

UK feedback on the draft World Bank Group Fragility, Conflict and Violence (FCV) Strategy

1. In addition to the top-level comments on the FCV strategy set out in the feedback the UK has provided separately and jointly with other shareholders, we also have feedback on the more technical aspects of the strategy, which is listed below. We are sharing this feedback with the intention of supporting an effective and impactful WBG FCV strategy, which we strongly welcome and recognise as an important step forward in the WBG's support for fragile states.

Strengthening the draft FCV strategy

Section II

A) Guiding principles

2. We support the draft strategy's 'pillars of engagement', 'guiding principles' and 'areas of special emphasis', however only passing reference is made in the strategy to the purpose of WBG support in FCV settings being to tackle the drivers of fragility, conflict and violence. As this purpose is clear from policy commitment one (PC1) of the FCV special theme in IDA19, we would like to see a greater and more explicit emphasis on this point in the final strategy to ensure alignment with IDA19.

Differentiation

3. The draft strategy covers a wide range of issues in FCV settings, but not all. There are several inter-related issues relating to the WBG's support for the state which are not addressed in the draft, but we think warrant attention in the final strategy because these are challenges currently being faced in some FCV settings:
 - a. How to respond to situations of contested authority and legitimacy where there are alternative authorities, often with specific geographic areas of control, which do not accept the legitimacy of the central state. Where these alternative authorities have local legitimacy, based on alternative policies and systems of administration or service delivery (sometimes with armed units), it is plausible to view them as state authorities rather than as civic actors in those areas. Where the authority and legitimacy of these actors is contested by the central state, violent conflict can be a result. A conflict sensitive approach by development actors may be possible at a local level in these contexts, but there is a risk that the WBG's mandate to support the central state may have a destabilising effect, as it supports one side in the contest over legitimate governance.
 - b. How to respond to situations of contested authority and legitimacy where the non-state actors involved in contestation are not generally accepted to be legitimate and there is a risk that improved service delivery in geographic areas controlled by these actors will give a boost to their legitimacy at the expense of the central state.
 - c. How to respond when there is contested authority and legitimacy between central and state governments in a federal context. A greater focus on tackling exclusion through the strategy is likely to put WBG programming into the middle of this contestation and there is a risk that WBG support has a destabilising effect if it favours, or is seen to favour, the central government over other legitimate governance institutions.

In all these situations we think a more flexible mode of operating is required, so that the WBG can respond to the realities on the ground, and Country Partnership Frameworks (CPFs) should be clear about the challenge and how the WBG will respond to it.

Inclusion

4. We are pleased to see the emphasis on tackling economic exclusion in the draft strategy, but this is not solely a technical issue; addressing it requires an in-depth understanding of political-economy dynamics. Improving WBG staff capacity to undertake political economy analysis (PEA) (as in paragraph 177) is a key step, but better integration of PEA into Risk and Resilience Assessments (RRAs) is also crucial to institutionalise this way of thinking about and understanding a country context.

B) Pillars of engagement

Preventing Violent Conflict and Interpersonal Violence

5. We would like greater clarity in the final version of the strategy on how the WBG will identify any and all countries at risk of fragility and conflict escalation and tailor its approach to put the principles of 'Pathways for Peace' into practice. While we welcome the detail on how the Bank will operate in countries at 'high risk of conflict' (paragraphs 68-69), there is less clarity on how the Bank will respond in countries where there are upstream or emerging risks. We would like to see:
 - a) Earlier action: a clear institutional process for identifying countries where conflict risks are increasing and considering how the WBG's portfolio and collaboration with partners may have to shift. This should include the role of the GCRP.
 - b) A more systematic approach across all Bank borrowers: the IDA19 framework sets clear requirements for analytics and for all FCV country strategies to address FCV drivers and sources of resilience. Will this also be the case for IBRD borrowers facing conflict risks? How will the Bank ensure that MICs that do not feature on the formal FCS classification (given lack of CPIA data and/or as they are facing the challenge of sub-national conflict risks) benefit from these approaches?
 - c) A focus on long-term and emerging risks: the strategy sets out a clear approach for how the Bank will operate in high risk conflicts where mitigating risks is the top development priority. However, the framework is less clear for countries where immediate risks may be lower but there are long-term drivers of conflict and fragility that the WBG can play an important role in addressing. The final strategy should help WBG staff manage trade-offs between equally important objectives in less fragile contexts where the conflict risks are latent, e.g. between medium-term development goals and the objective of long-term stability
6. The mention of greater WBG support for drivers of peace and resilience in paragraph 79 is very welcome, but we encourage a more detailed assessment in the final strategy of what needs to change in existing WBG processes to make greater support for peace and resilience a reality and a clearer vision for this aspect of future WBG programming in FCV settings.

Remaining Engaged During Crises and Active Conflict

7. The draft strategy provides a sound basis for the WBG's approach in IDA countries facing active conflict (building on the experience in South Sudan and Yemen). However, it provides less clarity on the Bank's approach to IBRD countries in active conflict and/or countries where a World Bank lending programme is not viable (due to arrears, or credit risk concerns). We would highlight the Bank's current strategy in Libya as a good example of how the Bank can remain engaged and add value to the international community's efforts through policy dialogue, technical assistance, and planning and analysis even when a conventional lending portfolio is not feasible – although in this case we also think even greater engagement could be possible.

Section III

Operations

8. We encourage the development of operational guidance that will support strategy implementation by providing examples of the sort of programming that can and should be undertaken at the various points in the conflict cycle set out in the strategy. We believe evidence of a differentiated response in different settings will be a key indicator of success for the strategy.
9. The strategy clearly recognises the needs for increased supervision, implementation support, and flexibility in project design in FCV contexts (paragraph 22). However, the operationalisation section does not provide enough clarity on how this will be put into practice. We would like to see a commitment to increased staff time spent on supervision in FCV contexts (beyond the technological and third party tools set out in paragraph 140); greater clarity on how the Bank will deliver enhanced implementation support to low capacity clients (paragraph 124); and more detail on how the Bank will ensure project design and systems are flexible and agile (paragraph 148).
10. The strategy recognises the need for differentiated risk appetite levels across risk categories in FCV (paragraph 201). To put this into practice, the final strategy should include a commitment for the Board to sign-off the risk appetite statements and tolerances for FCV situations as part of the new Development Outcome Risk Framework currently under development. This should ensure staff feel they have a clear mandate for taking on higher risk programming and to ensure the Board debates where the WBG's risk appetite lies in FCV settings.
11. We recognise that working in FCV settings can lead to heightened ESG risks and more difficulty achieving the IFC performance standards (paragraph 130). In order to determine the appropriate approach, we would like to start with an analysis of the most significant ESG risks and compliance challenges encountered by IFC in FCV investments. If deemed necessary, this could then be followed by the development of a policy framework that sets out IFC's approach to managing these risks. We would like to see this process before agreeing any approach to policy derogation (paragraph 132)
12. We would like the final strategy to make clear how the State and Peacebuilding Fund will evolve to deliver on the strategy objectives.

Personnel

13. While we welcome the intent to increase the Bank's on-the ground presence in FCV situations (operational measure 19) the strategy currently lacks clarity on how the WBG will assess, and deliver, the optimal Bank footprint and skills mix in FCV settings in the medium term. We would like to see a commitment to review the staffing model in FCV contexts, according to risk levels and development needs, to inform and drive the decentralisation process (para 168).
14. We strongly welcome the commitment to increase the number of FCV specialists based in the field but would like to see a target for these posts; a net doubling of the current 8 to 16 by 2025, including support to all Country Directors with FCV countries in their portfolios, seems a realistic goal.
15. We welcome the changes proposed to developing skillsets in paragraph 178 on leadership in FCV settings but would like to see a clear commitment that country managers and directors taking up postings in these contexts have completed a sufficiently comprehensive 'core course' on FCV and the WBG's approach to FCV.
16. We recognise the valuable work done by the IFC's FCV unit, but it remains small by comparison to other IFC cross-cutting units. We are not convinced that a unit of this size has the capacity to deliver the step-up in systematic approaches to conflict sensitivity and FCV-tailored private sector development responses (paragraphs 153 – 154) set out in the draft strategy. We do not have a fixed view of what this central support should look like nor where it should sit institutionally, but we do think these issues should be considered in the final strategy alongside the welcome commitment to increase IFC field-based staff (paragraph 169)

Resourcing

17. The strategy notes that WBG engagement in FCV settings entails higher costs (paragraph 27). There needs to be an appropriate process to consider whether current budget allocations for FCV-affected countries are enough to deliver on the ambition set out in the strategy, and whether trade-offs may need to be considered within the World Bank's wider budget. We would like to see a commitment to reviewing the budget allocations for FCV as part of the next WB Strategy and Business Outlook (SBO).
18. We recognise that achieving IFC's ambitious targets in FCV settings will require increased resource and subsidy. Therefore, we would like to see IFC's 'Costs of Doing Business' updated to take account of the measures committed to in the strategy. We note that shareholders supported the IFC Capital Package, suspension of the IDA transfer, and the continuation of the IDA Private Sector Window in order to deliver IFC's FCV commitments, so we want to see the greatest possible use of existing WBG resources before IFC seeks additional resources (paragraph 197). Furthermore, we do have concerns that reliance on donor funding (paragraph 196) may not deliver the sustained resourcing required to develop IFC's medium term shift towards FCV countries. We would like the next IFC Strategy and Business Outlook (SBO) update to consider the financial and human resources required to deliver the FCV strategy over the next 3 years.

Partnerships

19. While we support the emphasis placed on effective partnerships in the draft strategy, we would have liked more concrete proposals for improving on current practice, especially regarding WBG-UN collaboration. The final strategy could consider:

- a) How cross-fertilisation and greater synergy could be established between CPFs and RRAs, and the UN's Common Country Frameworks / Assessments.
- b) Committing to pursuing an annual action plan for global advocacy and selected country activities with the UN, potentially with the Development Coordination Office (DCO), learning from the experience of the WBG Gender Strategy. This action plan might focus on conflict prevention and WBG-UN collaboration in countries accessing the IDA Prevention and Resilience Allocation.
- c) How the WBG's collaboration with the UN through RPBA's can be linked to processes for adapting and flexing WBG portfolios in response to changes on the ground in FCV settings. The strategy references the potential of RPBA's to 'lay the groundwork for recovery efforts' in post-crisis situations, but we would like to see more detail on how this will happen in practice.

20. We strongly welcome the references to coordination and collaboration between the WBG and IMF. We also strongly endorse the emphasis put on conflict sensitivity and understanding political economy dynamics as necessary elements of macroeconomic support. In the final strategy, we would like to see mention of the IMF's potential role in RPBA's alongside the WBG and other actors. We would also like paragraph 163 to reference capacity development as an area of WBG-IMF collaboration, the challenge of debt management, and the need for WBG-IMF coordination and reviewing mechanisms (e.g. Economic Development Documents and Joint Management Action Plans) to work effectively to ensure the poverty impact of programmes. We also think this paragraph could reference WBG-IMF cooperation on institutional strengthening beyond public investment management.