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**DRAFT FOR CONSULTATION**

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WORLD BANK GROUP  
STRATEGY FOR  
**FRAGILITY, CONFLICT,  
AND VIOLENCE (FCV)**  
2020–2025

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**DRAFT**

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## ACRONYMS AND ABBREVIATIONS

<b>ACReMAP</b>	Anti-Corruption and Results Monitoring Action Plan	<b>IDP</b>	Internally Displaced Person
<b>AfDB</b>	African Development Bank	<b>IEG</b>	Independent Evaluation Group
<b>AIMM</b>	Anticipated Impact Measurement and Monitoring	<b>IFC</b>	International Finance Corporation
<b>APA</b>	Alternative Procurement Arrangements	<b>IMF</b>	International Monetary Fund
<b>ARTF</b>	Afghanistan Reconstruction Trust Fund	<b>INGO</b>	International Non-Governmental Organization
<b>ASA</b>	Advisory Services and Analytics	<b>IPF</b>	Investment Project Financing
<b>CAFEF</b>	Conflict-Affected and Fragile Economies Facility	<b>ISN</b>	Interim Strategy Note
<b>CAR</b>	Central African Republic	<b>KTF</b>	Korea Trust Fund for Economic and Peacebuilding Transitions
<b>CASA</b>	Conflict Affected States in Africa initiative	<b>LIC</b>	Low-Income Country
<b>Cat-DDO</b>	Catastrophe Deferred Drawdown Option	<b>LICUS</b>	Low-Income Countries Under Stress
<b>CCRIF</b>	Caribbean Catastrophe Risk Insurance Facility	<b>LMIC</b>	Lower Middle-Income Country
<b>CD</b>	Country Director	<b>M&amp;E</b>	Monitoring and Evaluation
<b>CDD</b>	Community Driven Development	<b>MAS</b>	Manufacturing, Agribusiness, and Services
<b>CDF</b>	Credit Delegation Framework	<b>MDB</b>	Multilateral Development Bank
<b>CERC</b>	Contingent Emergency Response Component	<b>MDTF</b>	Multi-Donor Trust Fund
<b>CM</b>	Country Manager	<b>MFD</b>	Maximizing Finance for Development
<b>CMAW</b>	Creating Markets Advisory Window	<b>MIC</b>	Middle-Income Country
<b>CMU</b>	Country Management Unit	<b>MIGA</b>	Multilateral Investment Guarantee Agency
<b>CPF</b>	Country Partnership Framework	<b>MILF</b>	Moro Islamic Liberation Front
<b>CPSD</b>	Country Private Sector Diagnostic	<b>MSME</b>	Micro-, Small- and Medium-sized Enterprise
<b>CRM</b>	Credit Risk Management	<b>MTF</b>	Mindanao Trust Fund
<b>CRW</b>	Crisis Response Window	<b>NGO</b>	Non-Governmental Organization
<b>CSO</b>	Civil Society Organization	<b>ODA</b>	Official Development Assistance
<b>DFI</b>	Development Finance Institution	<b>OP</b>	Operational Policy
<b>DPF</b>	Development Policy Financing	<b>PBA</b>	Performance-Based Allocation
<b>DPO</b>	Development Policy Operation	<b>PNG</b>	Papua New Guinea
<b>DRC</b>	Democratic Republic of the Congo	<b>PRA</b>	Prevention and Resilience Allocation
<b>DRM</b>	Disaster Risk Management	<b>PSIA</b>	Poverty and Social Impact Analysis
<b>ECOWAS</b>	Economic Community of West African States	<b>PSW</b>	Private Sector Window
<b>ESAP</b>	Environmental and Social Action Plan	<b>PVE</b>	Preventing Violent Extremism
<b>ESF</b>	Environmental and Social Framework	<b>RECA</b>	Remaining Engaged during Conflict Allocation
<b>ESG</b>	Environmental, Social, and Corporate Governance	<b>RETF</b>	Recipient-Executed Trust Fund
<b>EU</b>	European Union	<b>RPBA</b>	Recovery and Peacebuilding Assessment
<b>FBO</b>	Faith-Based Organization	<b>RRA</b>	Risk and Resilience Assessment
<b>FCS</b>	Fragile and Conflict-Affected Situations	<b>SCD</b>	Systematic Country Diagnostic
<b>FCV</b>	Fragility, Conflict and Violence	<b>SDFP</b>	Sustainable Debt Financing Policy
<b>FDI</b>	Foreign Direct Investment	<b>SDG</b>	Sustainable Development Goal
<b>FIG</b>	Financial Institutions Group	<b>SME</b>	Small- and Medium-sized Enterprise
<b>FY</b>	Fiscal Year	<b>SPF</b>	State and Peacebuilding Trust Fund
<b>GBV</b>	Gender-Based Violence	<b>TAA</b>	Turn Around Allocation
<b>GCFF</b>	Global Concessional Financing Facility	<b>TDRP</b>	Transitional Demobilization and Reintegration Program
<b>GCRP</b>	Global Crisis Risk Platform	<b>TPM</b>	Third-Party Monitoring
<b>GEMS</b>	Geo-Enabling Initiative for Monitoring and Supervision	<b>TTL</b>	Task Team Leader
<b>GIIP</b>	Good International Industry Practice	<b>UN</b>	United Nations
<b>GPG Fund</b>	IBRD Fund for Innovative Global Public Goods	<b>UNDP</b>	United Nations Development Programme
<b>GRIF</b>	Global Risk Financing Facility	<b>UNHCR</b>	United Nations High Commissioner for Refugees
<b>HDP</b>	Humanitarian-Development-Peace	<b>UNICEF</b>	United Nations Children's Fund
<b>HEIS</b>	Hands-On Expanded Implementation Support	<b>VAC</b>	Violence Against Children
<b>HIPC</b>	Heavily Indebted Poor Country	<b>VPU</b>	Vice Presidential Unit
<b>IBRD</b>	International Bank for Reconstruction and Development	<b>WB</b>	World Bank
<b>ICRC</b>	International Committee of the Red Cross	<b>WBG</b>	World Bank Group
<b>ICT</b>	Information and Communications Technologies	<b>WDR</b>	World Development Report
<b>IDA</b>	International Development Association	<b>WHR</b>	Window for Host Communities and Refugees
<b>IDD</b>	Integrity Due Diligence		

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# EXECUTIVE SUMMARY

# DRAFT

## 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, around half of the world’s extreme poor will live in countries characterized by fragility, conflict, and violence (FCV).<sup>1</sup> 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.**

In recent years, violent conflicts have increased to the highest levels observed over the past three decades.<sup>2</sup> The world is also facing the largest forced displacement crisis ever recorded.<sup>3</sup> Rising inequality, lack of opportunity, 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. This can cause devastating impacts, especially for women, children, and youth, 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.**

The WBG’s work has evolved from a focus on post-conflict reconstruction to address challenges across the full spectrum of fragility. The 2011 World Development Report on *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.**

For low- and lower-middle income countries (LICs and LMICs) classified as “fragile and conflict-affected situations” (FCS)<sup>4</sup> the 18<sup>th</sup> replenishment of the International Development Association (IDA18) represented a paradigm shift, both in terms of the volume of resources and how those resources are provided. The \$14 billion available for IDA countries affected by FCS in IDA18 is approximately 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 by 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, IDA19 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 \$2.5 billion in concessional assistance to middle-income countries affected by refugee crises, and a new Global Public Good Fund offers incentives for countries to address FCV spillovers. More broadly, the 2018 IBRD and IFC Capital Increase package highlighted the importance of stronger WBG efforts to address FCV, 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, the International Finance Corporation (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 the share of investment commitments in IDA and FCS to reach 40 percent by FY2030, with 15-20 percent in low-income IDA and IDA FCS countries. This would require at least a 5-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 stands 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 aimed at stimulating private sector-led growth. IFC has also strengthened engagement in FCS through the Conflict-Affected States in Africa (CASA) and FCS Africa initiatives, and advisory support through the Creating Markets Advisory Window (CMAW).

## The WBG Framework for Engagement in FCV

**vi. 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 in strengthening their resilience, especially for the most vulnerable 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 support to both low- and middle-income countries dealing with diverse challenges across the FCV spectrum, including high levels of violence, forced displacement shocks, and subnational conflict. The FCV Strategy builds on 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 long-term risks, that can drive or exacerbate conflict and violence.

**vii. An important 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 due to the 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 risk of violence toward vulnerable populations, and significantly higher risks and costs of engagement. The WBG approach must be adapted to the distinct circumstances of FCV settings, with country partnership frameworks (CPF) and programs tailored to address 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.

**viii. Building on operational and analytic experience in FCV settings, this strategy articulates a differentiated approach to FCV structured around a set of guiding principles and four pillars of engagement designed to adapt the WBG's approach and address challenges across the full spectrum of FCV.** The pillars provide more 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.

- 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, 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 communities impacted by cross-border crises, such as forced displacement or shocks resulting from famines, pandemics, and climate and environmental challenges.

**ix. 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, including to the impacts of climate change and environmental degradation; (v) engaging on justice and the rule of law; and (vi) 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.

**x. The FCV Strategy articulates the WBG’s comparative advantage in FCV settings.** The WBG’s comparative advantage is its 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 multilateral private sector firms – and leveraging financing to incentivize investments and influence critical policy reforms that address the root causes of fragility.

**xi. 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.** Delivering impact at 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 jobs. The strategy therefore emphasizes the WBG’s role in strengthening the enabling environment for private sector-led growth, 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; it requires a sectoral focus for project development and advisory work.

**xii. The FCV Strategy highlights the importance both of a calibrated response to risk 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 for WBG staff, borrower counterparts, and beneficiaries; (ii) high risk of violence toward vulnerable groups; (iii) weak or nonexistent institutional capacity, which can negatively affect development impact; (iv) environmental, social, and corporate 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 will need to further leverage the portfolio approach in its annual program, ensuring that it balances the risk and costs of FCV projects with transactions in more stable countries, including in middle- and upper-middle-income countries. MIGA is similarly exploring a portfolio approach as part of its FY21-23 Medium Term Strategy.

## Operationalizing the FCV Strategy

**xiii. To carry out the FCV Strategy, the WBG sets 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 adapting the WBG’s approach to the distinct nature of FCV settings. The measures are organized along the “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, on forced displacement situations, and 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 WBG approaches 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.

**xiv. 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 PSW and other blended facilities, as well as the IFC-MIGA Partnership Joint Business Agreement.

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**Table 1: Measures to Operationalize the WBG FCV Strategy****POLICIES, PROCESSES & PRACTICES**

1. **Articulate how the WBG will operate with regards to humanitarian crises, refugee and forced displacement situations, and dealing with security and military actors**, particularly in insecure environments, and **update OP 2.30 on Development Cooperation and Conflict** accordingly to provide an updated framework for the Bank's FCV activities.
2. **Systematize the use of digital solutions in FCV settings**, including the Geo-enabling Initiative for Monitoring and Supervision (GEMS) and remote sensing technologies to enhance supervision and implementation. [See also IDA19 FCV policy commitment #5].
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, safeguards, and financial management.
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.
5. **Simplify and streamline IFC and MIGA processes to more nimbly address FCV challenges**, including by streamlining the processing of small loans.

**PROGRAMMING**

6. **Revise the methodology for Risk and Resilience Assessments (RRAs) and ensure that RRAs are conducted systematically for countries impacted by fragility, conflict, and violence**. Each RRA/ fragility assessment should analyze FCV drivers and sources of resilience and include operationally relevant recommendations that can be integrated into country programming. [See also IDA19 FCV policy commitment #1].
7. **Ensure that country partnership frameworks and operations in FCV settings systematically address the key drivers of fragility and sources of resilience**. [See IDA19 FCV policy commitment #1].
8. **Work with IEG to develop an evaluation framework that assesses country programs and operations in FCV settings more flexibly**, including by encouraging quick responses in dynamic circumstances and taking into account low institutional capacity and higher levels of uncertainty and insecurity.
9. **Ensure that operations in FCV settings take security considerations into account throughout the project cycle**, including by factoring security issues into project design and documentation, implementation, supervision, and monitoring and evaluation.
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.
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. [See also IDA19 FCV policy commitment #2].
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].

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13. **Engage across the WBG to develop the private sector and help create markets in FCV settings**, upstream project development, Country Private Sector Diagnostics (CPSDs), and implementation of the cascade approach to Maximizing Finance for Development (MFD).
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14. **Scale up 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.

## PARTNERSHIPS

15. **Systematize partnerships with humanitarian, security, and peacebuilding actors at the country level**, drawing on the WBG's comparative advantage as a development actor, enhancing the impact of operations on the ground in insecure areas, and ensuring effective implementation arrangements with third parties as needed. This includes more systematically conducting joint assessments such as Recovery and Peace-Building Assessments (RPBAs), or deepening coordination with actors operating in insecure environments.
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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.
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17. **Continue to consolidate partnerships with regional organizations** that have the authority and capacity to address cross-border FCV challenges.
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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.

## 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].
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20. **Strengthen the link between FCS experience and career development** to ensure that FCS experience is systematically recognized and considered as part of performance, talent reviews, and next assignment planning.
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21. **Introduce an enhanced FCV learning curriculum for staff working in FCV settings**. Learning will focus on operational competencies, analytic competencies, and personal effectiveness. Staff and managers working in or on FCV will be expected to participate in all relevant training.
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22. **Provide enhanced support for staff well-being, safety, and security** before, during, and after assignments in FCV settings, including through health and psychosocial support, as well as security awareness and management training.
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23. **Leverage World Bank staff in countries where IFC lacks on-the-ground presence**. Provide training and support to Bank managers and staff who fulfill IFC functions in these contexts.
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# INTRODUCTION

# DRAFT

**1. By 2030, around half of the world's extreme poor will live in fragile and conflict-affected situations (FCS).**<sup>5</sup>

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 more violent conflicts globally than at any time in the past 30 years,<sup>6</sup> and the world is also facing the largest forced displacement crisis ever recorded.<sup>7</sup> Rising inequality, lack of opportunity, 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, and youth, 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 populations.**

To this end, the strategy sets out a framework to support countries in addressing diverse challenges across the FCV spectrum. While FCV challenges are often more long-standing and acute in low-income and lower-middle-income countries (LICs and LMICs), the strategy also addresses countries at higher levels of income 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 FCS, to systematically address the root causes of fragility and long-term risks that can drive or exacerbate conflict and violence.

**4. 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.<sup>8</sup>

**5. This strategy has greatly benefited from extensive global consultations held during 2019.**

The consultations engaged a wide range of partners, including governments, international organizations, global and local civil society, and the private sector. They captured lessons learned 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 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.

**6. 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



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FRAGILITY,  
CONFLICT, AND  
VIOLENCE  
IN THE WORLD

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## A. WHAT IS FRAGILITY, CONFLICT, AND VIOLENCE?

**7. FCV challenges are context-specific, complex, and nuanced, requiring approaches tailored to the unique 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 also 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*, identified based on policy-based and governance indicators. Fragile situations are characterized by high grievances and/or levels of exclusion, lack of capacity, and limited provision of basic services to the population. Fragile situations tend to also 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.<sup>9</sup>

**Conflict:** *Countries in active conflict* are identified based on a threshold number of conflict-related deaths. Violent conflicts occur when organized groups or institutions, including the state, use violence to settle grievances, or assert power.<sup>10</sup>

**Violence:** *Countries with high levels of interpersonal and gang violence*, with major destabilizing impact, are identified based on per capita level of intentional homicides.<sup>11</sup> Gender-based violence (GBV) and violence against children (VAC) are also integrated in this definition.

### **8. As part of this strategy, the WBG articulates a new methodology to identify and classify FCS.**

The new classification will be 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. This allows for a differentiation of approaches, policies, and instruments to help adapt WBG engagement to difficult and complex situations in a way that is tailored to context. The FCS List will be updated annually. 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 policy and institutions and manifestations of fragility.<sup>12</sup>
- **Countries affected by violent conflict**, identified based on a threshold number of conflict-related deaths relative to the population. This category will include two sub-categories based on the intensity of violence: countries in high-intensity conflict<sup>13</sup> and countries in medium-intensity conflict.<sup>14</sup>

### **9. Beyond the FCS List, many countries can be affected by FCV, and this strategy focuses on supporting all countries facing FCV challenges.**

All countries facing FCV risks – including those experiencing subnational conflict, forced displacement shocks or high levels of interpersonal violence that may not form part of the FCS list – are at the core of this strategy.

## B. EVOLUTION OF FRAGILITY, CONFLICT, AND VIOLENCE

**10. Violent conflict has significantly increased in the past decade.** Since 2010, the number of major violent conflict events has tripled. Much of the increase is characterized by a rise in intrastate conflict and the proliferation of non-state armed groups. Deaths due to violent conflict have slightly reduced recently, but the footprint of violent conflict has expanded, with an 11 percent increase in the number of locations impacted worldwide.<sup>15</sup>

### **11. Fragility tends to be chronic and deep-seated.**

Over the past decade, nearly 30 countries have shown chronic fragility, most of which are LICs and LMICs.<sup>16</sup> 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 follow a path-dependent trajectory, one strongly influenced by their history or geography, or their social, economic, and power structures – elements that are all difficult to reverse. Addressing deep-seated grievances and improving governance and institutions' accountability is a delicate process that takes place over decades.

**12. 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 spans 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. Most 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 conflicts 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 and power vacuums to root themselves in fragile contexts, cross national boundaries, and threaten entire regions.

**13. In addition to violent conflict, interpersonal, gang-, drug-, and gender based-violence continue to pose a major threat to development and to the well-being of millions.** Every year, about half a million people die due to violence, two-thirds of whom are victims of intentional homicide.<sup>17</sup> In some areas, the rate of homicides are higher than deaths in conflict zones, causing major human suffering as well as economic and social disruptions. While the majority of lethal violence victims are young males,<sup>18</sup> high levels of homicide go hand in hand with high levels of GBV and VAC, with severe, lifelong impacts on those affected.

**14. 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 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 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.

**15. As a result of the increased levels of conflict and violence, the world is seeing the largest forced displacement crisis ever recorded.** There are around 71 million forcibly displaced people globally, of whom about 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 are about 75 percent. And around 85 percent of the world's forcibly displaced are concentrated in LICs and MICs,<sup>19</sup> with 72 percent of the forcibly displaced living in lagging regions within these countries.<sup>20</sup>

**16. 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 and long-term, it can aggravate already fragile situations and increase vulnerabilities, exacerbate grievances, and deepen pre-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.<sup>21</sup>
- **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 and increased risk of violence (including sexual- and gender-based violence) are combined with lack of access to health, education, and employment. As the share of women-headed households increases during violence and conflict, promoting economic opportunities for women is key.

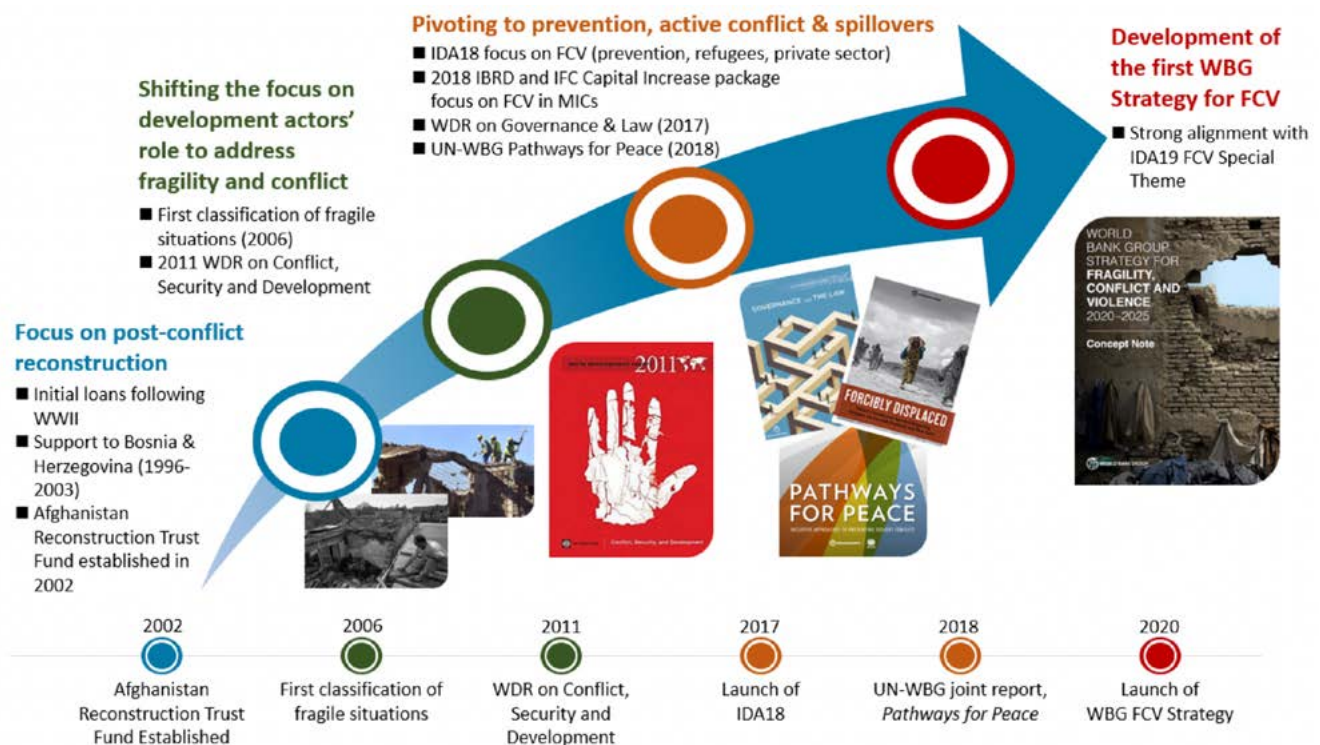
- **Digital transformation** has the potential to play a positive role in promoting peace but can also drive marginalization and exclusion. It can present uncharted territory when demands for openness are not met, or when criminal networks or extremist groups prey on disenfranchised and marginalized 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.<sup>22</sup>

**17. Lack of economic opportunities and unemployment exacerbate other FCV drivers. A vibrant and inclusive private sector can ignite economic growth, provide jobs and services, and 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.<sup>23</sup> 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

**18. The WBG’s work has evolved from a focus on post-conflict reconstruction to address challenges across the full spectrum of fragility** (see Figure 1). The 2011 World Development Report (WDR) on *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, which can inform future progress.<sup>24</sup> In particular, the WBG has matured in its approach to become more adaptive to fluid situations, and provide more tailored support depending on context. Key lessons are outlined below.

**Figure 1: Evolution of the WBG Role in FCV**





**19. The WBG should approach its development engagement with 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 not 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.

**20. Country Partnership Frameworks 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. To ensure 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.

**21. WBG financing arrangements should be calibrated to the specific needs of FCV settings, with appropriate incentives and accountabilities.** The traditional approach to aid effectiveness, whereby 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 to increase country allocations, provide more grants and debt relief, and use exceptional allocations to address specific needs (e.g., in countries that are in or emerging from conflict). Other important examples are the Refugee Sub-window (RSW) for IDA-eligible countries and the Global Concessional Finance Facility for MICs, which provide concessional finance 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. The WBG will continue to innovate and learn.

**22. The WBG needs to do more to improve project performance in FCS.** While performance in FCS has improved markedly, it is not yet on par with 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.

**23. In FCV settings, ultimately all roads lead to governance: therefore, WBG engagement must deal with this directly, by focusing on strengthening 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 only stick if a country's underlying governance is sufficiently robust and inclusive. Governance weaknesses tend to be chronic and key 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.

**24. Another key lesson is the importance of sourcing, developing, and supporting WBG staff working in FCV settings.** Having the right staff – and the right mix of 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 the preparation and implementation of 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, and it will continue to increase during the IDA19 period. 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.

**25. 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, 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 due to 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.

**26. 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 others 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 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 proactively, seize opportunities, and remain steady in fluid situations.

**27. WBG engagement in FCV settings entails higher costs.** Working effectively in FCV settings inherently requires investing in data and analytics, investing in security and staff welfare, expanding the WBG's on-the-ground presence, providing more proactive implementation support, and working more with partners – and these factors create budgetary pressures. WBG budget allocations for FCS have increased, and will require a sustained focus for the WBG to be effective in these settings.

**28. Partnerships are critical, and the WBG has learned that these should be purpose-driven and based on 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 staff in-country who seize opportunities to partner 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 on the twin goals.

**29. Engaging in FCV settings also means working differently with data.** In FCV settings, the data environment is often weak. But there are now innovative ways to collect data or draw on datasets of partners. 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.

**30. For the private sector, FCV settings are the toughest markets, but the WBG must work to find the 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, lack of rule of law, high levels of informality, and poor infrastructure and supply chains – to name a few (see Box 1). It is essential for the WBG to persevere and find the 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.

**31. For IFC and MIGA, working in FCV settings also means dealing with significant reputational and financial risks.** Reputational risks include issues related to sponsor (lead investor) integrity, such as political connections, previous illegal activities or corruption; there are also Environmental, Social, and Governance risks, such as impacts from pollution or problems with resettlement. 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 from 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 and cannot be fully mitigated.

**32. Increasing support for private sector development through IFC's investment and advisory services operations as well as MIGA 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 current 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 stands at a record \$2 billion in 2019.

### 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 heightened risks and costs, due to unique challenges on the ground. These include: (i) a limited existing 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 of government, 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.

**33. 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 by 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.

**34. IFC and MIGA efforts have been further boosted by introduction of the \$2.5 billion IDA-IFC-MIGA Private Sector Window (PSW) in IDA18.** The PSW allows IFC and MIGA to access IDA resources to de-risk investments and guarantees, allowing for a substantial scaling 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.

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

**36. 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 expanded engagement in FCV.

**Box 2.****IFC's Conflict Affected States in Africa (CASA) Initiative taking on challenges in FCS**

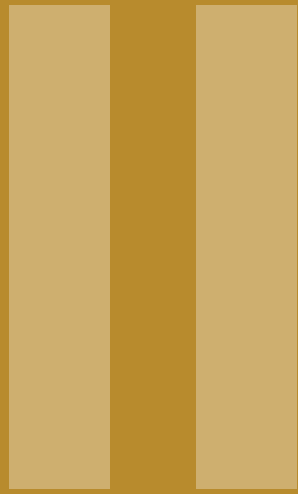
**Recognizing unique challenges fragile countries face, IFC launched the Conflict Affected States in Africa (CASA) initiative in 2008 to help Africa's fragile states rebuild their private sectors, create jobs, and attract investment.** Supported by Ireland, the Netherlands, and Norway, CASA initially 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 context must all be considered. FCS settings require mitigation of fragility risks but also broadening 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, strong, systematic development effects. CASA now focuses on the Sahel/ Lake Chad and Horn of Africa and is helping address evolving regional and sub-regional conflict dynamics.

DRAFT

SECTION



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FRAMEWORK  
FOR WBG  
ENGAGEMENT  
IN FCV

DRAFT

**37. The Framework to achieve the objective of the FCV Strategy comprises four Guiding Principles and four Pillars of Engagement.** The *Guiding Principles* include: (1) Differentiation; (2) Inclusion; (3) Legitimacy and accountability; and (4) Growing private sector solutions for impact. The *Pillars of Engagement* include: (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. It is essential to note that FCV risks, as discussed in paragraph 7, are interrelated and mutually reinforcing and cut across each of 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 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, and humanitarian arenas, based on the mandate and comparative advantage of each institution.

**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 doing so, the WBG strives to promote efficient and equitable economic and social policies, and ultimately to increase social capital and build more resilient societies.

**40. Through 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 so as 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:** its mandate; the

**Figure 2: The Four Pillars of Engagement**



complementarity of its potential activities with those led by other actors; its commitment to do no harm; 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 specificity 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 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, which need to be clearly articulated through analytical products such as the Risk and Resilience Assessment (RRA), 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.** 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 capacities are weak, the WBG simplifies the policy content of its operations and its implementation mechanisms to avoid the multiplication of diverse projects. It should also focus on the long-term development of local institutions, both governmental and nongovernmental, 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 regional and cross-border FCV dimensions and on the regional drivers of fragility and conflict, with the aim of identifying priorities for regional activities that specifically aim at reducing FCV risks.

**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. In these contexts, it is also important for the WBG to engage with civil society organizations (CSOs) and local actors that continue to operate on the ground. Disengagement would only be a last resort, as it invariably impacts the most vulnerable groups.

**46. When fragility is exacerbated by environmental and natural resources stresses, the WBG needs to include actions and policies to mitigate stresses, manage risks, and strengthen resilience in 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 plays a critical role in preventing conflict. Natural resources can be a powerful driver of FCV and can both fuel and finance conflicts (e.g. in the eastern Democratic Republic of Congo and the Horn of Africa). 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,<sup>25</sup> to boost finance and long-term policy change for the most climate vulnerable countries.



## Inclusion

**47. The WBG will pursue a people-centric approach.** It will focus on the most excluded and vulnerable groups in FCV settings. Exclusion and inequalities or perceptions of injustice can be drivers of fragility.<sup>26</sup> Inclusion of the poor is important, but in FCV settings, groups that are not necessarily the poorest might be the most inclined to turn to violence if they feel discriminated against or excluded. Empirical evidence also shows that relative deprivation (e.g., the absence of opportunities relative to expectations) linked to labor market outcomes that do not reflect educational attainment is an important driver of support for violent extremism.<sup>27</sup> 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 solid communication to avoid frustration with programs that are perceived as unfair or discriminatory. In these contexts, the WBG will engage in policy dialogue with governments and support various modalities for engagement with citizens, civil society, and community-based organizations (e.g., citizen engagement, 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 so as 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.** Such issues include access to land and water; land tenure rights; the sharing of benefits from extractive industries; sub-regional marginalization and inequality between groups; and the rule of law, corruption, and poor state legitimacy, with special

attention to security and justice. Reducing exclusion in access to services is essential, as it has a clear, direct impact on trust in institutions.

**50. Youth should be mobilized as key agents of change who can contribute to less fragile and more peaceful societies.** WBG operations need to explore how best to provide opportunities for young men and women to play positive roles in their economy and society. Programs for youth inclusion should be comprehensive 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. Efforts for inclusive education need to be considerably scaled up across FCV, not only in terms of access to school but to improved learning that equips 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 alignment with the WBG Gender Strategy (2016-2023).**<sup>28</sup> Societies with more gender equality tend to be more resilient 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 business; provide employment opportunities for male 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 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 supporting 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.<sup>29</sup>

**53. Trust in institutions 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. Such efforts will mainly address the state but will also aim to build the capacity of local authorities, communities, markets, 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 par with delivering core services, conflict resolution, justice, and in some cases, security. The focus will include tax and fiscal institutions as well as organizations dedicated to macroeconomic management. Communication between the state and citizens is also fundamental to building trust, and the WBG should 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 that can**

**improve the business environment and payment systems.** FCV settings are typically constrained by the absence or poor functionality 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 to the private sector.

### Growing private sector solutions for impact

**56. The WBG will strive to leverage both public and private finance solutions in support of 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 development. 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 looking to engage in these markets, as well as infrastructure projects. For countries in conflict/crisis, the opportunities for private sector engagement are much more limited, but engagement may still be possible, by providing financing and 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.** 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 existing or potential risks. The World Bank plays a critical role in creating the regulatory and investment climate that can enable a strong private sector. WBG coordination efforts such as via Country Private Sector Diagnostics, country strategy processes including SCDs and CPFs, and IFC upstream efforts under the Creating Markets strategy, will help ensure that WBG institutions complement each other, going beyond individual projects to examine the 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 scale up engagements, programs, and investments in FCV settings.

**58. However, high financial and non-financial risks remain.** To support its financial capacity to scale 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, blending facilities, including through 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 comprehensive approaches to integrity due diligence to mitigate reputational risks; it will also explore how to systematize conflict-sensitive approaches in investment operations to address risks, such as those related to a lack of inclusion 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 and may result in increased litigation. This is particularly the case where people lack a meaningful forum for redress of grievances and where the enhanced challenges of meeting ESG standards in such jurisdictions negatively affect outcomes.

## 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, or violence situations, WBG strategies and programming will differ to best assist the countries and people in need. The four pillars of engagement are relevant across the FCV spectrum, as 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.<sup>30</sup> And yet, development actors have not acted in this area at the scale required by present risks.<sup>31</sup> Prevention is not only about conflict, but also about tackling interpersonal, gang, and drug-related violence and violent extremism that, in many places, erase hard-won development gains.

**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 the lives lost, violent extremism attacks and displaces people from their homes and livelihoods, destroys infrastructure, exacerbates tensions in society, weakens government structures and governance, and diverts resources away from service delivery as governments are forced to invest more in security.<sup>32</sup>

**63. Preventing conflict requires directly addressing the key drivers of fragility and strengthening factors of resilience.**

To more effectively prevent violent conflict, 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, peace building, 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 distributions of power, the political settlement, and 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 improved 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 abuses, 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 Bank is strengthening its capacity to identify and monitor multidimensional crisis risks.**

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, the platform also delivers analytical and convening services to support consistent integration of risks into sector- and country-level programming and to enable timely and multi-sectoral interventions for crisis response and resilient recovery.

**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,

**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 risk factors on natural hazards, health pandemics outbreaks, food insecurity, conflict, and shocks will help inform multi-sectoral 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 development of joint tools for risk identification, crisis preparedness and early response.

development interventions have to be part of a broader effort that also includes political, security, and diplomatic actors. In implementing a conflict prevention agenda, the WBG should: (i) refocus the country dialogue around prevention and resilience; (ii) review portfolios and pipelines to ensure strong alignment around prevention and risk mitigation efforts, including the nature of activities, their geographical scope and focus, and the details of implementation; (iii) strengthen partnerships with non-development 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 or drought-resistant crops. IFC has engaged with excluded groups in rural settings through MSME finance and agricultural supply chains (e.g., 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 (e.g., in Guinea and Côte d'Ivoire) and worked with clients to 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, mostly in Latin America<sup>33</sup> and Sub-Saharan Africa, with (i) standalone integrated operations at the local level and (ii) a mainstreaming strategy geared at urban development and youth employment projects, which now needs to be consolidated and stepped up. This engagement 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 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.<sup>34</sup>

**72. The WBG will continue to scale up engagement to prevent gender-based violence, learning from its work on the issue over the last five years.** GBV is addressed by reducing violence overall, but in some cases 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 maternal and child care 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.<sup>35</sup>

## 2. Remaining engaged during crises and active conflicts

**73. The WBG is engaged during situations of crisis and active violent conflict.** Recent examples include interventions in Yemen and South Sudan. The Bank has also supported specific areas and local populations during violent conflict within countries, such as Iraq, the Philippines, and Colombia. These experiences have demonstrated that the WBG can play a role during conflict and crisis by pursuing conflict-sensitive and inclusive approaches to development interventions that can help mitigate conflict and lay the foundations for peace. In such cases, the WBG needs to clearly articulate why, when, and how it should focus its interventions.

**74. *Principles to consider for engagement:*** The WBG will conduct the necessary assessments and due diligence to determine which situations

warrant engagement during crisis and open conflict. Engagement is also to be determined by clear analysis of the unique benefits and value that the WBG program can add to what organizations that are already involved are providing. 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 partnership with on-the-ground entities that can be trusted to implement projects inclusively and effectively in a non-partisan way, conduct quality supervision, and help monitor activities.

**75. In these situations, the WBG should focus on protecting the human capital of vulnerable groups and 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 (e.g., 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. Appropriate outreach and inclusiveness can help mitigate people's incentives to flee across borders or for youth to join armed groups. WBG interventions should aim to restore social capital and collaboration between 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:

- Precise 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 by conducting short, regular perception surveys among project beneficiaries.
- Robust oversight and training of local units/ 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 other context-specific issues.
- Flexible program design to adjust project implementation when issues arise.

**Box 4.**

**Yemen: the humanitarian-development nexus in practice**

**The WBG has remained engaged in Yemen despite the conflict that broke out in 2015. Early lessons demonstrate the value of applying 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’s humanitarian actors who pursue life-saving emergency response, IDA’s multi-year development funding makes a significant difference in terms of scale/outreach and flexibility/speed, both of which are critical in crisis contexts.

**To work effectively across the nexus, it is important to define shared or collective outcomes.** This should take into consideration the different actors’ comparative advantages and capacity to deliver responses in a given context. The Yemen WB-funded operations demonstrate 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.<sup>36</sup> 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 highly selective and integrated programmatic approach that leverages the WBG’s comparative advantage in basic service delivery, institutional preservation, and resilience-building.** Today’s portfolio includes sectors not covered by humanitarian actors, such as 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 knowledge products have also provided 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 and peacebuilding actors while remaining clearly focused on its development mandate. The WBG seeks to integrate long-term development considerations around 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 targeting vulnerable groups, and ensuring that “do no harm” approaches are being implemented; (ii) exchanging knowledge on how to best 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 consequences of armed conflict, such as massive flows of internally displaced people or disasters, 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 due to access and security constraints).<sup>37</sup>

**79. The WBG should also 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 significant local knowledge. Partnering with international and local peacebuilding non-governmental and civil society organizations (NGOs and CSOs) that have extensive on-the-ground presence 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 also continue to monitor the macroeconomic situation and provide advice to governments to reduce negative impacts on the private sector and people.** During active conflict, monetary and exchange flows require special attention. In some recent situations, despite the government’s fragmentation into competing institutions, the central bank was able to

keep functioning and play its role in domestic and international payment systems. Remittances may be the main source of household buffers for countries in conflict, so keeping these channels open has important social welfare benefits. Sanctions may also be in place against individuals, firms, or whole sectors, further complicating financial flows. Applicable interventions include “safe corridors” for remittances, and stepped-up surveillance on anti-money laundering and combating the financing of terrorism, with the engagement of neighboring countries and major financial centers.

### **81. 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. 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. To ensure access and be accepted by all parties to a conflict, organizations seek to follow the humanitarian principles of neutrality, independence, and impartiality.

**82. In cases of high-intensity subnational conflict, private sector engagement will focus on more stable areas of the country.** For example, in Afghanistan, Iraq, and the Democratic Republic of Congo, IFC has had significant investments in agribusiness, MSME finance, and power 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 (e.g., 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.



**83. *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 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 (e.g., large-scale investments in northern Kenya); engaging with authorities to help deal with illicit trafficking; and helping neighboring governments manage the economic impact of the crisis on their countries.<sup>38</sup> 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.

**84. *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, and private sector reviews or Recovery and Peace-Building Assessments (RPBAs) should be leveraged to create platforms for dialogue and lay the groundwork for recovery efforts.

### 3. Helping countries transition out of fragility

**85. *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.

**86. *The WBG will continue to support countries 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 countries that are in deep fragility. Recovery efforts must place a premium on rebuilding social cohesion and addressing the long-term drivers of violence. They must also be careful to do no harm, as reconstruction in most cases takes place in highly polarized environments.

**87. *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 is fragile or absent, and the state can be captured by specific vested interests disconnected from the population's needs; 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 Bank will pay more attention to analyzing such situations and discussing findings with partners and relevant local actors.

**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, UK, Norway, UNDP, the IMF, the AfDB, and others to strengthen the country's financial governance. The program's success has been linked to: (i) a sustained engagement despite recurring crisis; (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 government, an effective partnership with an ongoing platform for dialogue. In full alignment with WBG's development mandate, the program has engaged on 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.

**88. 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 (e.g., floods, droughts, sea level rise) cause greater forced displacement than conflict, and are central to prevention and preparedness.<sup>39</sup> The nexus between climate change, geographic isolation, and fragility is most pronounced in the Pacific, where half of the 12 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 due to their small size, weak infrastructure and capacity, limited economic opportunities, and youth unemployment (notably in Papua New Guinea and the Solomon Islands), as well as repeated natural disasters.

**89. 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.<sup>40</sup>

**90. *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 considered 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, as it can be easily channeled toward illicit or corrupt activities. 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 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 (e.g., using digital methods or mobile phone payments). Incremental and trial-and-error approaches are helpful to identify the appropriate systems.

**91. 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.

**92. The WBG will scale up support for private sector development through partnership and joint operations between 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 (e.g., in Afghanistan, Chad, the Central African Republic, and Somalia). Enclave investments, such as mining, ports, or special economic zones, may also be possible. The Bank plays an important role in restoring the value chain, including 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 titles and property rights. These projects will be prepared with strong involvement from IFC, and with MIGA when appropriate.

**93. 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, 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 support good jobs. Special attention will be placed on promoting gender inclusion and mobilizing new investors.

**94. The dual challenges of capacity and legitimacy are especially relevant when building 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 donor procedures and complex rules.

**95. Post-conflict reconstruction, recovery, and resilience: The WBG will also continue to engage in these areas.**

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 placed on addressing grievances and strengthening preventive measures.

**96. When engaged in recovery and reconstruction, the WBG will continue to cooperate through solid platforms with security, development, peacebuilding, and humanitarian actors.** It is the WBG's comparative advantage to help governments

**Box 6.****Addressing subnational FCV in MICs – WBG support in Mindanao**

Many subnational conflicts are in middle-income countries (MICs) and 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 sub-components 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 Mindanao's population has been negatively impacted by conflict; it is the country's poorest region. The World Bank has been engaged here 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 terms of using multiple financing options and the range of projects implemented.

In 2005, the Bank-administered \$29 million Mindanao Trust Fund (MTF) was established; over 12 years, it provided access to basic services for over 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. After 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.

design recovery plans and mechanisms, provide technical advice and financing, and leverage its convening power. The RPBA methodology and existing platforms between the EU, UN, and World Bank offer such an approach and can help governments identify priority recovery, reconstruction and peacebuilding needs; prioritize relevant investments; and prepare sound financing strategies in collaboration with donor partners (e.g., the CAR, Iraq, northern Mali).

**97. The WBG will increase its engagement with governments to ensure that grievances around exclusion are integrated into reconstruction programs and the incentives of spoilers are addressed.** Reconstruction is an opportunity to change patterns and address deep grievances. The war economy is often resilient, and illicit networks 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 has recognized expertise and where peacebuilding requires drilling 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 engaging.

**4. Mitigating the spillovers of FCV**

**98. The WBG focuses consistently on the negative impacts that FCV has on people, especially the most vulnerable.** However, a differentiated approach first 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, or those living in daily fear because their city experiences high levels of interpersonal violence. It will also vary depending on how distinct parts of a society experience FCV – with minorities, the disabled, the elderly, and other marginalized groups all facing challenges related to exclusion. It is critical that, whenever possible, interventions to address FCV and increase resilience should 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.

**99. 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 focuses 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.

**100. *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.** Protecting and building human capital is arguably one of the most important sources of resilience.<sup>41</sup> 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.<sup>42</sup> Similarly, child marriage puts present and future generations at risk.<sup>43</sup> The HCP also promotes a multi-sector approach that takes the life cycle into account.<sup>44</sup>

**101. WBG programs should be adapted to the needs of at-risk groups, who disproportionately suffer from the violence and economic disruption of war.** This includes (i) children, who need improved nutrition, basic health care (including support for mental health), and education; (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 double or multiple forms of vulnerability (e.g., a minority group member who is disabled).

**102. *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.<sup>45</sup> There is 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 2016<sup>46</sup> and further articulated in the *Forcibly Displaced* report.<sup>47</sup> 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, education, and gender; (iv) underlining the importance of policies and institutions to provide an adequate response; and (v) increasing the use on data and evidence to inform results-driven strategies.

**103. The WBG can build on a solid foundation, with active programs financed by IBRD and IDA across all regions and sectors.**<sup>48</sup> IFC has also developed MSME and vocational training programs targeted at displaced populations and host communities and has worked to engage the private sector, building on the *Kakuma as a Marketplace* (2018) and *Private Sector Refugees: Pathways to Scale* (2019) reports. 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. The WBG's engagement is grounded in

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

In Ethiopia, the World Bank is helping the government shift its policies from encampment to a sustainable management of protracted refugee situations.<sup>49</sup> 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 relevant. 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 timely adoption of the Proclamation. The Bank is also providing the government with policy advice, analytics, capacity-building, and financing, in full partnership with UNHCR. In addition, Ethiopia is receiving substantial support from IDA to support refugees and host communities.

a solid partnership with UNHCR, structured around the complementarity of mandates and capacities.

**104. Looking ahead, the Bank Group 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 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.

**105. Internal displacement is also a development challenge; effective support will require strong collaboration with partners and guiding development funds toward preventing escalation and relapse of conflict.** A fundamental challenge in addressing IDP situations through a government-led approach is that the same country is both the producer and 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.

**106. Addressing global and regional crises and spillover effects:** FCV conditions exacerbate already dire vulnerabilities and can lead to extreme, multi-hazard crises such as severe food insecurity or

famine. Today's famines, for example, are primarily the result of political events, and nearly every famine since the 1980s has occurred in countries affected by FCV.<sup>50</sup> 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 undermined by warring parties.<sup>51</sup> Combined, these FCV dynamics can push people into destitution and eventually famine.<sup>52</sup> If history is a barometer of future trends, an escalating number of conflicts will inevitably lead to greater risk of multidimensional crises such as famine.<sup>53</sup>

**107. Food security is a priority for the WBG.**

The linkages between sustainable agriculture, climate, food security, and peace and stability cannot be overemphasized. WBG is scaling up its efforts to address famine risk with a broad crisis management approach that encompasses prevention, preparedness, and early warning measures, while relying on country systems. This includes: (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 emerging warning signs; and (iii) working with existing, country-based systems to better integrate short-, medium- and long-term goals (i.e., a "whole of aid" approach).

**108. The WBG is also reinforcing its capacity to address pandemic risks and health crises in FCV settings.** Recent pandemics have affected countries wrestling with FCV, such as the cholera epidemic in

**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 conflict 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 abuses, 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 some form of action and accountability that recognizes the suffering of victims. In post-conflict situations, it is important to factor in the fact that many activity beneficiaries will suffer from trauma.

Haiti and the Ebola crises in the Mano River region of West Africa, the Democratic Republic of Congo (DRC), and neighboring countries. 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 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 DRC, 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 support community engagement.

**C. AREAS OF SPECIAL EMPHASIS****109. The WBG will be selective and promote areas of special emphasis, as engaging in FCV settings is fundamentally different from non-FCV settings.**

Emphasis will be placed on: (i) investing in people and their human capital; (ii) supporting macroeconomic stability and debt sustainability; (iii) creating jobs and economic opportunities; (iv) building community resilience and preparedness, including to the impacts of climate change and environmental degradation; (v) engaging on justice and the rule of law; and (vi) and engaging with the security sector. Throughout these areas, closing gender gaps and addressing the needs of women and girls will be prioritized.

**110. (i) Investing in people and their human capital:**

The WBG is heavily engaged in efforts that aim to improve the delivery of health, education, and nutrition services, and availability of drinking water, which, together with safety nets support to disadvantaged families, help build and protect human capital, especially for the most vulnerable communities. When supporting systems, the WBG is cognizant of capacity constraints, the recurrent cost of maintaining service delivery, communities' level of commitment and engagement, the need to mitigate major context-specific issues (such as distance to facilities, security, corruption, exclusion risks of some social groups), and the importance of focusing on the most vulnerable groups, including women and children, minorities, and people with disabilities. Beyond 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.

**111. (ii) Supporting macroeconomic stability and debt sustainability:**

Countries at high risk of violence also routinely experience challenges with their macroeconomic policy. Depending on context, these include: limited fiscal space and debt intolerance; a tax system perceived as unfair; poorly targeted subsidies; limited control over public expenditures; weak management and transparency of revenues; difficult access to credit; high inflation; and capital flight. These situations tend to undermine economic growth, reinforce corruption, result in poor 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 (e.g., Policy Social Impact Assessments) and that mobilizes dedicated FCV country economic expertise 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, including by preserving budget cash flow by making 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 addressed.<sup>54</sup> Advice on macroeconomic adjustment and debt sustainability should also take into account the impact of the proposed reform package on the poor and middle class, as perceptions of unfairness tend to trigger violence.

#### **112. (iii) Creating jobs and economic opportunities:**

Jobs are 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 employment.<sup>55</sup> Real job creation can only be sustained through improved governance and security, and it must be driven by the private sector, which accounts for approximately 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. Jobs 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.

#### **113. (iv) Scaling up community approaches to address drivers of fragility and support the dynamics of resilience, including efforts to address environmental challenges. Community-driven operations empower communities.**<sup>56</sup>

Community 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 service delivery and social cohesion. These efforts can be designed to support prevention and resilience in polarized situations and 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.<sup>57</sup>

#### **114. Prioritizing social protection schemes, including social safety nets and cash transfers.**

Social protection programs are essential to promote equity and to build resilience and opportunity. After conflict, they ensure welfare in the short term and 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; they can discourage a renewal of conflict. Evidence from cash transfer programs demonstrates that alleviating income constraints can reduce the incidence of violence. Recent randomized trials in Côte d'Ivoire, Egypt, Liberia, Tunisia, and Uganda have yielded encouraging results, both in terms of livelihoods and conflict. The impact of cash transfers may be even stronger when combined with ancillary services such as mentoring or counselling. Safety net programs can also mitigate gender-based violence.



**115. 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.<sup>58</sup> Disasters set back economic and social progress. Most notably, water-related disasters can act as risk multipliers in fragile contexts, contributing to conflict, violence, or migration.<sup>59</sup>

**116. (v) Engaging on justice and the rule of law:** Calls for justice and the rule of law can contrast starkly with the capacity of governments to meet these demands from their citizens. 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. Since the early 1990s, the World 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 legal outreach, develop mechanisms for all that has worked on designing and implementing projects across its FCV portfolio that are more

effective, equitable, and responsive to grievances and disputes, particularly those of affected persons. 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 including GBV; equitably resolve disputes over land and natural resources; promote legal aid and access to legal services; and strengthen contract enforcement and commercial dispute resolution.

**117. (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 and military 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;<sup>60</sup> to financing of road construction in an active conflict zone in Cameroon using the Army Corps of Engineers because there were no private contractors willing and able to undertake the work;<sup>61</sup> to partnering in Liberia with the UN peacekeeping mission and UNDP to support the newly elected government's efforts in improving infrastructure, through employment-intensive road repairs as part of recovery in war-affected areas. In response to client demand, the WBG has partnered with the UN in carrying out public expenditure reviews and public financial management, which have provided inputs to governments about the economic and budget tradeoffs of ensuring security and promoting peace-building. 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 and military engagements and has adopted a case-by-case approach which identifies, manages, and mitigates risks while ensuring that all Bank engagements and activities with security actors are

designed consistently with its development mandate under the Articles of Agreement.

**118. Throughout its engagement in FCV settings, the WBG will place special emphasis on closing gender gaps and addressing the needs of women and girls.**

The Bank will increase operationally relevant analytical work that identifies gender-based discrimination; harmful gender norms (including those that drive GBV); and 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 tangible improved 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, enabling the pivot to prevention in FCV settings and providing the foundations for building and preserving human capital.

DRAFT

SECTION



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# OPERATIONALIZING THE WBG'S STRATEGY FOR FCV

# DRAFT

**119. To operationalize the FCV Strategy, this section sets out an implementation model, with 23 measures<sup>62</sup> to strengthen the WBG's effectiveness in FCV settings.**

**120. 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.

## **A. POLICIES, PROCESSES, AND PRACTICES: ENSURING THE WBG IS FIT-FOR-PURPOSE**

**121. 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.

**122. Accordingly, the World Bank will update Operational Policy (OP) 2.30 on Development Cooperation and Conflict, drawing on inputs and guidance from its Board of Executive Directors.<sup>63</sup>** The updated policy will clarify the Bank's authorizing and policy framework for FCV operations in areas such as response to humanitarian crisis situations, forced displacement, and engagements in the security sector and criminal justice. It will be finalized and submitted to the World Bank Board of Directors for approval following a discussion with the Committee on Development Effectiveness.

**123. 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.

**124. 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 and 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, the objective is to enhance value for money of Bank-financed operations by reducing their vulnerability to corruption, while strengthening monitoring of implementation progress and results.

**125. Building on the WB Procurement Framework Policy implemented in 2016, the Bank is ramping up its Hands-On Expanded Implementation Support (HEIS) in FCV countries.** HEIS is currently being provided in 16 projects, and preliminary evidence shows that it speeds up procurement and mitigates project implementation delays. For instance, with HEIS in Myanmar, a consultant selection process that would have normally taken 18 months was completed within 7 months. Similarly, alternative procurement arrangements (APA) are supporting capacity to implement projects in countries with particularly difficult environments (e.g., in Somalia) and can increase the Bank's operational flexibility. APA are supporting borrowers' capacity to implement projects in particularly difficult environments, including FCV. 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.

**126. The new ESF offers a range of flexibilities for FCV settings.** The Bank and borrower can agree to the preparation of the ESF<sup>64</sup> 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. For instance, given the scope and urgency

cholera under the Yemen Integrated Urban Services Project, the safeguards approach was adjusted. Adapting due diligence led to modified project design, including fit-for-purpose mitigation measures, which helped ensure the resumption of solid waste collection services. These elements of policy flexibility are especially important in emergency conditions.

**127. To support the new 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 in relation to the 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 the 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 (TPM).

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

- **Streamlining the processing of small loans.** Loan size is often smaller in FCS, so efforts to streamline processing of small loans will benefit most projects in FCS. IFC has rolled out the Credit Delegation Framework for small 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.

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

**130. Strong ESG performance is correlated with positive development outcomes.** The IFC 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, as many of the contextual risks (e.g. security, gender-based violence, land rights) are systemic, 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 across conflicting groups.

**131. IFC and MIGA's approach to ESG requires clients to progressively achieve the Performance Standards within a "reasonable period of time."**<sup>65</sup>

The time agreed between IFC and MIGA and their clients<sup>66</sup> will 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 business-as-usual contexts, and there is a higher risk that clients may never fully achieve their commitments.

**132. For specific FCV projects, IFC and MIGA will require the flexibility to occasionally seek policy derogation from its Board of Directors** if it may not be possible to meet certain aspects of the Performance Standards; this is provided that there are no overriding concerns related to health and safety and well-being of project affected communities and employees. The Board approval would transparently explain the aspect of the Performance Standards that is not possible to achieve and the development case that justifies the exception.

**133. 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 terms of which clients they choose 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 resource intensive and challenging: conflict and fragility may impact timely client reporting and even prevent staff from visiting client operations.

**134. To help firms implement the IFC Performance Standards in FCV settings and to improve corporate governance, IFC is developing a new ESG advisory program.** It 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 it with blended finance as relevant to help clients address the additional costs and capacity needed to meet the expectations of the Performance Standards. MIGA is exploring a similar ESG technical assistance program.

**135. Even with these enhanced efforts, there will 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 operation that is even more likely in FCV. IFC and MIGA's responsibility to due diligence and monitoring of clients ends on exit or on client failure, and their accountability and liability must also end at that point if risk appetite is to be maintained.

**136. *Developing new tools to enhance monitoring and evaluation and better understand the drivers of FCV:*** To track the impact of development interventions on beneficiaries, notably the most vulnerable, monitoring and evaluation (M&E) plays a central role. 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 and methodologies that can best measure real impact on the ground, especially in insecure and/or low-capacity environments where data collection is an even greater challenge.

**137. New tools and technologies exist to generate data, track both quantitative and qualitative indicators, and empower beneficiaries and recipients to take a stronger role in monitoring the services they receive.** For instance, integrating perception surveys onto 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, have served to 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 resolve key implementation questions. Developed in northern Mali to support an education project, IBM is now being used across other fragile settings, such as the CAR, Chad, Niger, and northern Nigeria. While these tools and approaches are being tested and are promising, they may not be able to address all the information needs in an FCV context and will therefore require a step-wise approach to refine and strengthen M&E at the project level.

**138. The WBG will help improve project M&E systems but will also support operations aimed at strengthening national systems for more reliable data as well as promote evidence-based public policymaking.** The WBG will continue to strengthen M&E and impact evaluation, including by expanding opportunities for beneficiary-led M&E, and will also monitor FCV risks, by integrating more FCV indicators in projects' results framework. 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 RRAs<sup>67</sup> and other analysis; (ii) 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) identify indicators that will measure achievement of the intervention logic and establish a baseline; (iv) design a monitoring system in real time that allows for adaptation of the strategy and program as information becomes

available; (v) and carry out impact analysis on how WBG efforts contribute to addressing FCV drivers.

**139. The WBG will also leverage impact evaluation for learning and decision-making processes.** 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.

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

- **Innovative tools to support operations at the project and portfolio level.** Faced with higher risks and the need for flexibility, simple yet effective tools should be used to help operational project teams contextualize project design to the FCV context and monitor results. The rapid development of innovative and less expensive data collection technologies, including through mobile phones, as well as remote sensing data, has made it feasible to monitor and learn from these 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 is utilized to map and compare WB 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.
- **The Geo-Enabling for Monitoring and Supervision (GEMS) initiative to gain access to more regular real-time and actionable data for challenging environments.** In remote and insecure environments, leveraging ICT 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 capacities among clients, beneficiaries, local staff, and partners to harness field-appropriate and cost-effective ICT to enhance supervision, M&E, citizen engagement, and coordination. The GEMS initiative<sup>68</sup> was launched to support project implementation in FCV settings by systematically building client capacity in these arenas. To date, it has supported around 400 projects in over 30 countries, with close to 2,000 clients, partners and local staff having received access to the tools and capacity-building training.

- **Third-party monitoring (TPM) to help track project results.** When environments are so insecure as to prevent task teams from regularly visiting site locations, the Bank can hire specialized firms or 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. The WBG will be selective in its use of TPM, given its cost implications.

## **B. PROGRAMMING: MAXIMIZING IMPACT ON-THE-GROUND**

**141. Drivers of fragility should guide WBG CPFs and programming.** The WBG is committed to ensuring that CPFs and operations in FCV-impacted countries systematically address the key drivers of fragility and sources of resilience.<sup>69</sup> By continuing to strengthen the analytical tools used in FCV settings and to ensure they are fit-for-purpose, and by scaling up the practice of conducting joint assessments with partners, knowledge and operations will mutually reinforce each other and set the stage for better programs.

**142. The WBG will systematize the use of RRAs to fully address the drivers of fragility in CPFs and operations.** To do so, it is revising the methodology of RRAs to frame key drivers of fragility more clearly, increase the multidimensional understanding of grievances and risk factors that exacerbate FCV, better identify entry points to strengthen resilience, and provide clear and operationally relevant guidance to integrate findings into country programming. Moving forward, RRAs will include consideration of FCV entry

points for active and pipeline projects across sectors and for the portfolio. The WBG is also committed to increasing the number of FCV analyses, such as RRAs, that are conducted in partnership and shared with relevant partners.

**143. The Bank will promote the use of portfolio reviews, conflict filters, and peace lenses to support portfolios and operations to 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/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 task teams to think through and adjust projects during implementation, including during supervision missions, mid-term reviews, and restructurings. In Myanmar, 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.<sup>70</sup>

**144. 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). Pilot programs are underway using various conflict analysis approaches, including country-level contextual analysis and more detailed project-level conflict analysis. After testing and analyzing these pilots, a systematic conflict sensitivity approach will be developed for FCV settings in a manner that retains the flexibility necessary to operate effectively across FCV settings. In addition, CPSDs will apply an FCV lens in their assessment of priorities for private sector development and policy dialogue. MIGA will leverage IFC CPSDs and conflict assessments for its operations in FCV. In addition, the Anticipated Impact Measurement and Monitoring (AIMM) system will incorporate an FCV lens, and MIGA will leverage this

work for its IMPACT system. 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.

**145. Tackling FCV drivers involves addressing cross-border challenges and, where relevant, developing effective regional approaches.**

While the WBG operates 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 aim of identifying priority regional activities specifically aimed at reducing FCV risks.<sup>71</sup>

**146. The WBG will work with IEG to develop an evaluation framework that looks at country programs and operations in FCV settings more flexibly.**

An adapted evaluation framework should encourage both country programs and operations to respond quickly to changing contexts and adapt WBG strategic approaches to new dynamics. The new framework should also ensure that evaluations of WBG performance in FCV settings reflect these adaptations and take into account low institutional capacity and high levels of uncertainty and insecurity as they affect performance.

**147. Project documents in FCV settings will reflect security considerations in project design and institutional arrangements.**

Project documents will also reflect the approach to supervision (e.g., TPM, ICT, social media monitoring, partnerships). The use of “contingency scenarios” in project design will be broadened to adapt implementation without having to restructure (e.g., CERCs) by identifying potential changes or mitigation measures and by facilitating mid-course corrections, with or without project restructuring.

**148. 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 adjust the ways in which the WBG approaches project design, implementation, and impact assessment.

**149. Start with institutions and build programmatic approaches for sustained engagement.** It is critical for WB support to focus directly on core governance in ways that address FCV drivers.<sup>72</sup> 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.

**150. 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, as well as monitor trust (qualitative indicators to capture perceptions and values), roll out citizen engagement programs, and place special focus on subnational levels.

**151. 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, or exchange rate volatility.

**152. 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 (DPO) should be conflict-sensitive, and engagement with the IMF in such contexts is essential. It is important to strengthen risk analyses for DPO 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.

**153. 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.

**154. To define the nature and level of response, 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 CPDs, IFC Country Strategies, Sector Deep Dives, new IFC upstream units, and new WBG sector teams). 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 will be strengthened and expanded to increase the flexible application of early stage upstream market, client, and 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 on **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/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 CAFEF and explore options for replenishing it.

### Box 9.

#### Implementing the Cascade Approach in FCV settings

The Maximizing Finance for Development Approach (MFD), also known as the Cascade, is the WBG's approach to systematically working to broaden all sources of finance, expertise, and solutions to support developing countries' sustainable growth, with a focus on more engagement with the private sector. In embracing the SDGs, countries' resource needs surpass their own budgets and available donor funding. The WBG's approach encourages using scarce public/ODA funds to help attract risk-averse 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 - e.g., country and sector policies, regulations and pricing, institutions and capacity, etc. - 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:** Can development objectives be resolved with scarce public financing, e.g., development banks, sovereign wealth funds, MDBs and DFIs?

## C. PARTNERSHIPS

**155. Partnerships are essential and must be the “new normal” to effectively prevent conflict, build resilience, and sustain peace.** No single organization can act alone to help countries reduce their FCV challenges. Strong partnerships among humanitarian, development, security, peacebuilding, and private sector entities – leveraging these actors’ respective comparative advantages – are key to combining short- to medium-term objectives and strengthening national systems.

**156. 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 is also 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.

**157. Operationalizing effective partnerships to maximize impact on the ground.** Working effectively in FCV settings requires strong partnerships across a diverse range of stakeholders. The UN and the WBG are increasingly collaborating in FCV settings, with greater cooperation at both strategic and operational levels.

**158. The structured partnership between the UN and the WBG in over 40 crisis-affected situations illustrates the approach that is critical in FCV settings, drawing on the mandate and comparative advantages of each organization.** 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 is aiming to complement the essential short-term relief provided by humanitarian actors with longer-term development support.

### Box 10.

#### UN – WB Partnership Framework for Crisis-Affected Situations

In April 2017, the United Nations and World Bank launched a joint platform to enable the two organizations to work better together to build 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 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 our 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 used by the organizations facilitate cooperation and increase effectiveness.
5. Address upcoming issues that need our collective engagement.

#### There are many examples of the partnership’s impact at the country level, including:

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

**159. 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 CAR, the DRC, and Mali – the WBG can provide rapid development support as soon as insecure areas are stabilized.

**160. In exceptional circumstances, the Bank may be able to provide financing from its own resources or trust funds directly to third parties, such as UN agencies or other international organizations or entities with a proven record and capacity to implement projects and deliver results.** The circumstances may include situations where: (i) there is no government in power; (ii) the government is not in control of project sites; (iii) government’s technical capacity is severely limited; or (iv) Bank staff are unable to access project sites due to insecurity. Development interventions financed in this way will focus on rebuilding national or local systems, institutional strengthening and capacity building, and sustainability.

**161. Engaging with bilateral, regional, and multilateral organizations.** The WBG will continue to consolidate partnerships with these actors, which 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 is increasingly doing so in critical regions such as the Sahel. The WBG will partner with regional organizations, whose role is increasing in preventive action on security challenges that go beyond national borders.<sup>73</sup> Examples include 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; and the Economic Community of West African States (ECOWAS), which is empowered to respond to threats to stability using political, economic, and military means.

#### Box 11.

##### WBG engagement at a glance: Partnering 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. The Bank has standardized the way it contracts UN agencies during implementation to address various business models, policy requirements, and internal processes, or time pressure between UN agencies and the Bank.

**The Bank has standard template agreements (for goods, services, outputs) to ease client countries’ contracting of UN agencies.** Standard template agreements are in place with 12 UN agencies. From FY06 to FY16, about \$4 billion of World Bank financing was provided through UN agencies for 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 here reaching around \$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 International Committee of the Red Cross (ICRC) to implementation of project-related activities in emergency operations. For direct grants from the Bank, the WB-UN Financial Management Framework Agreement, Investment Project Finance policy, and the fraud and corruption protocol of the WB-UN Fiduciary Principles Accord guide engagement with UN agencies. For direct contracting of UN agencies for Bank-related work (e.g., contracting with the UN for TPM), 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 their 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.

**162. The WBG is also strengthening partnerships with other multilateral development banks on shared areas of focus specific to the FCV agenda.**

The MDB Platform on Economic Migration and Forced Displacement is an example of collaboration among MDBs<sup>74</sup> 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.

**163. 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.

**164. The WBG is also partnering with other development finance institutions and the investment community to support private sector development in FCV settings.** This will build on collaboration between the World Bank, IFC, and MIGA on priority setting, sequencing, and joint activities necessary for successful private sector development efforts, particularly on upstream work, market creation, and setting principles for responsible investing.<sup>75</sup>

**165. Broadening engagement with civil society and the private sector.** In FCV settings, CSOs and faith-based organizations 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. Project teams are encouraged to engage with civil society through participatory approaches at all stages of project design and implementation, to ensure greater ownership, risk

management, effectiveness, and accountability. The WBG is also engaging with investors and corporate partners to explore new financing mechanisms and tools in FCV settings.

**166. 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 including RPBA, a trilateral instrument between the EU, UN, and WBG. To deepen partnerships, synergies can also be accelerated through joint data 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, coordinated policy dialogue with client governments, and joint assessments, data analysis, and evidence-building. An example 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.<sup>76</sup>

## D. PERSONNEL

**167. 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 our clients.** Scaling up and managing the WBG presence in FCV settings presents unique challenges, as by definition these situations are volatile, dynamic, and often insecure. The fact that some FCS duty stations are non-family posts can exacerbate these 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 the use of nearby duty stations when appropriate. With strong management attention, the staffing footprint in FCS has increased significantly in recent years, and this will continue as WBG business in FCS grows. 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 specific needs and circumstances of FCV settings. Moreover, staff working

in or on FCV need to feel that WBG management recognizes and values their efforts in these tough environments. In particular, the WBG needs to do more to enhance the employment value proposition for these staff, including through mentoring, next assignment planning, and career progression. Staff must also know that their security is always a primary concern.

**168. The FCV Strategy aims to ensure that the overall FCV skills mix, and on-the-ground presence in FCS, are in place when needed, both today and in the future, and that staff are motivated and incentivized to work in and on FCV.**

These efforts are supported both by the new WB Human Resources Strategy, which features a specific focus on delivering in FCV settings, and by the WBG's broader push to decentralize, so that around 55 percent of the Bank's staff and 65 percent of IFC's staff are in the field by the mid-2020s. Expanding the WBG's field presence is expected to disproportionately benefit FCS, as the key operational priorities are to increase the percentage of field-based managers, especially in Africa, and also to provide a greater staff presence in or near FCS. As described in further detail below, the FCV Strategy sets out specific measures that support two key objectives: (i) continue to deploy more staff on the ground in FCS as a priority, while complementing these with staff in nearby locations; and (ii) strengthen staff skills and capacity, and enhance the incentives and rewards for staff to work in and pursue careers in FCS.

**169. Footprint, recruitment, and skills mix:** The WBG has been ambitious in scaling up staffing to FCS. Already, the WBG has around 900 staff based in FCS, plus around 1,000 staff with FCV experience. During IDA18, the number of staff in IDA FCS has increased by more than 100, and IDA is on track to meet the target of net 150 additional staff by June 30, 2020. In IDA19, the Bank proposes to deploy at least 150 more GE+ staff, including extended term consultants, to IDA FCS locations and nearby locations to serve IDA FCS. 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 also pursuing a hub model. MIGA has already dedicated operational staff to the challenge of IDA/FCS and may expand use of such dedicated resources.

**170. In situations in which staff cannot be based permanently on the ground due to security and family constraints, the WB 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 on neighboring FCS and able to operate in a similar time zone, travel with relative ease, and be deployed flexibly based on business needs.

**171. To have the greatest impact on the ground, the WBG will mainstream the necessary skills for operational staff to work in and on FCV settings, through concerted recruitment efforts, next assignment planning, and training, as well as develop a specialized cadre of FCV-focused staff.**<sup>77</sup> This includes developing FCV-relevant skill sets for: (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 CMUs in addressing the key drivers of fragility through CPFs, policy dialogue, and programming; and (iv) non-operational staff from Institutional, Governance and Administration VPUs (e.g. Corporate Security, Health Services, BPS, etc.) who are supporting operational delivery.

**172. Across all categories, it is important for the WBG to leverage national and international staff, as well as third-country nationals, including those who work across countries and regions.** Local staff bring significant country knowledge, a strong 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.<sup>78</sup> In addition, the WBG will continue to build the talent pipeline and mainstream FCV skills, with a focus on building the FCV-relevant skills of junior staff as well as leveraging the experience of mid-career professionals.

**173. Having FCV experience is important for the leadership of the institution.** The Young Professionals Program (YPP) is the World Bank's flagship recruitment program and an important

pipeline through which staff often develop into key roles across the WBG. It is essential to recruit Young Professionals willing to work in FCV settings and that they gain early exposure to working in such environments under the direction of more experienced staff. This will provide a signaling effect regarding the importance of FCV experience to WBG effectiveness.

**174. IFC and MIGA will pursue opportunities to leverage the presence of WB staff in FCS countries for meeting ambitious growth targets.** IFC will train a select group of WB country staff on IFC criteria and methods for developing new projects.

**175. Career development:** The Bank will strengthen the link between FCV experience and career development. It will ensure that FCS experience is systematically recognized and taken into consideration 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 program to support staff working in and on FCV and to ensure that they receive the necessary career guidance and support before, during, and after their FCV assignments.

**176. Working in and on FCS settings is fundamentally different from non-FCS assignments, and staff performance here 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 take into account the specific challenges staff face in FCV settings when evaluating staff performance. IFC is considering the option of giving next assignment priority for staff who are currently on FCS assignments through the new centralized talent brokerage function, which is in its pilot phase. The World Bank, IFC and MIGA will also continue to leverage existing rewards programs to recognize the contributions made by staff working in/on FCV.

**177. Capacity building and learning:** To ensure staff working in and on FCV have the right set of skills, learning offerings and knowledge-sharing initiatives will be expanded and diversified. The Bank will introduce an enhanced FCV learning curriculum for staff working in and on FCV to prepare them before, during, and

after assignments. Management will expect that these staff will participate in all relevant FCV trainings, and line managers will be encouraged to ensure that their staff participate and build the relevant skills sets as part of regular performance management. The learning curriculum will harmonize existing training programs offered across the WBG<sup>79</sup> and combine face-to-face and virtual learning activities with:

- Operational competencies for staff to develop the necessary tools to design and implement programs and projects in FCV settings (e.g., how to partner effectively in FCV settings; how to leverage ICT and TPM for supervision; how to undertake investment, advisory and upstream activities, and disseminate lessons learned; how to design strategies and programs differently; and how to use existing operational flexibilities).
- Analytic competencies for staff to better understand and diagnose FCV (e.g., understanding the political economy of FCV, diagnostic tools and financing mechanisms in FCV).
- Personal effectiveness and leadership competencies for staff to develop the soft skills (e.g., business, communication and leadership skills) needed to work effectively in FCV settings as well as cope with the personal health and security challenges they may face.

**178. 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 strengthened, and will include both operational and behavioral dimensions (e.g., 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 CDs and CMs will be customized for FCV, and FCV-specific capacity building will be made mandatory for FCS assignments.

**179. 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 that will 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.

**180. 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:** A review will be conducted of staff health and safety risks associated with expanded WBG engagement in FCV settings, which will include an assessment of existing health support, health, and safety risk management mechanisms. The WBG will continue to strengthen health and psychosocial support, including by expanding the presence of regional multidisciplinary health and safety support teams, counseling sessions, resiliency briefings, and more continuous support on mental health and well-being as outlined in the WBG Mental Health Strategy. Further, the WBG will introduce an Occupational Health and Safety risk management framework, establish a mandatory physical/psychological assessment prior to deploying staff to FCS, and set up mandatory awareness training on occupational health, safety, and well-being in FCS locations.

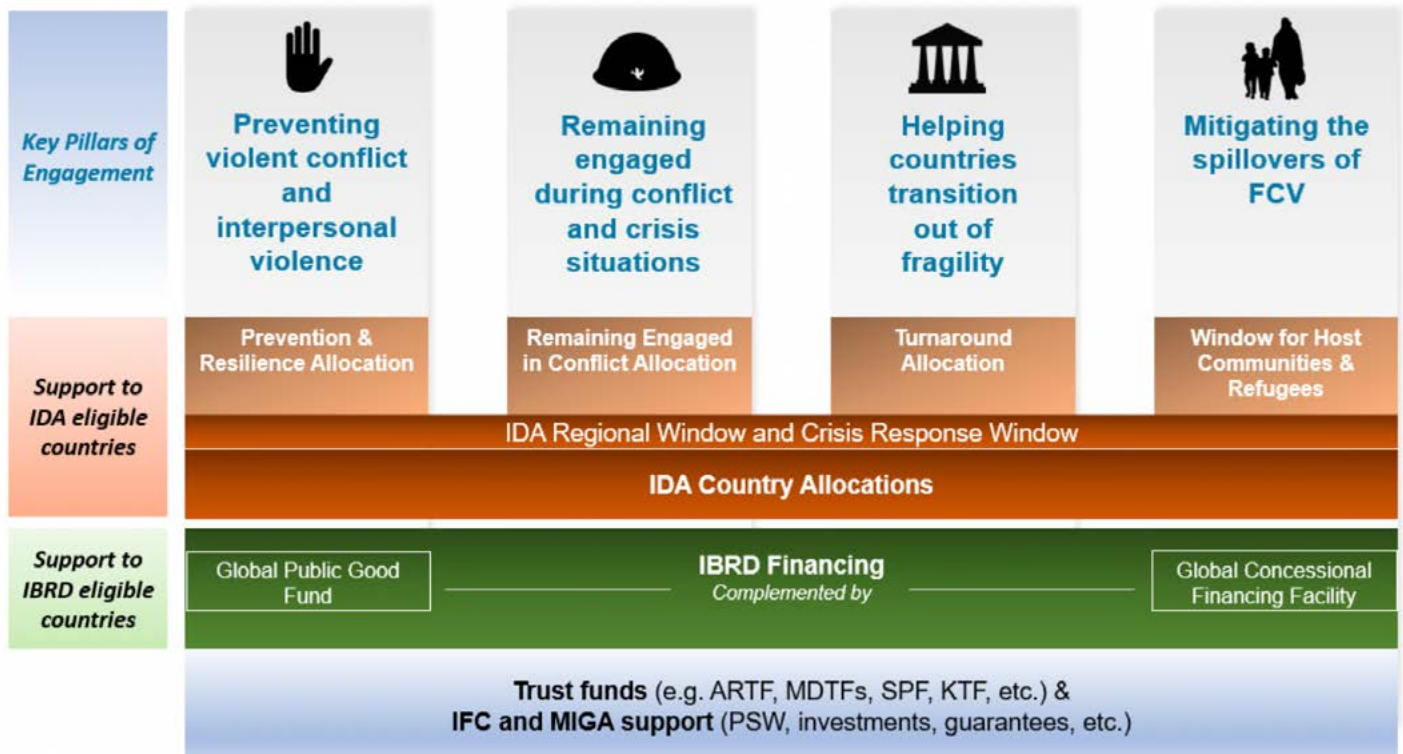
- **Staff security:** The WBG has invested in a robust security risk management system, under the coordination of WBG Corporate Security. As WBG engagement in FCV settings expands, it is essential to further strengthen the approach to security. The WBG will establish an improved travel clearance system and strengthen mission tracking, to take into account feedback on security events, particularly in high-volume destinations. The WBG will also provide a mandatory Security Awareness and Management training for all CDs, CMs, Practice Managers, TTLs, and Investment Officers. In parallel, Corporate Security personnel will undertake training on WBG Operations to become more familiar with the project cycle, so they can collaborate better with teams to integrate security considerations into project planning, including regarding staff access to project sites as well as the type of implementation support needed in insecure environments.

## **E. THE FINANCING TOOLKIT FOR FCV SETTINGS**

- 181.** The WBG has continuously sought to adapt and expand its financing capacities to the needs of FCV settings, with much of that work evident in the financial architecture of both the IDA replenishments and the IBRD/IFC Capital Package as well as the WBG's growing trust fund portfolio. In this context, addressing the significant and multi-faceted challenges of FCV requires a tailored financing toolkit designed to address varying FCV dynamics across the fragility spectrum.



Figure 3: Financing Toolkit



**182. IDA-eligible countries.** IDA19 will provide additional and more tailored financial support to IDA 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.

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

(a) The **Prevention and Resilience Allocation (PRA)** will provide enhanced support for countries at highest risk of falling into high-intensity conflict or large-scale violence, based on government commitment and agreed milestones. PRA countries will receive a [50]

percent boost to their country allocation up to a national top-up cap of [\$500] million for 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 WB 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 government commitment and agreed milestones. The TAA will double the country’s PBA up to a national top-up cap of [\$1 billion] per country during IDA19.

**184.** 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 impact of FCV. 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.

**185.** 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, around 30 IDA PSW-supported projects have been approved, totaling \$662 million—half of them in FCS. The PSW has demonstrated strong leverage: allocations are supporting more than \$1.6 billion in IFC investments and MIGA guarantees while mobilizing over \$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 the total investments may be located outside of PSW-eligible countries and (ii) exploration of new instruments under the Local Currency Facility and Blended Finance Facility to enhance local currency lending in PSW-eligible countries, including FCS.

**186.** 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 in 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 health pandemics, natural disasters, and adoption of innovative technologies. It can also be accessed for operations that support regional economic integration. IDA FCS will particularly benefit from this scale-up.

**187.** The **Crisis Response Window (CRW)** provides additional resources to IDA countries to respond to 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 crisis management toolkit. In IDA19, it will be extended to support slower-onset crises for disease outbreaks and food insecurity. IDA FCS are expected to be among the main beneficiaries of these reforms.

**188. 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.

**189. IBRD countries.** The few IBRD countries that are classified as FCS are exempt from the price increases as part of 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.

**190. 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 those most in need.

**Box 12.****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 United Nations, and the Islamic Development Bank Group to support lending at concessional rates for MDB projects (including 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 development projects that help refugees and host communities. In its first three years, the facility approved more than \$600 million in grants and unlocked more than \$2.5 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.

**191. In another innovation prompted by the IBRD/IFC Capital Package, the Bank has established the IBRD Fund for Innovative Global Public Goods Solutions (the GPG Fund).**<sup>80</sup> 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. Spillover effects of FCV are the initial focus areas for support. This represents an important approach to address FCV issues in MICs and has potential to be scaled up depending on the initial experience and lessons learned. The first allocations will be made in FY20.

**192. Building on lessons learned 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 put on activities that promote prevention and preparedness, mitigate FCV risks at national and subnational levels, deal with cross-border challenges, and address gaps in the development finance architecture for IBRD borrowers.

**193. While many of the funds available for advisory work and blending for private sector projects are restricted to IDA or FCS countries, 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 PSW.

**Box 13.****The compelling case of 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.

- **Contingent Emergency Response Components (CERCs)** embedded in an Investment Project Financing (IPF) allow rapid uncommitted funds from Bank-financed projects to be rapidly reallocated toward urgent needs to finance physical, economic, and social recovery in the event of a crisis or emergency. OPCS and GFDRR support 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 DPLs, 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. This 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 financial impacts from shocks and crises.

**Trust funds: an integral role in FCV settings**

**194. 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 rapidly respond to emergency situations. Trust funds operating in post-conflict/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.

**195. Trust funds are a key part of the WBG's financing architecture in FCV settings; they complement IBRD and IDA financing to offer flexible and timely financing in challenging situations.** Trust funds have proven critical for the Bank's engagement in conflict- and disaster-

related crises; they 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 from recipient-executed trust funds (RETF) to fragile situations, accounting for 46 percent of overall RETF disbursements. Trust funds have been established for:

- **Sustained and long-term support for reconstruction.** In 2002, the Afghanistan Reconstruction Trust Fund was established to address reconstruction efforts, and it 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 disasters,<sup>81</sup> and in post-conflict reconstruction.** The multi-donor trust fund for Transitional Demobilization and Reintegration Program was established in 2015 to support the return of ex-combatants to civilian life and promote peace and security in the Africa region. The Ebola Recovery and Reconstruction Trust Fund was established following the outbreak of Ebola to support economic, health, and social recovery across West Africa.<sup>82</sup>
- **Crisis prevention and preparedness.** The Indonesia Disaster Management Fund and the Nepal Earthquake Reconstruction MDTF illustrate Bank engagement on this agenda.
- **Legitimacy to the overall peace process.** Trust funds have allowed the WBG to provide support in situations where IDA could not be used, such as in non-member countries or countries in arrears (for example, the West Bank and Gaza and 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. The WB-administered MDTF for Khyber Pakhtunkhwa, the Federally Administered Tribal Areas, and Balochistan was established in 2010 to operationalize the Post Conflict Needs Assessment in Pakistan. The Colombia Peace and Post-Conflict MDTF was launched in 2014 to support the preparatory phase of that nation's post-conflict agenda.
- **Innovative approaches to FCV:** The State and Peacebuilding Trust Fund (SPF) 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.

- **Analytical products that directly address the intersectionality 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

**196. Reaching IFC's ambitious targets to expand 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. Advisory funds that cover FCS countries currently 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.

**197. Blending programs will also need to be reinforced.** To help launch highly developmental pioneering private sector projects in FCV settings will, in some cases, require temporary assistance through blended finance, which is a combination of concessional support from donors with IFC and MIGA's own account funds or guarantees. To meet the FCV strategy targets, blending facilities will need to be maintained and eventually expanded as commitment levels increase.

**Box 14.****IFC and MIGA's support to MSMEs in Fragile and Conflict-affected Situations**

IFC's FCS investments 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 projects were in the financial sector, and many of these targeted SMEs or microenterprises. IFC also has a growing program in agribusiness, 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.

As an example, Rawbank, the second largest bank in the Democratic Republic of Congo and an IFC client, which launched its "Lady's First" WIN program in March 2010, becoming 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 5,000 small businesses.

Another example is the First Microfinance Bank Afghanistan, an IFC client, has since its inception disbursed more than \$760 million in loans to more than 540,000 Afghan businesses. 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 a special program to support funds providing critical equity finance to SMEs, called SME Ventures. 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 also reached over 132,000 farmers in FCS countries in 2018 (calendar year), more than doubling in five years. 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, which is focused on FCS and Low-income IDA countries, has allocated \$120 million to the Small Loan Guarantee Program, which helps financial institutions take on greater risks and finance SMEs in difficult markets.

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

**F. RISK MANAGEMENT IN FCV SETTINGS**

**198. Development outcome risks are higher in FCV than in other settings.** Operating in FCV countries inherently comes with higher risks in 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 are classified with the highest risk rating overall, while in FCS countries it is over one-third.

**199. Although operating in FCV settings is challenging, the risk and cost of inaction is higher still.** Heightened risks for projects in FCV countries include: (i) reputational risks; (ii) high physical security risk for WBG staff, the government and partners'

project implementation staff, and beneficiaries; (iii) risks of not reaching vulnerable groups and/or of project capture; (iv) weak or nonexistent institutional capacity, which raises implementation risks and negatively affects development impact; and (v) safeguards and fiduciary risks, including risks of fraud and corruption. Despite mitigation measures, residual risks and project failures are higher in FCV settings.

**200. New tools and technologies can help managing some of the risks through more effective supervision, while generating economies of scale and reducing costs.** GRMs, TPMs, GBV risk management and other types of monitoring and supervision arrangements can be regrouped for a portfolio of development activities sharing similar

characteristics (e.g., same geographic area, same beneficiaries, similar risk profile). GIS-based and other mapping technologies, as well as other types of remote monitoring (e.g. drones) are evolving rapidly and generating considerable new data and information that can be used to supervise projects, even in places with low internet penetration.

**201. Still, scaled up efforts in FCV settings requires accepting a higher tolerance for 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 and accept that failures may happen. To promote development solutions that are commensurate with the challenges encountered in FCV environments, Bank teams must be given the space to take risks and try non-conventional development approaches when needed to achieve development outcomes. Many of the risks encountered in FCV environment must be seen as long-term development challenges and call for building systems and policies rather than ring-fencing individual development activities. For the Bank to constantly adapt and successfully adjust to the complex and rapidly evolving challenges of operating in FCV situations (see measure 8 in Table 1), failures should be handled as much with a learning perspective as with an accountability lens.

**202. 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 credit standards.<sup>83</sup> To significantly increase investments in FCV settings, additional mechanisms will be needed. Efforts underway include:

- **Formalization of the IFC portfolio approach.** To pursue projects in FCV countries that are have increased political and conflict risks, market

uncertainty, and high operational costs, IFC will need to further leverage the portfolio approach in constructing its annual program. It will need to ensure that it can balance risk and costs of FCV projects with transactions in more stable countries, including in middle- and upper-middle-income countries. MIGA is also exploring how to formalize a portfolio approach under its FY21-23 Medium Term Strategy.

- **Reducing financial risk through new de-risking tools.** For example, the Small Loan Guarantee Program 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 need to be reinforced.** The IDA PSW is central to continued expansion of MIGA's guarantees in FCS. MIGA will also investigate expansion and innovation of both the West Bank and Gaza Trust Fund and the Conflict Affected and Fragile Economies Facility (CAFEF), which supports provision of political risk insurance in FCS countries.

**203. To increase investments in FCV, management of high non-financial risks associated with sponsor integrity, ESG issues, conflict potential, and development impact risk will be equally critical.** 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, need an increased understanding of the risks and enhanced willingness to accept them with the aim of achieving more impact in FCV settings. However, the costs of not engaging are even higher. When risks materialize, a proactive solutions orientation and approach will be followed.

## CONCLUSION

**204. This 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.**

As such, 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 humility, recognizing the importance of the full commitment of local, national and international actors to achieve progress.

**205. 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 or to staff security. Doing business in FCV points to the need to raise the WBG’s risk tolerance and accept that failures may happen.

**206. 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 strengthening their resilience, especially for the most vulnerable populations.**

Building on operational and analytic experience in FCV settings, this strategy articulates a differentiated approach to FCV structured around a set of guiding principles and four pillars of engagement designed to adapt the WBG’s approach and 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 by “pivoting to prevention”, building human capital, engaging on security and justice issues, and promoting regional approaches to address cross-border crises. And critically, it highlights the WBG’s ability to support public and private sector approaches to FCV issues to help create jobs, deliver services, foster social cohesion, and promote inclusive economic growth.

**207. To operationalize the framework for engagement, this Strategy sets out 23 specific measures to more effectively support clients impacted by FCV.**

These measures are organized along the 4 P’s: *policies, programming, personnel, and partnerships* (see Table 1). They are complemented by a tailored financing toolkit to support countries impacted by FCV. In the coming 5 years, the full operationalization of the strategy, and the achievement of the 23 specific measures, will be the shared mission of staff and management across the World Bank, IFC and MIGA. Operationalization will be mainstreamed throughout analytic, operational, and technical assistance activities, including through WBG regional and sectoral strategies, country programs, and projects and investments. The ultimate success of the strategy will be measured by how the WBG’s adapts its approach to the distinct nature of FCV settings, and by its improved effectiveness and impact on-the-ground by 2025.

**208. 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.



## Endnotes

- 1 The “FCV” concept groups three issues that are often related: (i) deep governance issues and state institutional weakness; (ii) on-going violent internal or cross-border 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: 2018), page xvii and page 12, based on 2016 data.
- 3 UN High Commissioner for Refugees (UNHCR), *Global Trends: Forced Displacement in 2018* (June 20, 2019), page 13, available at: <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 list currently comprises 36 mostly LICs and LMICs, and one territory.
- 5 World Bank estimate, 2019.
- 6 United Nations and World Bank, *Pathways for Peace: Inclusive Approaches to Preventing Violent Conflict* (Washington DC: 2018), page xvii and page 12, based on 2016 data.
- 7 UNHCR, *Global Trends: Forced Displacement in 2018* (June 20, 2019), page 13: <https://www.unhcr.org/en-us/statistics/unhcrstats/5d08d7ee7/unhcr-global-trends-2018.html>.
- 8 The G7 Declaration highlighted the importance of aligning diplomatic, security, and stabilization dimensions to humanitarian, peace and development approaches in order to tackle the drivers of fragility and provided full support to the WBG in the development of this 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” and adopted the OECD’s Development Assistance Committee (DAC) Recommendation on the Humanitarian-Development-Peace Nexus.
- 9 States of Fragility 2016, OECD 2016 (p. 20): 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.”
- 10 The University of Uppsala and the Armed Conflict Location and Event Data Project (ACLED) maintain relatively similar definitions, with ACLED having wider inclusion criteria and lower thresholds. The International Institute for Security Studies defines armed conflict as “the sustained contest between two or more organized adversaries, making purposive use of armed force.”
- 11 Data on intentional homicides is reported by the United Nations Office on Drugs and Crime (UNODC) The World Health Organization (WHO) describes violence as “the intentional use of physical force or power, threatened or actual, against oneself, another person, or against a group or community, which either results in or has a high likelihood of resulting in injury, death, psychological harm, maldevelopment or deprivation.”
- 12 High levels institutional and social fragility measured by: (i) those countries with the weakest institutional and policy environment, based on a revised harmonized CPIA for IDA countries (for which CPIA scores are disclosed) below 3.0; or (ii) that have the presence of a United Nations Department of Peace Operation (DPO) as such presence reflects a decision by the international community that a significant investment is needed to maintain peace and stability; or (iii) where 2,000 or more per 100,000 population have fled and are internationally regarded as refugees in need of international protection as a signal of a major political or security crisis in the country; and (iv) that are not in medium or high intensity conflict as the country will have moved beyond “fragility”.
- 13 Countries in high intensity conflict are defined as those with: (i) an absolute number 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 ACLED and UCDP, reflecting widespread and intense violence across many parts of the country.
- 14 Countries in medium-intensity conflict are defined as: (i) countries with (a) an absolute number 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, 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 doubling in casualties in the last year.
- 15 <https://www.acleddata.com/2018/12/21/press-release-while-overall-violence-has-declined-in-2018-conflict-is-spreading/>
- 16 States of Fragility 2018, Box 1.1, Chronically fragile contexts, OECD 2018.

- <sup>17</sup> The total number of violent deaths was 560,000 in 2016. The remaining 76,000 deaths are due to unintentional homicides or to legal interventions. Mc Evoy, C. and G. Hideg. 2017. Global Violent Deaths. Small Arms survey, available at: <http://www.smallarmssurvey.org/about-us/highlights/2017/highlight-gvd-report.html>
- <sup>18</sup> UNODC 2013; Mc Evoy and Hideg 2017; WHO 2015
- <sup>19</sup> UNHCR 2018
- <sup>20</sup> World Bank, 2017.
- <sup>21</sup> Rigaud, Kanta Kumari; de Sherbinin, Alex; Jones, Bryan; Bergmann, Jonas; Clement, Viviane; Ober, Kayly; Schewe, Jacob; Adamo, Susana; McCusker, Brent; Heuser, Silke; Midgley, Amelia. 2018. *Groundswell: Preparing for Internal Climate Migration*. World Bank, Washington, DC. World Bank.
- <sup>22</sup> Global Initiative Against Transnational Organized Crime, "Organized Crime: A cross-cutting threat to sustainable development," January 2015, p. 4
- <sup>23</sup> WBG Global Investment Competitiveness Report, Foreign Investor Perspectives and Policy Implications, 2017-2018.
- <sup>24</sup> Several of these lessons draw from Independent Evaluation Group (IEG) evaluations, including the World Bank Group Assistance to Low-Income Fragile and Conflict-Affected States (2014); World Bank Group Engagement in Situations of Fragility, Conflict, and Violence (2016); and the World Bank Group Country Engagement: An Early-Stage Assessment of the Systematic Country Diagnostic and Country Partnership Framework Process and Implementation (2017); Stocktaking of Implementation of Recommendations from IEG Evaluations of Fragility, Conflict and Violence: Recent World Bank Experience with RRAs & Operational Programming in FCV Countries (2018); Learning from IDA Experience: Lessons from IEG Evaluations, with a Focus on IDA Special Themes and Development Effectiveness (2019).
- <sup>25</sup> Adopted in January 2019, following the WBG's 2025 Targets to Step Up Climate Action were launched during the United Nation's COP24, in December 2018.
- <sup>26</sup> Fajnzylber, Pablo, Daniel Lederman, and Norman Loayza, 2002. "Inequality and Violent Crime", *Journal of Law and Economics*, vol. XLV (April 2002).
- <sup>27</sup> K. Bhatia and H. Ghanem, 2016. For instance, labor market outcomes that do not reflect educational attainment create frustration and can lead to violence.
- <sup>28</sup> World Bank. 2015. *World Bank Group gender strategy (FY16-23): gender equality, poverty reduction and inclusive growth (English)*. Washington, DC; World Bank Group. Also aligned to Security Council Resolution 1325, which aims to empower women to prevent conflict and build peace, while endeavoring to rectify the disproportionate, adverse impacts of armed conflict on women and girls.
- <sup>29</sup> "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 Development Report 2011.
- <sup>30</sup> *Pathways for Peace*.
- <sup>31</sup> *Pathways for Peace*.
- <sup>32</sup> Reported fatalities from VE climbed from just over 5,000 in 1995 to peak at more than 45,000 in 2014, before dropping again by 48 percent to 22,980 in 2018. More than half of all deaths from VE-related attacks taking places in Afghanistan (43 percent) and Nigeria (11 percent) in 2018 (Global Terrorism Database, 2019).
- <sup>33</sup> Building on lessons learned from regional organizations such as the Inter-American Development Bank which is already actively engaged in the sector.
- <sup>34</sup> The WBG initiated a mainstreaming process in the 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.
- <sup>35</sup> 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-disability-inclusion-development>.
- <sup>36</sup> World Bank Operations in Active Conflict – Operational Experiences in Yemen since 2015 – A Lessons Learned Study.
- <sup>37</sup> The WB policy framework already foresees that in certain exceptional circumstances UN agencies and/or INGOs may be funded directly, including when: the World Bank determines that there is "no government in power" under OP 2.30 (or its successor); there is a de-facto regime with which 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.
- <sup>38</sup> See Section 3 on financing for examples in IDA and IBRD countries.

- <sup>39</sup> 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 3 times as much (The Global Report on Internal Displacement, 2019). Between 2004 and 2014, 58 percent of deaths from disasters occurred in FCS countries. 500 disaster events in these countries affected over 71 million people and caused damages worth more than US\$16 billion.
- <sup>40</sup> *Pathways for Peace, Inclusive Approaches to Preventing Violent Conflict*, WB-UN report, 2018.
- <sup>41</sup> Violence impedes the healthy development of infants, children, and young people and generates long-term traumas, disabilities, and other negative multiplier effects for communities and societies at large (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).
- <sup>42</sup> For example, women whose fathers beat their mothers have 2.5 times greater risk of experiencing Intimate Partner Violence (IPV) in their adult lives 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.
- <sup>43</sup> 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, including lack of access to education and later, to employment opportunities.
- <sup>44</sup> See 2007 *World Development Report on Children and Youth*.
- <sup>45</sup> UN High Commissioner for Refugees (UNHCR), Global compact on refugees, [https://www.unhcr.org/gcr/GCR\\_English.pdf](https://www.unhcr.org/gcr/GCR_English.pdf).
- <sup>46</sup> World Bank Group. 2016. *Forced Displacement and Development* prepared for the April 16, 2016 Development Committee meeting. World Bank: Washington, DC.
- <sup>47</sup> World Bank. 2017. *Forcibly Displaced: Toward a Development Approach Supporting Refugees, the Internally Displaced, and Their Hosts*. Washington, DC: World Bank.
- <sup>48</sup> As of August 2019, 19 projects have been approved in 10 countries with the IDA18 Sub-Window for Refugees and Host Communities financing (\$927 million) and more than 20 operations are in the pipeline. The Global Concessional Financing Facility approved more than US\$500 million in grants, unlocking more than US\$2.5 billion in concessional financing in Jordan, Lebanon and Colombia.
- <sup>49</sup> As of December 2018, there are 905,831 refugees and 2,332,936 IDPs in Ethiopia (UNHCR; IOM-DTM).
- <sup>50</sup> Cuny and Hill, *Famine, Conflict, and Response*, 3.
- <sup>51</sup> Cuny and Hill, 4; Devereux, *The New Famines*, 8.
- <sup>52</sup> Ravallion, *Famines and Economics*, 5; De Waal, "A Re-Assessment of Entitlement Theory."
- <sup>53</sup> De Waal, *Mass Starvation*.
- <sup>54</sup> Specific IMF facilities, which provide for rapid disbursement in the event of shock and without needing a full program, are equally helpful in these contexts (e.g., the Rapid Credit Facility recently used by Mozambique).
- <sup>55</sup> Vulnerable employment is defined as the sum of the employment status groups of own account workers and contributing family workers. They are less likely to have formal work arrangements and are therefore more likely to lack decent working conditions, adequate social security and 'voice' through effective representation by trade unions and similar organizations. Vulnerable employment is often characterized by inadequate earnings, low productivity and difficult conditions of work that undermine workers' fundamental rights.
- <sup>56</sup> Myint, Nikolas and Corey Pattison. *Operationalizing the Pathways for Peace Study in Community-Driven Development Operations: Guidance Note*. November 2018. World Bank, Washington, DC.
- <sup>57</sup> For a review of the evidence from the global body of CDD literature, see for example Wong, Susan; Guggenheim, Scott. 2018. *Community-Driven Development: Myths and Realities*. Policy Research Working Paper; No. 8435. World Bank, Washington, DC. <https://openknowledge.worldbank.org/handle/10986/29841>
- <sup>58</sup> From 2005 to 2009, more than 50 percent of the population affected by natural disasters (including drought, floods, hurricanes, and earthquakes) lived in FCS. Harris, Keen, and Mitchell 2013, cited in *Turbulent Waters: Pursuing Water Security in Fragile Contexts*, World Bank Group, 2017.
- <sup>59</sup> The contribution of water-related disasters to fragility is increasing and depends largely on the preparedness to 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.
- <sup>60</sup> As an example, in response to a request from the Government of Pakistan for assistance with respect to reconstruction efforts after the record floods in 2010, the World Bank restructured an existing project to provide additional funds for the import of fuel oil required for the

- rescue operations carried out by the military. To ensure that the fuel acquired was used only for the intended purposes, the government agreed to provide documentary evidence that the funds withdrawn were not being employed for military or paramilitary purposes.
- <sup>61</sup> 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.
- <sup>62</sup> Some of these measures are included as policy commitments under the FCV Special Theme for the IDA19 replenishment.
- <sup>63</sup> OP 2.30 is the policy bedrock for the Bank's FCV engagements. 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. 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, thereby requiring an updated OP 2.30.
- <sup>64</sup> The new Environmental and Social Framework (ESF) introduced a comprehensive set of ten Environmental and Social Standards (ESSs), with multiple entry points to address risks that are salient in FCV settings.
- <sup>65</sup> The "reasonable period of time" agreed with each client is a function of the gaps between their current operations and the Performance Standards, the context they operate in, their capacity, and the risks associated with those gaps.
- <sup>66</sup> For instance, as seen in an Environmental and Social Action Plan (ESAP).
- <sup>67</sup> The WB will draw from RRA analyses national-level FCV indicators and determine whether they will be integrated into CPF to monitor the evolution of FCV dimensions in countries. These indicators would not be integrated into CPF-results matrix as they are not attributable to WBG projects.
- <sup>68</sup> 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 report issues directly to the implementing agencies. Similar platforms are being established in Niger, Burundi and other countries, under consideration of local capacity and connectivity constraints.
- <sup>69</sup> This is fully aligned 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."
- <sup>70</sup> 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 exclusion dynamics, beneficiary targeting, access to benefits, mitigation of risks, etc.
- <sup>71</sup> This is fully aligned with the proposed IDA19 policy commitment, which states: "Develop and implement at least 3 regional programs (including in the Sahel, 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."
- <sup>72</sup> This is fully aligned 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 refers to: (i) public revenue and expenditure management; (ii) decentralization and service delivery; (iii) government employment and public administration; and (iv) the rule of law.
- <sup>73</sup> Verjee 2017; in Africa's Pulse, 2019.
- <sup>74</sup> The Platform brings together the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the European Investment Bank, the Interamerican Development Bank, the Islamic Development Bank, and the World Bank.
- <sup>75</sup> In 2019, IFC organized, in collaboration with the Oxford University and United Kingdom's CDC Group, the first DFI Forum on Private Investment in FCV, which attracted

27 DFIs, and is intended as an annual event focused on sharing experiences, engendering collaboration, and identifying common solutions.

- <sup>76</sup> Joint training is already conducted with bilateral actors such as the Agence Française de Développement or the Folke Bernadotte Academy, the Swedish government agency for peace, security and development.
- <sup>77</sup> 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/on FCV across the WBG.
- <sup>78</sup> To date, FCV Advisors have been deployed to the following locations: Myanmar, Zimbabwe, Lebanon, DRC, Niger, Mali, Ethiopia, and Kenya.
- <sup>79</sup> Current learning offerings include the FCV Core Course, SSAFE, HR/OPCS offerings, and the IFC Credit Course for FCV/LICs.
- <sup>80</sup> See “Sustainable Financing for Sustainable Development: World Bank Group Capital Package Proposal”, April 17, 2018, DC2018-0002/2, and “Proposal for an IBRD Fund for Innovative Global Public Goods Solutions”, May 28, 2019, R2019-0139.
- <sup>81</sup> According to the IEG report, Hazards of Nature, Risks to Development, An Evaluation of World Bank Assistance for Natural Disasters, 2006, evaluating the Bank’s role in natural disasters, since 1984, the Bank has reallocated over US\$3 billion under existing projects in response to natural disaster.
- <sup>82</sup> Since its establishment, the trust fund has played a crucial role in the fight against Ebola, disbursing \$50.8 million and benefitting 12.5 million people in the region through implementation of 19 different projects – of which, US\$19 million recovery (9 projects) was dedicated to support economic recovery, US\$19.1 million (4 projects) strengthened the health sector, and US\$12.7 million (6 projects) improved social recovery.
- <sup>83</sup> This is key to maintain IFC’s AAA credit rating and financial sustainability.