments, managing the duty of care, and taking decisions in times of crises. The tailored training program delivered to CMs and Resident Representatives, *Mastering the Role of Heads of Country Offices*, is being redesigned for those working in FCS countries or those in other locations who are managing staff in FCS countries. It will include peer-coaching circles, in addition to dedicated managerial onboarding. Participation in FCV-specific capacity building will be required for FCS assignments.

206. *Benefits*: Eligibility for benefits provided to staff living and working in the most difficult situations will be informed by FCS classification and related considerations such as hardship and security conditions. This will be complemented by an internal governance system to provide the final determination for benefits provided in FCS countries and non-family posts, in alignment with the WBG's risk tolerance and operational needs. This will help ensure that eligibility for benefits reflects security, health, and other conditions worldwide and provides a nimble way to manage risk exposure in FCV. The WBG will continue to support staff and their diverse family structures to undertake field assignments in FCS, in line with current benefits and policies, including by considering the issues faced by same-sex spouses and single parents, with emphasis on systemic fairness, equal opportunity, and consistency of application.

207. *Corporate support*. To ensure staff health, safety, and well-being before, during, and after assignments in FCV settings, corporate support will be stepped up in two key areas:

- Staff health, safety, and well-being:** The WBG will continue to improve health and psychosocial support, with a focus on:
 - **Deployment of multi-disciplinary health and safety (H&S) teams:** The Health and Safety Directorate (HSD) will expand its field presence through a phased deployment over FY20-23, with teams providing medical, counseling, and occupational health and safety expertise. This will bring enhanced support closer to staff and their families in key FCV locations. The teams will provide in-country support covering environmental and workplace H&S risk management, individual and group consultations for medical and psychosocial support, travel health, identification of local high-quality health facilities and practitioners, and assistance in accessing care when needed.
 - **Enhancement of mental health support:** While the newly mandated WBG Mental Health Strategy is relevant for all staff, their dependents, and duty stations, it is particularly important for FCS locations where mental health risks and stressors are especially significant. Action areas of special

relevance include mandatory, confidential pre- and post-deployment resiliency briefings, with embedding of mental health aspects into FCV pre-assignment training; more frequent outreach from mental health support staff to FCS locations for individual and group consultation as needed, including tailored support to locally recruited staff; dedicated support for managers to guide their staff, with more systematic and regular check-ins and resources for staff and their families; an institution-wide mental health awareness/anti-stigma campaign; and a comprehensive review of support resources available to staff and families in FCS locations, including medical insurance benefits coverage.

- **Rollout of health and safety training:** HSD has developed a suite of new online training courses available through the WBG Online Learning Campus. Titles include *AED, CPR, and Bleeding Control: Learn to Save Lives*; *Connecting with Your Health, Safety, and Well-being*; *What to Know Before You Go*; and *Leading Health, Safety and Well-being: Roles and Responsibilities of Managers, Supervisors, and TTLs*. Selected trainings will become mandatory for staff deployed to FCV locations from FY20.
 - **Enhanced health and safety software platform support:** Key software platform enhancements are under way, including on the electronic medical records¹¹⁰ system for staff and on the Environmental Health and Safety Management System—a new platform that will provide a comprehensive environmental risk management system.
- b) **Staff security:** As engagement in FCV settings expands, the WBG is revising its approach to staff security. It has invested in a robust security risk management system under the coordination of WBG Corporate Security. Most notably:
- **Staffing:** Corporate Security is continuing to deploy security specialists to countries facing security threats, with a focus on FCV locations over the next three fiscal years. These personnel will be in addition to the 63 current security specialists deployed to the field based on a dual-pronged strategy: (i) security threat exposure, with personnel prioritized in countries where the sustained threat environment is most severe; and
 - (ii) the need to have at least one security specialist in each relevant CMU to provide country teams with security risk management advice and carry out the responsibilities under the Framework of Accountability.
- **Security risk management:** Corporate Security will continue to supply Country Offices with security equipment to manage security risk—including communications equipment, personal protective equipment, and armored vehicles. Deployment of this equipment will be based on the prevailing security threat and the availability of resources.
 - **Traveler tracking:** Corporate Security is cooperating with Information Technology Solutions (ITS) to improve the Country Clearance System to ensure greater granularity in visiting mission travel plans within a given country. The improved country clearance system will complement other resources for personnel being deployed to Country Offices with significant security risk. Staff tracking and accounting coordinators will be added in countries with high mission tempo and volume, and will be primarily responsible for guiding the Country Office's mission clearance process, ensuring that all required details about internal mission travel, hotel, and contact information are provided by the traveler before clearance is granted.
 - **Field mission protocols:** Corporate Security will more systematically implement a framework for assessing and mitigating the risk to field missions outside of capitals, so that missions encounter the same process in each country they visit, even if the resulting level of mitigation is different. This includes deployment of
- a) **Watchkeepers:** In countries where the security environment warrants it, the watchkeeper function will be added to the guard force vendor contract to track real-time mission travel in the country, with a focus on field missions outside the capital.
 - b) **Geospatial monitoring:** This will enable the Security Operations Center (SOC) to monitor events in relative proximity to WBG assets, including offices and Corporate Security-managed armored vehicles, through their on-board GPS tracking devices. This capability will allow the SOC to be more responsive when security threats occur.

E. The Financing Toolkit for FCV Settings

208. The World Bank Group has continuously sought to adapt and expand its financing capacities to the needs of FCV settings, with much of this work evident in the financial architecture of both the IDA replenishments and the IBRD and IFC Capital Package, as well as the WBG’s growing trust fund portfolio. Addressing the significant and multi-faceted challenges of FCV requires a tailored financing toolkit to address varying dynamics of FCV across the fragility spectrum.

209. IDA-eligible countries. IDA19 will provide additional and more tailored financial support to IDA fragile and conflict-affected situations (FCS).

IDA country allocations continue to be the bedrock of IDA’s financing and will be used to address FCV drivers and sources of resilience in all IDA FCS. In

addition, IDA19 introduces an innovation—the FCV Envelope—which will complement country allocations and provide additional support to countries facing a range of FCV challenges. Its design draws heavily on lessons learned during IDA18 and offers both a rules-based approach and a strong incentive and accountability structure to ensure that programming focuses on addressing FCV risks. Under IDA19, \$18.7 billion will be available to support countries impacted by FCV—an increase from \$14.4 billion in IDA18 and \$7.2 billion in IDA17. The financing includes investments for prevention, for development assistance during conflict, and to help transitions out of fragility. IDA19’s resources for FCV represent a 23 percent increase from IDA18, which had already doubled financing to FCV from the previous IDA cycle. Also, under IDA19, \$2.2 billion will be available to support refugees and host communities, and \$2.5 billion to catalyze private sector investments, including in fragile and conflict-affected situations.

Figure 8: Financing Toolkit

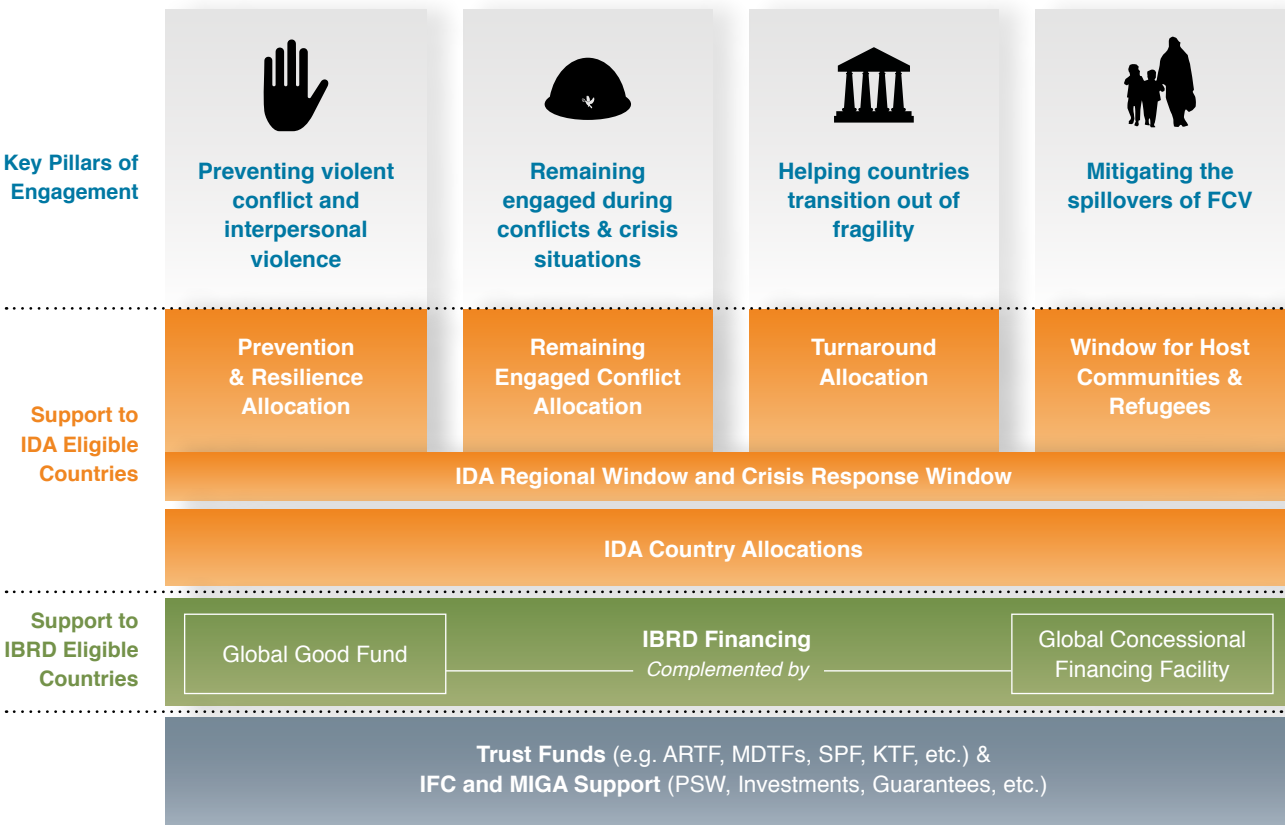
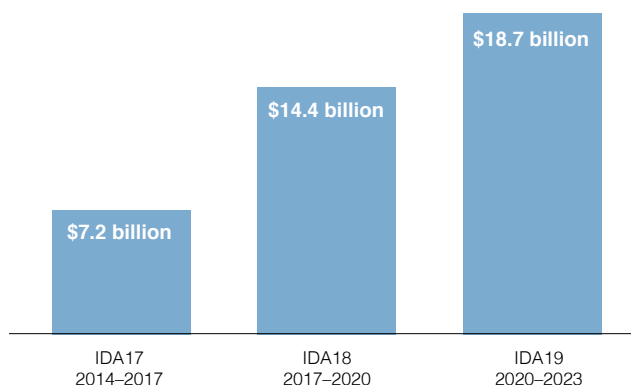


Figure 9: IDA17-19 Scale-up for FCV



210. The IDA19 FCV Envelope comprises three FCV-related country allocations, each one mirroring a pillar of engagement within the FCV Strategy.

- (a) The **Prevention and Resilience Allocation (PRA)** will provide enhanced support for countries at highest risk of descending into high-intensity conflict or large-scale violence, based on the government's commitment and agreed milestones. PRA countries will receive a 75 percent boost to their country allocation, up to a national top-up cap of \$700 million, during IDA19.
- (b) A new **Remaining Engaged during Conflict Allocation (RECA)** will enable IDA to maintain a base level of engagement in a small number of countries that experience high-intensity conflict and have extremely limited government capacity. The RECA also codifies the ability of the Bank to partner with UN agencies or international NGOs in certain limited circumstances for development projects that benefit RECA countries.
- (c) The **Turn Around Allocation (TAA)** will support countries emerging from a period of conflict, social/political crisis, or disengagement, where there is a window of opportunity to pursue reforms that can accelerate a transition out of fragility and build resilience, based on the government's commitment and agreed milestones. TAA countries will receive a 125 percent top-up with a cap of \$1.25 billion per country during IDA19.

211. As a complement to the FCV Envelope, the **Window for Host Communities and Refugees (WHR)** will support the fourth pillar of engagement, which focuses on mitigating the spillover impacts of FCV. Through \$2.2 billion in financing under IDA19, the WHR (formerly the Refugee Sub-Window) will continue to support operations that promote medium- to long-term development opportunities for refugee and host communities in IDA countries. By the IDA19 Mid-Term Review (MTR), IDA plans to conduct a systematic review of policy and institutional environments in countries eligible for the window in order to inform further support for the creation of socio-economic development opportunities for both refugee and host communities in these countries.

212. The **IDA Private Sector Window (PSW)** allows IDA to help mobilize private investments in the poorest and most fragile IDA markets through risk-sharing in the context of IFC investments and MIGA guarantees. So far, approximately 30 PSW-supported projects, totaling \$662 million, have been approved—half of them in FCS. The PSW has demonstrated very effective leverage: allocations are supporting more than \$1.6 billion in IFC investments and MIGA guarantees, while mobilizing more than \$1.7 billion of investments from other financing sources, including the private sector. The PSW will continue in IDA19, with a resource allocation of \$2.5 billion to further scale up and mobilize private sector investments in eligible countries, including FCS. Enhancements to its framework include (i) support from PSW resources for programmatic interventions, where up to a maximum of 20 percent of total investments may be located

outside of PSW-eligible countries, and (ii) exploration of new instruments to enhance local currency lending in PSW-eligible countries, including FCS, through the Local Currency Facility and Blended Finance Facility.

213. The **IDA Regional Window** provides concessional finance to help IDA countries scale up regional investments that generate positive spillovers. In IDA19, it will be scaled up by at least 50 percent to enhance reach and impact. Informed by Regional RRAs and related diagnostics, IDA will invest in at least three regional programs during IDA19—including the Sahel, the Lake Chad region, and the Horn of Africa—to mitigate fragility and security risks and promote engagement at the security-development nexus. The Regional Window will also finance single-country operations that have positive cross-border spillovers for pandemics, natural disasters, and the adoption of innovative technologies. The Window can also be accessed for operations that support regional economic integration. IDA FCS will particularly benefit from this scale-up.

214. The **Crisis Response Window (CRW)** provides additional resources to IDA countries when they encounter major natural disasters, public health emergencies, and severe economic crises. It aims to help countries return to their long-term development paths. Piloted in IDA15 and officially established

in IDA16, it is a key feature of the WBG's crisis management toolkit. In IDA19, it will be extended to support slower-onset crises such as disease outbreaks and food insecurity. IDA FCS are expected to be among the main beneficiaries.

215. IDA will also adopt a Sustainable Debt Financing Policy (SDFP) to incentivize IDA countries to pursue a sustainable debt path. It will be complemented by efforts to improve debt reporting to increase transparency and public accountability, as well as strengthen debt management.

216. *IBRD countries.* The few IBRD countries that are classified as FCS are exempt from the price increases in the 2018 IBRD and IFC Capital Increase package. The package recognized that FCV spans both LICs and MICs and that financing tools should be developed to address the specific needs of MICs facing external shocks.

217. The Global Concessional Financing Facility (GCFF) provides concessional financing to middle-income countries that host massive inflows of refugees, thus delivering a global public good. The GCFF offers lessons for other international efforts to catalyze global public goods. As crises emerge, providing these countries with concessional resources on an exceptional basis can promote resilience and stability and create economic opportunities for all.

Box 16.

The Global Concessional Financing Facility

The GCFF was established in 2016 to provide concessional financing for eligible middle-income countries that deliver a global public good by hosting large numbers of refugees. It is a partnership launched by the World Bank, the UN, and the Islamic Development Bank Group to support lending at concessional rates for Multilateral Development Bank (MDB) projects—including those of EBRD, EIB, IBRD and IsDB—that benefit both refugees and host communities. It uses donor contributions to bring down the cost of MDB loans to concessional (or IDA-like) levels for these development projects. In its first three years, the facility approved more than \$600 million in grants and unlocked more than \$3 billion in concessional financing for development projects.

Created in response to the Syrian refugee crisis, the GCFF has expanded to help eligible MICs address refugee crises wherever they occur. To date, the benefitting countries are Jordan, Lebanon, Colombia, and Ecuador. The GCFF aims to bridge the gap between humanitarian and development assistance and to enhance coordination among the UN, donors, MDBs, and hosting countries. It is currently supported by Canada, Denmark, the European Commission, Germany, Japan, the Netherlands, Norway, Sweden, the United Kingdom, and the United States.

Box 17.

The Compelling Case for Disaster Financing

FCV settings are often the most vulnerable to disasters, with very limited capacity to prepare and respond. The Bank has developed several contingent emergency financing mechanisms. They include

- **Contingent Emergency Response Components (CERCs).** Embedded in Investment Project Financing, CERCs allow uncommitted funds from Bank-financed projects to be rapidly reallocated toward urgent needs to finance physical, economic, and social recovery in a crisis or emergency. The Bank supports the use of CERCs with a guidance note, a support desk, and a CERC Just-in-Time Facility that provides on-demand grants of up to \$50,000 for technical support in designing, developing, and/or activating contingency plans once CERCs are established.
- **Catastrophe Deferred Drawdown Options (Cat-DDOs).** Embedded in development policy loans (DPLs), Cat-DDOs are intended to strengthen a country's disaster risk management capability by promoting policy and institutional reforms and providing rapid-response financing after a natural disaster or health-related event. The funding can provide a buffer to support immediate needs in advance of

larger financing for reconstruction and rehabilitation efforts that may be financed through different instruments. Under IDA18, Cat-DDOs were extended from IBRD to IDA clients.

- **Regional insurance programs,** through which the WBG supports countries as they set up regional catastrophe risk pools such as the Caribbean Catastrophe Risk Insurance Facility (CCRIF). Such initiatives offer sustainable, country-owned, regional solutions and are supported by multiple donors. So far, more than 10 Small Island Developing States have received payouts from the risk pools. The CCRIF payout to Haiti was the first external liquidity that the country received following the large 2010 earthquake. Haiti also has received the largest CCRIF payout to date, following Hurricane Matthew in 2016.

Going forward, the WBG can accelerate implementation of these instruments in FCV settings. This entails close monitoring and thorough understanding of local contexts. The Global Risk Financing Facility (GRiF) provides grants to test, pilot, and scale up financing instruments that help developing countries better manage the financial impact of shocks and other crises.

218. In another innovation prompted by the IBRD and IFC Capital Package, the Bank has established the IBRD Fund for Innovative Global Public Goods Solutions (the GPG Fund).¹¹¹ The objective is to incentivize innovative solutions for delivering global public goods by using concessional financing to support IBRD operations that generate global or regional benefits.¹¹² Spillover effects of FCV are the initial focus area for support. This represents an important approach to addressing FCV issues in MICs and has the potential to be scaled up depending on the initial experience and lessons learned. The first allocations will be made in FY20.

219. Building on experience from the GCFF and the GPG Fund, the WBG will continue to explore financing mechanisms and tools dedicated to middle-income countries. Special focus will be on activities that promote prevention and preparedness, that mitigate FCV risks at the national and subnational levels, that tackle cross-border challenges, or that address gaps in the development finance architecture for IBRD borrowers.

220. While many of the funds available for advisory work and blending for private sector projects are restricted to IDA or FCS, many emerging FCV settings—such as subnational conflicts or countries with a large influx of refugees—are in MICs. To respond to this challenge, IFC and MIGA will be exploring ways to increase funds available through new blended finance resources for MICs that do not have access to the IDA Private Sector Window.

Trust Funds: an Integral Role in FCV Settings

221. Trust funds play an integral role in the WBG's engagement in FCV settings. These resources have enabled the WBG to increase collaboration with partners across the HDP nexus, pilot innovative approaches, and respond rapidly to emergency situations. Trust funds operating in post-conflict and other crisis situations can improve resource efficiency by reducing transaction costs and managing the high levels of risk inherent in these environments. Pooled trust funds may also reduce administrative costs for development partners.

222. Trust funds complement IBRD and IDA financing to offer flexible and timely financing in challenging situations in low- and middle-income countries.

Trust funds have proven critical for the Bank's engagement in conflict- and disaster-related crises, and have helped leverage the valued added of various stakeholders to provide joint responses in countries impacted by FCV. During the period FY14-FY18, \$7.3 billion was disbursed to fragile situations from recipient-executed trust funds (RETFs), accounting for 46 percent of overall RETF disbursements. Trust funds have been established for:

- **Sustained and long-term support for reconstruction.** The Afghanistan Reconstruction Trust Fund, established in 2002 to address reconstruction efforts, is currently the WBG's largest multi-donor trust fund (MDTF). With 34 donors administered through the WBG, it was set up to provide a coordinated financing mechanism for the budget and national priority projects of the Afghan government. It finances nearly 40 percent of the civilian budget and half of all development expenditures, delivering results in education, health, urban and rural development, infrastructure, agriculture, and governance. Its structure helps ensure predictability of aid within a robust fiduciary and monitoring framework. In the 17 years since inception, it has directly benefited 19 million people across all sectors and supported 6,000 projects.
- **Rapid response in emergencies such as natural disasters¹¹³ and in post-conflict reconstruction.** The multi-donor trust fund for the Transitional Demobilization and Reintegration Program was established in 2015 to support the return of African ex-combatants to civilian life and promote peace and security on the continent. The Ebola Recovery and Reconstruction Trust Fund was also established in 2015—following the outbreak in West Africa—to support economic, health, and social recovery in affected countries.¹¹⁴
- **Crisis prevention and preparedness.** The Indonesia Disaster Management Fund and the Nepal Earthquake Reconstruction MDTF further illustrate Bank engagement on this agenda.
- **Support to non-member countries, or countries in arrears.** Trust funds have allowed the WBG to

provide support in situations where IDA cannot be used, such as in non-member economies—the West Bank and Gaza, for example—and countries in arrears such as Zimbabwe.

- **Stability in pockets of fragility in MICs.** The first MDTF in Mindanao, the conflict-stricken region of the Philippines, was set up in 2006 to promote peace and security in the area. In Pakistan, the World Bank-administered MDTF for Khyber Pakhtunkhwa, the Federally Administered Tribal Areas, and Balochistan was established in 2010 to operationalize the Post-Conflict Needs Assessment. The Colombia Peace and Post-Conflict MDTF was launched in 2014 to support the preparatory phase of the country's post-conflict agenda.
- **Innovative approaches to FCV:** The State and Peacebuilding Trust Fund (SPF)¹¹⁵ facilitates innovative approaches to FCV challenges, while the Korea Trust Fund for Economic and Peacebuilding Transitions (KTF) supports peacebuilding initiatives and interventions to facilitate recovery and economic transitions, especially in Asia and the Pacific, that could be scaled up under IBRD and IDA operations. Moving forward, it will be a key priority for such trust funds, in combination with IDA and IBRD financing, to help operationalize the FCV Strategy.
- **Analytical products that directly address the intersection of different risks.** The newly established DRM-FCV Nexus Program exemplifies how to structure a thematic initiative that serves the core mandate of the GFDRR, which is to help countries better understand and reduce their vulnerability to natural hazards and climate change.

Blending and Advisory Funds for Private Sector Projects

223. Reaching IFC's ambitious targets to expand its work in FCV settings will require continued donor support for advisory services.

To overcome the challenges of creating private sector markets in FCV settings, extensive efforts will be needed to bolster upstream project development, conflict assessments and IDD, and downstream company capacity building and project implementation. In many cases, these efforts will require the use of advisory funds. Those that

Box 18.**IFC and MIGA's Support to MSMEs in Fragile and Conflict-affected Situations**

IFC's investments in FCS target MSMEs and smallholder farmers primarily through financial sector and agribusiness investments. Between 2014 and 2018, about a third of IFC volume and half of IFC projects in FCS were in the financial sector, many of these targeting SMEs or microenterprises. IFC also has a growing program in agribusiness in FCS, and many projects target farmers. In 2018, IFC financial sector clients in FCS countries had loans outstanding to about 69,000 small businesses valued at \$5.7 billion, along with 957,000 micro loans outstanding worth \$599 million.

An example: In March 2010 Rawbank, the second-largest bank in the Democratic Republic of Congo and an IFC client, launched its "Lady's First" WIN program to become the only bank in the country with a program dedicated to women in business. In Lebanon, IFC's partnership with Bank Audi provided detailed advice on how to launch a pioneering SME banking program that included collateral-free small business loans. To date, it has served approximately 5,000 small businesses.

Another IFC client, the First Microfinance Bank Afghanistan, has disbursed more than \$760 million in loans to more than 540,000 Afghan businesses since its inception. It is the country's leading microfinance institution, lending to about half of the country's active borrowers, of whom 20 percent are women.

IFC also has set up SME Ventures, a program to support funds that provide critical equity finance to smaller businesses. IFC has used the program to expand its work in fragile markets, including the Central African Republic, the Democratic Republic of Congo, Liberia, Nepal, and Sierra Leone.

IFC's investments reached more than 132,000 farmers in FCS countries in 2018, more than doubling the number five years earlier. In Afghanistan, an IFC investment and a MIGA guarantee helped create a state-of-the-art raisin-processing plant that will improve the livelihoods of about 3,000 farmers. IFC also has two blended finance facilities that address MSMEs and farmers—the Global SME Finance Facility and the Global Agriculture and Food Security Program.

Between 2014 and 2018, nearly half of IFC investments in the financial and agribusiness sectors of FCS countries were supported by blended finance. In addition, the IDA PSW has allocated \$120 million to IFC's Small Loan Guarantee Program, which helps financial institutions to take on greater risks to finance SMEs in difficult markets.

In recent years MIGA has supported investments in BRAC Afghanistan Bank with the help of a blended finance facility, in Raiffeisen Bank's operations in Kosovo, and in ProCredit's operations in several Eastern European FCS countries.

currently cover FCS countries include the CMAW, the FCS Africa Program (including the CASA Initiative), and many other donor funds that support activities in such areas as investment climate work and client capacity building, including ESG support.

224. Blended finance programs will also need to be reinforced. Helping to launch highly developmental pioneering private sector projects in FCV settings will, in some cases, require temporary assistance through blended finance, which combines

concessional support from donors with IFC and MIGA's own account funds or guarantees. To meet the FCV Strategy targets, blended finance facilities will need to be maintained and eventually expanded as commitment levels increase. IFC has developed robust governance, transparency, and accountability processes covering the use of its blended finance facilities. This includes public disclosure of the rationale for the use of blended finance, as well as disclosure of the concessional amounts involved.

F. Risk Management in FCV Settings

225. Development outcome risks are higher in FCV than in other settings. Operating in FCV countries inherently comes with higher risks for achieving development outcomes: they often have fragile and volatile political situations, macroeconomic instability, and weaker implementation capacity. About one-tenth of the active Bank portfolio in non-FCS countries is classified with the highest risk rating overall, compared to more than one-third in FCS countries—a threefold difference.

226. The World Bank has been undertaking a formal exercise to assess and compare its risk appetite and risk tolerance in non-FCS and FCS operations. Risk appetite is defined as the type and level of risk that the Bank is prepared to accept or tolerate at a specific point in time, and risk tolerance as the deviation from that level of risk that the Bank is willing to accept without additional action. The risk levels embedded in the Bank's current portfolio, as revealed in SORT,¹¹⁶ suggest that the Bank tolerates higher exposure to residual risk to achieve development outcomes in FCV and emergency situations than in non-FCV situations. The implication is that the Bank recognizes that risks are harder to assess and mitigate in FCV and emergency situations and therefore more likely to materialize, yet also that the objectives are strategically important enough to justify tolerating these residual risks.

227. More specifically, the SORT data suggest that in certain areas—country, macroeconomic, operational design, and client implementation capacity risk—the Bank's risk appetite is higher in FCS than in non-FCS operations. In each of these areas, the Bank's project approvals have demonstrated its acceptance that even well-developed and systematically applied control frameworks intended to mitigate identified risks may fail because of unforeseeable circumstances, enabling identified risks to materialize.

228. By contrast, in other areas—failing to achieve expected standards for procurement, financial management, and environmental and social safeguards—the Bank's risk appetite is lower in both FCS and non-FCS situations, although there are additional policy flexibilities that sometimes enable FCS client-countries to achieve those standards in a different

way. In both FCS and non-FCS situations, the Bank has consistently sought to eliminate exposure to residual risk, including in the areas of staff safety and security, fraud and corruption, forced labor and child labor, gender-based violence, threats to species extinction, and the use of deadly force by security personnel.¹¹⁷

229. Although operating in FCV settings is challenging, the risk and cost of inaction is even higher. Heightened risks for projects in FCV countries include (i) reputational risks; (ii) high physical-security risk for WBG staff, for the government and partners' project implementation staff, and for beneficiaries; (iii) the risk of not reaching vulnerable and marginalized groups, or of project capture; (iv) implementation risks caused by weak or nonexistent institutional capacity that negatively affect development impact; and (v) safeguards and fiduciary risks, including the risk of fraud and corruption. Despite mitigation measures, residual risks and the likelihood of projects failing to meet their development objectives are higher in FCV settings.

230. New tools and technologies can help manage some risks through more effective supervision, while generating economies of scale and reducing costs. GBV risk management, TPMs, grievance redress mechanisms, and other types of monitoring and supervision arrangements can be regrouped for a portfolio of development activities that have similar characteristics—for example, same geographic area, same beneficiaries, similar risk profile. GIS-based and other mapping technologies, and other types of remote monitoring (such as drones) are evolving rapidly and can generate considerable new data and information to help supervise projects, even in places with low internet penetration.

231. Still, scaled-up efforts in FCV settings requires a higher tolerance of the likelihood that some risks will materialize during program implementation. Operations in FCV face more dynamic situations, with substantial country and macroeconomic risks and weaker implementation capacity. Doing business in FCV points to the need to raise the Bank's risk tolerance, but with full due diligence and full compliance with WBG standards. And yet to achieve development outcomes in the context of the challenges encountered in FCV environments, Bank teams must have the space

to innovate, take risks, and try out unconventional development approaches, when needed. Many of the risks encountered in FCV settings must be seen as long-term development challenges; they call for building systems and policies in an iterative way rather than ring-fencing individual development activities. For the Bank to continually adapt and successfully adjust to the complex and rapidly evolving challenges of operating in FCV situations, projects that fail to meet their development objectives should be handled as much with a learning perspective as with an accountability lens.

232. IFC and MIGA can leverage tools to help mitigate the financial/credit risk for private sector investments in FCV settings, such as the IDA PSW and other blended finance facilities. Yet many IFC investment prospects with high development potential are still unable to meet IFC's credit standards.¹¹⁸ To significantly increase investments in FCV settings, additional mechanisms will be needed. Efforts under way include

- **Risks across IFC and MIGA's portfolios.** To pursue projects in FCV countries that have increased political and conflict risks, market uncertainty and high operational costs, IFC and MIGA will appropriately balance the increased risks and costs with diversification of programs across sectors and countries of operation.
- **Reducing financial risk through new de-risking tools.** The Small Loan Guarantee Program, for example, provides financial institutions with an

innovative risk-sharing facility structure, providing risk mitigation to help financial institutions build their SME portfolios.

- **Strengthening the IFC FCS Risk Envelope,** which provides for increased risk tolerance for a limited number of IFC FCV investments.
- **At MIGA, opportunities for blending will be reinforced.** The IDA PSW is central to continued expansion of MIGA's guarantees in FCS. MIGA will also explore expansion and innovation of both the West Bank and Gaza Trust Fund and the Conflict Affected and Fragile Economies Facility (CAFEF), which supports the provision of political risk insurance in FCS countries.

233. To increase investments in FCV, it will be equally critical to manage the high non-financial risks associated with sponsor integrity, ESG issues, conflict potential, and development impact risk. While these risks can partly be addressed through programming, not all risks can be mitigated in FCV settings—they will materialize at times during implementation and threaten development impact outcomes. Both IFC and MIGA, along with their Boards, therefore need a deepened understanding of projects' risks and an enhanced willingness to accept them, with the aim of achieving greater impact in FCV settings. Despite the substantial costs of engagement, the costs of not engaging are even higher. Hence, when risks materialize, a proactive solutions orientation and approach will be followed.

G. Expected Impact at the Country Level

234. The FCV Strategy sets forth strategic directions and an operating framework for how the WBG will operate in diverse FCV settings. Through 23 operational measures, the strategy also provides concrete guidance and support to help country and project teams enhance their impact in FCV settings and to help countries respond to the specific FCV challenges they face. Because of rapidly changing on-the-ground circumstances, high levels of conflict and insecurity, the capacity constraints of counterparts, and the higher risks and costs of engaging in FCV settings, these measures aim to ensure more tailored on-the-ground support, swifter responses, and greater flexibility.

235. By updating the World Bank's operational policy framework in OP 2.30, the Bank's evolving role in FCV will be more firmly embedded in its operational policies. This in turn will give staff a clearer authorizing environment for the types of engagements that are permitted in these challenging settings. Country and project teams will therefore have in place an authorizing framework to partner with humanitarian and security actors, work on security and justice issues, and operate in situations across the humanitarian-development nexus, such as forced displacement crises. Ultimately, this will help ensure more systematic risk identification and mitigation and greater operational consistency and coherence, while balancing the need for flexibility and avoiding a one-size-fits-all approach.

236. By tailoring analytical products to better understand FCV challenges and inform country strategies and programming, the WBG will more systematically address the core drivers of fragility in FCV-impacted countries. Country strategies will include context-specific approaches to how WBG programming should address the root causes of fragility through more robust analytical products such as RRAs. The RRAs will undergo methodological changes to strengthen operational recommendations and to take into account both short- and long-term drivers of FCV, in collaboration with partners, as appropriate. The proposed measures will also facilitate the adaptation of CPFs to the rapidly changing on-the-ground dynamics

that often characterize FCV settings. This will allow country programs to be reoriented as needed to emerging priorities within a fluid country context.

237. By focusing on key drivers of FCV, programming will be more tailored and geographically targeted to the areas most affected by FCV challenges, and where the WBG's development support can have the greatest impact. WBG operations will more flexibly adapt to a country's security constraints by systematically embedding security considerations into project design. Through enhanced quantitative and qualitative indicators, WBG staff will have the ability to better measure on-the-ground progress in operations, make course corrections as required, and improve the design of future operations to better respond to the beneficiaries' needs. For the private sector, the WBG will strengthen its assessment of key issues through CPSDs, improve upstream project development, and enhance the use of risk mitigation tools—including blended finance—to increase investments and impacts.

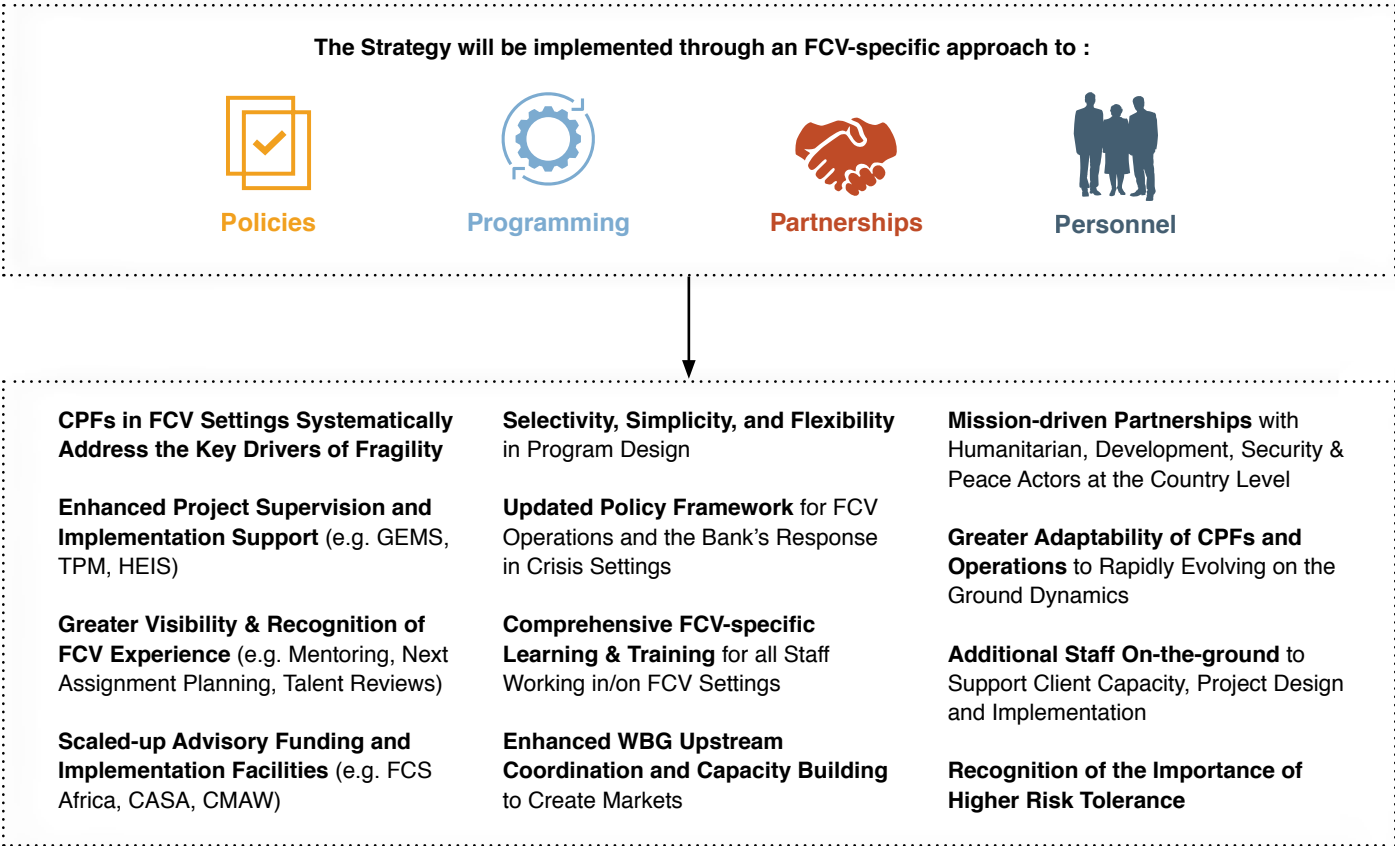
238. The WBG's implementation support will be enhanced in FCV situations by leveraging operational flexibilities, enhancing staff capacity, and promoting the use of new technologies and tools. By stepping up hands-on implementation support in FCV countries and accelerating efforts to develop more flexible and alternative arrangements when needed—yet without compromising on its environmental and social standards—the effectiveness of WBG programs is expected to increase. Efforts to enhance implementation support will also place special emphasis on engaging with local communities and stakeholders throughout the project life cycle.

239. The WBG will augment its on-the-ground presence in FCS by increasing the footprint of its staff and strengthening their skills and incentives. This is critical to provide the ongoing operational support needed in the most challenging environments. Increasing the number of staff in FCS and nearby locations, as well as increasing the number of Practice Managers and task teams in the field, will be essential to providing close continuous support to government and private sector clients. Strengthening career development support and

mentoring for staff working in FCS will further bolster the incentives and support that staff need in order to deliver. Finally, by upgrading the FCV learning curriculum, staff will be better equipped to understand the distinct nature of operating in FCV settings—for

example, the importance of partnerships, of different supervision and implementation approaches, more able to develop the skills needed to work in FCV settings, and better equipped to provide tailored support to clients on the ground.

Figure 10. Expected Operational Impact: Key Measures to Support Strategy Implementation



H. Monitoring and Reporting Progress

240. The WBG will operationalize the FCV Strategy at four levels:

i. Through each of the 23 specific measures

described below, which are aimed at tailoring the WBG's approach and strengthening its effectiveness in FCV settings (table 2). The operational measures include specific targets and timelines that serve as an action plan to help track progress and measure implementation.

ii. Through corporate strategies, initiatives, and commitments where FCV is prioritized

such as the IDA19 Replenishment, the IBRD and IFC Capital Increase package, the FY20-22 HR Strategy, and MIGA's FY21-23 Strategy. For example, the IDA19 replenishment includes six specific policy commitments for FCV, and the IBRD and IFC Capital Increase package includes specific targets for IFC investments in FCS, which will be monitored and reported on.¹¹⁹ Additionally, existing agreements—such as the UN-WB Partnership Framework for Crisis-Affected Situations—report annually on the status of this partnership in FCV settings at the country level.

iii. Through country and regional programs. Moving forward, the CPFs of FCV-impacted countries will systematically address the key drivers of fragility and sources of resilience. This will be monitored and reported back through the IDA process as well, as policy commitment #1 states that “all CPFs, CENs, and PLRs in IDA FCS will outline how the WBG program, in collaboration with relevant partners, addresses FCV drivers and sources of resilience, based on diagnostics such as RRAs or other FCV assessments.”


iv. Through analytics and operations in FCV-impacted countries

that are designed and implemented differently from work in other countries. For example, the WBG will monitor the number of operations in FCV-impacted countries that integrate security considerations into their program design, the number of programs that utilize ICT approaches such as GEMS for supervision and implementation, and the number of private sector investments that integrate conflict-sensitive approaches.

241. Progress on implementation of the FCV Strategy will be monitored and reported to the WBG's Board of Executive Directors on a regular basis. Stocktaking and progress made on the FCV Strategy will be included as part of the annual updates to the Board on FCV. In addition, a mid-term review specifically focused on operationalizing the FCV Strategy will take place at the end of 2022. The WBG's Independent Evaluation Group will also conduct an independent review of the progress of the Strategy by 2024.

242. Given the close linkage with the IDA19 FCV Special Theme, progress on several operational measures of the FCV Strategy will be monitored and reported through the IDA process, including at its own mid-term review. At the IDA19 mid-term review, progress will be reported on the operationalization of the FCV Envelope and any emerging lessons, in terms of both allocations and efforts by countries to design or recalibrate their portfolios. In addition to the comprehensive reporting at that stage, there will be annual progress reports on IDA19 policy commitments.

Table 2: Detailed Measures to Operationalize the WBG FCV Strategy

 Policies, Processes & Practices	Description	Timeline
1. Articulate how the WBG will operate in humanitarian crises, in refugee and forced displacement situations, and when dealing with security and military actors, particularly in insecure environments; and update OP 2.30 on Development Cooperation and Conflict accordingly.	The updated policy will be submitted to the World Bank Board of Directors for approval following discussion with the Committee on Development Effectiveness (CODE). The updated OP 2.30 will ultimately be accompanied by guidance to staff, inter alia on FCV-relevant topics, including support for implementation and supervision of Bank projects in insecure areas.	CODE discussion by June 2020
2. Systematize the use of digital solutions in FCV settings —including Geo-enabling for Monitoring and Supervision (GEMS) and remote-sensing technologies—to enhance supervision and implementation. [See also IDA19 FCV policy commitment #5].	Support building client capacity in 50 percent of FCS countries to use field-appropriate open source digital tools for collection and analysis of geotagged data; and apply this technology to enhance project implementation and coordination.	By June 2023
3. Enhance the use of operational flexibilities as needed in FCV settings. This includes providing training to staff and fostering communities of practice to increase awareness among teams of the operational flexibilities that exist in FCV settings, particularly for procurement, environmental and social safeguards, and financial management.	Develop and implement a continuous program of support for CMUs and task teams, which will include communication around current flexibility, outreach to teams, and training.	On an ongoing basis
4. Enhance monitoring and evaluation (M&E) frameworks to build access to more reliable data, design context-specific solutions, and measure impact on the ground in FCV settings—including through the use of ICT tools and more fit-for-purpose survey designs to fully capture beneficiary feedback.	Update guidance to teams on the Results Frameworks/ M&E guidance to better reflect FCV drivers in project design and M&E frameworks, with room for adjustment during project implementation.	By June 2021
5. Enhance the WBG evaluation framework that assesses country programs and operations in FCV settings, including encouraging more realism in objective-setting and project design and implementation, as well as adaptability to dynamic circumstances and situations of low institutional capacity and high levels of uncertainty and risk.	Enhance WB/IEG harmonized guidance for preparation of Implementation Completion and Results Report (ICR) and the guidance for CLRs to clarify and improve how best to capture and assess results, given the challenging dynamics present in FCV environments.	By June 2021
6. Simplify and streamline IFC and MIGA processes to more nimbly address FCV challenges, including streamlining the processing of small loans.	IFC and MIGA will implement initiatives to streamline internal processes to facilitate the rapid processing of small projects. Further align environmental and social (E&S) and Integrity Due Diligence (IDD) engagements between IFC and MIGA and encourage efforts toward greater alignment among development partners.	On an ongoing basis By June 2023

 Programming	Description	Timeline
7. Revise the methodology for Risk and Resilience Assessments (RRAs) and ensure that they are conducted systematically for countries impacted by fragility, conflict, and violence. Each RRA/fragility assessment will analyze FCV drivers and sources of resilience and include operational recommendations that can be integrated into country programming. <i>[See also IDA19 FCV policy commitment #1].</i>	The new generation of RRAs and other FCV assessments will frame key drivers of fragility more clearly to increase the multidimensional understanding of grievances and risk factors that exacerbate FCV, ensure due attention to gender, and better identify strategic and operational entry points to promote prevention and strengthen resilience.	By June 2020
8. Ensure that country partnership frameworks and operations in FCV settings systematically address the key drivers of fragility and sources of resilience. <i>[See also IDA19 FCV policy commitment #1].</i>	All CPFs, Country Engagement Notes (CENs), and PLRs in IDA FCS will outline how the WBG program, in collaboration with relevant partners, addresses FCV drivers and sources of resilience, based on diagnostics such as RRAs or other FCV assessments.	By June 2023
9. Ensure that operations in FCV settings take security considerations into account throughout the project cycle, including factoring security issues into project design and documentation, implementation, supervision, and monitoring and evaluation.	Guidance for IPF will be updated to ensure that operations in FCV environments factor security considerations into project design, institutional arrangements, and risks (including mitigation measures).	By December 2020
10. Promote the use of portfolio reviews, conflict filters, and peace lenses in FCV settings to support Bank teams in ensuring that portfolios and operations identify and address fragility drivers and conflict risks, particularly in countries with pockets of fragility.	Incorporate relevant lessons from Portfolio Reviews (PRs) into RRAs. Increase staff learning on inclusion and peace lenses, including modules on peace lenses and conflict filters in learning programs.	On an ongoing basis
11. Scale up regional and cross-border programs, focusing on key fragility risks. Conduct Regional RRAs, which can inform both regional and country programming to address the regional dimensions of fragility. <i>[See also IDA19 FCV policy commitment #2].</i>	Develop and implement at least three regional initiatives (to complement national programs) in the Sahel, the Horn of Africa, and the Lake Chad region to be informed by regional RRAs, other analyses and stakeholder consultations. Focus on mitigating key fragility, development, and security risks to promote engagement at the security-development nexus.	2020-2023
12. Systematize conflict-sensitive approaches for private sector investments in FCV, building on country-level contextual analysis and pilot project-level conflict analysis. <i>[See also IDA19 JET policy commitment #6].</i>	Mainstream existing tools, and develop new ones, to address contextual risk and conflict analysis in diagnostics, M&E, and operations, and engage with other DFIs to develop common frameworks in this space.	On an ongoing basis
13. Engage across the WBG to develop the private sector and help create markets in FCV settings; this includes upstream project development, SCDs, Country Private Sector Diagnostics (CPSDs), and implementation of the Cascade Approach / Maximizing Finance for Development.	SCDs/CPFs and WBG Lending Programs to incorporate key private sector policy issues. IFC commitments in FCS originating from upstream activities.	On an ongoing basis
14. Scale up IFC's special advisory funding and implementation facilities, including the IFC Creating Markets Advisory Window, FCS Africa, and an expanded Environmental, Social and Governance (ESG) advisory program, to increase support for market development and capacity building; and address FCV needs in MICs not covered by current facilities.	Expand advisory funding and implementation facilities aimed at scaling up IFC's operations in FCV.	On an ongoing basis

[illegible]

 Personnel	Description	Timeline
19. Increase on-the-ground presence by deploying more professional staff to fragile and conflict-affected situations , as well as nearby locations. [See also IDA19 policy commitment #6].	<p>Increase Bank staffing footprint by 150 GE+ in IDA FCS. Introduce a revamped Young Professionals Program that will place strong emphasis on working in the field, particularly in FCS countries.</p> <p>IFC will promote its staffing strategy in FCS locations through a mix of expanded in-country presence and a strengthened regional hub model.</p>	<p>By June 2023</p> <p>On an ongoing basis</p>
20. Strengthen the link between FCS experience and career development by creating further incentives for WBG staff to work in FCV contexts and ensuring that FCS experience is systematically recognized and considered as part of performance, talent reviews, and next-assignment planning.	<p>Take into account FCS experience and the specific challenges of working in FCS countries when evaluating staff performance.</p> <p>FCS experience to be strongly recognized in talent reviews and next-assignment planning. In WB, FCS experience to be highly recommended as part of managerial selection processes.</p> <p>At IFC, HR guidelines issued to ensure that FCS experience is recognized for select positions.</p> <p>Reinforce assignment benefits to further promote mobility of staff in FCV locations.</p> <p>Mentoring Program (to be?) created and delivered for staff taking an assignment in FCS.</p> <p>Continue to recognize contributions in FCS through IFC's Corporate Awards program and MIGA's EVP Awards program.</p>	<p>On an ongoing basis</p> <p>On an ongoing basis</p> <p>By June 2022</p> <p>By June 2021</p> <p>On an ongoing basis</p>
21. Introduce an enhanced FCV learning curriculum for staff working in FCV settings , with learning focusing on increasing operational competencies, analytic competencies, and personal effectiveness. Staff and managers working in or on FCV will be expected to participate in all relevant training.	<p>Enhanced FCV learning curriculum effective and ready for rollout for all staff working in or on FCV settings. Management will require all staff based in FCS to participate in the full analytical and operational curriculum. The program will be recommended for all other staff working on FCV issues.</p>	<p>Starting July 2020</p>
22. Provide enhanced support for staff well-being, safety, and security before, during, and after assignments in FCV settings, including health and psychosocial support, as well as security awareness and management training.	<p>Enhanced e-learning course on security responsiveness, and Safe and Secure Approaches in Field Environments (SSAFE) training.</p> <p>Field Security Protocols to be in place at all Country Offices; mandatory security briefings for all CDs and CMs working in FCS; enhanced Country Clearance System.</p> <p>Deployment of multi-disciplinary Health and Safety (H&S) teams; enhancement of mental health support; rollout of H&S training; enhanced H&S software platform support.</p>	<p>By June 2020</p> <p>By June 2021</p> <p>2020-2023</p> <p>On an ongoing basis</p>
23. Leverage World Bank staff in countries where IFC lacks on-the-ground presence by providing training and support to World Bank managers and staff who fulfill IFC functions in these contexts.	<p>Train a cohort of World Bank staff in IFC strategies and processes in FCS.</p> <p>Pilot WB representation of IFC in FCS countries.</p>	<p>By June 2021</p> <p>On an ongoing basis</p>



Conclusion

243. This FCV strategy builds on the WBG's experience and evolution working in FCV settings, lessons learned from international best practices, and the achievements of countries that have successfully transitioned out of fragility.

The WBG is focused on providing more tailored development support to FCV-impacted countries and communities, enhancing effectiveness on the ground, and deepening partnerships with a diverse set of actors, in line with respective complementarities and comparative advantages. It approaches this task with a sense of humility, recognizing the importance of full commitment by local, national, and international actors to achieve progress.

244. The strategy recognizes that operating in FCV settings entails inherent and intractable risks and challenges, though the risks and costs of inaction are higher still. Experience in FCV confirms higher risks, including reputational and fiduciary, environmental, social, and corporate governance risks, as well as risks related to heightened political and market uncertainties and to staff security. Doing business in FCV settings points to the need to raise the WBG's risk tolerance and accept that project failures may happen.

245. The purpose of the FCV Strategy is to enhance the WBG's effectiveness to support countries in addressing the drivers and impacts of FCV and in strengthening their resilience, especially for their most vulnerable and marginalized populations. Building on operational and analytic experience in FCV settings, the strategy articulates a differentiated approach to FCV structured around a set of guiding principles and four pillars of engagement that aim to strengthen the WBG's approach and to address challenges across the full spectrum of FCV. This framework will help inform regional and country strategies and programming, and ultimately provide more effective and tailored support to governments, the private sector, and the most vulnerable populations. The

strategy also articulates new approaches to tackle the challenges posed by FCV—including focusing on prevention, building human capital, closing gender gaps and empowering women and girls, engaging on security and justice issues, and promoting regional approaches to cross-border crises. It highlights the WBG's ability to support public and private sector approaches to FCV issues, as these can help create jobs, deliver services, foster social cohesion, and promote inclusive economic growth.

246. To operationalize the framework for engagement, this strategy sets out 23 specific measures aimed at supporting clients impacted by FCV more effectively. The measures are organized along the 4 P's: *policies, programming, personnel, and partnerships*. They are complemented by a tailored financing toolkit to support countries impacted by FCV. Over the next five years, the full operationalization of the strategy and achievement of the 23 measures, will be the shared mission of staff and management across the World Bank, IFC, and MIGA. Progress in implementing the strategy will be monitored and reported back to the WBG's shareholders. FCV will be mainstreamed throughout analytic, operational, and technical assistance activities, including WBG regional and sectoral strategies, country programs, and projects and investments. The success of the strategy will be measured by how the WBG adapts its approach to the distinct nature of FCV settings, and by its improved effectiveness and impact on the ground by 2025.

247. Ultimately, addressing the challenges posed by FCV is critical to achieving the WBG's twin goals of ending extreme poverty and boosting shared prosperity. Given the deteriorating FCV landscape, a concerted international effort—bringing together humanitarian, development, peacebuilding, security, and private sector actors—is essential. This strategy therefore represents a critical milestone in the WBG's contributions to addressing one of the central issues of our time.



World Bank Group
Strategy for
**Fragility, Conflict,
and Violence**
2020–2025

Annexes

Annex 1:

Proposal for a Revised Classification of Fragility and Conflict Situations for World Bank Group Engagement

Annex 2:

Key Lessons Learned about FCV

Annex 3:

Key Characteristics of the World Bank Group's FCS Portfolio

Annex 4:

Select Examples from WBG Engagement in FCV Settings

Annex 5:

Budget Context for FCV

Annex 6:

Strengthening the WBG Approach to Staff Health, Safety, and Security

Annex 7:

Global Consultation Process to develop the WBG Strategy for FCV

Annex 1:

Proposal for a Revised Classification of Fragility and Conflict Situations for World Bank Group Engagement

INTRODUCTION

1. This note aims to inform strategic and operational decision-making within the World Bank Group (WBG) by providing a disaggregated classification of low- and middle-income countries that are affected by fragility and conflict—also known as Fragility and Conflict Situations (FCS). It aims to allow for effective and context-appropriate WBG engagement by providing a simple and practical operational framework (and associated metrics) that can both help identify countries most affected by fragility- and conflict-related issues and differentiate across such situations. It is part of WBG commitments made in the context of the 18th replenishment of the International Development Association (IDA) and the Global Capital Increase for the International Bank for Reconstruction and Development (IBRD).

2. The revised FCS classification evolves from the Harmonized List of Fragile Situations and related work by partners, and it aims to address some of the limitations in the current systems. The outgoing Harmonized List was based on two criteria: a harmonized CPIA score below 3.2,¹²⁰ and the presence of a UN mission or a regional peacekeeping/peacebuilding mission. As such, it aggregates all dimensions of fragility and conflict into one broad category and does not sufficiently differentiate between various types of situations.

PURPOSE AND USE OF THE CLASSIFICATION

3. The primary purpose of the proposed new classification is to ensure that the WBG's strategic and programmatic focus in countries affected by FCS-related issues is adapted and tailored to the diverse challenges faced by these countries. It distinguishes across countries based on the nature and severity of the FCS-related issues they are facing to allow for a differentiation of approaches, policies, and instruments and to help adapt the WBG's

engagement to difficult and complex situations in a manner that is tailored to relevant contexts. It aims to ensure sound prioritization, selectivity, consistency, and fitness for purpose.

4. The classification is fully in line with the new WBG Fragility, Conflict, and Violence (FCV) Strategy, which aims to develop a differentiated approach to defining and operating in FCV-affected countries so that the WBG can strengthen its impact and operational effectiveness in these contexts. The proposed classification would inform, and be reflected in, the FCV Strategy that will be presented to the Board of Executive Directors in early 2020.

5. In addition, the new classification is expected to inform several areas of WBG operational policy and instruments and their applications, based on the situation faced in each group of countries. This includes

- **Linkages with IDA and IBRD resources.** For IDA, the FCS list will be used for the monitoring of IDA country allocations. In addition, the IDA19 package creates an FCV Envelope that offers enhanced allocations, and its criteria are aligned with the FCS list. The list is also relevant for eligibility to some windows (for example, the Private Sector Window). On the IBRD side, the list is relevant for the exemptions from IBRD's pricing changes as part of the 2018 IBRD and IFC Capital Package. It is also relevant for the concessional financing for the GPG Fund, one of the policy commitments of the IBRD Capital Package: the fund offers enhanced support for GPG-related projects such as operations that address FCV spillovers.
- **Human resources,** potentially including incentive systems, career management, and compensation arrangements—in combination with other employment benefits such as Hazard and Fragility Pay, Priority Placement Premium, or Rest and Recuperation—the “tagging” of staff FCV experience, and waivers for short-term consultants (STCs) and short-term temporaries (STTs) up to 190 days.

- **Operational policies**, potentially including the application of OP 2.30 and OP 10 para. 12, as well as other applicable policies across various groups of countries.
- **Bank budget allocations**, including providing the resources necessary for effective engagement in various types of complex operational environments.
- **Corporate monitoring and reporting**, including replacing the current Harmonized List for corporate reporting—for example, portfolio monitoring and corporate scorecards—and tracking selected IDA/IBRD policy commitments that are tied to this list.

TYPOLOGY OF FCS

6. To capture the differentiated nature of fragility and conflict, the classification will be based on methodologies that will distinguish countries in the following categories:

- **Countries with high levels of institutional and social fragility**, identified based on public indicators that measure the quality of policy and institutions as well as specific manifestations of fragility.
- **Countries affected by violent conflict**, identified based on a threshold number of conflict-related deaths relative to the population. This category will distinguish two further subcategories based on the intensity of violence: (i) **countries in high-intensity conflict** and (ii) **countries in medium-intensity conflict**.

7. The focus will also include countries affected by FCV spillovers, especially those hosting large numbers of refugees. These countries may also appear in the main FCS classification as either fragile or conflict-affected.

8. The proposed classification is expected to be complemented by ongoing work to support other countries that are less severely affected by FCV, as well as to identify situations with increasing risks of fragility and conflict escalation. This would be part of wider WBG efforts to adopt a more risk-based approach to development and to support efforts aimed at mitigating FCV risks. These situations may not warrant additional allocations or specific policies or instruments, but instead

management attention to allow for early action. The Global Crisis Risk Platform (GCRP) may provide a forum to identify such countries, based on a mix of qualitative and quantitative criteria, and to discuss the possible WBG responses.

METHODOLOGY

9. Countries with high institutional and social fragility include a range of countries that are facing deep institutional crises, that have very poor transparency and government accountability, or that have weak institutional capacity. These issues are sometimes compounded by threats posed by climate change (for example, for some small Pacific Islands states). To more sharply focus on the countries where deep institutional fragility poses the greatest development challenges, the threshold related to CPIA has been lowered from 3.2 to 3.0.

- Fragile countries are defined as
 - (i) those with one or more of the following:
 - (a) the weakest institutional and policy environment, based on a revised, harmonized CPIA score¹²¹ for IDA countries (for which CPIA scores are disclosed)¹²² that is below 3.0; or (b) the presence of a UN peacekeeping operation because this reflects a decision by the international community that a significant investment is needed to maintain peace and stability there; or (c) flight across borders of 2,000 or more per 100,000 population, who are internationally regarded as refugees in need of international protection,¹²³ as this signals a major political or security crisis; and
 - (ii) those that are not in medium- or high-intensity conflict (see methodology below), as such countries have gone beyond fragility.

Sources of data for the CPIA are the World Bank, the African Development Bank, and the Asian Development Bank;¹²⁴ the UN Department of Peace Operations for the presence of peacekeeping missions;¹²⁵ and the UN High Commissioner for Refugees (UNHCR) for numbers of refugees.¹²⁶

10. Countries in conflict are identified based on the number of conflict deaths in absolute terms and relative to their population.

- **Countries in high-intensity conflict** are defined as those with (i) an absolute number of conflict deaths above 250 according to ACLED *and* 150 according to UCDP; **and** (ii) a number of conflict deaths relative to the population above 10 per 100,000 according to both ACLED *and* UCDP, reflecting widespread and intense violence across many parts of the country.
- **Countries in medium-intensity conflict** are defined as (i) countries with lower intensity conflict, as measured by (a) an absolute number of conflict deaths above 250 according to ACLED *and* 150 according to UCDP; and (b) between 2 and 10 per 100,000 population according to ACLED *and* between 1 and 10 according to UCDP; **or** (ii) countries with a rapid deterioration of the security situation, as measured by (a) a lower number of conflict deaths relative to the population between 1 and 2 (ACLED) *and* 0.5 and 1 (UCDP) and (b) more than a doubling of the number of casualties in the last year.

The sources of data for conflict deaths are the Armed Conflict Location & Event Data Project (ACLED) and the Uppsala Conflict Data Project (UCDP).¹²⁷ To maximize the robustness of the classification, a country will be included in a certain category only if it meets threshold criteria in both databases.

GOVERNANCE

11. The FCS classification and associated list of countries is to be updated annually by the WBG's FCV Group, in consultation with key World Bank business units: Operations Policy & Country Services (OPCS), Development Finance (DFI), and Regions. The update is to be circulated by July 1 each year (after CPIAs are finalized).

12. The classification is publicly disclosed and the list is available here: <https://www.worldbank.org/en/topic/fragilityconflictviolence/brief/harmonized-list-of-fragile-situations>

Indicative Strategic and Operational Implications of Country Groupings

Country grouping	Indicative strategic focus	Illustrative / possible operational and financial implications ¹²⁸
Countries in high-intensity conflict	<p><u>Engage as part of an international stabilization effort, which is a prerequisite for poverty reduction and sustainable development:</u></p> <p>(1) Support the peace process as needed, within limits of WBG's mandate (including through analytics, convening power, and so on) and build partnerships with political and security actors as appropriate.</p> <p>(2) Complement humanitarian relief with development activities that can help mitigate the impact on the crisis (based on the WBG's comparative advantage).</p> <p>(3) Help maintain key institutions and human capital that will be critical for the country's eventual recovery and stability.</p> <p>(4) Prepare for and support economic and social recovery efforts, including institutional strengthening, jobs and economic opportunities, and service delivery.</p>	<p><u>Financing:</u></p> <ul style="list-style-type: none"> • These countries may be eligible to access the IDA Remaining Engaged in Conflict Allocation or Turn Around Allocation, if they meet the respective criteria. • Possible access to the IDA Private Sector Window. • For refugee-hosting countries, possible access to IDA Window for Host Communities and Refugees (low-income) and GCFF (middle-income). • Possible access to IBRD GPG Fund. • Possible exemptions from IBRD's pricing changes as part of 2018 Capital Package. <p><u>Other:</u></p> <ul style="list-style-type: none"> • Operations systematically "high risk." • Enhanced operational flexibility, with close fiduciary and safeguards oversight. <p>Possible use of third-party execution and/or third-party monitoring and/or geo-mapping.</p>

Countries in medium-intensity conflict	<p><u>Engage in support of a government-led stabilization or peacebuilding effort, which is a prerequisite for poverty reduction and sustainable development:</u></p> <p>(1) Engage in dialogue with the government on the priority steps to take as part of peacebuilding and conflict mitigation.</p> <p>(2) Focus the country program on addressing drivers of fragility and strengthening factors of resilience—with a focus on social inclusion and medium-term support to institutional development; economic opportunities, private sector-led growth, and jobs; and service delivery.</p> <p>(3) Provide specific area-based support to at-risk areas; to at-risk groups (for example, youth); and/or in sectors that are critical for governance (for example, extractive industries).</p> <p>(4) Support peace processes as needed, within limits of WBG's mandate (including through analytics, convening, etc.) and build partnerships with political and security actors as appropriate.</p> <p>(5) Prepare for and support economic and social recovery efforts, when the opportunity arises.</p> <p>(6) Active monitoring of conflict and risk trends.</p>	<p><u>Financing:</u></p> <ul style="list-style-type: none"> These countries may be eligible to access the IDA Prevention and Resilience Allocation or Turn Around Allocation, if they meet the respective criteria. Possible access to the IDA Private Sector Window. For refugee-hosting countries, possible access to IDA Window for Host Communities and Refugees (low-income) and GCFF (middle-income). Possible exemptions from IBRD's pricing changes as part of 2018 Capital Package. <p><u>Other:</u></p> <ul style="list-style-type: none"> Operations likely "high risk," especially in "high-risk areas." Enhanced operational flexibility, with close fiduciary and safeguards oversight, especially in "high-risk areas." Possible use of third-party execution and/or third-party monitoring, and/or geomapping, especially in "high-risk areas."
Countries with high institutional and social fragility	<p><u>Support a broad effort to enhance governance and address key drivers of fragility, which is a prerequisite for poverty reduction and sustainable development:</u></p> <p>(1) Focus the country program on addressing drivers of fragility and strengthening factors of resilience, as well as dynamics that keep countries in fragility traps—with a focus on government accountability and performance as well as social inclusion.</p> <p>(2) Provide specific area-based support to at-risk areas; to at-risk groups (for example, youth); and/or in sectors that are critical for governance (for example, extractive industries).</p> <p>(3) Prepare for and support economic and social recovery efforts, when the opportunity arises.</p>	<p><u>Financing:</u></p> <ul style="list-style-type: none"> These countries may be eligible to access the Turn Around Allocation, if they meet its criteria. Possible access to the IDA Private Sector Window. For refugee-hosting countries, possible access to IDA Window for Host Communities and Refugees (low-income) and GCFF (middle-income). Possible exemptions from IBRD's pricing changes as part of the 2018 Capital Package. <p><u>Other:</u></p> <ul style="list-style-type: none"> Operations likely "high risk," especially in sensitive sectors or geographic areas. Close fiduciary and safeguards oversight, especially in sensitive sectors / geographic areas. Possible use of third-party monitoring, and/or geomapping, especially in sensitive sectors / geographic areas.
Other FCV-affected countries (not on the list)	<p><u>Support a government-led poverty reduction / sustainable development agenda, with particular attention to issues of fragility, conflict, and violence:</u></p> <p>(1) Focus the country program on addressing development challenges the country is facing.</p> <p>(2) Explore opportunities to address drivers of FCV, such as social inclusion or specific area-based support to at-risk areas; and/or to at-risk groups (for example, youth).</p> <p>(3) Provide additional support, as needed and as possible, in regions affected by subnational conflict; or on issues related to interpersonal violence or to institutional and social risks; or in support of refugees and host communities.</p>	<p><u>Financing:</u></p> <ul style="list-style-type: none"> For refugee-hosting countries, possible access to IDA Window for Host Communities and Refugees (low-income) and GCFF (middle-income). Countries with high levels of interpersonal violence may be eligible to access the IDA Prevention and Resilience Allocation or Turn Around Allocation, if they meet the respective criteria. <p><u>Other:</u></p> <ul style="list-style-type: none"> Operations likely "high risk," especially in sensitive sectors and geographic areas. Non-disclosure of relevant countries.

Annex 2:

Key Lessons Learned about FCV

Three major reports—the *2011 World Development Report on conflict, security, and development*; the *2017 WDR on justice and the law*; and the *Pathways for Peace* report—provide examples of countries that have successfully exited a state of fragility, conflict, and violence. Each country must forge its own path to peace, but some shared lessons have begun to emerge from countries that have made significant progress. Above all, it is necessary to accept the long-term nature of entering and exiting fragility and the critical importance of sustaining efforts well beyond just restoring growth or securing functional governments.

- **Countries and subregions typically fall into FCV over a long period, hence patience and steadfast commitment are required to help them exit.** In this process, countries often follow a path-dependent trajectory strongly influenced by their history or geography, or their social, economic, and power structures—all elements that are difficult to change. Grievances about marginalization and exclusion, and perceived inequalities among groups, are factors that can lead to violent conflict, but they can also manifest as significant subregional inequalities.¹²⁹ Addressing deep-seated grievances, improving institutions' inclusiveness and accountability, and building trust among social groups is a delicate process that usually takes decades. Declaring prematurely that a nation has succeeded in exiting FCV and returning to business as usual is a major reason why FCV country relapse.
- The international community too often sees crisis as a failure from which to withdraw, when in most cases it is not only a normal occurrence along the road out of fragility, but a learning opportunity. Indeed, some crises create opportunities. For instance, in Aceh, Indonesia, the 2004 tsunami provided a window of opportunity to reach an agreement: the humanitarian crisis incentivized rebels to come to the negotiating table.¹³⁰ Likewise, the 2015 earthquake in Nepal expedited the adoption of a new constitution, which had been stalled for years.¹³¹

- **The magnitude of the global FCV challenge requires working across the humanitarian-development-peace nexus.** The countries that have successfully exited fragility and violent conflict worked concurrently on numerous issues. They followed a trial-and-error approach, experimenting iteratively with various reforms spanning security, justice, the rule of law, macroeconomic adjustment, and political inclusiveness, then adjusting as they moved ahead. The common thread among their varied approaches is the need to sustain service delivery, avoid having lost generations, and incentivize and implement more simultaneous, collaborative, comprehensive, and complementary humanitarian, development, and peace actions.
- **Macroeconomic stability is key to strengthening resilience and managing FCV risks.** It is impacted by conflict and crisis, often resulting in a rapid accumulation of public debt, capital flight, high and rising inflation, exchange rate volatility, and other dislocations. Macroeconomic shocks tend to weaken the factors of resilience for entire economies and societies. Building sufficient fiscal space and managing monetary policy is a precondition for effective government service delivery, private sector development, and ensuring resilience to shocks. In Ethiopia, for instance, after authorities implemented an ambitious development program—with measures ranging from price and trade liberalization and tax reforms, to reforms to the interest rate structure and investment and labor codes—growth per capita accelerated to slightly more than 6 percent annually from 2000 to 2017.¹³² However, in polarized environments, it is especially critical to implement reform programs with the right sequencing, so that these measures are not seen as unfairly affecting some socioeconomic groups while shielding others.
- **Efforts to include and empower broad segments of society can help address and prevent FCV.** Recent evidence has shown the importance of addressing specific vulnerabilities faced by different groups, as well as undertaking development responses that take into account the relationship between gender, fragility, and resilience.¹³³ Similarly, young people are not homogenous; an appreciation of their diversity must inform all efforts that seek to address their

exclusion.¹³⁴ Development responses should aim to systematically address the barriers to empowerment and equality. Investments in gender equality must strive to enhance women's participation at all levels of governance, including in peace- and state-building processes. It is essential to give youth hope by signaling to them that they have an important role to play in society, and that their country is on a positive trajectory.

- **Leaders play a decisive role in this process, either negatively—by mobilizing groups toward violence—or positively, by managing short-term incentives while pursuing a long-term vision of peaceful transformation.** Destructive leadership can further politicize grievances that are, at the outset, usually social or economic and that tend to push groups toward violent behaviors, including those that serve the interest of ruling elites. Once violence starts, a variety of interests are typically mobilized to increase its intensity or prolong its duration, including the emergence of war economies, which become deeply embedded within societies. Experiences of humiliation and human rights violations are among the strongest motivating factors for engaging in violence.¹³⁵

Conversely, successful leaders have often pursued difficult or unpopular measures on such issues as security sector reform, land reform and other reallocations of investments across the territory,

and devolution—all of them measures that create winners and losers in the short term. Constructive leadership is critical because tensions tend to build in specific arenas where risks are high; the appetite of leaders to proactively acknowledge and address these tensions is pivotal. One example of how leaders can use their power to shift trajectories is Burundi's former president, who, by demonstrating his willingness to build an inclusive government, helped bring about the Arusha Accords in 2000.¹³⁶ Development actors are most effective in preventing or addressing fragility when they are part of a coalition that can strongly support these national efforts.

- **Private sector development is critical to addressing FCV challenges.** Private companies are central to generating income opportunities that help provide stability. Inclusive job opportunities and services that enlist women and youth and support a broad range of local and regional companies—including SMEs that know how to engage in difficult investment environments—can increase the range of participants in the economy. Private sector support and market creation in FCV situations requires extensive project development, regulatory reform, and capacity building, as well as efforts to address environmental and social issues and support pioneering firms.

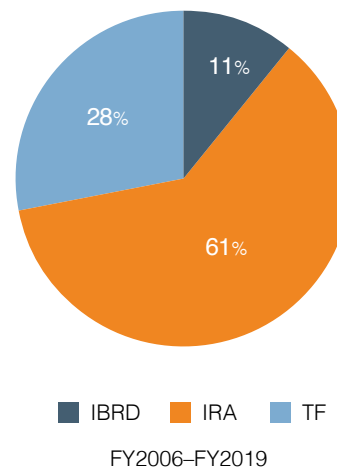
Annex 3: Key Characteristics of the World Bank Group's FCS Portfolio

Based on standard reports and IEG data, the Operational Policy and Country Services (OPCS) unit conducted an FCS portfolio review in 2018.¹³⁷ This, coupled with additional DFI and BWI¹³⁸ data, allowed the FCV group to analyze the WBG's FCS portfolio as compared to its non-FCS portfolio since inception of the FCS Harmonized List in 2006.

This analysis identified the characteristics, project performance, opportunities for leverage, and specific challenges to tackle within the portfolio.¹³⁹ The portfolio has a unique structure, including both IDA and IBRD countries; it cuts across all regions and can change rapidly as individual country portfolios fall on and off the FCS Harmonized List. Trends have been uneven and sporadic over time, with major variations across countries, practice groups, and lending instruments—creating operational fragmentation.

Since the inception of the FCS list in FY2006, the World Bank portfolio¹⁴⁰ has committed a total of \$583 billion,¹⁴¹ of which \$58 billion¹⁴² was committed to FCS countries (about 10 percent of the overall portfolio). The largest contributor to FCS has been IDA, with \$35 billion (61 percent), followed by trust funds,¹⁴³ with \$16 billion (28 percent), and IBRD, with \$6.6 billion (11 percent). During this period—FY2006 to FY2019—the Africa and South Asia regions have received the highest share of Bank commitments to FCS—42 and 26 percent, respectively.¹⁴⁴

Total World Bank Commitments to FCS

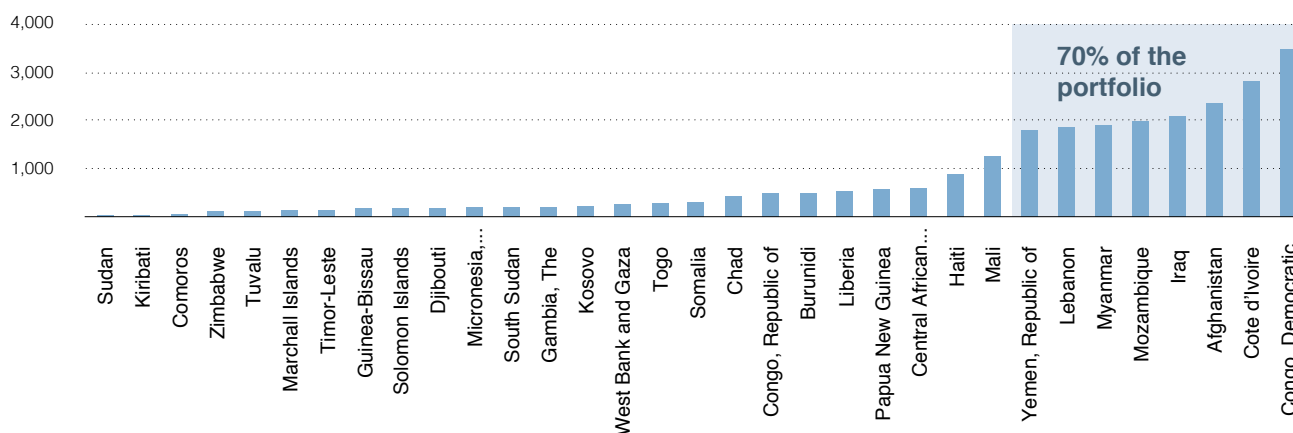


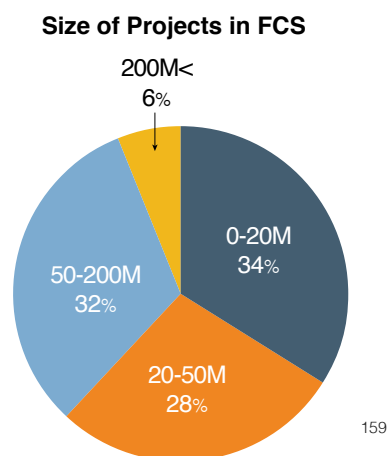
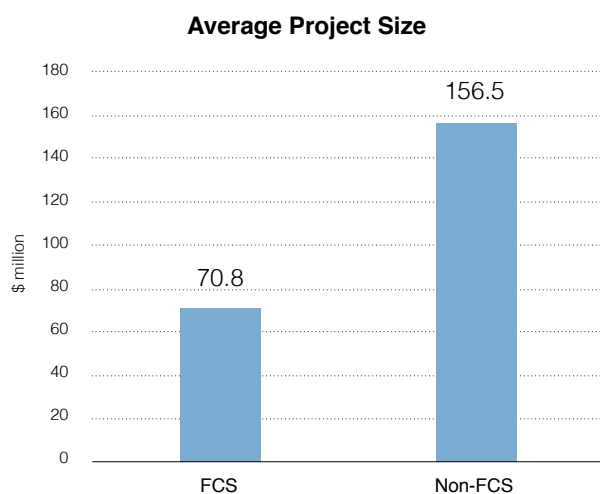
The top-five countries by share of FCS

commitments are Afghanistan, with a total of \$13.2 billion¹⁴⁵ (of which 74 percent is financed through trust funds and 26 percent through IDA);¹⁴⁶ the Democratic Republic of Congo, \$5.8 billion; Iraq, \$5.8 billion; Côte d'Ivoire, \$4.3 billion; and Yemen, \$3 billion.¹⁴⁷ IDA provides the majority share of commitments to all of these except Iraq, for which funding is from IBRD. Over this period, the Compounded Annual Growth Rate (CAGR) for IDA in commitments to FCS is 11.59 percent, and 19.87 percent for projects financed by trust funds.¹⁴⁸

Active portfolio project makeup: The current, active FCS portfolio consists of 361 projects in 33 countries that total \$26 billion; with 69 new projects approved in

Net Commitment Amount (US\$M, by country)





FY19. For comparison, the non-FCS portfolio contains 1,325 projects in 97 countries, totaling \$210 billion, with 224 new projects approved in FY19.¹⁴⁹

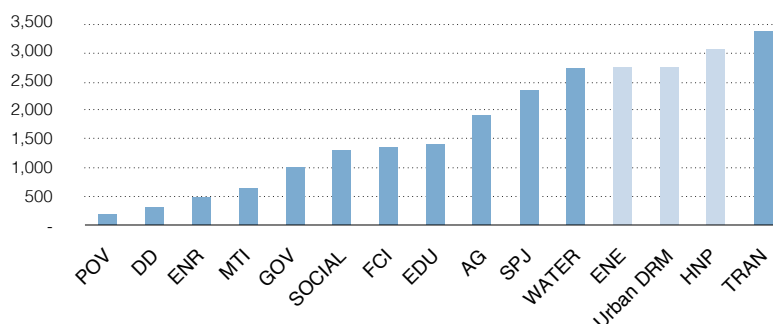
Between FY06 and FY19, the number of countries on the Harmonized List ranged between 32 and 36,¹⁵⁰ with 19 countries on it continuously since its inception.¹⁵¹ Since FY06, the Africa region has consistently held the largest number of FCS projects;¹⁵² it continues to hold the largest share of FCS lending in the current, active portfolio.¹⁵³ However, 70 percent of this portfolio (by volume) is dominated by eight countries,¹⁵⁴ making the overall FCS portfolio heavily contingent on the performance of this small set of countries.¹⁵⁵

Portfolio characteristics: The FCS portfolio amounts to \$26 billion. More than 60 percent of projects in this portfolio are smaller than \$50 million;¹⁵⁶ the average size is 55 percent below non-FCS

projects.¹⁵⁷ Of the countries with FCS projects, 39 percent have a portfolio of \$200 million or less, and 18 percent have fewer than five projects. These projects need more supervision through third-party monitoring and are under implementation over a shorter time period—implying greater project turnover.¹⁵⁸ This can partly be explained by the high proportion of smaller countries on the FCS country list; however, the make-up of the FCS portfolio subsequently results in operational fragmentation.

Sectoral distribution: At the end of FY19, the World Bank's Transport (TRAN) Global Practice (GP) had the largest portfolio by volume in FCS countries. Combined with four other GPs—Health, Urban Development, Energy & Extractives, and Water—the top five GPs accounted for more than half of the portfolio in FCS. Some sectors have significantly less investment in FCS compared to non-FCS countries. For example, the Macroeconomic, Trade, and Investment

By Commitment Size Distribution across WB Global Practices



(MTI) GP has the largest percentage difference in volume, as budget support is comparatively small and uncommon in fragility and conflict-affected countries.¹⁶⁰

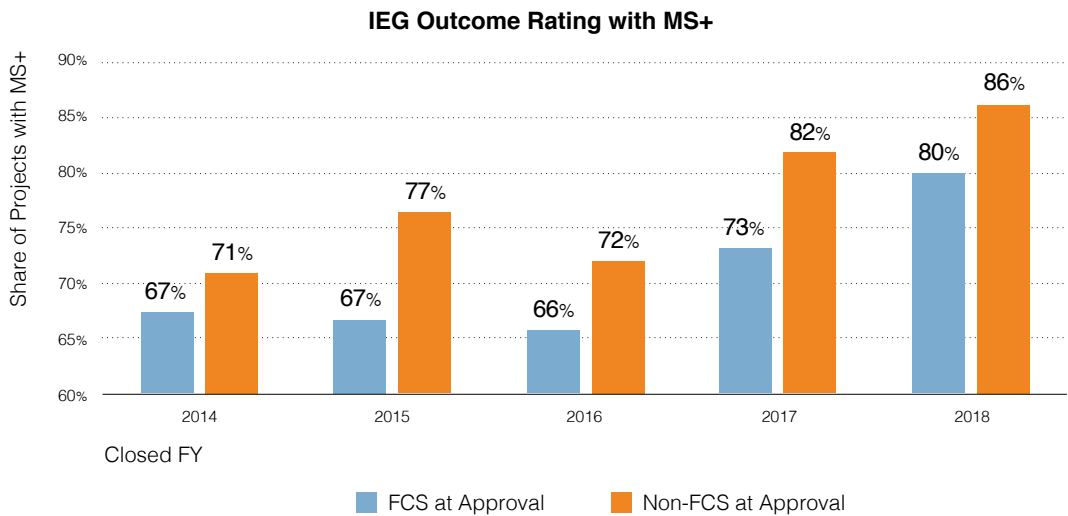
Project performance: FCS operations have demonstrated steady improvement on project outcome ratings in recent years. Increased support on administrative budgets, and staffing in FCS country offices, have contributed to the trend. However, while lending to FCS has more than tripled over this period,¹⁶¹ the performance of FCS operations has lagged that of non-FCS countries,¹⁶² coupled with higher risk ratings.¹⁶³ Weaker capacity, higher uncertainty, and greater security risks pose challenges to effective engagement and supervision.¹⁶⁴ Additionally, although WBG country strategy outcomes are above their historic average across all regions,¹⁶⁵ FCS country strategy performance and development outcome ratings have fallen short compared to those in non-FCS countries by 20-30 percent over the last decade.¹⁶⁶

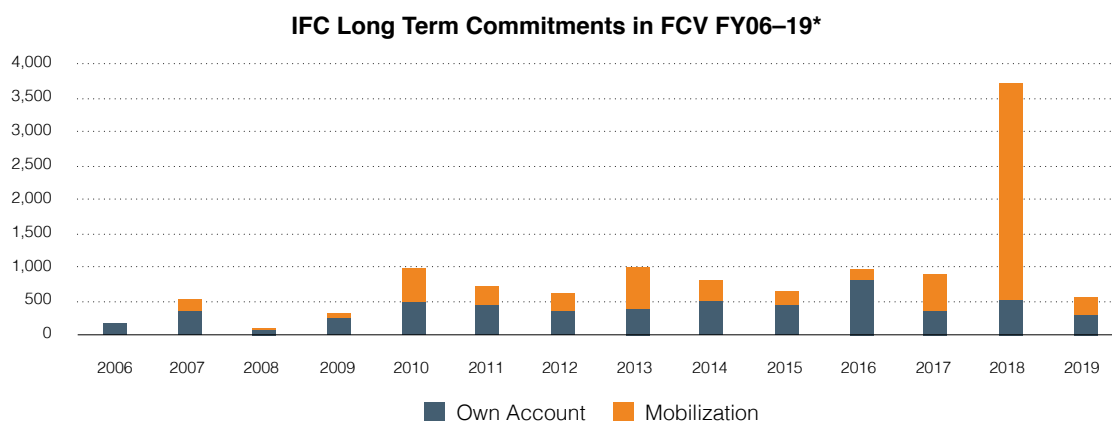
With eight countries dominating the active portfolio, overall FCS portfolio performance is heavily contingent on the performance of this small set of countries. Both Afghanistan and Yemen are in this group and provide a good illustration of how strongly overall FCS portfolio performance can become skewed: the recent overall downward trend is largely due to negative project performance in these two countries, which were in active conflict during the period. Excluding Afghanistan and Yemen from the analysis would show

a marginal increase in ratings for the remaining IDA FCS countries.¹⁶⁷

FCS projects predominantly use investment project financing (IPF)—currently at 94 percent (by volume), which is 17 percent higher than non-FCS usage.¹⁶⁸ Development policy loan (DPL) operations in FCS contexts disburse the fastest, significantly faster than DPLs in non-FCS contexts. However, their use in FCS has been declining rapidly—from 34 to just 6 percent over the FY17-18 period.¹⁶⁹ While overall performance ratings lag at project closure, the active FCS projects are performing marginally higher than non-FCS projects on Implementation Progress (IP) and on Development Objective (DO) ratings.¹⁷⁰ Notably, countries with the largest portfolios perform better than average on DO and slightly worse on IP. The Democratic Republic of Congo—the largest portfolio among the FCS—and Côte d'Ivoire are consistently below average. FCS projects typically make extensive use of the flexibility provided by additional financing.¹⁷¹

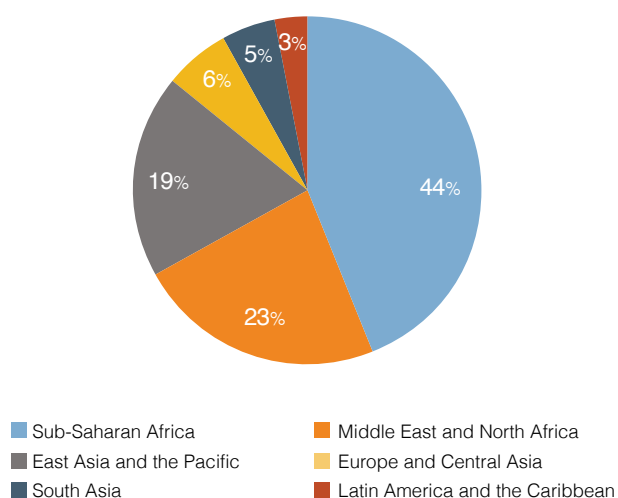
Opportunities to leverage: On average, FCS projects have a significantly shorter preparation time than non-FCS projects. They start disbursing earlier, are implemented faster, exhibit a lower share of problem projects, and introduce proactive measures more quickly. Preparation time for FCS projects is about two months shorter than for non-FCS, and the first disbursement happens more than one month earlier.¹⁷³ The average number of months in problem status is also slightly shorter for FCS projects, with 5 percent more actions taken proactively. Teams



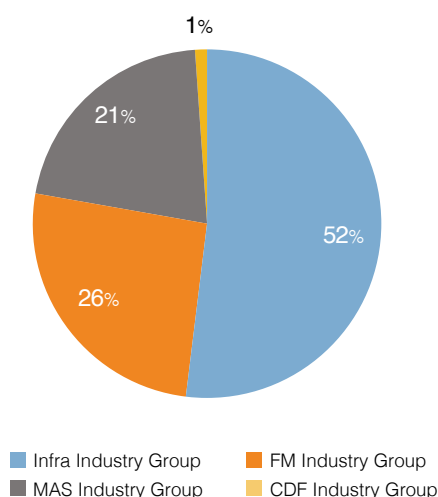


*FY06 mobilization data is not available, as IFC started systematically tracking mobilization starting from FY07

IFC Own Account Long Term Commitments in FCV by Region FY06–19



IFC Own Account Long Term Commitments in FCV by Industry Group FY06–19



working on FCS projects have a faster reaction time to complications when they occur, with projects maintaining a “problem” status for a substantially shorter time,¹⁷⁴ indicating that operational flexibility has paid off to an extent.

Challenges to address: Despite several efficiencies of the FCS portfolio, work still needs to be done to reduce variations within it and improve overall performance. The performance and distribution of the portfolio underscore the need to adopt a holistic approach to consolidating projects, having fewer but more effective and larger multisectoral programs. This approach allows a focus on key drivers of FCV and can enhance project supervision, implementation support, and risk management.¹⁷⁵ Because

accelerated project approval and implementation can come with risks and tradeoffs, particularly in FCV settings, TTLs’ understanding of these is critical to FCV project performance. Tools such as retroactive financing, deferral of safeguard instruments, and fiduciary arrangements exist but remain underutilized.

IFC FCS PORTFOLIO

Increasing support for private sector development through IFC’s investment and advisory services operations, as well as MIGA guarantees, has been a critical element of the WBG’s approach to FCV. IFC builds on a long history of working in FCV markets, including early engagements in Indonesia in the 1960s and Bosnia and Herzegovina in the 1990s. IFC’s

focus has continued to evolve by ensuring dedicated funding for advisory services and staff in FCS via the Conflict-Affected States in Africa (CASA) initiative—launched in 2008—and FCS Africa, established in 2014; by adding FCS to strategic priorities in 2010; and by introducing FCS and LIC-IDA targets as part of the 2018 Capital Increase. Additional advisory funding for FCS has recently become available through the Creating Markets Advisory Window (CMAW), while investment growth in FCS is supported by recent growth in blended finance funds that target IDA and FCS countries, including the IDA Private Sector Window (PSW).

IFC’s long-term financing commitments¹⁷⁶ in FCS have constituted roughly 4-5 percent of its total commitments, growing in line with corporate commitments.

While FCS investments make up a small share of IFC’s overall portfolio, IFC Advisory Services have been heavily weighted toward FCS countries, representing about 20 percent of total advisory spending. FCS countries in Sub-Saharan Africa, MENA, and the East Asia and Pacific region have received the largest commitments from IFC, with a mix of investments in infrastructure, financial markets, and the manufacturing, agribusiness, and service sectors. IFC has also had significant short-term trade finance in FCS.

Over the last 10 years, IFC’s development results and profitability in FCS have lagged those in non-FCS countries. Development outcomes in IFC’s FCS portfolio have been lower than in its non-FCS portfolio by about 15 percentage points.¹⁷⁷ The FCS results have been somewhat lower in Africa and MENA compared to other regions, but there has been relatively more success in the financial sector and infrastructure. Evaluations of IFC’s FCS investments found that many of the underperforming projects suffered from external shocks such as declines in commodity prices and currencies, the global financial crisis, health crises, and impacts from regional conflicts.

Other factors that affect project success included regulatory issues such as changes or delays in banking regulations and delays in opening markets, higher operating costs, limited in-country infrastructure, and inadequate sponsor capacity related to project operations, risk management, or environmental and social programs.

Many problems were at least partly related to the FCV environment—for example, conflict dynamics, regulatory uncertainty, sponsor and government capacity and resilience, and infrastructure issues. IFC’s profitability in FCS countries during this time, as measured by Risk-Adjusted Return on Capital (RAROC), was mostly low or negative. A detailed review of IFC’s FCS portfolio shows generally sound project and loan performance, as measured by the level of nonperforming loans and write-offs. However, overall IFC profitability is affected by high expenses per dollar invested, primarily because of smaller project size.

MIGA FCS PORTFOLIO

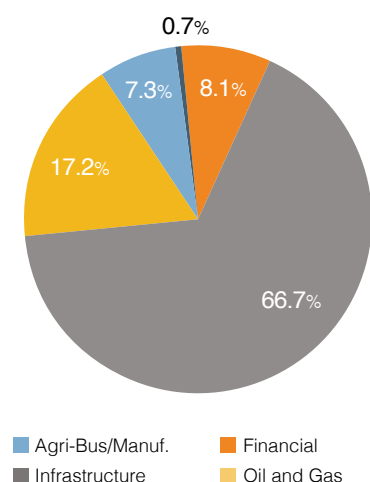
MIGA has provided guarantees in many sectors and in many FCS. MIGA’s portfolio in FCS has grown steadily over the last 10 years and now stands at \$2 billion, which is 9 percent of the total portfolio. This is despite an overall decline of foreign direct investment into FCS over the period. MIGA’s market share of foreign investment covered by political risk insurance is heavily tilted toward IDA and FCS countries, reflecting the important role that MIGA plays in the most challenging environments. FCS countries in Sub-Saharan Africa, MENA, and the East Asia and Pacific region have received the largest share, with a mix of guarantees in infrastructure, financial markets, and the manufacturing, agribusiness and service sectors.

Development results for MIGA’s portfolio in FCS have mirrored those of its total portfolio.

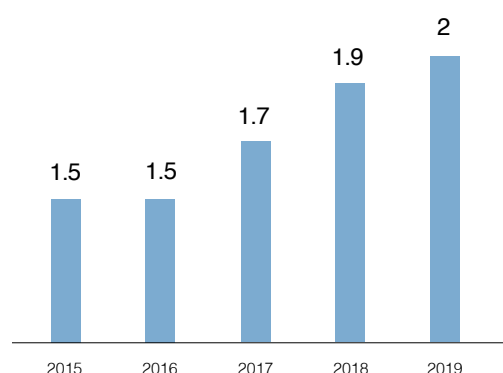
Development outcome in the FCS portfolio has been similar to that of the total portfolio of evaluated projects: 64 percent vs. 63 percent over 2010-2017 respectively.¹⁷⁸ MIGA’s ex-ante development impact system (‘IMPACT’), which was piloted in FY19, shows a similar pattern. The mean score for projects presented to the Board in FCS during FY19 was 65, versus 67 for all projects. Claims and pre-claims are higher in FCS. Of the 12 claims that MIGA has thus far paid out, seven have been in countries on the FCS Harmonized List of Fragile Situations, all of them for War and Civil Disturbance risk. This risk is of particular concern to MIGA because the Agency can do little to avert it through early intervention, and no recoveries are assumed. Internal analysis also shows that pre-claims are significantly higher in FCS—as might be expected.

MIGA Guarantee Portfolio

**MIGA Guarantee Portfolio in FCS
by Industry Group FY19**



**MIGA Guarantee Portfolio in FCS
(\$bn) FY15–FY19**



Evidence over recent years shows that MIGA projects in FCS are more expensive to underwrite and monitor than other projects, and also take significantly longer to process.

IFC and MIGA Lessons on Reputational and Financial Risk in FCV

Experience over the past decade has shown that working with the private sector in FCV is far from business as usual, with heightened risks and costs because of unique challenges on the ground.

These include (i) a limited existing private sector—often largely informal and with poor capabilities—and a lack of access to finance; (ii) underdeveloped market structures characterized by a prevalence of state-owned enterprises or otherwise imperfect or incomplete markets; (iii) poor infrastructure and supply chains; and (iv) a weak legal and regulatory environment, with low government capacity and weak institutions. Supporting viable private investments in FCV countries often requires long-term, extensive work related to project development and client capacity building. For example, developing private infrastructure projects in FCV contexts may take 3-6 years or longer, including work on the regulatory regime, sector policies, feasibility studies, and government capacity. Similarly, after commitment,

projects in FCS countries require significant assistance to realize their potential. Supply chains need to be developed, local community interactions initiated, and land and other environmental and social issues need to be addressed.

For IFC and MIGA, working in FCV contexts means encountering significant reputational and financial risks.

Reputational risks include (i) issues related to sponsor (lead investor) integrity, such as previous illegal activities or corruption; (ii) conflict-related risks; and (iii) environmental, social, and governance (ESG) risks such as impacts from pollution or problems with resettlement. Financial risks can be related to returns that are inadequate to cover or compensate for the associated FCV-environment risks—such as conflict or regulatory issues or poorly developed markets—for the higher operating costs associated with security issues, longer project gestation, and the frequently smaller size of projects. Meeting ambitious goals for private sector growth in FCS countries will require significant changes in IFC's approaches, including strengthening upstream project development, developing ways to address conflict risks, improving the incentives for staff to work in FCV environments, finding ways to mitigate and tolerate risk, and collaborating more with partners.

Annex 4:

Select Examples from WBG Engagement in FCV Settings

Throughout the strategy development process, examples of select WBG engagement under each of the four pillars of engagement were captured.

The examples are presented here with the aim of systematizing good practice and enhancing effectiveness on the ground. They range from mainstreaming gender to tailored regional engagements and include innovative financing or dedicated tools and mechanisms under implementation. These illustrations cut across the World Bank, IFC, and MIGA.

Disarmament, Demobilization, and Reintegration

Disarmament, demobilization, and reintegration (DDR) activities have been a significant area of the World Bank's engagement on FCV. Over the last 30 years, the Bank has provided financial and technical assistance to more than 27 such projects in 23 countries.

This involvement with DDR programs began in 1992 with the Uganda Veterans Assistance Program and focused primarily on demobilization and reintegration, given mandate limits on engaging in disarmament issues. During the first decade of programming, the Bank focused on statutory and insurgent armies who were signatories to the peace accords and financed 10 reintegration projects (totaling \$287 million). The next decade witnessed the largest DDR program in Bank history—the Multi-Country Demobilization and Reintegration Program (MDRP). This program aimed to support demobilization and reintegration of ex-combatants in the Great Lakes Region of Africa¹⁷⁹ and provided \$450 million in donor and IDA financing to assist more than 300,000 ex-combatants, including child soldiers and children affected by conflict. It was followed by the Transitional Demobilization and Reintegration Program (TDRP, 2009-17) and the Global Program on Reintegration Support

(since 2018) for continued support to ex-combatants and DDR activities amid a changing global landscape.¹⁸⁰

These efforts, as well as analytical work on the social and economic re-integration of adults and children after conflict, yield valuable lessons. Chief among them is the Bank's invaluable role in mobilizing resources and facilitating partnerships in affected regions. For example, through MDRP, the Bank coordinated financing with 14 donor organizations and partnered on implementation with 21 regional bodies, NGOs, and UN agencies. The Bank has also been crucial in shaping global policy and building technical capacity across regions. It not only is a member of the UN-chaired Inter Agency Working Group on DDR to revise and validate the Integrated DDR Standards first issued in 2006, but has also provided support for strengthening the African Union's early-warning methodologies through a human rights-based approach.¹⁸¹ The Bank's DDR experience highlights the importance of national ownership, together with a clear understanding of local conflict dynamics and the capacities of local institutions to generate and sustain impact.

World Bank Engagement in the Sahel

As the security situation worsens in the Sahel, the World Bank's engagement is following a multi-prong approach aimed at addressing both short- and long-term drivers of instability in the region.

In the shorter term, the Bank is committed to applying a spatial approach to target hotspots of fragility through integrated multi-sectoral interventions, in close coordination with other donors. The objective is to quickly restore basic services such as health, education, energy, and state administration, especially in conflict areas, thus helping to rebuild the populations' confidence in the state and recover some minimum standard of living. In close partnership with Sahel Alliance members, flagship operations have been launched in several areas where the G5 Sahel joint forces are operating. These include the Hodhs zone in Mauritania, the Konna and central region in Mali, the North Tillabery in Niger, and the Lake Chad region.

In the medium to longer term, the Bank seeks to increase access to economic opportunities, particularly through agriculture and basic education, while ensuring greater resilience and inclusion for the most vulnerable populations. By helping to diversify the rural economy, broaden access to markets, promote women's empowerment and youth inclusion, further expand and strengthen critical infrastructure, and provide basic school education and professional training, the Bank has also been seeking to unleash untapped potential for jobs and additional incomes.

To complement financing, the Bank is aiming to (i) enhance collective understanding of drivers of fragility in the Sahel, notably through a subregional Risk and Resilience Assessment (RRA) that identifies commonalities and cross-border factors; (ii) strengthen its collaboration with Sahel Alliance partners, the G5-Sahel, the MINUSMA, local and international NGOs, and other key stakeholders; and (iii) deploy new monitoring and implementation mechanisms that feature new technologies, actors, and modalities and allow greater agility and flexibility, lower cost, and remote capability—all to better fit the difficult region's operating environment. These measures include Geo-Enabling for Monitoring and Supervision (GEMS), Iterative Beneficiary Monitoring (IBM), and delegated third-party monitoring.

The Bank is the largest project financier in the Sahel. IDA's total financing capacity to support the G5-Sahel countries—a total of the IDA18 financing envelopes of all five countries—amounts to \$9 billion. With close to \$7 billion, the Bank is also **contributing the largest share of the Sahel Alliance program**, representing well over 60 percent of the total financing commitments, which amount to \$11 billion (or 570 projects).

Sustained Reconstruction Support: Afghanistan Reconstruction Trust Fund

After decades of conflict, Afghanistan's reconstruction efforts pose a unique set of challenges that have provoked an unprecedented response from the international community, both in terms of funding and donor coordination.

The Afghanistan Reconstruction Trust Fund (ARTF), established in 2002 to address reconstruction efforts, is now the WBG's largest multi-donor trust fund. With 34 donors administered through the WBG, it was set up to provide a coordinated financing mechanism for the budget and national priority projects of the government, allowing it to continuously provide key public services throughout the country.

Historically, Afghanistan has received the largest proportion of the Bank's FCS commitments: During FY2006-2019, it amounted to 23 percent of all WB commitments to FCS (\$13.2 billion), 74 percent of it from trust funds (\$9.8 billion).¹⁸² Most of this financing has been channeled through the ARTF.

The ARTF finances nearly 40 percent of the civilian budget and half of all development expenditures, and is the vehicle of choice for pooled funding. It is the largest source of non-

budget financing for Afghanistan's development, delivering results in education, health, urban and rural development, infrastructure, agriculture, and governance. All funds are channeled through government systems, with ministries and government agencies responsible for implementing all projects. The fund's structure helps ensure predictability of aid within a robust fiduciary and monitoring framework. ARTF partners, the government, and the World Bank jointly decide on a financing program (recurrent budget support and investment projects) that is aligned with government priorities, both at strategic and programmatic levels. This also strengthens coordination and provides a platform for policy dialogue on key reforms.

In the 17 years since its inception, the ARTF has directly benefitted 19 million people across all sectors.¹⁸³ To date, about \$96 million in grants have been disbursed to various communities for nearly 6,000 projects.¹⁸⁴ The ARTF demonstrates the capacity to adapt to an evolving context and offer the government a predictable source of funding.

Mali Shi: In June 2019, IFC and the Global Agriculture and Food Security Program (GAFSP) committed a loan for a greenfield company called Mali Shi, which will help Mali develop an industry capable of producing and exporting shea butter. The project will support a key sector and involve about 1 million women in rural areas. GAFSP's concessional funding support helped mitigate the high risks associated with investing in the country's first shea nut processing plant in more than 35 years. An IFC advisory program is helping i) create an efficient supply chain; ii) comply with international standards; and iii) provide an efficient energy plan. This includes i) providing support to obtain the required HACCP and ISO 22000 certifications; ii) implementing a solid Environmental and Social Management System; iii) improving the financial capacities of women shea collectors; and iv) establishing renewable self-supply energy options that maximize efficiency, reduce waste, and minimize the plant's exposure to the national grid.

Given Mali's FCV context, it is challenging to attract international investors, especially in agribusiness. With more than 10 years' success in the sector, Mali Shi's sponsors have identified market opportunities but lack experience meeting international standards for food safety, complying with environmental and safety (E&S) standards, and working with smallholder farmers. IFC's comprehensive advisory package

has helped fill the gaps, reduce operational risks, and support a project that has needed time to materialize.

Sierra Rutile 2: Sierra Leone's mining sector is crucial to its economy, accounting for 90 percent of exports, 20 percent of GDP, and over 400,000 direct and indirect jobs. If developed in a responsible way, it could be a key driver of sustainable economic growth. In 2016, Iluka, an Australian mining company, purchased Sierra Rutile Limited (SRL), a mining firm with a 50-year operating history that holds the world's largest deposit of natural rutile, and is the largest taxpayer, private employer, and foreign exchange earner in Sierra Leone. Iluka plans to expand existing operations and develop a new nearby mine.

With the purchase, Iluka inherited project risks linked to the FCV context, including E&S issues. Given the scale, complexity, and urgency of the issues faced by SRL, Iluka was keen for IFC's investment and early engagement as a partner, leveraging IFC's global E&S expertise and sustainable infrastructure advisory services for its first venture outside OECD countries. The project could lead to an 8.4 percent increase in Sierra Leone's GDP, \$575 million in royalties and corporate taxes over 2019-2034, and about 15,000 new indirect and induced jobs in its conflict-affected economy.

BoViMa: Implementing the Cascade/MFD Approach in Madagascar

Madagascar's BoViMa project illustrates the successful use of the Cascade approach in an FCV setting. With the country emerging from a period of fragility, three-quarters of its people live in extreme poverty and 80 percent are dependent on agriculture. Agricultural development is key to the economic revitalization needed for inclusive growth. Although Madagascar has excellent conditions for cattle and goat production, it needs long-term help to develop significant foreign exchange earnings from livestock exports.

With World Bank support, the government is helping rural herders and farmers improve their incomes by expanding veterinary services, raising sanitary standards, developing new road infrastructure, addressing agriculture value chain policy and governance, and building related technical capacity. At the sector level, the Bank provided two IDA loans to address these constraints. In 2014, the first technical assistance project used a \$50 million IDA credit to help the government promote sustainable agribusiness development. A subsequent \$53 million project, which began in 2017, is helping further address the agriculture value chain, build technical capacity, and improve land tenure, food safety, and farmers' access to veterinary services and transportation. This project is also bolstering quality assurance by training veterinary staff and funding the purchase of laboratory equipment for certification processes.

IFC is complementing Bank activities with support for a local agribusiness company, Bonne Viande de Madagascar (BoViMa), which is developing the country's first modern feedlot and abattoir. With support from the Global Agriculture and Food Security Program (GAFSP), IFC advisory services are helping BoViMa improve animal husbandry and strengthen its supply chain for breeders and local farmers producing animal feed. IFC and GAFSP are also providing a \$7 million subordinated debt investment to make the project viable and crowd in other investors. The project is expected to create a \$300 million meat export market and support the livelihoods of more than 20,000 local herders and farmers, potentially making BoViMa the largest employer in the impoverished southern region, and providing many citizens with their first formal jobs.

This project illustrates how a comprehensive and sequenced approach involving advice to government and suppliers, development institution financing, private sector sponsorship, and donor-funded concessional co-investment can help create markets. BoViMa needed extensive effort to develop but it has the potential to be transformational. Not only could it revive the country's beef and goat meat export market, it may also transform Madagascar's agricultural sector, creating the kind of growth that is indispensable for a vibrant and inclusive economy.

IFC: Kakuma as a Marketplace Study

In remote northwest Kenya, a sprawl of tents and shelters made of mud bricks and cement blocks forms the Kakuma refugee camp. It was established in 1992 for refugees fleeing the conflict in Sudan and is one of the largest and longest-standing refugee camps in the world. Set on the border of the town of Kakuma, home to Kenya's Turkana people, the camp is a melting pot of more than 160,000 refugees and displaced people from Burundi, Ethiopia, the Democratic Republic of Congo, Somalia, South Sudan, and Sudan.

IFC, in collaboration with UNHCR, undertook a first-of-a-kind study of the Kakuma camp to better understand it as a potential market with business opportunities and challenges

for the private sector. The study identified three types of players that might benefit from its findings: commercial firms (banks, microfinance institutions, telecommunications companies, and SMEs from other sectors); social enterprises (companies that look to achieve and maximize financial, social, and environmental impacts); and local entrepreneurs (from the refugee and host communities). By collecting empirical data on revenues, consumption patterns, consumer preferences, and financial transactions within the camp and neighboring areas, the study provides market information that private sector players will need in order to start or scale up operations in the Kakuma area.

Recovery Through Private Sector Support in Afghanistan

The Rikweda Raisin project is an example of WBG engagement to promote recovery and build markets. The WBG is supporting transformation in Afghanistan's raisin sector to recapture its former status as a world-class producer and exporter. The project was made possible through extensive client and upstream engagement, leveraging the WBG to catalyze private sector participation in challenging sectors and to facilitate long-term market sustainability. Using the Cascade approach, efforts began by providing support to farmers to establish modern raisin-drying houses, along with technical assistance under a \$190 million IDA National

Horticulture and Livestock Project. IFC and MIGA collaborated with \$3 million in financing and \$7.5 million in guarantees, respectively, to catalyze private sector investments in the Rikweda Fruit Process Company that support a modern, greenfield raisin-processing operation. The investments, advisory interventions, and guarantees aim to double the country's raisin-processing capacity and improve its quality by implementing modern processing technology and food safety practices. Local farmers will gain access to global export markets, which will support sustainable livelihoods for thousands of rural smallholder farmers.

Stabilization Through a Country-specific Project: LONDO

The Central African Republic faces a tremendous challenge to stabilize itself while investing in early recovery and lasting peacebuilding efforts. To help, the World Bank is supporting this stabilization effort to break the cycle of violence and maintain confidence in the fragile transition. The support focuses on addressing primary conflict drivers and building confidence in public sector institutions. Through the LONDO project, the World Bank is providing temporary employment to vulnerable people through national labor-intensive public

works programs. LONDO is now the largest cash-for-work program in the country, with more than a million person-days of work across all parts of the country (including 59 of 71 subprefectures). To date, 29,500 beneficiaries—36 percent of them women—have repaired more than 1,850 kilometers of roads to reconnect their communities to essential markets and services. The project has been able to deploy in rebel-controlled areas, thereby setting an example for how to partner with peacekeeping forces and the humanitarian community.

GBV Prevention in the Transport Sector

To address gender-based violence, the WBG has recently scaled up its engagement with the transport sector. Globally, women feel more vulnerable to violence and harassment on public transportation, and the sector needs to innovate. The Quito Metro Line One Project in Ecuador, for instance, employs a participatory approach to identifying critical interventions that enhance women's security. These include well-lit platforms, stations, and surrounding areas, along with gangways that link cars to enhance visibility and redistribute passengers. Similar approaches are being followed in Colombia's Support to the Bogota Metro Line 1 Section 1

Project. In Pakistan, the Khyber Pass Economic Corridor Project seeks to mitigate risk factors for violence¹⁸⁵ and promote gender equality through strategic measures including gender-sensitive transportation, workplace infrastructure—such as separate prayer rooms, toilet facilities, and child care centers—and harassment-free work environments. Given the widespread phenomenon of harassment of women and girls in public transportation, these projects should serve as reference operations to better mainstream GBV prevention into the sector.

The Jobs Challenge and Economic Migration

The total number of migrants worldwide was estimated at 266 million in 2018, with 240 million of them considered economic migrants. Accelerating the growth of better jobs for an expanding and young global workforce is a central goal of the WBG, and a focus of IDA19. The WBG will continue to support the growth of markets and work to connect firms to them to help raise the demand for labor. It also supports building workforce capabilities through human capital investments and training that prepare workers for better jobs. This will improve job opportunities for millions of youth whose human capital potential is not being fully utilized and who lack access to the capital or technology they need to become more productive.

In parallel, the WBG will continue to support the strengthening of safe, legal migration channels that protect migrants from exploitation and that direct migratory flows toward areas that are mutually beneficial to both the sending and the receiving economies. The WBG will also work to leverage the financial flows produced by migrants to accelerate job growth in their countries of origin. Migrant remittances already outstrip either FDI or ODA. The WBG will continue to support efforts to reduce the cost of remittance transfers and promote diaspora bonds, in addition to efforts that reduce the recruitment costs paid by migrant workers.

Community-Driven Development in FCV Contexts

In the **Horn of Africa region**, the Development Response to Displacement Impacts Project (DRDIP) is taking a community-driven development (CDD) approach to the challenge of forced displacement. Launched in 2016 and implemented in four countries—Djibouti, Ethiopia, Kenya, and Uganda—DRDIP helps both refugees and host communities improve access to basic social services, expand economic opportunities, and enhance environmental management. In Ethiopia, an intensive community mobilization and consultation process included the preparation of village development plans and their integration with Woreda (district), regional, and federal plans. This was followed by the funding of priority interventions. Led by local government and centered on communities, the regional program aims to reach 2.5 million host community beneficiaries and 110,000 refugees, create 11 million labor workdays, and provide livelihoods support to 75,000 households. Across the country, the project has reached over 218,000 beneficiaries, half of whom are women. About 12,100 children have benefited from better access to primary schools, 20,200 people from better access to health centers, and 76,000 people from better access to safe water. Similar approaches have been used in Cameroon, Sudan, and other countries to foster a “whole of community” response to displacement.

From 2003 to 2015, despite intense civil conflict, the government of **Afghanistan** succeeded in using its National Solidarity Program (NSP) to deliver services to 33,000 remote communities and provide small-scale infrastructure. It was the only government program to reach all 34 provinces, and the democratically-elected Community Development Councils (CDCs) established as part of it became an effective platform for representing the multiple interests of communities and important avenues for community participation. By the program’s end, 96 percent of sampled communities reported recognizing their CDCs as the legitimate representative of decision making and development of their communities. CDCs also enabled female community members to participate in decision making, including selecting subprojects in an estimated 79 percent of sampled communities. The program financed 81,000 rural infrastructure subprojects that helped raise school attendance, improved the quality of education for girls, and supported a 15 percent increase in the use of protected water sources, as well as a 26 percent increase in electricity usage. The NSP was followed by the Citizen’s Charter program, which supported the re-election of 12,000 councils in rural and urban areas, reaching over 8 million people with average participation rates of 77 percent, including women, internally displaced persons (IDPs), returnees, and persons with disabilities. Currently, approximately 7,000 small-scale infrastructure subprojects are under way, with citizen engagement and cross-sectoral initiatives supported through health and education scorecards.

Multi-hazard crises like severe food insecurity remain a persistent global challenge. Today, 113 million people experience crisis levels of food insecurity, driven by complex intersections of conflict, poverty, extreme weather, a changing climate, and food price shocks.¹⁸⁶ There are also intergenerational impacts resulting from elevated rates of child mortality, stunting, and other factors. These long-lasting impacts, some of them irreparable, reduce human capital and keep affected countries from breaking the vicious cycle of recurring crises and chronic suffering.¹⁸⁷

In early 2017, there were famine or near-famine conditions in four countries. The WBG mobilized more than \$2 billion to scale up immediate responses and medium-term resilience efforts. The resources supported several critical interventions, including the use of productive safety nets to avert widespread increases in malnutrition rates, support for health facilities to mitigate the spread of life-threatening diseases, and agricultural interventions to protect productive assets such as crops and livestock. New partnerships were also formed—including with the International Committee of the Red Cross and Red Crescent (ICRC)—to reach areas not accessible to other international partners.

The World Bank is building on these efforts, partnering closely with humanitarian and development actors as part of the Famine Action Mechanism (FAM).¹⁸⁸ The FAM provides a framework for sharing information on food insecurity situations and mobilizing anticipatory action before major food security crises develop. History shows that reliable early warnings often precede such devastating crises, yet

funding and subsequent programming are not scaled up until after the crisis has fully materialized. This tendency to “wait and see” can miss the opportunity to apply the well-documented benefits of preventive approaches, which can save more lives and significantly reduce the costs of response.

The FAM has catalyzed extensive collaboration between the Bank, donors, UN agencies, international NGOs, academics, and private sector firms at the global and country levels. In Somalia, the Bank is collaborating with the UN Office for the Coordination of Humanitarian Affairs (UN OCHA), the government, and other partners to identify elements of an anticipatory approach to food insecurity. This effort complements the Bank’s \$65 million Somalia Shock Response Safety Net for Human Capital Project, which was approved by the Board in August 2019. The project leverages partnerships with the World Food Program and the UN Children’s Fund (UNICEF) to reach about 200,000 impoverished and vulnerable households across Somalia—about 1.2 million people—with nutrition-linked cash transfers.

The importance of early response to food insecurity is also evident in reforms to the Crisis Response Window under IDA19. The CRW will provide early support in response to slow-onset crises related to food insecurity and disease outbreaks. This complements efforts to develop a common framework for financing anticipatory action on food insecurity across the humanitarian-development nexus. Pilots are planned in Afghanistan, Chad, Somalia, South Sudan, and Yemen.

Pacific Islands: How Climate Change and Geography Affect Fragility

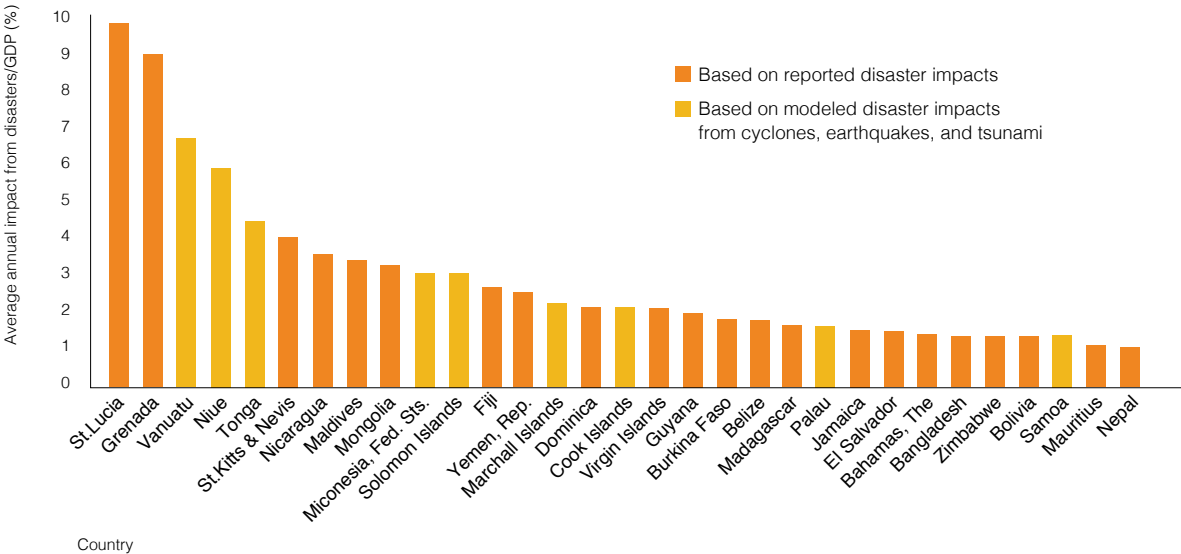
Climate change, weather variability, and a steady rise in natural disasters are significantly affecting the world’s FCV countries: 80 percent of people who are affected by natural disasters already live in fragile and conflict-affected situations. Between 2004 and 2014, 58 percent of deaths from disasters occurred in the 30 most fragile states; and over the last decade, countries on the FCS List accounted for more than 420,000 disaster-related fatalities. Almost 500 disaster events in these countries affected more than 71 million people and caused damage worth over \$16 billion. The rising frequency and seriousness of natural disasters is linked in large part to the effects of climate change.

The nexus between climate change, geographic isolation, and fragility is most pronounced in the Pacific, where half of the 12 member states—Kiribati, the Marshall Islands, the Federated States of Micronesia, Papua New Guinea (PNG), the Solomon Islands, and Tuvalu—are classified as fragile situations. These states already suffer from severe fragility because of their small size, weak infrastructure and capacity, limited economic opportunities and high youth unemployment (notably in PNG and the Solomon Islands), as well as repeated natural disasters.

Climate change impacts are wreaking havoc in this region, causing rising sea levels and more frequent cyclones, typhoons, and tsunamis that have led to massive economic loss. To lay the strategic basis for the IDA18 scale-up, the WBG in 2017 issued a flagship report, *Pacific Possible*, which helped identify the best opportunities to generate sustainable economic growth and shared prosperity in the region.¹⁸⁹ The WBG is working with partners to translate these priorities into operational engagements, including support for policy and institutional reforms to improve economic management in the Pacific Island countries. The Bank’s engagement in climate change and disaster risk reduction includes \$130 million invested in improving early-warning systems and preparedness for natural disasters, community resilience, coastal protection, and the upgrading of key public facilities such as schools and hospitals. An additional \$300 million is supporting disaster and climate resilience in the aviation, shipping, and ICT sectors in Fiji, Kiribati, the Marshall Islands, Micronesia, Tonga, and Tuvalu. The Bank is also providing support for fisheries in the Marshall Islands, Micronesia, Samoa, the Solomon Islands, Tonga, and Tuvalu.

All time economic loss due to natural hazards

Source: WBG Acting on Climate Change & Disaster Risk for the Pacific: 2013



Somalia: Using Digital Transformation to Tackle Drivers of Fragility

Experience in Somalia demonstrates how the Bank can add value in FCV contexts through the ICT sector. Activities in mobile money have helped bridge the humanitarian-development divide by enhancing emergency response, while building local capacity and supporting government-owned systems. This work highlights how technology can be leveraged in fragile and challenging operational contexts. Areas include

- **Supporting state-building through ICT sector regulation and connectivity**

Regulatory support has laid the groundwork for formalizing the telecommunications sector and helped set a precedent for governance in Somalia. This will help the government raise critical revenue, for example, through licensing and spectrum fees, and significantly contribute to the national treasury. By spurring more competition, regulation also aims to bring down the price of ICT services for the most vulnerable. And by interconnecting key government agencies in Mogadishu through a dedicated fiber backbone network, the Bank has helped bring government online to enhance service delivery.

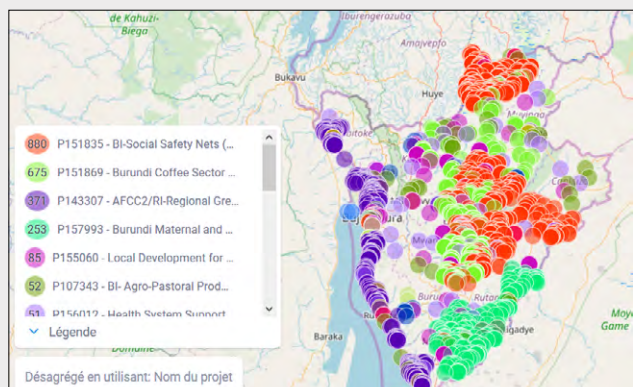
- **Analyzing the scope for leveraging mobile money and communications in service delivery**

Dedicated research has informed operations to provide cash-based emergency assistance after a prolonged drought left half of Somalia's population in need. Research has also helped inform an operational program that is piloting direct government-to-person mobile payments via the Central Bank. This will deliver cash payments to food-insecure households, as identified in collaboration with humanitarian agencies. The pilot will support government-administered e-payment solutions as a means of expanding service delivery.

- **Supporting a foundational digital ID system to expand opportunities and access to services**

The ICT project has also laid the groundwork for a foundational identification (ID) system. An estimated 8 to 12 million Somalis lack a proof of identity. Without a robust, comprehensive, and widely recognized ID system, many government-related functions—from elections to the provision of social services—cannot be administered effectively. It is also essential for the delivery of humanitarian assistance and for efforts to restore peace and security.

Geo-Enabling for Monitoring and Supervision (GEMS)



The GEMS initiative was launched to support project implementation in FCS: it helps the WBG have eyes on the ground when it cannot always have boots on the ground. GEMS aims to create a public good by systematically building client capacity in the use of ICT for digital data collection, M&E, supervision, and portfolio mapping. As of April 2019, more than 500 client staff have been trained, and about 115 projects in 11 IDA FCS have access to field-ready ICT tools to enhance their operational effectiveness.

GEMS can be useful at any stage of the project cycle. For instance, in Niger GEMS informed a baseline study on host communities in the planning of a displacement project. In Nigeria and Uganda, it is the backbone of project M&E systems. In Mali and South Sudan, it is used to remotely supervise the implementation of health, education, and social protection projects in insecure areas. A growing number of FCS country teams—including in Burundi, the Central African Republic, the Democratic Republic of Congo, the Republic of Congo, Mali, and Niger—are using GEMS to remotely supervise and map their project portfolios. More than 10,000 subprojects have been mapped in less than a year (see the excerpt of the Burundi portfolio, above). WBG teams, the Board, and clients alike have highlighted the importance of GEMS to building capacity and supporting local ownership of projects for sustainable impact. Clients too have found GEMS useful in a variety of ways. For instance, in the Democratic Republic of Congo, it was instrumental in enabling the Ministry of Education to collect detailed data and map all secondary schools in the country in a few months. This has given it structured, real-time insights into the status of the country's schools, for the first time ever.

Third-Party Monitoring: Key Lessons Learned

To date, the World Bank has entered into 16 third-party monitoring (TPM) contracts for a total of nearly \$55 million in seven FCV-impacted countries: Afghanistan, Cameroon, Iraq, Pakistan, Somalia, South Sudan, and Yemen. Among the lessons learned:

- **TPM is taking place in environments where extra due diligence is warranted.** The use of TPM does not fully mitigate project risks, and continued attention is needed, including due diligence about TPM itself. While TPM involves a transfer of physical risk to a contracted party, the Bank retains the ultimate responsibility for project supervision findings.
- **Effective TPM requires a well-defined verification strategy.** This should cover (i) a plan for site visits with well-defined priorities and impact; (ii) emergency procedures for reporting deviations from project standards—social, fiduciary, procurement, and so on; (iii) incident reporting, especially when related to security forces deployed in project areas; and (iv) detailed data and reporting formats. TPM should devote special attention to fraud and corruption.
- **TPM providers should possess a diverse mix of skills.** Depending on the results they are hired to track, monitors should possess qualifications ranging from engineering knowledge to cultural and gender sensitivities that may be necessary in interacting with beneficiaries. This is especially relevant when interacting with vulnerable groups that may be targeted for gender-based violence.
- **Systematic coordination between the Bank, the government, TPM agents, and other donors is critical to success.** Internally, Bank teams can organize into a cross-practice of working groups with clear administrative responsibilities, a division of labor among task team leaders, and explicit reporting lines. The government and the Bank should set up regular meetings to discuss the findings of TPM and ensure that problems are quickly addressed.
- **TPM is most effective when combined with ICT solutions.** Cost-effective geospatial technology and remote-sensing tools now allow Bank teams to obtain a more complete geographic representation of project and subproject sites.
- **TPM is expensive, hence resources should be mobilized early.** Given the high risks of operating in insecure environments, TPM can cost as much as \$2 million for a three-year contract. Pooling resources from multiple projects, and combining them with trust funds for portfolio-wide monitoring, could help lower costs.

The Bank is exploring options for further scale-up, especially portfolio-wide approaches—for example, in Afghanistan and Iraq—through which TPM agents can extend their coverage of Bank-financed projects.

GPG Fund: IBRD Fund for Innovative Global Public Goods Solutions

The IBRD-IFC Capital Package provides financial resources for the WBG to enhance its leadership on global issues, such as crisis management and FCV, climate change, gender, knowledge and convening, and regional integration, as highlighted in the WBG's "Forward Look" document, *Forward Look: A Vision for the World Bank Group in 2030*.¹⁹⁰ Notably, the Capital Increase Package in 2018 proposed that a portion of IBRD surplus resources be used to provide concessional support to finance operations that support global public goods (GPGs). Responding to this commitment, a paper outlining a proposal for an IBRD Fund for Innovative Global Public Goods Solutions was approved by the Board in June 2019 (with a recommendation for authorizing the transfer of \$45 million from surplus to the GPG

Fund submitted to Board of Governors for approval). The GPG Fund, which is to be directed toward proposals that can credibly show that they are promoting innovation in addressing GPG challenges, will complement the existing financing architecture on concessional financing for GPG provision in IBRD countries. The GPG Fund is being launched with an initial three-year pilot, starting in FY20. This phase will be used to test the design principles, governance arrangements, and financial structure, as well as the criteria for selecting the operations the fund will support. Initially, selected operations will focus on two GPG areas: (i) climate change mitigation and adaptation and (ii) spillover effects of FCV situations.

Recovery and Peacebuilding Assessments (RPBAs)

Recovery and Peacebuilding Assessments are a joint approach to identifying and addressing immediate and medium-term prevention, recovery, and peacebuilding requirements, while laying the foundations for a longer-term strategy in countries facing conflict or transitioning out of a conflict-related crisis. RPBAs are conducted under the Joint Declaration on Post-Crisis Assessments and Recovery Planning that was signed by the WBG, the UN, and the EU in 2008. RPBAs are nationally-led exercises, with the support of the three multilateral institutions and other partners.

The main objectives of RPBAs are to support governments in identifying, prioritizing, and sequencing their needs in responding to a crisis; to help ensure that this response has been consulted on in a way that helps build trust and prevent future conflict; and to build international coordination mechanisms that can align support to identified priorities and ensure coherence in the response. RPBAs have been used diversely—for instance, to support post-conflict transition in the Central African Republic, and political transition in Zimbabwe; in the context of a subnational conflict in Ukraine, and a peace agreement in Mali; and for prevention efforts in Cameroon.

While the RPBA methodology is modular and can be adapted to the context of each country, its core components include shared analysis of the impact, context, and causes of the

crisis; an evidence-based assessment of recovery and peacebuilding needs; the prioritization, costing, sequencing, and validation of these needs; the development of specific mechanisms to improve coordination across the humanitarian-development-peace (HDP) nexus and align the respective instruments and plans; the identification of implementation and financing mechanisms and strategies for operationalization; and the design of institutional responses to improve implementation and promote peace.

RPBAs are increasingly used to support an incremental process of multilateral support to governments. This approach ensures that joint support does not stop when the assessment is completed but is maintained into the implementation phase to ensure continued support and alignment, as well as address implementation bottlenecks. RPBAs are the only multilateral strategic planning tool across the HDP nexus, and they enable the WBG to play a key role in a broader international effort to achieve peace and stability, where the WBG's convening power and analytical expertise complement the comparative advantages of other partners. RPBAs can be used to identify and build preventive measures and to break cycles of violence through the creation of a strong development track that ensures sustained engagement and the identification of priorities at different stages.

State and Peacebuilding Trust Fund

Established in 2008, the State and Peacebuilding Trust Fund (SPF) is the WBG's largest global multi-donor trust fund, providing flexible, innovative, and rapid engagement in countries affected by a wide range of FCV issues. The SPF operates in 57 IDA and IBRD countries, across regions, and globally, and can address multiple forms of FCV. Since its establishment, it has grown into a fund of over \$342 million in net value, and has supported more than 200 interventions in FCV contexts worldwide. It is the Bank's key emergency vehicle to deliver on a broad range of country services—including technical assistance, cutting-edge analytics, data and evidence collection, advisory services, piloting of innovative operations, and seed funding to multi-donor trust funds that focus on an individual country.

In Iraq, the SPF supported a Conflict Damage & Needs Assessment to evaluate the impact of crises on the country. It also supported the preparation of a \$400 million additional financing (IBRD) to the Iraq Emergency Operation for Development Project (approved in FY15).

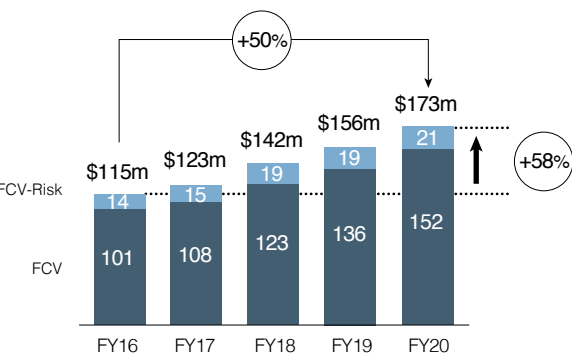
In Jordan, the SPF supported the Emergency Services and Social Resilience Program in FY14 to provide basic services to municipalities and host communities, benefitting more than 2 million people, of whom at least 45 percent were women and 250,000 were Syrian refugees. In Ukraine, in collaboration with the UN and the EU, the SPF supports the Bank's development of an RPBA framework to coordinate reengagement in countries or regions emerging from conflict or political crisis.

Annex 5:
Budget Context for FCV

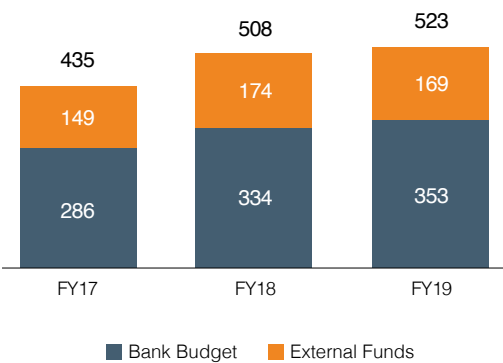
Budget allocations for FCV-affected countries have increased, confirming the sustained focus on advancing the World Bank’s engagement and impact in these countries. Overall spending in the FCV thematic areas has also been increasing year-on-year, with a Bank Budget/External Funds ratio of approximately 66/34, reflecting the Bank’s priority

focus.¹⁹¹ Actual spend with respect to the broader categories of spending has increased by 20 percent since FY17 (or 23 percent for Bank funds).¹⁹² To support the FCV footprint, other expenditure has also seen an increase—for example, on security—at an average of 18 percent over the last two years. In addition, the FCV Country Engagement (CE) budget allocation has been on an upward trend, with FY20 FCV CE allocations increasing by 50 percent since FY16.¹⁹³

Country Engagement Bank Budget Allocations
for FCV & FCV at Risk Countries FY16–20
(US\$ million)

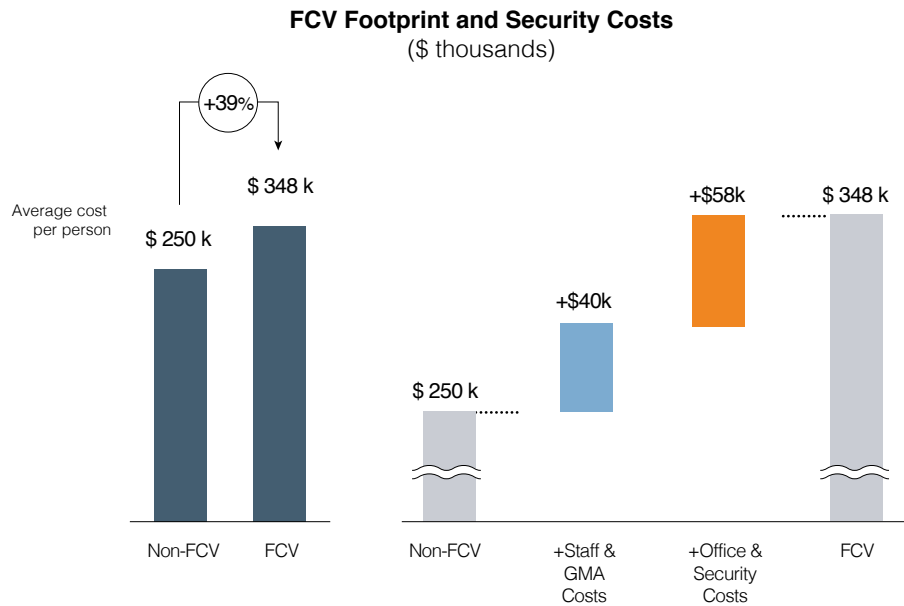


FCV Thematic Spend*
(US\$ millions)



As the World Bank expands its footprint into FCS countries, where operations are riskier and more complex, increased resource pressures arise, mainly because of related assignment benefits for staff decentralized to the field, as well as rising facilities and security needs. The average cost of putting one staff member in a fragile country is almost \$350,000 annually, almost 40 percent higher than in non-FCV settings. Also, the deteriorating global

security environment and the Bank's expanding footprint in higher -threat locations result in additional budget pressures for security spending worldwide. Security costs in fragile locations are particularly high. The tilt toward FCS will continue as scaled-up IDA 18 lending in low-income countries flows into the IDA portfolio, and as the Bank continues to increase its focus and engagement in these countries.



Annex 6:

Strengthening the WBG Approach to Staff Health, Safety, and Security

Because the WBG's core mission is focusing increasingly on the FCV agenda, it is essential to further strengthen its approach to health, safety, and security. To operate with the flexibility and appropriate risk tolerance required in FCV environments—including for local staff and STCs—the WBG is focusing on the following:

- (i) **Duty of care for borrower/borrower-engaged implementation agents.** The WBG needs to draw a clear line between, on the one hand, its life safety duty of care for its staff (including consultants) and, on the other hand, that of borrower personnel or borrower-engaged implementation entities, for whom security and safety management is an employer obligation.
- (ii) **Staff travel.** The WBG is working to improve travel tracking and feedback on security events. WBG travelers are tracked through their itineraries, directly accessed through the World Bank's internal travel portal. While this captures the vast majority of cross-border travel, tracking travel within countries is done inconsistently across Country Offices and needs to be improved. An improved Travel Clearance System will be established to capture travel within countries. The Staff Tracking and Accounting Coordinator program will strengthen mission tracking in high-volume destinations, focusing on providing data-driven security advice to the Head of Office. Reporting of security incidents when staff conclude their SOE will also allow for more systematic reporting and analysis of such events so that the institution can better respond.
- (iii) **Occupational health and safety (OHS).** An OHS risk management framework is now required and mandated across the UN system, as specified in the UN Common System Occupational Safety and Health Framework (CEB/2015/HLCM/7/Rev2 31 March 2015) and the aligned WBG Directive for Occupational Health and Safety.
- (iv) **Training and awareness.** The WBG will deliver *Mandatory Health, Safety, and Security Awareness and Management* to CD/CMs, Practice Managers, and TTLs/Investment Officers. Corporate Security is engaged in training CD/CMs and TTLs/Investment Officers for work in FCV through pre-assignment briefings and FCV on-boarding courses. But it is vital that health, safety, and security training components become mandatory to ensure that those in accountable positions are systematically reached; this would include Regional and GP management. In parallel, Corporate Security personnel will undertake training on WBG Operations to become more familiar with the project cycle, understand the priorities and imperatives facing TTLs and investment officers, and be ready to facilitate the delivery of development outcomes. Going forward, upstream collaboration between HSD, Corporate Security, and project planning teams will be critical as staff face greater exposure to these risks. Early collaboration in the planning cycle, especially when teams consider the scope of implementation support that projects will need, will build a shared perspective on the modalities and extent of staff access to project sites.

Annex 7:

Global Consultation Process to Develop the WBG Strategy for FCV

The World Bank Group Strategy for Fragility, Conflict and Violence (FCV) was informed by a global consultations process that took place over two phases and engaged 2,144 external stakeholders from 95 countries and territories between April 2019 and January 2020. The stakeholders included representatives of client and donor country governments; key multilateral partners including UN agencies, the EU, regional development banks, and other international organizations; civil society organizations working at the global, national, and local levels; bilateral development partners; private sector representatives; and academic institutions, think tanks and foundations.

The consultations aimed to ensure a broad and fully inclusive process so that the strategy could integrate feedback from all key stakeholders, reflecting lessons learned and best practices from partners' collective experience in addressing FCV. These external inputs added a dimension of richness to the views and perspectives provided by World Bank Group staff in a series of internal consultations and working groups.

A dedicated website (<http://www.worldbank.org/fcvconsultations>) served as a platform for all interested parties to access relevant consultation materials in English, Arabic, French and Spanish, and to provide feedback. All stakeholders were able to engage through a range of channels—including face-to-face meetings, an online questionnaire, e-mailed submissions, and social media—and many chose to engage using more than one method.

The external consultations took place in two phases:

Phase 1 (April to July 2019): Feedback was solicited very early in the process, using as a starting point the FCV Strategy concept note, which laid out the broad proposed directions of the strategy. Inputs were received from 1,721 individual stakeholders in 88 countries and territories.

Building upon this, face-to-face meetings were then held in 37 client and donor countries with stakeholders representing governments, international organizations, local civil society and the private sector. Representatives from IFC and MIGA joined the World Bank at many of the consultation meetings, which were organized by WBG country offices. IFC also held separate meetings in several countries for more focused discussions about the private sector. Each meeting consisted of a presentation on the FCV Strategy concept, after which participants were invited to share their views. A summary of each meeting is available on the consultations website.

Online consultations to complement the in-person meetings were designed to ensure as inclusive a process as possible. A questionnaire posted on the consultation website helped structure respondents' feedback around the framework provided in the concept note, and inputs could also be directly emailed to a dedicated email account. A social media campaign aimed both to raise awareness about the ongoing consultations and open up the process further. Monthly summaries of the feedback received were posted on the consultations website. This process ultimately resulted in a draft FCV Strategy.

Phase 2 (December 2019 to January 2020): The draft FCV Strategy benefited greatly from the early and thorough Phase 1 feedback process, which informed the thinking and language of the draft in both its conceptual and operational dimensions.

The full draft strategy was posted on the consultation website in December 2019 for six weeks to solicit detailed written feedback on each section. These were carefully reviewed and incorporated, as appropriate, into the final strategy paper. Summaries of feedback received in each phase of consultation, as well as meeting summaries and written submissions, can be found on the FCV strategy consultations website <http://www.worldbank.org/fcvconsultations>.



Endnotes

- ¹ The “FCV” concept groups three issues that are often related: (i) deep governance issues and state institutional weakness; (ii) situations of active conflict; and (iii) high levels of interpersonal and/or gang violence.
- ² United Nations and World Bank, *Pathways for Peace: Inclusive Approaches to Preventing Violent Conflict* (Washington, DC: The World Bank Group, 2018), xvii and 12, <https://openknowledge.worldbank.org/handle/10986/28337>. (Based on 2016 data.)
- ³ The UN High Commissioner for Refugees, *Global Trends: Forced Displacement in 2018* (Geneva: UNHCR, 2019), 13, <https://www.unhcr.org/en-us/statistics/unhcrstats/5d08d7ee7/unhcr-global-trends-2018.html>.
- ⁴ Several different indexes are used to classify countries that experience FCV. The WBG’s List of Fragile Situations is included in annex 1. It comprises 36 countries, mostly LICs and LMICs, and one territory.
- ⁵ The IDA19 cycle begins in July 2020 and concludes in June 2023.
- ⁶ World Bank estimate, 2019.
- ⁷ UN and World Bank, *Pathways*, xvii and 12. (Based on 2016 data.)
- ⁸ UNHCR, *Global Trends*, 13.
- ⁹ FCV issues are integrated throughout the 2030 Agenda. SDG16 promotes peace, justice, and strong institutions, and recognizes the centrality of security and justice in achieving the SDGs as well as inclusion (with SDG16+) in order to achieve multiple other goals related to gender, education, economic growth, inequality, and sustainable cities. See Pathfinders for Peaceful, Just and Inclusive Societies, *The Roadmap for Peaceful, Just, and Inclusive Societies: A Call to Action to Change our World*, (New York: Center on International Cooperation, 2019), <http://www.sdg16.plu>.
- ¹⁰ World Bank estimate based on the FY19 Harmonized List of Fragile Situations. For details, see World Bank, *Fragile States: On the Frontlines of the Fight Against Poverty* (Washington, DC: The World Bank Group, forthcoming).
- ¹¹ Drawing on the new methodology to identify and classify FCS, the WBG has conducted a historical analysis to identify the poverty patterns of countries if they have been classified as FCS in the past. In particular, the analysis has looked at countries that have (i) chronically been on the FCS list since 2000; (ii) entered FCS during this period and remained there; (iii) recurrently appeared on the FCS list and moved in and out of the list at least twice; (iv) escaped out of the FCS list; (vi) appeared on the FCS at most twice; or (vi) never been on the FCS list.
- ¹² In August 2019, the G7 Declaration highlighted the importance of aligning the diplomatic, security, and stabilization dimensions of humanitarian, peace, and development approaches to tackle the drivers of fragility; it provided full support to the WBG in the development of this FCV Strategy. The European Union’s Global Strategy recognizes the significance of building resilience and ensuring an integrated approach to conflicts and crises. Bilateral development actors have also made important strides to meet the pledge to “leave no one behind,” including adopting the OECD’s Development Assistance Committee (DAC) Recommendation on the Humanitarian-Development-Peace Nexus.
- ¹³ Fragile situations are characterized by “the combination of exposure to risks and insufficient coping capacity of the state, system, and/or communities to manage, absorb, or mitigate those risks.” Organization for Economic Co-operation and Development, *States of Fragility 2016: Understanding Violence* (Paris: OECD, 2016), 20, <http://dx.doi.org/10.1787/9789264267213-en>.
- ¹⁴ ACLED, *While Overall Violence Has Declined in 2018, Conflict Is Spreading*, online press release (December 21, 2018), accessed February 12, 2020. <https://www.acleddata.com/2018/12/21/press-release-while-overall-violence-has-declined-in-2018-conflict-is-spreading>.
- ¹⁵ OECD, *States of Fragility 2018* (Paris: OECD, 2018), box 1.1, Chronically Fragile Contexts, <https://doi.org/10.1787/9789264302075-en>.
- ¹⁶ Claire McEvoy and Gergely Hideg, *Global Violent Deaths 2017: Time to Decide* (Geneva: Small Arms survey, 2017), <http://www.smallarmssurvey.org/about-us/highlights/2017/highlight-gvd-report.html>.
- ¹⁷ Small Arms Survey Report, 2017: Global Violent Deaths: McEvoy and <http://www.smallarmssurvey.org/fileadmin/docs/U-Reports/SAS-Report-GVD2017.pdf>
- ¹⁸ UNHCR, *Global Trends*, 2019.
- ¹⁹ Kanta K. Rigaud et al., *Groundswell: Preparing for Internal Climate Migration (Vol. 2)*, main report (Washington, DC: World Bank Group, 2018), <https://openknowledge.worldbank.org/handle/10986/29461>.
- ²⁰ Global Initiative, *Organized Crime: A Cross-Cutting Threat to Sustainable Development*, research report (Geneva:

- Global Initiative Against Transnational Organized Crime, 2015), 4, <https://globalinitiative.net/wp-content/uploads/2015/01/global-initiative-organized-crime-as-a-cross-cutting-threat-to-development-january-2015.pdf>.
- ²¹ World Bank, *Global Investment Competitiveness Report 2017-2018: Foreign Investor Perspectives and Policy Implications* (Washington, DC: World Bank Group, 2017) <http://documents.worldbank.org/curated/en/169531510741671962/Global-investment-competitiveness-report-2017-2018-foreign-investor-perspectives-and-policy-implications>.
- ²² Several of these lessons draw from Independent Evaluation Group (IEG) evaluations, including *World Bank Group Assistance to Low-Income Fragile and Conflict-Affected States: An Independent Evaluation* (2015); *World Bank Group Engagement in Situations of Fragility, Conflict, and Violence: An Independent Evaluation* (2016); *World Bank Group Country Engagement: An Early-Stage Assessment of the Systematic Country Diagnostic and Country Partnership Framework Process and Implementation* (2017); *Recent World Bank Experience with RRAs & Operational Programming in FCV Countries: Stocktaking of Implementation of Recommendations from IEG Evaluations of Fragility, Conflict and Violence* (2018); and *Learning from IDA Experience: Lessons from IEG Evaluations, with a Focus on IDA Special Themes and Development Effectiveness* (2019).
- ²³ See annex 5 for an overview of budget allocations in FCV settings.
- ²⁴ In this context, the World Bank recognizes the relevance of international legal norms pertaining to conflict, such as those derived from international humanitarian law.
- ²⁵ See box on the Regional Risk and Resilience Assessment under way in the Sahel, covering Burkina Faso, Chad, Mali, Mauritania, and Niger, in annex 4.
- ²⁶ While Bank policies do not explicitly refer to the “do no harm” principle, the Environmental and Social Framework Vision states (in paragraph 6, p. 2): “The Bank’s vision goes beyond ‘do no harm’ to maximizing development gains.”
- ²⁷ COP24 is the informal name for the 24th Conference of the Parties to the United Nations Framework Convention on Climate Change, held in December 2018. During COP24, the Action Plan was launched and then fully adopted in January 2019, following the WBG’s 2025 Targets to Step Up Climate Action.
- ²⁸ The most vulnerable and excluded groups include persons in vulnerable situations, persons with disabilities, and members of excluded and minority groups (notably ethnic, religious, sexual, linguistic, or indigenous peoples).
- ²⁹ Pablo Fajnzylber, Lederman, Daniel, and Loayza, Norman, “Inequality and Violent Crime,” *The Journal of Law and Economics* 45, no. 1 (April 2002): 1-39 <https://doi.org/10.1086/338347>.
- ³⁰ Labor market outcomes that do not reflect educational attainment create frustration and can lead to violence. See e.g. Kartika Bhatia and Ghanem, H., *How Do Education and Unemployment Affect Support for Violent Extremism? Evidence from Eight Arab Countries*, Global Economy & Development Working Paper 102 (Washington, DC: Brookings Institution, March 2017), https://www.brookings.edu/wp-content/uploads/2017/03/global_20170322_violent-extremism.pdf.
- ³¹ UN Security Council Resolution 2250 is the cornerstone of the Youth, Peace, and Security Agenda.
- ³² World Bank, *World Bank Group Gender Strategy (FY16-23): Gender Equality, Poverty Reduction, and Inclusive Growth* (Washington, DC: The World Bank Group, 2015), <http://documents.worldbank.org/curated/en/820851467992505410/World-Bank-Group-gender-strategy-FY16-23-gender-equality-poverty-reduction-and-inclusive-growth>.
- ³³ UN Security Council Resolution 1325—the cornerstone of the Women, Peace, and Security Agenda—has since been reinforced with an additional nine resolutions bolstered by a number of related normative frameworks. See <https://www.unwomen.org/en/what-we-do/peace-and-security>.
- ³⁴ “Institutional legitimacy is the key to stability. When state institutions do not adequately protect citizens, guard against corruption, or provide access to justice; when markets do not provide job opportunities; or when communities have lost social cohesion—the likelihood of violent conflict is much higher.” World Bank, *World Development Report 2011: Conflict, Security, and Development* (Washington, DC : World Bank Group) <http://documents.worldbank.org/curated/en/966731468161352341/World-development-report-2011-conflict-security-and-development>.
- ³⁵ UN and WBG, *Pathways for Peace*.
- ³⁶ See the World Bank’s strategic gender objectives in *World Bank Group Gender Strategy (FY16-23): Gender Equality, Poverty Reduction and Inclusive Growth* (Washington, DC: The World Bank Group, 2015), <http://documents.worldbank.org/curated/en/820851467992505410/World-Bank-Group-gender-strategy-FY16-23-gender-equality-poverty-reduction-and-inclusive-growth>.
- ³⁷ Reported global fatalities from violent extremism climbed from just over 5,000 in 1995 to peak at more than 45,000 in 2014 before dropping by 48 percent to 22,980 in 2018. In 2018 more than half of all deaths from violent

- extremism-related attacks took place in Afghanistan (43 percent) and Nigeria (11 percent) (National Consortium for the Study of Terrorism and Responses to Terrorism, *Global Terrorism Database*, 2019), <http://www.start.umd.edu/gtd>).
- ³⁸ Countries with recent human rights violations are far more likely to experience conflict than countries with a strong history of respect for human rights (WDR, 2011).
- ³⁹ Women's meaningful participation in all aspects of peace and security is critical to effectiveness, including in peace processes, where it has been shown to have a direct impact on the sustainability of agreements reached. See UN and WBG, *Pathways for Peace*.
- ⁴⁰ The World Bank's interpersonal violence prevention agenda builds on lessons learned from regional organizations such as the Inter-American Development Bank, which is already actively engaged in the sector.
- ⁴¹ The WBG initiated a mainstreaming process in urban development in the mid-2000s to take the link between violence and urban planning into account. It first did so in the Honduras Barrio Ciudad and Jamaica Inner City Basic Services for the Poor projects, both of which have been completed and evaluated and offer relevant lessons.
- ⁴² Inclusive education is one of the WBG's commitments on disability inclusive development. See <https://www.worldbank.org/en/topic/socialdevelopment/brief/world-bank-group-commitments-on-disabilityinclusion-development>.
- ⁴³ Taies Nezam, and Marc, Alexandre, *Disarmament, Demobilization, and Reintegration*, Social Development Department Working Paper 119 (Washington, DC: World Bank, 2009), <http://documents.worldbank.org/curated/en/776831468324547527/Disarmament-demobilization-and-reintegration>. See annex 4 for additional information.
- ⁴⁴ Coordination between humanitarian, development, and peace partners would benefit from an overarching strategic framework that identifies priorities for development efforts and their relationship to humanitarian and peace efforts. See United Nations, *Strengthening Collaboration Across the Humanitarian, Development and Peace Nexus in Yemen*, 2019.
- ⁴⁵ *World Bank Operations in Active Conflict, Operational Experiences in Yemen between 2015 to 2019. A Preliminary Lessons Learned Study*. World Bank Group 2019 (unpublished).
- ⁴⁶ The WB policy framework already foresees that, in certain exceptional circumstances, UN agencies and/or international non-governmental organizations may be funded directly, including when the World Bank determines that there is "no government in power" under OP 2.30 (or its successor); when there is a de-facto regime that the World Bank is unable to deal with under OP 7.30; or in grave and catastrophic humanitarian crises and emergencies where government capacity is crippled or affected.
- ⁴⁷ See Section 3 of this document, for financing examples in IDA and IBRD countries.
- ⁴⁸ Between 2008 and 2018, new forced displacements from disasters have been larger than from conflict and violence every year by at least 60 percent, and over the full 11 years by three times as much (see Internal Displacement Monitoring Centre (IDMC), *Global Report on Internal Displacement*, 2019, <https://www.internal-displacement.org/sites/default/files/publications/documents/2019-IDMC-GRID.pdf>). Between 2004 and 2014, 58 percent of deaths from disasters occurred in FCS countries; 500 disaster events in these countries affected more than 71 million people and caused damage worth more than \$16 billion.
- ⁴⁹ UN and WBG, *Pathways for Peace*.
- ⁵⁰ See box on digital payments in Somalia in annex 4.
- ⁵¹ See annex 4 for more details on RPBA.
- ⁵² See World Bank, *Building for Peace* (Washington, DC: The World Bank Group, forthcoming). Moving beyond the notion of simply rebuilding what was destroyed, the report advocates a people-centered approach when engaging in crisis or active conflict that highlights the importance of understanding actors, their motivations and incentives, and institutions through time. With its more bottom-up approach aimed at mending the social fabric, addressing grievances, and producing greater social cohesion, this report complements earlier thinking on reconstruction that centered on physical damage and central government institutions.
- ⁵³ Violence impedes the healthy development of infants, children, and young people and generates long-term trauma, disabilities, and other negative multiplier effects for individuals, communities and societies (Buvinic, Morrison, and Shifter 1999). It also perpetuates the intergenerational transmission of violence (Cunningham et al., 2008; Naudeau et al., 2008; Shouldman and Makisaka, 2010; WHO 2002).
- ⁵⁴ For example, women who, as young girls, saw their fathers beating their mothers have 2.5 times greater risk of experiencing intimate partner violence (IPV) as adults compared with women who did not witness IPV as children. Rates of child marriage, a form of gender-based violence, are often high in FCV settings (see Lucia C. Hanmer et al., *Voice and Agency: Empowering Women and Girls for Shared Prosperity* (Washington, DC : World Bank Group, 2014) <http://documents.worldbank.org/curated/en/586221468335982164/Voice-and-agency-empowering-women-and-girls-for-shared-prosperity>.)

- ⁵⁵ Girls who marry under the age of 18 may be disempowered in ways that deprive them of their basic rights to health, education, and safety. Lack of access to education often severely limits their employment opportunities later in life.
- ⁵⁶ See World Bank, *World Development Report 2007: Development and the Next Generation* (Washington, DC: World Bank Group, 2006) <http://documents.worldbank.org/curated/en/556251468128407787/World-development-report-2007-development-and-the-next-generation>.
- ⁵⁷ UN High Commissioner for Refugees (UNHCR), *Report of the United Nations High Commissioner for Refugees: Global Compact on Refugees*, https://www.unhcr.org/gcr/GCR_English.pdf.
- ⁵⁸ World Bank, *Forced Displacement and Development*, Development Committee Paper prepared for April 2016 Development Committee meeting (Washington, DC: March 25, 2016) <http://pubdocs.worldbank.org/en/749591485963737472/DC2016-0002-FDD-Development-Committee-Paper-Forced-Displacement-and-Development.pdf>.
- ⁵⁹ World Bank, *Forcibly Displaced: Toward a Development Approach Supporting Refugees, the Internally Displaced, and Their Hosts* (Washington, DC: World Bank Group, 2017) <http://documents.worldbank.org/curated/en/104161500277314152/Forcibly-displaced-toward-a-development-approach-supporting-refugees-the-internally-displaced-and-their-hosts>.
- ⁶⁰ As of August 2019, 19 projects had been approved in 10 countries using IDA18 Sub-Window for Refugees and Host Communities financing (\$927 million), and more than 20 operations were in the pipeline. The Global Concessional Financing Facility approved more than \$500 million in grants, unlocking more than \$2.5 billion in concessional financing in Jordan, Lebanon, and Colombia.
- ⁶¹ See box on Kakuma, in annex 4.
- ⁶² As of December 2018, there were 905,831 refugees and 2,332,936 IDPs in Ethiopia (UNHCR; IOM-DTM).
- ⁶³ Stephen Devereux, ed. *The New Famines: Why Famines Persist in an Era of Globalization* (Abingdon: Routledge, 2006), 23. See also annex 2.
- ⁶⁴ Frederick C. Cuny and Richard B. Hill, *Famine, Conflict, and Response: A Basic Guide* (Hartford, CT: Kumarian Press, 1999), 3.
- ⁶⁵ Cuny and Hill, *Famine*, 4; Devereux, *The New Famines*, 8.
- ⁶⁶ Ravallion, *Famines and Economics*, 5; De Waal, "A Re-Assessment of Entitlement Theory." http://documents.worldbank.org/curated/en/131461468739459836/127527322_20041117152101/additional/multi-page.pdf ; De Waal: <https://www.amazon.com/Mass-Starvation-History-Future-Famine/dp/1509524673>
- ⁶⁷ De Waal, *Mass Starvation*.
- ⁶⁸ See annex 4.
- ⁶⁹ Between 2004 and 2014, 58 percent of deaths from disasters occurred in the 30 most fragile states (Katie Peters and Marianna Budimir, *When Disasters and Conflict Collide: Facts and Figures* (London: Overseas Development Institute, 2016) <https://www.odi.org/sites/odi.org.uk/files/resource-documents/10537.pdf>. "From 2005 to 2009 alone, more than 50 percent of the population affected by natural disasters (including drought, floods, hurricanes, and earthquakes) lived in fragile contexts" (Harris, Keen, and Mitchell 2013, K. Harris, D. Keen, and T. Mitchell, *When Disasters and Conflicts Collide: Improving the Links between Disaster Resilience and Conflict Prevention* (London: Overseas Development Institute, 2013), quoted in World Bank, *Turbulent Waters: Pursuing Water Security in Fragile Contexts*, (Washington, DC: World Bank Group, 2017) <http://documents.worldbank.org/curated/en/885171489432062054/Turbulent-waters-pursuing-water-security-in-fragile-contexts>.
- ⁷⁰ Marshall Burke, Solomon M. Hsiang, Edward Miguel, "Climate and Conflict," *Annual Review of Economics* 7, (August 2015):577–617 <https://doi.org/10.1146/annurev-economics-080614-115430>.
- ⁷¹ Rigaud et al., *Groundswell*.
- ⁷² See annex 4 for additional information.
- ⁷³ This is in full alignment with the IDA19 policy commitment, which states: "At least 20 IDA FCS country portfolios will support improvements in social sector service delivery (i.e., health, education, and social protection), with a focus on addressing the differential constraints faced by men and women, boys and girls, and by people with disabilities." *Report from the Executive Directors of the International Development Association to the Board of Governors: Additions to IDA Resources: Nineteenth Replenishment – Ten Years to 2030: Growth, People, Resilience*. World Bank, 2020.
- ⁷⁴ In 2017, 420 million children were living near conflict, of whom 142 million lived in high-intensity conflict zones (1 in 4 children in the Middle East, 1 in 5 in Africa). Source: George Graham et al., *Stop the War on Children: Protecting Children in 21st Century Conflict* (London: Save the Children, 2019).
- ⁷⁵ In emergency situations, specific IMF facilities that provide for rapid disbursements in the event of a shock

without the need for a full program are equally helpful in these contexts of severe budgetary constraints (e.g., the Rapid Credit Facility recently used by Mozambique).

- 76 Vulnerable employment is defined as “contributing family workers and own-account workers as a percentage of total employment.” *World Development Indicators (WDI)*. It often refers to lack of formal work arrangements, decent working conditions, adequate social security and “voice” through effective representation by trade unions and similar organizations.
- 77 Nikolas Myint and Corey Pattison, *Operationalizing the Pathways for Peace Study in Community-Driven Development Operations: Guidance Note* (Washington DC: World Bank, 2018).
- 78 For a review of the evidence from the global body of CDD literature, see, for example, Susan Wong and Scott Guggenheim, *Community-Driven Development: Myths and Realities*, Policy Research Working Paper No. WPS 8435 (Washington, DC: World Bank Group, 2018) <https://openknowledge.worldbank.org/handle/10986/29841>.
- 79 The contribution of water-related disasters to fragility is increasing and depends largely on the preparedness, and response, of government institutions following a disaster. The 2010 and 2011 floods in Pakistan, Cyclone Nargis in Myanmar in 2008, and the 2012 drought in northern Mali demonstrate how water-related disasters contribute to the vicious cycle of water insecurity and fragility.
- 80 As an example, in response to a request from the government of Pakistan for assistance with reconstruction efforts after record floods in 2010, the World Bank restructured an existing project to provide additional funds for the import of fuel oil for rescue operations carried out by the military. To ensure that the fuel acquired was used only for the intended purpose, the government agreed to provide documentary evidence that the funds withdrawn were not being employed for military or paramilitary purposes.
- 81 The Cameroon Army Corps of Engineers were contracted by the implementing ministry through an output-based designated force account contract. This activity required extensive due diligence and appraisal and is the subject of specific legal and operational arrangements to ensure that any social, safeguard, fiduciary, operational, legal, and reputational risks are appropriately mitigated.
- 82 Some of these measures are included as policy commitments under the FCV Special Theme for the IDA19 replenishment.
- 83 OP 2.30 is the policy bedrock for engagement in situations of conflict. Based largely on the 1997 post-conflict reconstruction strategy, the policy was adopted

by IDA and IBRD’s executive directors in early 2001. It outlines a set of basic policies and principles for the Bank’s work in conflict-affected countries. OP 2.30 has served as the basic framework for the Bank’s engagements, including notably in Afghanistan, Iraq, Somalia, Libya, South Sudan, and Yemen. However, World Bank engagement in FCV contexts has evolved in recent years, requiring an update to OP 2.30.

- 84 Astrid Manroth et al., *Strategic Framework for Mainstreaming Citizen Engagement in World Bank Group Operations: Engaging with Citizens for Improved Results* (Washington, DC: World Bank Group, 2014) <http://documents.worldbank.org/curated/en/266371468124780089/Strategic-framework-for-mainstreaming-citizen-engagement-in-World-Bank-Group-operations-engaging-with-citizens-for-improved-results>.
- 85 The “reasonable period of time” that is agreed upon with each client depends on a mix of considerations: the size of the gap between their current operations and the Performance Standards, the risks associated with that gap, the difficulty of the context in which they are currently operating, and the degree of their own capacity.
- 86 Johannes Hoogeveen and Utz Pape, eds., *Data Collection in Fragile States: Innovations from Africa and Beyond*, (Cham, Switzerland: Palgrave Macmillan, 2020) © World Bank <https://openknowledge.worldbank.org/handle/10986/32576>. The report discusses a variety of approaches and methodologies that can be deployed in fragile situations.
- 87 The World Bank will draw from the national-level FCV indicators of RRAs and determine whether they can be integrated into CPFs to monitor the evolution of FCV dimensions in countries. These indicators would not be integrated into the CPF-results matrix because they are not attributable to WBG projects.
- 88 In Azerbaijan, the GEMS method has been used to create an interactive citizen engagement and grievance redress tool. A freely accessible project web map showcases the exact locations and intended impacts of development activities throughout the country, while allowing the population to provide structured feedback or to report issues directly to the implementing agencies. Similar platforms are being established in Niger, Burundi, and other countries, taking into account local capacity and connectivity constraints.
- 89 See annex 2 for lessons learned from a review of TPM contracts.
- 90 This fully aligns with the proposed IDA19 policy commitment, which states: “All CPFs, Country Engagement Notes (CENs), and PLRs in IDA FCS will outline how the WBG program, in collaboration with relevant partners, addresses FCV drivers and

sources of resilience, based on diagnostics such as Risk and Resilience Assessments (RRAs) or other FCV assessments. Each RRA/fragility assessment will analyze FCV drivers and sources of resilience and contain operationally relevant recommendations.”

- 91 For instance, the Sahel RRA is under the aegis of the Sahel Alliance, and key contributors include UNDP, France’s Agence Française de Développement (the French Development Agency or AFD), Germany’s KfW development bank, and the United Kingdom’s Department for International Development (DFID).
- 92 The Myanmar Inclusion and Peace Lens consists of (i) an analytical overview of key exclusion and conflict dynamics in Myanmar that task teams should be aware of; and (ii) a list of questions that examine, among other things, exclusion dynamics, beneficiary targeting, access to benefits, and the mitigation of risks.
- 93 The IFC’s Anticipated Impact Measurement and Monitoring (AIMM) System tracks the development impact of IFC projects. Project outcomes are assessed first at the project level in terms of impacts on stakeholders (including employees, customers, and the community), the economy and society overall, and the environment. Second, outcomes are assessed at the market level, the ability of a project to catalyze systemic changes that go beyond the effects brought about by the project itself.
- 94 MIGA’s Impact Measurement and Project Assessment Comparison Tool (IMPACT) provides a systematic framework for assessing and articulating the expected development impact of proposed MIGA projects.
- 95 This fully aligns with the proposed IDA19 policy commitment, which states: “Develop and implement at least three regional programs (including in the Sahel, the Lake Chad region, and the Horn of Africa), which are informed by regional RRAs and focus on mitigating key fragility and security risks to promote engagement at the security-development nexus.” *Report from the Executive Directors of the International Development Association to the Board of Governors: Additions to IDA Resources: Nineteenth Replenishment – Ten Years to 2030: Growth, People, Resilience*. World Bank, 2020. World Bank, 2020.
- 96 This fully aligns with the proposed IDA19 policy commitment, which states: “Support at least 95 percent of IDA FCSs (with active portfolios) to establish and/or strengthen core government functions to address FCV drivers.” Under IDA19, core governance functions refer to (i) public revenue and expenditure management, (ii) decentralization and service delivery, (iii) government employment and public administration, and (iv) the rule of law. *Report from the Executive Directors of the International Development Association to the Board of Governors: Additions to IDA Resources: Nineteenth*

Replenishment – Ten Years to 2030: Growth, People, Resilience. World Bank, 2020. World Bank, 2020.

- 97 In line with SDG17 on partnerships for the goals—*revitalize the global partnership for sustainable development*.
- 98 In line with the G7+’s *New Deal for Engagement in Fragile States*, as well as the *New Way of Working* agreed upon at the 2016 World Humanitarian Summit, the FCV Strategy builds on the growing international consensus on the importance of collaborative approaches on the ground between humanitarian, peace, development and other relevant actors to support nationally owned development plans and contribute to greater aid effectiveness.
- 99 Neelam Verjee, *Regional Economic Communities in Conflict Prevention and Management* (Washington, DC: World Bank Group, 2017) Background Paper for UN–World Bank, *Pathways for Peace* (2018), cited in Cesar Calderon et al., *Africa’s Pulse: An Analysis of Issues Shaping Africa’s Economic Future*, No. 19 (Washington, DC: World Bank Group, April 2019) <https://openknowledge.worldbank.org/handle/10986/31499>.
- 100 This Platform brings together the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the European Investment Bank, the Inter-American Development Bank, the Islamic Development Bank, and the World Bank.
- 101 For the purposes of this Strategy, the term civil society organizations (CSOs) includes the full spectrum of civil society stakeholders, encompassing international NGOs, national and local civil society organizations, faith-based organizations, community groups, and other entities.
- 102 In 2018, the G20 Eminent Person Group Report, “Making the Global Finance System Work for All” was released and recommended that “MDBs should, as a system, leverage on MIGA as a global risk insurer in development finance.”
- 103 In 2019, IFC organized—in collaboration with Oxford University and the United Kingdom’s CDC Group—the first DFI Forum on Private Investment in FCV, which attracted 27 DFIs. It is intended as an annual event focused on sharing experiences, engendering collaboration, and identifying common solutions.
- 104 See box on RPBA in annex 4.
- 105 Joint training is already conducted with bilateral actors such as Agence Française de Développement or the Folke Bernadotte Academy, the Swedish government agency for peace, security, and development.
- 106 These cadres of staff are not exhaustive, nor are they indicative of any official WBG title, grade level, or qualification/recognition, but rather provide a useful

- typology to help conceptualize the various profiles of staff working in or on FCV within the WBG.
- ¹⁰⁷ To date, FCV advisors have been deployed to the Democratic Republic of Congo, Ethiopia, Kenya, Lebanon, Mali, Myanmar, Niger, and Zimbabwe.
- ¹⁰⁸ Staff with a performance rating of 3 and above.
- ¹⁰⁹ Current learning offerings include the FCV Core Course, SSAFE Course (Safe and Secure Approaches in Field Environments), Human Resources/Operations Policy & Country Services offerings, and the IFC Credit Course for FCV/LICs.
- ¹¹⁰ HSD's current outdated system is being replaced through a cooperative arrangement with the UN Division of Healthcare Management and Occupational Safety & Health, which will allow access to the UN's EarthMed EMR system. This will enable automated travel health risk management capabilities and seamless integration with the medical records of the UN clinics that provide crucial health services to WBG staff in many FCS locations. The system will be active by June 2020.
- ¹¹¹ See World Bank, *Sustainable Financing for Sustainable Development: World Bank Group Capital Package Proposal*, paper prepared for the Development Committee meeting on April 21, 2018, DC2018-0002/2; and "Proposal for an IBRD Fund for Innovative Global Public Goods Solutions," May 2019, R2019-0139.
- ¹¹² See box on the GPG Fund in annex 4.
- ¹¹³ According to the IEG in a report evaluating the World Bank's role in natural disasters since 1984, the Bank has reallocated more than \$3 billion under existing projects in response to natural disasters. See Ronald Steven Parker, *Hazards of Nature, Risks to Development: An IEG Evaluation of World Bank Assistance for Natural Disasters* (Washington, DC: The World Bank Group, 2006) <http://documents.worldbank.org/curated/en/396321468161661084/Hazards-of-nature-risks-to-development-an-IEG-evaluation-of-World-Bank-assistance-for-natural-disasters>.
- ¹¹⁴ Since its establishment, the Ebola Recovery and Reconstruction Trust Fund has played a crucial role in the fight against Ebola, disbursing \$50.8 million and benefitting 12.5 million people in the West Africa region through 19 different projects. Approximately \$19 million (9 projects) was dedicated to economic recovery, \$19.1 million (4 projects) strengthened the health sector, and \$12.7 million (6 projects) helped improve social recovery.
- ¹¹⁵ See box on the SPF, in annex 4.
- ¹¹⁶ The Systematic Operations Risk-rating Tool (SORT) was introduced in 2014 and is the source of aggregate information on development-outcome risks in World Bank operations.
- ¹¹⁷ The SORT ratings will be reviewed and calibrated to inform a formal Board discussion of risk appetite and risk tolerance in Bank operations.
- ¹¹⁸ The stringency of IFC's credit standards for evaluating prospective investments is key to maintaining the institution's AAA credit rating and financial sustainability.
- ¹¹⁹ IFC is committed to increasing the share of investment commitments in IDA and FCS to 40 percent by FY2030, with 15-20 percent in low-income IDA and IDA FCS countries.
- ¹²⁰ The CPIA (Country Policy and Institutional Assessment) provides a rating of countries against a set of 16 criteria grouped into four clusters: economic management, structural policies, policies for social inclusion and equity, and public sector management and institutions. The Harmonized CPIA is calculated as the average of the World Bank CPIA and the African Development Bank or Asian Development Bank CPIA (as may apply to a given country).
- ¹²¹ The list will use the lowest score (rather than the average) of CPIAs from the World Bank, the African Development Bank, and the Asian Development Bank.
- ¹²² See footnote 1.
- ¹²³ People internationally regarded as refugees in need of international protection include refugees, people in refugee-like situations, and Venezuelans displaced abroad.
- ¹²⁴ The most recent year for which CPIA score data are available is 2018.
- ¹²⁵ This is updated continuously at <https://peacekeeping.un.org/en/where-we-operate>.
- ¹²⁶ The latest year for which UNHCR refugee data are available is 2018.
- ¹²⁷ Both ACLED and UCDP aim to record, report, and map conflict-related fatalities (stemming from state-based, non-state, and one-sided violence), and are considered by practitioners, researchers, and governments as reliable sources of such data. The use of two sets of data is necessary to even out discrepancies. Latest year for which they are available is 2018.
- ¹²⁸ Countries on the FCS list will retain their IDA/IBRD status. Middle-income FCS countries can potentially access IBRD financing, and low-income FCS countries can potentially access IDA financing.
- ¹²⁹ UN and WBG, *Pathways for Peace*.

- ¹³⁰ Cesar Calderon et al., *Africa's Pulse* No. 19 (April 2019):59 which is available at <https://openknowledge.worldbank.org/handle/10986/31499>.
- ¹³¹ UN and WBG, *Pathways for Peace*, 185.
- ¹³² Cesar Calderon et al., *Africa's Pulse* No. 19 (April 2019):59.
- ¹³³ UN and WBG, *Pathways for Peace*.
- ¹³⁴ Graeme Simpson, *The Missing Peace: Independent Progress Study on Youth, Peace and Security*, (UNFPA and PBSO, 2018), 60 <https://www.youth4peace.info/system/files/2018-10/youth-web-english.pdf>.
- ¹³⁵ See, for example, cross-country study by Mercy Corps 2015; Hafez 2003. https://books.google.com/books/about/Why_Muslims_Rebel.html?id=Ech1t_HBKMIC; https://www.mercycorps.org/sites/default/files/2020-01/MercyCorps_YouthConsequencesReport_2015.pdf
- ¹³⁶ UN and World Bank, *Pathways for Peace*, 189.
- ¹³⁷ This review examined the FCS portfolio between FY2012-2018.
- ¹³⁸ Business Warehouse historical data managed by Operations Policy & Country Services (OPCS).
- ¹³⁹ Using the FY2018 OPCS FCS portfolio review as a basis, the FCV Group conducted a detailed analysis with BWI and Standard Report data.
- ¹⁴⁰ Comprises IDA, IBRD and IBRD/IDA Trust Funds.
- ¹⁴¹ FY2006-2019: This US\$583 billion includes IDA, IBRD and TF commitments: DFI Trust Funds Team analysis, 2019.
- ¹⁴² This US\$58 billion includes IDA, IBRD and TF commitments: DFI Trust Funds Team analysis, 2019.
- ¹⁴³ Trust Funds refer to IBRD/IDA Trust Funds, in which the World Bank acts as an implementing agency to financial intermediary funds (FIFs). It excludes IFC Trust Funds.
- ¹⁴⁴ Africa: US\$24.4 billion (42%), and South Asia: US\$15 billion (26%) during FY2006-2019 (DFI Trust Funds Team analysis, 2019).
- ¹⁴⁵ Afghanistan received 23 percent of the total share of FCS commitments during FY2006-2019 (DFI Trust Funds Team analysis, 2019).
- ¹⁴⁶ Afghanistan Commitments FY2006-2019: Trust funds: US\$9.8 billion and IDA: US\$3.4 billion (DFI Trust Funds Team analysis, 2019).
- ¹⁴⁷ FY2006-2019: Democratic Republic of Congo with US\$5.8 billion (10%), Iraq with US\$4.8 billion (8%), Côte d'Ivoire with US\$4.3 billion (7%), and Yemen with US\$3 billion (5%) (DFI Trust Funds Team analysis, 2019).
- ¹⁴⁸ DFI Trust Funds Team analysis, 2019.
- ¹⁴⁹ FCV Group's analysis with the Standard Report's active portfolio data as of end-FY19. Operations under review included all IBRD- and IDA-financed operations, as well as specific trust fund financed stand-alone projects (Montreal Protocol, Recipient-Executed projects, GEF, and Special Financing operations), except that those less than \$5 million are not included.
- ¹⁵⁰ The list is revised annually; countries can fall on and off the list if country factors influence their ability to fit its criteria. The smallest and largest number of countries ever on the FCS Harmonized list was 32 countries in FY11 and FY12, and 36 countries in FY10, FY14, FY18, and FY19.
- ¹⁵¹ The 19 economies that have been on the list continuously since its inception are Afghanistan, Burundi, the Central African Republic, Chad, Comoros, Côte d'Ivoire, the Democratic Republic of Congo, Eritrea, Guinea-Bissau, Haiti, Kosovo, Liberia, Myanmar, Solomon Islands, Somalia, Sudan, Togo, Zimbabwe, and West Bank and Gaza.
- ¹⁵² With the exception of FY216- FY18, when MNA had the largest share.
- ¹⁵³ All information and figures based off the FY19 Active Portfolio were generated through FCV Group analysis and included all countries on the FY19 Harmonized List and data from the WB's Standard Reports, with the exclusion of small RE projects (those under \$5million).
- ¹⁵⁴ By distribution of volume, the eight countries that dominate 70 percent of the portfolio are the Democratic Republic of Congo (14%), Côte d'Ivoire (11%), Afghanistan (9%), Iraq (8%), Mozambique (8%), Myanmar (7%), Lebanon (7%), and Yemen (7%). On the other hand, by total number of projects, 70 percent of the portfolio is dominated by wing 15 economies: Afghanistan, the Democratic Republic of Congo, Mozambique, Mali, Côte d'Ivoire, Haiti, West Bank and Gaza, Central African Republic, Lebanon, Myanmar, Liberia, Chad, Djibouti, the Republic of Congo, and Togo. FCV Group analysis: Standard Report Data, FY19.
- ¹⁵⁵ These eight countries are the Democratic Republic of Congo (14%), Côte d'Ivoire (11%), Afghanistan (9%), Iraq (8%), Mozambique (8%), Myanmar (7%), Lebanon (7%), and Yemen (7%). FCV Group analysis: Standard Report Data, FY19.
- ¹⁵⁶ This share remains roughly the same even after excluding small states.

- 157 FCV Group analysis: Standard Report Data, FY19.
- 158 The average duration of projects over the course of implementation for FCS is roughly 3.1 years, as compared to 3.6 years in non-FCV: OPCS FY18 FCV Portfolio Review.
- 159 Figures based on the FY19 Active Portfolio were generated through FCV Group analysis.
- 160 X-axis abbreviations are the WB's Global Practices: POV: Poverty and Equity, DD: Digital Development, ENR: Environment and Natural Resources, MTI: Macroeconomic, Trade and Investment, GOV: Governance, Social: Social Development, FCI: Finance, Competitiveness and Innovation, EDU: Education, AG: Agriculture, SPG: Social Protection, Labor and Jobs, Water, ENE: Energy and Extractives, Urban DRM: Urban Disaster Risk Management, Resilience and Land, HNP: Health, Nutrition and Population, TRAN: Transport.
- 161 IBRD and IDA lending to FCV increased 334% over the period FY06- FY19, per World Bank Institute (WBI) data. Lending across all regions has continued to increase, with the exception of Europe and Central Asia (ECA). This can be explained by the fact that there are only a few ECA countries in the FCV portfolio (Tajikistan, Uzbekistan, and Georgia fell on and off the list up until FY11, and Bosnia and Herzegovina exited in FY16, leaving Kosovo as the only ECA country in the portfolio).
- 162 This is true for ratings across the board. The following is a snapshot of the FY12-FY17 period by number of projects rated MS+ (moderately satisfactory and above): (i) **Lower WB Project Outcome ratings:** FCV FY12- FY14: 68%, FY15- FY17: 65% versus non-FCV: FCV FY12- FY14: 69%, FY15- FY17 79%; (ii) **Lower WB Quality at Entry ratings:** FCV FY12- FY14: 57%, FY15- FY17: 56% versus non-FCV: FCV FY12- FY14: 60%, FY15- FY17: 67%; (iii) **Lower WB Performance ratings:** FCV FY12- FY14: 70%, FY15- FY17: 65% versus non FCV: FCV FY12- FY14: 70%, FY15- FY17: 79%, and (iv) **Lower IEG ratings.** Source: IEG RAP 2019 and OPCS FY18 FCV Portfolio Review.
- 163 The FCS portfolio has a higher share of projects rated "High" and "Substantial" on SORT, as of FY18 Active Portfolio (the active portfolio is determined based on the current FY's harmonized list of FCS, here FY18 was utilized).
- 164 IEG RAP 2018.
- 165 IEG RAP 2019.
- 166 Snapshot of FY07- FY18 time-period, as per Completion and Learning Review (CLR) Review: Country Strategy WBG Performance Ratings: (FCV: 44) (non-FCV: 64). Country Strategy Development Outcome Ratings: (FCV: 52) (non-FCV: 71): (Source: IEG RAP 2019.)
- 167 IEG RAP 2018, pg. 3: "If project results relating to both of these countries [Afghanistan and Yemen] are excluded, ratings for the remaining IDA FCS show a marginal improvement over the period."
- 168 A consistently steady increase from 87 percent to 94 percent over a one-year time span.
- 169 OPCS FY18 FCS Portfolio Review.
- 170 As per their most recent Implementation Status and Results Report (ISR) ratings.
- 171 On average, 24 percent of FCS operations have required one or more additional financings, as compared to 16 percent of non-FCS, as per the FCS Group analysis: FY19 FCS Active Portfolio.
- 172 World Bank Group Open Finances (<https://finances.worldbank.org>) summarizes all World Bank project assessments carried out by the Independent Evaluation Group (IEG) as of October 15, 2019. Projects are classified as "FCS projects" if the country was on the FCS Harmonized List during the approval process.
- 173 Figures based off the FY19 Active Portfolio were generated through FCV Group analysis.
- 174 FCV, on average, has projects in problem status for 1 month, as compared to 1.8 months in non-FCV projects (FCV Group Analysis, FY19 FCV Active Portfolio).
- 175 See Section 3.
- 176 Long-term finance excludes trade finance and is generally more than a year in maturity.
- 177 Based on IFC's Development Outcome Tracking System (DOTS) results.
- 178 Based on IEG Ratings of Excellent or Satisfactory for Development Outcome.
- 179 MDRP covered Angola, Burundi, Central African Republic, Democratic Republic of Congo, Republic of Congo, Rwanda, and Uganda.
- 180 Africa Social Development Knowledge Brief Disarmament, Demobilization and Reintegration Programs (DDR); Economic and Social Reintegration of Ex-combatants.
- 181 The AU Continental Early Warning System (CEWS) is supported by the WB Nordic Trust Fund (NTF) and UN Office of the High Commissioner for Human Rights (OHCHR); Africa Social Development Knowledge Brief DDR; Economic and Social Reintegration of Ex-combatants.
- 182 DFI: Trust Funds Team Analysis: 2019.
- 183 As of December 2018.

- ¹⁸⁴ As outlined in the 2018 Trust Fund Annual Report (TFAR)'s review of the Afghanistan Reconstruction Trust Fund.
- ¹⁸⁵ Referred to in the Program Appraisal Document (PAD) as "drivers of fragility" as identified in the Pakistan Post-Crisis Needs Assessment (PCNA) 2010. These drivers include high unemployment rates among young men, inadequate livelihoods, and absence of sufficient employment opportunities.
- ¹⁸⁶ The Food Security Information Network (FSIN), *2019 Global Report on Food Crises: Joint Analysis for Better Decisions* (Rome, Italy and Washington, DC: Food and Agriculture Organization (FAO), World Food Programme (WFP), and International Food Policy Research Institute (IFPRI), 2019) <http://fsinplatform.org>.
- ¹⁸⁷ It is estimated that IDA has provided about \$22 billion in financing for food insecurity interventions over the last decade. It is also estimated that the WBG has provided more than \$60 billion in financing for food security since the 1980s, making it one of the largest sources of development assistance in this space.
- ¹⁸⁸ The FAM initiative was made possible by generous support from the State and Peacebuilding Fund (SPF), the InsuResilience Multi Donor Trust Fund, and the Global Risk Financing Facility (GRiF).
- ¹⁸⁹ World Bank, *Pacific Possible: Long-Term Economic Opportunities and Challenges for Pacific Island Countries* (Washington, DC: World Bank Group, 2017) <http://documents.worldbank.org/curated/en/168951503668157320/Pacific-Possible-long-term-economic-opportunities-and-challenges-for-Pacific-Island-Countries>.
- ¹⁹⁰ World Bank, *Forward Look: A Vision for the World Bank Group in 2030* (Washington, DC: World Bank Group, 2017).
- ¹⁹¹ Excerpt from World Bank, *Strategy and Business Outlook Update FY20-FY22* (Washington, DC: World Bank Group, 2019) 35, fig. 3.1: *Expenditures in Selected Corporate Priorities*. FCV spending identified through costs attributable to the country, and thematic unit for all budget classes (Country Engagement, CE; Global Engagement, GE; Program and Practice Management, PPM); also includes indirect costs of Institutional, Governance and Administrative (IG&A) units. <http://documents.worldbank.org/curated/en/793471537214192071/pdf/FY19-World-Bank-Budget-for-Public-Disclosure-FINAL-vF-09112018.pdf>; <http://documents.worldbank.org/curated/en/703751569031298844/FY20-World-Bank-Budget>
- ¹⁹² This analysis comprises costs from all budget classes (CE, GE, PPM) using FCV country codes. It includes project costs, GTFDR unit costs, third-party monitoring costs, FCV-related corporate and office security/security allowances, field benefits in FCV, and associated indirect costs for IG&A units. <http://documents.worldbank.org/curated/en/793471537214192071/pdf/FY19-World-Bank-Budget-for-Public-Disclosure-FINAL-vF-09112018.pdf>; <http://documents.worldbank.org/curated/en/703751569031298844/FY20-World-Bank-Budget>
- ¹⁹³ FY19 World Bank Budget report, p. 38, figure 4.8 (R2018-0111), and FY20 World Bank Budget document (R2019-0132), p. 44, figure 4.7; FCV-risk countries include Guinea, Nepal, Niger, and Tajikistan. <http://documents.worldbank.org/curated/en/793471537214192071/pdf/FY19-World-Bank-Budget-for-Public-Disclosure-FINAL-vF-09112018.pdf>; <http://documents.worldbank.org/curated/en/703751569031298844/FY20-World-Bank-Budget>



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