

**Mid-Term Review of the
World Bank Group Strategy for Fragility, Conflict, and Violence
(2020–25)**

October 20, 2023

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Acronyms

AFE	Eastern and Southern Africa region	IBRD	International Bank for Reconstruction and Development
AFW	Western and Central Africa region	ICR	Implementation Completion and Results Report
AIMM	Anticipated Impact Measurement and Monitoring	ICRC	International Committee of the Red Cross
ARIA	Africa Resilience Investment Accelerator	ICRR	Implementation Completion and Results Report Review
ASA	Advisory Services and Analytics	ICT	information and communications technology
CCDR	Country and Climate and Development Report	IDA	International Development Association
CE	country engagement	IDP	internally displaced person
CEN	Country Engagement Note	IEG	Independent Evaluation Group
CERC	Contingent Emergency Response Component	IFC	International Finance Corporation
CMU	Country Management Unit	IGAD	Intergovernmental Authority on Development
CPF	Country Partnership Framework	INF	Infrastructure Practice Group
CPSD	Country Private Sector Diagnostic	IOM	International Organization for Migration
CRF	Contextual Risk Framework	IPF	investment project financing
CSO	civil society organization	LAC	Latin America and Caribbean region
DFI	development finance institution	LIC	low-income country
DPF	development policy financing	LTF	long-term finance
DRC	Democratic Republic of Congo	M&E	monitoring and evaluation
ECA	Europe and Central Asia region	MDB	Multilateral Development Bank
EIB	European Investment Bank	MDTF	multidonor trust fund
EFI	Equitable Growth, Finance and Institutions	MENA	Middle East and North Africa
ESF	Environmental and Social Framework	MIC	middle-income country
ESG	Environment, Social, and Governance	MIGA	Multilateral Investment Guarantee Agency
EU	European Union	MPA	Multiphase Programmatic Approach
FAO	Food and Agriculture Organization	MSME	micro, small, and medium enterprise
FCS	fragile and conflict-affected situation	MTR	Mid-term Review
FCV	fragility, conflict, and violence	NGO	nongovernmental organization
GBV	gender-based violence	O/A	own account
GCFF	Global Concessional Financing Facility	OCHA	United Nations Office for the Coordination of Humanitarian Affairs
GEMS	Geo-Enabling Initiative for Monitoring and Supervision	OP	Operational Policy
GP	Global Practice	OPCS	Operations Policy and Country Services
HCI	Human Capital Index	PforR	Program-for-Results Financing
HD	Human Development	PLR	Performance and Learning Review
HDP	humanitarian-development-peace	PRA	Prevention and Resilience Allocation
HEIS	hands-on expanded implementation support		

PROSPECTS	Partnership for Improving Prospects for Host Communities and Forcibly Displaced Persons	UNHCR	United Nations High Commissioner for Refugees
PSW	Private Sector Window	UNICEF	United Nations Children's Fund
RECA	Remaining Engaged during Conflict Allocation	UNODC	United Nations Office on Drugs and Crime
RRA	Risk and Resilience Assessment	UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
SAR	South Asia Region	WB	World Bank
SCD	Systematic Country Diagnostic	WBG	World Bank Group
SME	small and medium enterprise	WFP	World Food Programme
SORT	Systematic Operations Risk-rating Tool	WHO	World Health Organization
SPF	State and Peacebuilding Fund	WHR	Window for Host Communities and Refugees
STF	short-term finance	We-Fi	Women Entrepreneurs Finance Initiative
TAA	Turnaround Allocation		
TPI	third-party implementation		
UN	United Nations		
UNDP	United Nations Development Programme		

Executive Summary

1. The World Bank Group (WBG) operates in an increasingly challenging global context, demanding a sharpened focus on fragility, conflict, and violence (FCV). Chronic instability in some of the world's poorest countries, civil and interstate wars in several middle-income countries (MICs), the unprecedented global shock of the pandemic, and a rapidly metastasizing climate crisis have created a complex landscape of overlapping and mutually reinforcing risks. Countries experiencing FCV overall demonstrate a different development trajectory than the rest of the world, with persistent poverty and declining human capital. By 2025, for the first time since the Fragile and Conflict-affected Situations (FCS) list was created, a majority of the world's extremely poor population is projected to live in FCS countries.¹ As a result, operating in environments affected by FCV² has become increasingly central to the WBG's goal of eradicating poverty. The challenges involved in continuing to pursue its goals in FCV-affected situations have required the WBG to embrace a broader operational focus that encompasses the drivers, impacts, and spillover effects of FCV.

2. Launched in February 2020, the World Bank Group's FCV Strategy 2020–25 aims to enhance the impact of WBG support for countries facing FCV challenges. The Strategy is designed to support countries in addressing the drivers of FCV and in building resilience, especially among the most vulnerable groups. The Strategy calls for a long-term outlook and sustained engagement that can withstand setbacks and reversals. This Mid-term Review (MTR) of the FCV Strategy takes stock of its implementation and highlights progress in key areas; these include an increase in associated IDA funding for FCS countries, particularly in support of prevention and resilience, an expanding array of FCV diagnostics and FCV-sensitive country engagements, an increasingly forward-leaning stance on remaining engaged in conflict situations, and significant strides in gender-focused programming. The review finds that the FCV Strategy remains fit for purpose and that the ongoing WBG evolution process further affirms the prioritization of FCV challenges. However, the past three years of the Strategy's operationalization have revealed a tension between its aspirations and implementation in a volatile and challenging environment. The review also recognizes that continued operational adaptation, ongoing efforts to close critical knowledge gaps, and innovative approaches for addressing violence and insecurity will be key for the WBG to navigate the increasingly complex challenges posed by FCV.

MAIN MESSAGES

Investing in Prevention and Transition

The World Bank Group has employed the FCV Strategy, its approaches, and financing instruments to enhance support for prevention and transition, but earlier response and greater adaptability to shocks are needed when engaging in increasingly volatile contexts.

3. Research and experience highlight the positive role that development assistance can play in preventing conflict and facilitating the transition out of FCV, especially when that assistance is deployed early and aimed at reinforcing core functions of the public sector. The causes of FCV are complex and situation-specific, but the link between state legitimacy, institutional effectiveness, and

¹ See figure 1.

² FCV refers to situations in which fragility, conflict, and/or violence are present, but does not refer to any specific list of countries or situations. FCS refers to countries that appear on the WBG's list of Fragile and Conflict-affected Situations. The FCS list is issued by the WBG annually based on the established classification methodology. The countries on the FCS list are a subset of the broader range of countries affected by FCV.

stability is well established. The WBG continues to invest in governance reforms considering the important role that public administration capacity plays in reinforcing the social contract and strengthening resilience. Yet these investments have not kept pace with the overall growth of financing to FCS. Prevention and transition efforts can take many different forms and start before, during, or after a conflict. The successive political upheavals and deteriorating security conditions that have swept across countries in the Sahel, for example, highlight the importance of adapting to volatility and supporting countries' efforts to address FCV drivers before insecurity becomes entrenched. As a result, the WBG is proactively applying lessons learned to provide upstream support in response to early signs of conflict in other regions, such as the Gulf of Guinea.

4. The introduction of a systematic eligibility process for complementary resources from the Prevention and Resilience Allocation (PRA) and the Turnaround Allocation (TAA) has enabled the WBG to enhance support to client countries striving to prevent conflict and transition out of FCV, in collaboration with partners. While the WBG approaches FCV from a development perspective, with a focus on institutions and country systems, the PRA and TAA enable the WBG to support client governments as they implement FCV prevention and transition strategies and programming that encompass interconnected development, governance, and security dimensions. However, the PRA is focused on preventing the escalation of conflict in contexts where fatalities have already occurred. Efforts are currently underway to explore how the FCV Envelope³ can help countries address FCV drivers and risks earlier and more effectively. While the FCV Envelope has provided an incentive to realign IDA-financed programs, lessons from prevention and transition experience to date can nonetheless be applied to country engagement, even in the absence of additional financing.

Remaining Engaged

The WBG has shown that, where there is institutional consensus to do so, it can remain engaged even in the most challenging FCV situations. By working closely with partners and rapidly adapting operations to cope with mounting risks, the WBG can help protect human capital, safeguard institutions, preserve development gains, and mitigate the risks of inaction and disengagement.

5. As FCS countries have come to represent an increasing share of total operations, the WBG has collaborated closely with its partners to remain engaged in fragile and volatile situations. The review finds that the WBG has been able to continue to pursue its mandate and provide priority support and services even in extremely difficult circumstances by leveraging its institutional partnerships. In some cases, continued engagement during irregular political transitions has helped preserve hard-won development gains. A 2021 Independent Evaluation Group (IEG) report found that more than 80 percent of emergency operations approved during such transitions effectively maintained critical service delivery. Operational innovations introduced in some of these most challenging contexts, including Ukraine, offer broader lessons for working effectively in FCV situations, leveraging engagements with both public and private sectors. The Remaining Engaged during Conflict Allocation (RECA) has enabled IDA to sustain its engagement even in countries experiencing high-intensity conflict and with extremely limited government capacity. In South Sudan and Somalia, for example, the WBG is gradually increasing reliance on country systems. However, the World Bank must weigh reputational risks and other challenges in volatile and unpredictable contexts when considering whether or how to engage with de facto governments, particularly those that are also a party to conflict (IEG 2021). These findings highlight the scope for more systematic

³ The FCV Envelope provides additional resources to eligible IDA countries facing FCV risks. The Envelope consists of the PRA, the TAA, and the RECA.

risk management, as real-time information and analysis can be used to continually adapt WBG engagements as country contexts evolve.

6. For the WBG to remain engaged in an FCV situation, its staff must be well-equipped to operate in an unstable political and security environment. While the WBG’s FCV policies provide a suitable and flexible framework for operational responses in very insecure contexts, operational and security challenges can impede staff’s ability to work safely and effectively in conflict-affected situations. In certain circumstances, the judicious use of third-party implementation can compensate for a limited staff presence in highly insecure environments. Such arrangements inevitably entail risks for the WBG and its partners that must be carefully managed, but they have enabled the WBG to maintain support for service delivery to conflict-affected populations, helping to protect development gains, while preserving the option to scale up engagements when opportunities arise.

Evolving to Address Multidimensional Risks and Global Challenges

The WBG has successfully supported clients affected by forced displacement and other regional FCV spillovers, and is increasingly investing in support to FCV-affected clients on global challenges. The current evolution process, which highlights fragility as a global challenge, provides an opportunity to further strengthen WBG engagement on multidimensional risks, including FCV, at the country level and beyond.

7. The WBG, in cooperation with regional and global partners, has made substantial progress in supporting clients affected by FCV spillovers and other shocks, particularly on forced displacement. Operations have helped expand access to infrastructure and services for refugee and host communities, including health, education, water and sanitation, and roads. Progress on developing the knowledge, policies, and programmatic responses necessary to address forced displacement offers lessons for engaging effectively with the public and private sectors in situations with interconnected and compounding risks. Work has advanced in addressing the confluence of FCV with other shocks and challenges, including food insecurity and climate change.

8. Regional analytics, ongoing cross-country monitoring, and regional programs are key to prioritizing investments in marginalized borderlands and minimizing conflict spillovers. These tools can be better used to inform country engagement. Weak capacity, limited presence and on-the-ground access, along with protracted insecurity, make project implementation challenging in FCV contexts. For regional projects, these challenges are magnified by the need to coordinate efforts in more than one country, and by potential political sensitivities between countries. Going forward, efforts will be made to better align and articulate the interconnected and cross-border nature of FCV drivers and other global challenges. Monitoring and analytical tools must be strengthened in FCV contexts, and regional partnerships, where possible, are crucial to mitigate spillover risks.

Supporting the Private Sector

The private sector can play a critical role in building resilience and supporting transitions out of FCV, but challenging investment conditions often limit the WBG’s capacity to support private investment and growth, highlighting the importance of developing more integrated approaches.

9. The WBG is uniquely positioned to address the challenges of private sector development in FCV contexts by leveraging the One WBG approach to create and strengthen markets, enable and mobilize private solutions and capital flows, and engage with partners. Nevertheless, conflict and

instability pose extraordinary challenges for private sector development and investment. The One WBG approach means working in concert to deliver a set of public and private sector solutions even in the most difficult FCV contexts. Country Private Sector Diagnostics (CPSDs) help align IBRD/IDA, IFC, and MIGA interventions around shared objectives. Inter-institutional synergies are central to the evolution process, and second-generation CPSDs are expected to further support private sector development and the mobilization of private capital. Risk and Resilience Assessments (RRAs) will increasingly address private sector considerations through engagement with IFC and MIGA in the scope of analysis, and CPSDs will systematically take account of RRA findings.

10. Since the launch of the FCV Strategy, the WBG has further focused on creating jobs, delivering essential goods and services, supporting reconstruction efforts, and providing economic empowerment opportunities to help mitigate fragility. The WBG has supported entrepreneurship, business development, market access, institutional capacity, regulatory reform, financial inclusion, and the development of financial infrastructure. WBG engagement has contributed to job creation in FCS, and job-focused interventions reached about 7.2 million beneficiaries between FY20 and FY22. The WBG is adapting its interventions to focus on safeguarding the ability of local markets to supply goods and services and create jobs despite the unique constraints created by FCV. The WBG has supported private sector development in forced displacement contexts through projects focused on financial inclusion, entrepreneurship, workforce capacity-building and employability, and economic development. The WBG will continue to focus on strengthening the capacity and resilience of the domestic private sector, including micro, small, and medium-sized enterprises that are prevalent in many FCV-affected markets, through, for example, firm-level technical assistance that addresses investment readiness gaps by improving corporate governance, financial management, as well as environment and social practices. The WBG will identify approaches for managing risks to financial infrastructure and stabilizing payment systems in crisis situations.

11. Attracting sustainable private sector investment to FCV contexts remains challenging and requires significant resources to de-risk them, including blended finance solutions. Managing risks and building the capacity of the private sector in FCV contexts requires preparing targeted political economy analyses for sectors that are critical to economic transformation as well as policy and regulatory reform to enable the engagement of the private sector to address development challenges by closing investment gaps. Blended finance plays an important role in managing financial risks and enabling projects with high development impact. Blended finance facilities, such as the Private Sector Window (PSW), can help create new markets, de-risk projects, reduce first-mover costs, and incentivize investments in FCV contexts. However, limited availability of blended finance, especially in MICs not eligible for PSW support, remains a constraint for scaling up engagement in FCV situations. To address scarce concessional funds, IFC is deepening collaboration with existing partners and exploring new partnerships.

Addressing Other Forms of Violence

While attention has been focused on armed conflict and state fragility, greater efforts are needed to address other forms of violence, which can have deeply destructive effects similar to those of conflict.

12. While violence is a fundamental part of the FCV Strategy, WBG initiatives and progress on mainstreaming violence prevention into country engagement strategies remain limited. Worldwide, homicide is responsible for causing far more fatalities than armed conflict; yet WBG engagement placed limited emphasis on urban and criminal violence during the initial Strategy period. As with armed conflict,

the drivers of urban and criminal violence are multidimensional and require long-term multisectoral and whole-of-government approaches.

13. Recognizing that violence can act as a binding constraint on development, the WBG will revisit and prioritize its commitment to address violence within the FCV Strategy. Building on previous operational experience, further analysis will be carried out on the relevance of violence prevention to the WBG's goals and mandate to inform a renewed approach to integrating this focus in country engagement, with linkages to issues of justice, rule of law and social inclusion, and with emphasis on leveraging partnerships with other institutions that have experience and investments in this critical area. Important progress over the years on gender-based violence (GBV), for example, inspires action in this matter: whereas the WBG previously regarded GBV as largely outside its institutional scope, today it considers addressing GBV a priority, particularly in FCV contexts, with one-third of Board-approved operations contributing to GBV prevention and response in FY22. Finally, expanding analytical work on urban and criminal violence, particularly in situations where such violence has severe negative development effects similar to those of conflict, could help inform long-term strategies for violence prevention, leveraging multisectoral coordination to achieve high-level development outcomes that may be feasible only over multiple country engagement cycles.

Recommendations

The World Bank Group must ADAPT its engagement on FCV to a global context marked by compounding and overlapping crises.

14. The current FCV Strategy remains fit for purpose and has proven to be effective, but the WBG's approach must adapt to future and intensifying FCV challenges in line with the evolution process. The Strategy's operationalization over the past three years has underscored the critical importance of managing implementation risks, particularly in a volatile and challenging global context. This is true even for challenges at the core of the FCV Strategy, such as helping to prevent the onset or escalation of conflict and violence, remaining engaged in the most difficult conflict-affected contexts, and engaging the private sector in FCV situations.

15. These challenges call for the WBG to ADAPT its implementation of the FCV Strategy. The ADAPT approach will consist of: Anticipating FCV challenges earlier and better; responding Dynamically at all levels; Advancing the WBG's approach to engaging the private sector; focusing on critical Partnerships; and building strong Teams.

- *Anticipate Earlier and Better:* Research and experience clearly indicate the benefits of conflict prevention and the positive role that development assistance can play. FCV diagnostics will be expanded to encompass a broader array of global and transnational challenges in line with the evolution process. Additionally, the WBG will explore how to support countries in addressing the drivers of FCV earlier and strengthening resilience.
- *Respond Dynamically:* The WBG will increase its focus on operational efficiency for delivering development outcomes in evolving and volatile contexts. The WBG will further develop and put in place a set of tools and decision points to enable crisis and risk monitoring, risk scanning, and creating opportunities to change course as necessary with a focus on adaptive management in the implementation of strategies and operations in FCV contexts.

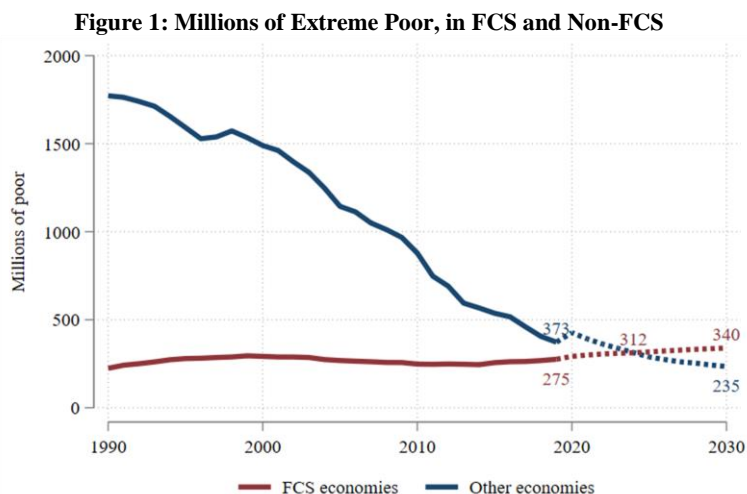
- ***Advance Engagement with the Private Sector:*** The WBG will further strengthen its efforts to enable private sector activity in FCV situations, reinforcing the One WBG approach to private capital mobilization, while also increasing efforts to expand access to blended finance resources to deploy across all FCV markets. Placing a renewed focus on the resilience of the domestic private sector and its role in creating and sustaining jobs and service delivery in the most challenging contexts will require innovative approaches, including engagement with small local firms, as well as an ongoing learning process. Further emphasis will be placed on integrating FCV and private sector diagnostics.
- ***Focus on Critical Partnerships:*** The WBG will maintain and deepen its mission-driven partnerships and forge new regional and context-specific partnerships, where possible. The WBG will continue to use its comparative advantage as a development institution to leverage partnerships with multilateral, bilateral, and civil society actors, as well as the private sector. Priority will be given to cooperation on analytics, knowledge sharing, joint advocacy and financing, including the mobilization of grants, guarantees and concessional financing for LICs and MICs to address the impact of FCV.
- ***Build Strong Teams:*** Continuing to implement the personnel measures outlined in the FCV Strategy—especially in the areas of strategic recruiting, FCV career paths and incentives, FCV-related staff roles, responsibilities, and accountability measures, and safeguards to ensuring staff welfare—will enable the WBG to maintain a skilled, accountable, and well-supported workforce in difficult operational environments.

I. Introduction and Context

1. The World Bank Group’s [Strategy for Fragility, Conflict, and Violence 2020–25](#) (FCV Strategy), launched in February 2020, is designed to help the WBG advance its mission more effectively in FCV contexts. It provides guiding principles, pillars of engagement, and a financing toolkit (see annex 1) geared toward supporting countries in addressing the drivers and impacts of FCV, with particular care for the most vulnerable people. The guiding principles seek to adjust the WBG’s approach to the unique contexts in which it engages; to pursue an inclusive and people-centered approach; to support legitimacy, transparency, and accountability; and to scale up private sector solutions for impact.

2. The FCV Strategy is particularly relevant in a highly complex and rapidly changing global landscape. The report to Governors prepared for the April 2023 Development Committee noted an “unprecedented confluence of global crises that has upended development progress and threatens people and the planet,” with FCV among the key threats (Development Committee 2023). Irregular political transitions and conflicts, including Russia’s invasion of Ukraine and increased geopolitical tensions, have taken an enormous toll regionally and globally in terms of economic growth, food security, and forced displacement. Combined with the socioeconomic impacts of the COVID-19 pandemic, the worsening effects of climate change, and other natural hazards, the ability of the poorest countries to meet the Sustainable Development Goals is in serious peril. The economic and financing landscape faced by the poorest countries could further aggravate debt vulnerabilities (WBG 2023c).

3. Countries experiencing FCV overall demonstrate a different development trajectory than the rest of the world, with persistent poverty and declining human capital. By 2025, the total number of extremely poor people in the 39 countries on the FY24 Fragile and Conflict-affected Situations (FCS) list⁴ is projected to surpass that in all non-FCS countries worldwide (see figure 1). By 2030, an estimated 59 percent of the extremely poor will live in FCS. These countries are also projected to have much lower levels of productivity than non-FCS countries, as measured by the Human Capital Index (HCI), and lag behind in other socioeconomic indicators.⁵ FCS countries tend to face multiple compounding risks and have limited capacities to address them. Among the 25 countries rated as most vulnerable to climate change, 15 are FCS; 9 of these are also food insecurity hotspots of highest concern.⁶



Sources: [Poverty and Inequality Platform](#) (PIP), v 20220909_2017_01_02_PROD; Mahler, Yonzan, and Lakner 2022; World Bank 2022h. Based on FY24 FCS list.

⁴ See <https://www.worldbank.org/en/topic/fragilityconflictviolence/brief/harmonized-list-of-fragile-situations>.

⁵ The HCI measures the level of human capital that a child born today can expect to achieve by age 18. FCS countries are expected to have lower levels of productivity (42) than non-FCS countries (59), according to the HCI. See further details in annex 2.

⁶ Data are from the latest ND-GAIN Vulnerability Index, most recently updated until 2021 by the Notre Dame Global Adaptation Initiative, University of Notre Dame, Notre Dame, IN (published 2023), <https://gain.nd.edu/our-work/country-index/>; WBG FY23 FCS list; and food security per FAO/WFP food security warning: June–November 2023 outlook.

4. The number of conflict events around the world has risen, with a high death toll and record high levels of forced displacement, reaching 108.4 million displaced people in 2022.⁷ Data from various indicators of conflict activity show that violent conflict increased considerably in 2022.⁸ Moreover, the number of people killed in one-sided violence (deliberate violence by a state or nonstate actor against civilians) has also steadily increased—meaning civilians are increasingly bearing the brunt of conflict violence—as have fatalities in interstate conflicts, which spiked in 2022. Conflicts can also exacerbate hunger and other causes of premature death and have important gender dynamics as non-lethal forms of political violence disproportionately affect women.⁹ Conflicts can also displace people for long periods of time. The number of refugees in protracted situations has more than doubled over the last decade, and fragile contexts are both the main places of origin as well as the main hosts of displaced people around the world.¹⁰

5. FCV in middle-income countries (MICs) is a major development challenge. This is not a new challenge; in fact, in the 2010s, there were more deaths from political violence in MICs than in low-income countries (LICs) (WB 2022a). While in 2021 most active conflicts in the world took place in LICs, this is in part due to the downgrading of several MICs with ongoing active conflicts in recent years to LIC status as conflicts wage on,¹¹ underscoring the relationship between FCV and poverty (Kishi 2023).

1.1 Objective, Scope, and Approach of the Mid-term Review

6. This review takes stock of progress regarding the FCV Strategy’s implementation in the increasingly complex and challenging global context that has existed since 2020. The MTR identifies where the WBG needs to adjust and adapt how it works in and on FCV—it does not seek to revise the Strategy. It draws on available information, including from the Independent Evaluation Group (IEG) 2021 report *World Bank Engagement in Situations of Conflict*. Although the evaluation covers the years up until the launch of the Strategy, it sought to surface lessons to inform its early implementation.¹² Like the Strategy itself, the review is a WBG-wide effort and reflects inputs from WBG teams, FCV regional and country management, Global Practice staff who work on FCV, and corporate departments. External consultations included shareholders, clients, United Nations (UN) agencies, other multilateral development banks, civil society, the private sector, and other partners. Key messages from the consultations are summarized in annex 6.

7. The review focuses on select dimensions and themes, including areas identified as challenges in previous Board updates,¹³ as well as consultations and the WBG evolution process, but does not aim to cover all issues in the Strategy. The next section takes stock of progress on the “4 Ps”: programming, policies, partnerships, and personnel. The programming discussion considers the FCV sensitivity of country engagement documents and gives an overview of IBRD/IDA, IFC, and MIGA

⁷ See <https://www.unhcr.org/sites/default/files/2023-06/global-trends-report-2022.pdf>; and <https://www.unhcr.org/news/press-releases/unhcr-calls-concerted-action-forced-displacement-hits-new-record-2022>.

⁸ See annex 2 for detailed conflict data referred to in this paragraph, where conflict event indicators show an increase in 2022. Conflict fatality indicators do not, although alternative datasets do suggest such an increase. Such differences across datasets are prevalent in conflict data, and can be the result of alternative sourcing strategies, methodologies, inclusion criteria, and more.

⁹ For example, abductions and forced disappearances, or sexual violence (Kishi 2021).

¹⁰ WB (2023a), figure 7.2, based on UNHCR data and utilizing methodology developed in Devictor and Do (2017); OECD 2022 (based on OECD’s classification of fragile contexts). See also annex 2.

¹¹ Examples include Syria, Yemen, and Sudan. The downgrading of income classification occurred for Syria and Yemen in 2017 (reflected in FY19), and Sudan in 2019 (reflected in FY21).

¹² The IEG evaluation covered FY10–20. Core messages from the report are summarized in annex 8. IEG will conduct an independent evaluation of the FCV Strategy toward the end of the Strategy period.

¹³ In January 2021 and March 2022.

financing, advisory and guarantee issuance trends for IDA FCS, but does not aim to cover outcome and impact in client countries, recognizing that the FCV Strategy is only three years old. Key progress on the 23 operational measures of the Strategy can be found in annex 5. Section 3 covers the pillars and select focus areas of the Strategy, namely, prevention and transition issues (pillar 1 and 3), remaining engaged in the most challenging and volatile situations (pillar 2), and regional, cross-border, and forced displacement challenges (pillar 4). These are followed by private sector engagement, climate change, gender, MICs, and violence. Section 4 lays out the way forward for the remainder of the Strategy period and beyond.

II. Taking Stock: Progress on Programming, Policies, Partnerships, and Personnel

2.1 Programming

8. The FCV Strategy highlights the role of FCV-sensitive Country Partnership Frameworks (CPFs), programs, and portfolios in countries experiencing fragility, conflict, and violence. It looks beyond the FCS list to a broader range of contexts and calls for a long-term outlook and sustained engagement that can withstand setbacks and reversals. Countries that move away from fragility and conflict rarely do so in one decisive “make or break” event, but rather through many transitional moments (WB 2011). The Strategy promotes interventions that engage both public and private actors across multiple sectors.

2.1.1 Country engagement

9. The WBG’s Risk and Resilience Assessments (RRAs), a primary tool for identifying and analyzing drivers of fragility, conflict, and violence, have played a key role in increasing the FCV sensitivity of WBG country engagement. RRAs and other FCV analyses incorporated into core diagnostics such as Systematic Country Diagnostics (SCDs), Country Private Sector Diagnostic (CPSDs), and Country Climate and Development Reports (CCDRs) have systematically informed country programming, regional engagements, and operations. IEG has noted an improvement in the identification and analysis of fragility factors and conflict drivers relevant for achieving development effectiveness.¹⁴ The existence of an RRA encourages “leaning into conflict” through formal identification and analysis of conflict drivers, making subsequent investment projects in a particular country more likely to include adaptive and conflict-sensitive design and implementation mechanisms (IEG 2021). IEG concludes that this is due to IDA FCV policy commitments, the development of the FCV Strategy, country management commitment, and the elevation of the RRAs to an extended core diagnostic to inform lending (IEG 2021). Since the launch of the Strategy, 32 RRAs have been delivered, including 22 in FCS countries, 4 in non-FCS countries,¹⁵ 4 at the regional level,¹⁶ and 2 at the subnational level (in South Sudan and Tunisia). Of the 28 national RRAs, 17 were in LICs and 11 in MICs, while 22 countries were IDA, 3 IBRD, and 3 blend. A majority of RRAs were in Africa, reflecting the prevalence of FCV there.

10. RRAs respond to the country context, discussing FCV drivers and sources of resilience, analyzing the country portfolio in response to these factors, and providing recommendations for

¹⁴ While the IEG evaluation (IEG 2021) only covered the period up to FY20, subsequent WBG reviews have confirmed this trend. This and the following paragraphs draw on *Stocktaking of Risk and Resilience Assessments — Input for the MTR* (WB 2023b).

¹⁵ Honduras, Madagascar, Nepal, and The Gambia.

¹⁶ Sahel, Lake Chad, Horn of Africa, and Central Asia and Afghanistan cross-border regions.

country engagement. Where the context requires, they often raise sensitive topics such as human rights and corruption, and regional issues such as trafficking and cross-border violence, and include gender considerations. The Honduras RRA, for example, focused specifically on the difficult topic of gang and criminal violence. Commonly identified FCV drivers include (i) competition over natural resources and the impacts of land governance and environmental degradation; (ii) lack of economic opportunities and economic mismanagement; (iii) poor governance leading to inadequate, unequal public service delivery; (iv) security challenges and lack of security and justice provision; and (v) marginalization and inequality—many of which are often linked to issues of justice and rule of law.

11. While RRAs are more widely used than before the FCV Strategy was adopted, they could be further leveraged both internally and externally. RRAs not only provide valuable analysis but also catalyze and inform conversations and can help build a common understanding of FCV issues within the WBG and inform other diagnostics. Quality consultations with partners are a critical part of well-rounded RRAs, and in some contexts it has been mutually beneficial to conduct them collaboratively or even jointly, serving the shared diagnostic needs and aims of the WBG and partners in aligning strategies and programming. Future priorities are to also conduct RRAs in non-IDA FCS, applying the RRA methodology to strengthen its operational relevance, and ensuring that RRAs remain frank, balanced, and nuanced. The scope of RRAs could also cover IFC and MIGA engagement to produce recommendations for private sector engagement.

FCV sensitivity in country strategy documents and private sector diagnostics

12. Country engagement documents in FCS countries consistently address the FCV drivers and sources of resilience identified in RRAs, but in different ways and to varying extents.¹⁷ In the 14 countries that have undergone the eligibility process for the FCV Envelope, portfolios have become more strongly aligned with FCV drivers. A key factor is that in order to access the Prevention and Resilience Allocation (PRA) or the Turnaround Allocation (TAA), countries need to fully recalibrate their portfolios to address the root causes of FCV. In the Democratic Republic of Congo (DRC), for example, the CPF calls for stronger policy dialogue with subnational authorities and improved supervision and social protection programs in highly impoverished and FCV-affected areas.

13. The pillars or areas of engagement in CPFs and Country Engagement Notes (CENs) in FCS countries largely reflect the findings of corresponding RRAs, but CPF objectives are rarely formulated through the application of an FCV lens. Results frameworks sometimes seek to measure progress on addressing FCV drivers, but IEG found that conflict-related issues are seldom integrated into CPF objectives (IEG 2021). More recent reviews of CPFs in FY21 and FY22 are consistent with IEG's findings, with progressively more FCV-sensitive CPFs. These reviews find that CPFs provide rationale that links some CPF objectives to the drivers of FCV, even if they are not explicitly framed as such.¹⁸ In some countries, this may be due to the sensitivity of using terms such as fragility and conflict. More generally, this may also be in part due to the long-term nature of FCV drivers, making it difficult to formulate objectives achievable within the span of a five-year country strategy, or that some FCV drivers are of a

¹⁷ As part of the follow up of the IDA19 policy commitments to strengthen FCV sensitivity in country engagement, the World Bank analyzed all (11) CPFs, CENs, and PLRs in IDA FCS countries finalized in FY21–22. An additional four country engagement documents were analyzed for the purposes of the MTR, including for non-FCS and IBRD countries.

¹⁸ These reviews are limited to IDA FCS countries, and have been undertaken by the FCV Group as part of monitoring the IDA19 and IDA20 FCV special theme commitments.

political nature beyond the scope of the Bank’s country engagement. The consideration of FCV drivers in high level outcomes over multiple CPF cycles could partially address this.¹⁹

14. Although the FCV Strategy highlights the importance of justice and rule of law, and these are often reflected in RRAs, IBRD/IDA engagement on these issues in FCS countries has been relatively limited and largely trust-funded.²⁰ In contrast, FCV drivers related to limited service delivery, lack of socioeconomic opportunities, regional imbalances, and social exclusion are often better addressed. Possible reasons for limited engagement with justice and rule of law include client governments’ own preferences, or that there is more work needed within IBRD/IDA to articulate how these sectors can be best addressed in the scope of country strategies and areas of comparative advantage. The WBG has an apolitical mandate and a strong focus on country ownership, which, as IEG has noted, poses challenges when addressing conflict drivers that are overtly political (IEG 2021). IBRD/IDA could consider engaging more on these FCV drivers, even if it also relies on partners at the nexus of humanitarian, development, and peace. Lastly, although the private sector is often mentioned as an important component of addressing development challenges in FCV, country engagement documents rarely indicate how the private sector can address drivers of fragility or contribute to sources of resilience.

15. Close engagement across teams with sound FCV expertise is key to the development of FCV-sensitive country engagement products. Cross-coverage between teams producing the RRA and the country engagement documents helps to highlight FCV drivers and sources of resilience, as in Haiti and Nepal. To ensure that complete and up-to-date analyses are available to inform the documents, it is critical that RRAs be prepared in advance of the country engagement products.

16. IFC has systematically integrated FCV considerations into diagnostics and strategic planning and at the project level, helping to leverage the private sector to create economic opportunities in affected countries. Fourteen of the 52 CPSDs completed since 2016 have been in FCS countries, with 6 more underway as of June 2023. CPSDs in FCS countries consider fragility dimensions, and some use fragility as a criterion for sector selection, to put forward private sector-related recommendations that may contribute to reducing fragility or inform operations in FCV settings. Guidance notes are being developed on how to conduct CPSDs in FCV contexts, and how fragility should inform the selection of priority sectors and policy recommendations. In addition to CPSDs, fragility and conflict considerations for the private sector have been incorporated in IFC country strategies²¹ over the MTR period, and IFC has used its Contextual Risk Framework (CRF) to contribute fragility analysis to CCDRs.

17. Many other analytical products can provide valuable insights for strategies and projects in FCV contexts. The WBG, UN agencies, and the European Union (EU) use Recovery and Peacebuilding Assessments (RPBAs) to inform strategy and operations in postcrisis and postconflict contexts; they can also help with policy dialogue and coordination among partners. When IBRD/IDA programming has been paused or is limited—for example, due to irregular political transitions, as in Afghanistan and Myanmar—

¹⁹ This approach is described in [Strengthening the World Bank Group Outcome Orientation, June 2021](#).

²⁰ Since the launch of the FCV Strategy, the IBRD/IDA continued to build a small but growing portfolio on justice reform and the rule of law in FCS. Several diagnostics have been produced focusing on Burkina Faso, Lebanon, and Jordan, including on access and common barriers to justice in FCS. A Global Partnership on Justice and the Rule of Law has been launched to provide analytical and thought leadership to advance justice reform by cogenerating, consolidating, and disseminating knowledge. This includes external partners to capitalize on partners’ comparative advantage to maximize impact.

²¹ IFC Country Strategies are internal IFC documents intended to better inform WBG CPFs on interventions needed for market creation. As of June 2023, IFC Country Strategies had been developed for 11 FCS countries.

the WBG can still contribute with data and analytics, building on established in-country networks.²² The experience with RPBA over the past few years is being used to learn how to apply such joint and collaborative assessments to respond to diverse FCV contexts. Political economy analyses have also been conducted across IBRD/IDA to support contextual, sectoral, or project risk monitoring. For example, in Papua New Guinea, such an analysis led to the development of transparent eligibility criteria for a child nutrition grant scheme.²³ “Listening to the Citizens” surveys in Kazakhstan, Kyrgyz Republic, Tajikistan, Ukraine, and Uzbekistan have enabled partners to adapt their approaches in real time.²⁴

FCV sensitivity at the portfolio level

18. FCV portfolio analyses and peace and inclusion lenses have been developed to advance the FCV sensitivity of IBRD/IDA programming. Portfolio analyses examine current, recent, and pipeline projects and inform future strategic and operational decisions. The number of these analyses has increased with the new RRA methodology, which includes them as part of its effort to provide operationally relevant recommendations, but the methodology, scope, and depth of these analyses vary (WB 2023b). Countries seeking access to the PRA and TAA have also carried out FCV-sensitive portfolio reviews to help calibrate their portfolios to address FCV drivers as required.²⁵ Sometimes portfolio analyses can be carried out on their own, such as in Guinea-Bissau and Haiti. The use of peace and inclusion lenses, or similar tools, is less common, in part because they require substantial resources. Good Practice Notes have been developed to help staff make better use of these tools.

19. A recent qualitative portfolio meta-analysis showed that portfolios in FCS countries are becoming more FCV sensitive, especially in conflict-affected countries.²⁶ It found that the FCV Envelope provides a key incentive for integrating FCV considerations into project portfolios. Staff experience also matters: the meta-analysis drew a link between the prioritization of FCV themes and staff with previous experience in FCV contexts, specifically ones in decision-making positions. The analysis also found that WBG portfolios seem to be more FCV responsive in high-intensity conflict contexts than in fragile ones. Feedback during consultations pointed to similar progress on remaining engaged during conflict situations, with more limited progress on prevention (see annex 6). This is best demonstrated in Afghanistan, Somalia, and Yemen, where the portfolios center on conflict drivers, risks, and resilience, where practical solutions to implementation challenges have been tested and adopted, when partnerships with other actors are strong, when Management accepts that progress is not linear, and staff seem more aware of and attuned to addressing FCV dynamics. This highlights that the sensitivity inherent in engaging on FCV issues might be less of an obstacle in countries that are in active conflict.

20. The challenging contexts in FCS and data limitations necessitate enhanced and innovative approaches to monitoring and evaluation. Frequent monitoring of both risks and results is key to

²² The Myanmar Monitoring Platform provides up-to-date analysis, survey results, and reports on the economy, service provision, and poverty. See <https://www.worldbank.org/en/country/myanmar/brief/monitoring>.

²³ See the Child Nutrition and Social Protection Project, P174637, <https://projects.worldbank.org/en/projects-operations/project-detail/P174637>.

²⁴ While Central Asian countries are not on the FCS list, there is recognized regional fragility in the Ferghana Valley spanning Tajikistan, Kyrgyz Republic, and Uzbekistan, discussed in the Central Asia and Afghanistan cross-border regions RRA.

²⁵ Twelve countries including Burundi, which became the latest country to gain PRA eligibility in FY23, and Sudan and Niger, which are currently under OP 7.30 assessment.

²⁶ Twenty FCV-sensitive portfolio analyses (18 national and 2 regional) provided the basis for the meta-analysis. The desk review was supplemented by semi-structured interviews with Country Management Unit (CMU) staff and FCV specialists selected from 10 countries with portfolio reviews as a representative sample of FCV situations covering countries facing different types and extents of FCV, different regions, and income levels (WB 2023c).

facilitating and providing an evidence base to adapt to changing situations. However, the lack of data in many FCV contexts makes systematic monitoring a substantial challenge due to factors such as low and fragile institutional capacity and difficult operating environments with limited access to locations due to insecurity. To address these challenges, teams may consider a range of data sources, both internal and external, to assess implementation and outcome achievement. In Myanmar, for example, several rounds of high-frequency household surveys have been conducted since February 2022 to help the WBG understand and document the impacts of the pandemic and the military coup on household welfare. Other examples are rapid web-based or phone surveys, the use of geospatial data, and third-party monitoring.

2.1.2 Overview of engagement in FCS²⁷

21. IBRD/IDA project financing to FCS countries has increased continually over the last few years, faster than in non-FCS countries. The IBRD/IDA portfolio in FCS countries grew by an average of 26.2 percent per year in the past five years, reaching a total active portfolio of US\$77 billion at the end of FY23—with more than half in just four FCS countries: Nigeria, Ethiopia, Ukraine, and the DRC (see annex 3).²⁸ A significant factor in this sharp increase was the inclusion of Nigeria (starting from FY20) and Ethiopia (starting from FY22) on the FCS list. Even excluding them, however, the FCS portfolio’s average annual growth rate would still be about 12.9 percent, compared to 3.6 percent in non-FCS.²⁹

22. A substantial part of the increased financing can be attributed to the establishment of the FCV Envelope introduced under IDA19, and to trust funds. The FCV Envelope enables eligible FCS countries to access the PRA, the TAA, and the Remaining Engaged during Conflict Allocation (RECA). The IDA19 FCV Envelope provided US\$5.4 billion to 13 countries (see figure A3.4 in annex 3). The Regional Window, Crisis Response Window, Window for Host Communities and Refugees (WHR), Scale-up Window (SUW), and Private Sector Window (PSW) provided another US\$5.6 billion to FCS in IDA19 and US\$3.58 billion in FY23.³⁰ Furthermore, trust funds are key complementary funding sources. FCS countries received 80 percent of recipient-executed trust fund disbursements from FY19 to FY23, with Ukraine, Afghanistan, and the West Bank and Gaza as the top beneficiaries. These recipient-executed trust funds allow the WBG to provide resources to support the extraordinary demands of working in conflict situations.

23. IFC has also increased investments in FCS countries, prioritizing upstream and advisory services. IFC more than doubled its own account long-term finance commitments in FCS countries from US\$1.2 billion (cumulatively) in FY17–19, to US\$2.8 billion in FY20–22.³¹ Core mobilization amounted to US\$2.6 billion in FY20–22. IFC also committed US\$6.3 billion in short-term finance in FCS countries, or an average of 26 percent of the total, more than double the US\$2.7 billion committed in FY17–19 (see figure A3.11). In FY22, IFC delivered 21 percent of upstream and advisory program spend in FCS contexts.

24. Similarly, MIGA has significantly increased its FCS portfolio. The gross portfolio in FCS was US\$3.5 billion at the end of FY23 (see figures A3.13 and A3.14), up from US\$2.1 billion at the end of

²⁷ A summary of IBRD/IDA, IFC, and MIGA portfolios is provided below. For more detail, see annex 3.

²⁸ Ukraine was added to the FCS list in FY23. The portfolio analysis in this section uses the FCS list for each FY during FY18–22. Total active portfolio of US\$77 billion includes IBRD/IDA (US\$73 billion) and all other sources of financing, such as GEF, RETF, MONT, and SPF.

²⁹ Nigeria’s inclusion on the FCS list added US\$11.2 billion in the portfolio. Ethiopia’s increased the portfolio by US\$12.5 billion.

³⁰ IDA19 spans July 1, 2020 to June 30, 2022. To respond to the consequences of COVID-19, for the first time in IDA’s history, the IDA replenishment was launched one year early, shortening the IDA19 cycle from three to two years.

³¹ IFC and MIGA define FCS countries as those on the WBG FCS list in the current FY, plus those that graduated in the last three fiscal years. FCS data compiled by IEG pertaining to IFC and MIGA use the WBG FCS list.

FY20. In FY23, MIGA delivered its first trade finance guarantee in an FCS country (Ukraine). MIGA plans to increase the use of this instrument to support critical imports into FCS countries. MIGA's guarantee issuance in FCS countries in Sub-Saharan Africa has increased, from US\$197 million in FY17–19 (cumulative), to US\$1.7 billion in FY20–23 (cumulative), mostly for energy and telecom access projects (see figure A3.15).

2.2 Policies, processes, and practices

25. The FCV Strategy underscores the importance of ensuring that relevant policies (and related processes and practices) are fit for purpose and allow the WBG to maximize its impact on FCV. The WBG Policy on Development Cooperation and Fragility, Conflict, and Violence (FCV Policy) and associated Vision Statement was approved by the Board in August 2021, updating the former Operational Policy (OP) 2.30 in fulfillment of one of the operational measures committed to in the Strategy. The policy update articulates how the Bank will operate in humanitarian crises, in refugee and forced displacement situations, and when dealing with security and military actors. Complementary guidance on several topics associated with the FCV Policy is being finalized. For example, guidance is being prepared to support teams in situations of forced displacement, on working in insecure environments, and on engaging with the security sector.

26. WBG operational policies are fit for purpose for FCV contexts, and the gap between policy and practice continues to narrow. WBG policies on procurement, financial management, and environmental and social risk management, were designed to allow flexibility and adaptability. While there is recognition that there are flexibilities in place, feedback from staff suggests that more can be done to provide additional support to apply them in practice. An Action Plan was developed, and comprehensive efforts have been made to scale up outreach, training, and support to teams. To further strengthen internal knowledge management and iterative learning on operating in FCV contexts, networks for both country management and sectors have been established. These networks provide a forum to discuss issues specific to operating in FCV, learn from peers, and improve the knowledge flow within the organization. Overall, progress has been robust: the median turnaround time for procurement processes in FCS decreased from 92 days in FY17 to 62 days in FY21,³² with these operations also benefiting from a greater investment of procurement staff time. While contracts awarded by borrowers in these FCS make up 28 percent of activity volume, they account for 40 percent of prior review time by procurement staff. The Environmental and Social Framework (ESF) allows a proportionate and adaptive approach, so that environmental and social risk measures can be revised as implementation progresses and circumstances change. Data suggests that project preparation in FCS under the ESF is significantly faster than it was under Safeguards policies (see figure A3.10).

27. Despite steady progress, challenges remain, and continued training and capacity development for staff and clients will be key, along with innovative ways to strengthen capacity in procurement and environmental and social risk management in FCV contexts. A key message from interviewees in the portfolio meta-analysis was that procurement and environmental and social risk management in FCV contexts are still perceived as cumbersome. Often the weak borrower capacity in FCS countries also requires additional Bank support. Other challenges related to procurement include attracting contractors and suppliers to areas with high security risks. The option to use procurement hands-on expanded implementation support (HEIS) to support borrower capacity has been a welcome step, but some operational staff have expressed concerns about lacking sufficient resources, including staff, to implement

³² Based on a study of 27,941 Bank-financed contracts awarded by borrowers in FCS countries.

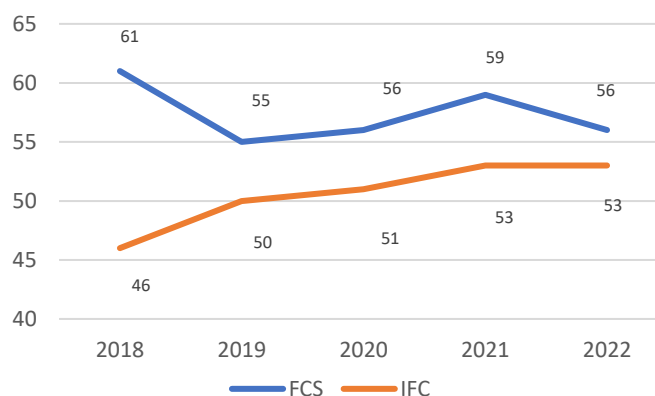
it effectively. In some countries, such as Somalia, a central fiduciary entity has been established to follow several projects to make optimal use of rare national skills. Currently HEIS for borrowers for environmental and social risk management is being piloted in the Latin America and Caribbean (LAC) region. This is taking place within the broader and ongoing efforts on enhancing operational efficiency and effectiveness focusing on more timely responses, supporting staff productivity, maximizing impact, and accompanying the WBG transition.

28. There are other important flexibilities and tools used in FCV contexts throughout the project life cycle. These include operational flexibilities under the Investment Project Financing (IPF) policy for projects in “Situations of Urgent Need of Assistance or Capacity Constraints,” which may apply to specific projects in FCV contexts, as well as alternative implementation arrangements, higher levels of Project Preparation Advances (PPAs), and higher limits for retroactive financing. Contingent Emergency Response Components (CERCs) are also increasingly used. For example, in Mozambique, with high exposure and vulnerability to climate change, conflict, and other shocks, the portfolio is crisis-ready and responsive, with CERCs to be activated as needed at the portfolio level, depending on the crisis and affected sectors. Beyond these flexibilities, there are a number of other approaches and tools used to support operational effectiveness in insecure contexts, which are explored further in subsequent sections.

29. The quality of operations delivered and implemented in FCS countries is an indicator of the fitness of IBRD/IDA policies, procedures, and practices in this area. Project ratings in FCS countries continue to lag slightly behind those of non-FCS countries, but the gap is narrow and not unexpected in light of the additional operational risks and challenges in FCS. Outcome ratings from Implementation Completion and Results Report Reviews (ICRRs) demonstrate this—about 79 percent of FCS projects since FY18 received “moderately satisfactory” or higher compared to 82 percent in non-FCS countries (see figure A3.5b). Although a longer longitudinal view shows that outcomes for both FCS and non-FCS are comparable and improving over time, yearly variations and the lag time until ICRRs are completed make it difficult to draw conclusions on any shift in this trend in the last few years. Outcomes for FCS countries will continue to be tracked for the remainder of the Strategy period and beyond. Meanwhile, the WBG has developed and rolled out tailored tools and guidance on improving results and outcomes in FCV environments.³³

30. IFC’s investment projects in FCS were rated higher in terms of ex ante anticipated impact than those in non-FCS, per IFC’s Anticipated Impact Measurement and Monitoring (AIMM) framework. During FY18–22, 95 projects in FCS were AIMM-assessed, with an average ex ante score of 57, well above the average ex ante AIMM score of 51 for all IFC projects approved during the same period (see figure 2). In part, this reflects the substantive development gap in these countries, and the potential to generate

Figure 2: Ex ante AIMM Score for Investment Projects Approved between FY18 and FY22

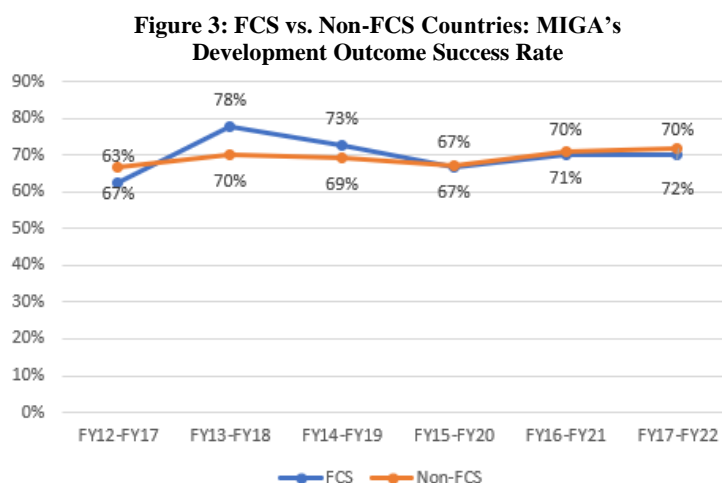


³³ Specific guidance on FCV is included in [Strengthening the World Bank Group Outcome Orientation, June 2021](#). In addition, the WB and IEG jointly developed new guidance on ICRs in FCV settings (as an annex to the general IPF Guidance Note on ICRs) and a set of recommendations on how to improve results in FCV.

broader changes in the market through capacity-building and replication effects. On project-level outcomes, almost all these projects aim to improve the welfare of key stakeholders, and a third are expected to enhance jobs and/or economic growth. Half of the projects are expected to promote resilience. As a recent example, IFC committed US\$10 million in FY22 to the Sub-Saharan Africa P.E. (private equity) Fund, to increase access to early-stage equity and operational value-add for startups in Nigeria and other Sub-Saharan countries. The fund will support investees developing technology-led, innovative solutions, many of which are the first of their kind in the region, and it is expected to increase the competitiveness of the regional venture capital ecosystem, catalyze digital entrepreneurship, and contribute to job creation and income generation.

31. AIMM has improved IFC’s ability to better identify and design ex ante projects that maximize development impact, with the expectation that ex ante assessments are indicative of ex post results. The ex ante AIMM rating is integrated into investment approval processes and facilitates development impact considerations to be weighed against a range of strategic objectives, including risk, financial return, and strategic and thematic priorities. To balance the development mandate with financial sustainability, IFC’s Portfolio Approach enables IFC to actively manage and diversify its sectoral, geographic, and product portfolios and to efficiently deploy its capital and resources to support the WBG’s FCV agenda.

32. For MIGA, in FCS countries the ex post development outcome success rate of MIGA-supported projects is broadly on par with projects in non-FCS countries, based on Project Evaluation Reports (PERs), validated by IEG. According to IEG, over the most recent evaluative period of FY17–22, 70 percent of MIGA-evaluated projects in FCS were rated Satisfactory or above, compared to 72 percent for projects in non-FCS countries (see figure 3). The ex ante rating of MIGA-supported projects, as assessed by MIGA using its Impact Measurement and Project Assessment Comparison Tool (IMPACT), indicates a higher average rating (57) for projects in FCS locations compared with non-FCS locations (49). IMPACT has improved MIGA’s capacity to design projects in FCS countries that are expected to deliver higher development impact and translate into enhanced development outcomes at the time of ex post evaluation.



2.3 Partnerships

33. Over the past three years, the WBG has significantly scaled up its partnerships with humanitarian, development, peacebuilding, and security actors, which is a key principle for operationalizing the FCV Strategy. Using its comparative advantage as a development institution, the WBG has leveraged partnerships with multilateral, bilateral, nongovernmental, and private sector actors across all four pillars of the Strategy. These partnerships have supported a shared understanding of FCV dynamics and enabled coordination of efforts including assessments, advocacy, programming and the

sharing of data and analytical work. Feedback from consultations has pointed out that the WBG's partnerships at the country level are uneven (see annex 6). This is partly because the nature and scope of partnerships are determined by the context on the ground and the country engagements of each institution; transaction costs and human resources also factor in.

34. The United Nations (UN) has been a key partner for the WBG in FCV settings with its humanitarian, development, peacekeeping, peacebuilding, and political mandate, as well as its deep field presence. The UN–WBG Partnership Framework for Crisis-Affected Situations forms the basis for cooperation in these settings. Today, the WBG partners with the UN in over 40 FCV-affected countries. UN–WBG cooperation includes operational engagement through direct and indirect financing, which from July 1, 2015, to June 30, 2023, amounted to US\$8.61 billion, as well as collaboration on policy, operations, and analytics, such as the joint RRA for Central Asia. UN peacekeeping missions have also been instrumental in improving the WBG's understanding of security dynamics and providing operational and logistical support in conflict-affected settings. Key UN partners include the Department of Political and Peacebuilding Affairs, UNICEF, UNDP, and UNHCR, and includes the recently launched IFC–UNHCR joint initiative on private sector solutions in forced displacement. Some examples of impactful UN–WBG partnerships at the country level are in Chad, The Gambia, Somalia, and Yemen, some of which are embedded in broader government and donor coordination platforms.

35. Partnerships with other multilaterals, bilaterals, nongovernmental organizations (NGOs), and civil society organizations (CSOs) have also expanded. The WBG has engaged with NGOs and CSOs in FCV settings, particularly in insecure areas and in crisis- and conflict-affected situations, with a focus on service provision to the most disadvantaged and marginalized populations. Trust funds are important platforms for working with bilateral partners and supporting partnerships with civil society. For example, in 2022, 32 percent of the grants of the State and Peacebuilding Fund (SPF), which is financed by IBRD and six bilateral partners, were implemented in partnership with NGOs and CSOs. The WBG will continue to pursue opportunities to work more with NGOs and CSOs, bearing in mind that the WBG's comparative advantage is working with governments to influence critical policy reforms and programs.

36. The EU and the WBG have a wide-ranging cooperation in FCV settings, anchored in the 2016 EU–World Bank Joint Declaration on a Framework for European Commission–World Bank Group Collaboration. The partnership has grown in recent years and has been particularly important in areas of strategic investments, in-country coordination, and emergency response in, for example, Yemen, Somalia and Lebanon. The two institutions cooperate closely together with the UN on response planning, including on RPBAAs, and on damage and needs assessments—most recently on a Damage Assessment in Syria and a Rapid Damage and Needs Assessment in Ukraine. Concretely, such joint assessments have led to more coordinated approaches to WBG, EU, and UN engagement in FCV countries.

37. IFC has championed several additional partnerships to support private sector development in FCV contexts. Such partnerships allow IFC to work with other investors to mobilize capital to FCS markets, as illustrated recently in the case of Horizon Capital Growth Fund IV in Ukraine.³⁴ IFC also plays an active role as a thought leader and convener among development finance institutions (DFIs). For example, it has co-organized an annual DFI Fragility Forum for Multilateral Development Banks (MDBs) and DFIs to catalyze greater private investment in FCV contexts and increase collective impact. IFC has

³⁴ IFC's partners in the transaction are the European Bank for Reconstruction and Development, Deutsche Investitions- und Entwicklungsgesellschaft, the Swiss Investment Fund for Emerging Markets, the Dutch Entrepreneurial Development Bank, the Western NIS Enterprise Fund, and the Zero Gap Fund, an impact investing collaboration between The Rockefeller Foundation and the John D. and Catherine T. MacArthur Foundation.

been working with other DFIs via the Africa Resilience Investment Accelerator to strengthen collective interventions in FCV markets and led the development of practical guidance on conflict sensitivity for investors and clients with the European Investment Bank (EIB) (IFC and EIB 2023). MIGA has also partnered with other MDBs to scale up its work in FCV. For example, in FY23, the European Bank for Reconstruction and Development and MIGA joined forces to cover trade finance risk in Ukraine, where trade flows and supply chains have been severely disrupted.

38. Lessons from the FCV Strategy’s implementation underscore the importance of strategic alignment and institutional arrangements among partners. Besides enhancing operational effectiveness and WBG engagement in difficult environments, partnerships help ensure strategic alignment and can reduce transaction costs for low-capacity clients. This is particularly important amid a global trend of aid fragmentation and proliferation. Global coalitions have been formed on issues of major relevance in FCV settings since 2020; for example, the WBG’s response to the COVID-19 pandemic (e.g., with WHO and UNICEF), and to address food insecurity (e.g., with the IMF, WFP, and others).³⁵ The response to the fallout from Russia’s invasion of Ukraine also involved many multilateral and bilateral partners, including through guarantees, cofinancing, and multidonor trust fund (MDTF) arrangements. Joint strategic documents help to institutionalize arrangements and guide and facilitate policy dialogue and operational cooperation. The WBG and IMF have also stepped up collaboration in FCV settings—for example, on RRAs, the IMF’s Country Engagement Strategies in FCS countries, and the IMF’s adoption of the WBG FCS list. Most MDBs have also developed and aligned their respective FCV strategies, opening potential new opportunities for increased collaboration at global, regional, and country levels.

39. Intensified collaboration through regional initiatives can improve the provision of regional public goods, in line with the WBG evolution discussions. The fit-for-purpose partnership with UNHCR on forced displacement could serve as a model. In FCV-affected countries and regions, better structured partnerships for engaging on cross-border security issues are needed to transition from short-term and emergency responses to building systems and client capacity to prepare, manage, and recover from crises. However, the capacities of regional organizations vary greatly, and additional dedicated support may be needed. More cooperation with local, regional, and international institutions to gather data for evidence-based decision making is also important.

40. Collaboration should be tailored to respective institutions’ comparative advantages, which vary across sectors and countries. WBG partnerships with other MDBs and DFIs have been most effective when each institution offers a distinct and complementary financial or technical solution to support investments in FCV-affected countries. On security, while there has been cooperation, particularly in high-conflict areas or countries benefiting from the FCV Envelope, the WBG has not yet engaged systematically at the global level with international or regional security organizations in strategic dialogue or operations.

41. For the remaining Strategy period, the WBG will continue its mission-driven partnership approach and aim to reinforce or forge context-specific new partnerships. Building on existing frameworks and processes for identifying the most relevant partnerships, and working consistently within the principle of country ownership, the WBG will continue to enhance partnerships with humanitarian, development, security, and peacebuilding actors at the country level, including nongovernmental partners. Partnerships will draw on the WBG’s comparative advantage as a development actor, enhancing the impact

³⁵ As part of the Global Alliance for Food Security, the IBRD/IDA is supporting countries as they develop and operationalize food security crisis preparedness plans in 26 countries, in close collaboration with the Global Network Against Food Crises, FAO, OCHA, UNICEF, WFP, and the UN Famine Prevention and Response Coordinator.

of operations on the ground and ensuring effective implementation arrangements with third parties as needed. Modalities of collaboration will remain flexible given the heterogenous nature of FCV, and seek to quickly adapt to specific and sometimes fast-changing FCV contexts. This includes efforts to better monitor and learn from partnerships. Partnerships will also be closely guided by the implementation of the IDA20 FCV policy and financial package and WBG trust fund policy and reform.

2.4 Personnel

42. The FCV Strategy aims to ensure that the overall skills mix and on-the-ground presence are in place when needed, and that staff are motivated and incentivized to work in and on FCV contexts. Personnel has been a key element of the operationalization framework for the Strategy, promoted across four key areas: *footprint and skill mix, careers and incentives, staff health and safety, and learning and development*. These are complemented by operational measures (see annex 5).

Footprint, skills mix, and recruitment

43. The WBG has continued to make progress expanding its footprint in FCS;³⁶ this includes growth at professional grades, expanded external recruitments, national and international staff, and female staff. As of FY23 end-Q2, total WBG staffing in FCS was 1,317, compared to 836 staff at end-FY18. Over this period, GE+ local staff in FCS increased at a slightly higher rate (79 percent) than international staff (68 percent). This growth is partly due to the inclusion of several large country offices in the FCS list since end-FY18. However, it is worth noting that the staffing footprint also grew when using the fixed FY19 FCS list, with GE+ staffing increasing by 9 percent from end-FY18 to end-Q2 FY23. Furthermore, FCS-based staff are also becoming more senior, as of end-Q2 FY23, GF and GG grades now comprise 54 percent of the total IBRD/IDA FCS staffing footprint, and 62 percent of the total IFC FCS staffing footprint. Increasing staffing in or near FCS has been a priority for IFC, which had 189 staff across 25 offices in FCS as of mid-FY23, up from 94 in FY18. There has also been an increase in IFC and MIGA staff in African hub offices.

44. While this growth in the staffing footprint is encouraging, more is needed to ensure the appropriate skills mix and on-the-ground presence of dedicated FCS-based staff in critical functions. According to IEG's Global Footprint Evaluation, which considered IBRD/IDA staffing, many country offices in FCS still lack staff in key roles. For example, FCS lag behind non-FCS when it comes to having task team leaders based in country offices. IEG also noted the importance of having in-country presence of strong procurement, fiduciary, and safeguards staff to provide timely support to clients. More generally, there are challenges in recruiting and retaining experienced and senior staff in FCS (IEG 2022). Particularly with FCS, the Bank has seen an uptick of external hires, possibly as a sign that it can be difficult to recruit internally to these positions. Use of third-country nationals has been important; although the numbers are still low, they are growing and can help get skilled staff to FCS (IEG 2022).

45. Dedicated staff with FCV expertise help to enhance FCV sensitivity in country engagement products and operations, but their deployment and roles remain ad hoc. More could be done to ensure staff with well-defined FCV roles and responsibilities are placed systematically in FCS. FCV roles within the operational complex should also be clarified and formalized to ensure an appropriate mix of staff with

³⁶ IDA19 FCV Policy Commitment 6 initially aimed to increase the IBRD/IDA staffing footprint (GE+ staff and ETCs) in IDA FCS countries and nearby locations by net 150 over the IDA19 period. However, due to the shortened IDA19 cycle, the target was reduced from net 150 to 100. The net increase was 88 at the end of IDA19, compared to the target of 100, mainly due to reduced work programs in Afghanistan and Myanmar due to political shifts.

FCV-focused roles and responsibilities throughout the institution, which could contribute to strengthening career paths for staff with FCV expertise.

Careers and incentives

46. While talented staff are being attracted to positions in FCS countries, extra effort is needed to enhance incentives, opportunities, and career paths for people with FCV skills and competencies.

Talent indicators show positive patterns among WBG staff in FCS, with larger proportions of Top and Emerging Talent categories in FCS compared to non-FCS. Furthermore, since 2013, the percentage of IBRD/IDA staff with FCS experience promoted to higher grades has doubled, from 7 percent to 14 percent.³⁷ At the same time, challenges are evident through the lens of staff attrition in FCS. Attrition among local staff in FCS exhibited a decreasing trend from end-FY18 to end-FY20. Starting in FY21, voluntary attrition increased in FCS locations in both IBRD/IDA and IFC; at end-FY22 this number stood at 5.3 percent. While this parallels global trends and is not higher than attrition numbers in non-FCS locations, it should be closely monitored. In this regard, exit surveys indicate that the primary motives for departure among this group include being hired to better positions in other organizations and for personal or family reasons. This parallels feedback from international and third-country national staff considering FCS assignments.

47. Although there has been progress in the recent batch rotation exercise and targeted recruitment drives, and grade progression of staff assigned to FCS locations has been robust, staff have noted issues regarding job placement following FCS assignments.

Recent anecdotal feedback reveals concerns that taking on an FCS assignment may limit future career mobility and the ability to secure desired next assignments. Analysis of next assignment data for all internationally recruited FCV assignees in FY17, through the lens of their end-FY21 location, shows that out of 37 staff, 7 were extended in their FCS assignment, 4 were re-assigned to another FCS location, 10 were re-assigned to a non-FCS location, 11 were assigned to Washington, and 6 terminated their employment following their FY17 FCS assignment. Although this is a relatively small sample size, the noted termination number is higher than WBG averages; and, when combined with the percentage of staff extended in their FCS assignment and follow-on assignments to Washington, suggests challenges in knowledge transfer from the FCS assignment to a follow-on location. Additionally, in the FY23 batch rotation exercise, approximately 20 percent of FCV assigned staff eligible for rotation are pending placement or remain unplaced.

48. These findings call for expanding incentives for embarking on FCS assignments, ranging from the financial benefits provided during the assignment to opportunities and significant support to catalyze career growth following assignments.

IBRD/IDA staff on FCS assignment are already flagged and should be given priority in identifying next assignments, but extra focus is needed to improve the process, particularly so next assignments are secured in advance, and staff have career mobility beyond FCS assignments. Management will review the degree to which staff assigned to FCS should participate in competitive recruitments or should have their assignments managed deliberately. This may include considerations on location choice options for staff in good standing completing their FCS assignments and management sponsorship to ensure their growth is prioritized. Country Managers also report that while FCV skills and competencies are valuable, there is not necessarily a clear career path for staff with those skill sets, and FCV competencies and experience are not necessarily included as prerequisites for corporate

³⁷ The promotion data is shown over a longer time frame (2013–23) to better capture growth trends of promotions for staff with FCS experience as a proportion of all promotions, considering the overall number of promotions can vary significantly across fiscal years.

and management assignments. In this regard, IBRD/IDA is also further expanding the Career Championship pilot, a support mechanism sponsored by senior leaders to support career-enhancing opportunities through professional growth, visibility and exposure, and internal networking for under-represented groups and staff on assignment. In FY24, the expanded pilot will include top or emerging talent GF and GG staff with less than 18 months to end of assignment with a proven track record. Career Championship sponsors include GH and GI staff with FCV experience and high managerial IMPACT scores. Moreover, although much has been done to enhance the current benefits of relocating to FCS, challenges remain to support staff and diverse families in either the FCS duty station or nearby location, especially in terms of spousal employment, visa support, and education services among others. The cost of assignments in FCS (due to higher benefits and security costs)³⁸ and the associated budgetary incentives also need to be further reviewed. Annex 7 provides an overview of budget allocations for FCS countries.

Health and safety

49. The WBG has taken important steps to strengthen health and safety support to staff, but some significant challenges remain, particularly on health care support, which Management is committed to addressing. Enhanced multidisciplinary health and safety hubs have been established in Chennai, Nairobi, and Sofia. Mental health and psychosocial support offerings have also been scaled up. Several challenges have also been reported in certain FCS locations where the limited available health care and provider options has been a concern among staff, as has the health insurance coverage provided through the current medical benefits plan. Medical evacuations in certain FCS have also been reported as a concern, particularly in terms of timeliness. The WBG has expanded its security coverage to better support staff and operations in conflict-affected situations (IEG 2021). Overall, Corporate Security has increased its staffing by over 20 percent since early 2020, including in key strategic and conflict-affected locations, coupled with expanded deployment of security equipment.³⁹

Learning and development

50. Training and capacity-building for FCS staff has continued to be enhanced, though there is still room for further progress. Staff who have expressed interest in taking on an FCS assignment within the next two years benefit from outreach to help them make the transition.⁴⁰ Customized FCV learning offerings have been enhanced, including FCV leadership programs, a dedicated FCV onboarding program, an FCV mentoring program, and a comprehensive FCV learning curriculum, of which the FCV Core Course is a central part.⁴¹ IFC developed a five-day face-to-face course on investing in FCS and LICs and an e-learning module on applying conflict sensitivity to IFC investments in fragile and conflict-affected situations—a significant milestone. Beyond these customized learning offerings, a range of FCV-focused seminars, trainings, knowledge exchange events, as well as the flagship bi-annual fragility forum have been offered to staff and external partners at an increasing scale and frequency. While the introduction of these

³⁸ Locating staff in FCS countries costs about 40 percent more than locating staff in non-FCS countries. FCS countries also have higher security spending.

³⁹ Access to relevant equipment and armored vehicles in high-threat locations has expanded, and since the launch of the Strategy the fleet of WBG armored vehicles in use around the world has increased by more than 25 percent.

⁴⁰ These tools include (i) an FCV onboarding platform to help staff understand their options in building knowledge and experiences through continual learning and career enrichment; (ii) the Road to FCV, a new career development session to share the value of FCS assignments and plan for a future assignments; (iii) FCS Experience Maps to capture real-life examples from FCS assignments; and (iv) peer networking (piloted in FY22) between staff new to FCS and those experienced in FCS locations to learn, adapt, and grow through mutual exchange.

⁴¹ The FCV Core Course has been delivered continually for almost five years. In FY22–23, the course was delivered to approximately 280 staff in Burkina Faso, Cameroon, Chad, Iraq, Mali, Mozambique, Niger, Sudan, and Timor Leste.

learning offerings is a significant milestone, there is still room to improve the rate of delivery, as well as introduce more specialized trainings on topics such as procurement, environmental and social framework, and financial management and fiduciary in FCV.

Next steps for personnel

51. While significant progress has been made on advancing the personnel component of the FCV Strategy, considerable challenges remain to strengthen the incentives, support, and career paths for FCV staff, and Management is committed to addressing them with concrete actions going forward.

In this regard, a high-level working group across the WBG is being established to address these challenges and identify specific measures and recommendations to further optimize FCV staffing. Initial working group discussions are planned in Q1 FY24, with the aim of agreeing on priority areas for Management to address regarding personnel in FCV. Several issues will potentially be explored by the working group, including how to ensure a holistic approach to staffing in FCV that takes into account the complete personnel life cycle—from attracting FCV-oriented staff in recruitment to proactively building the talent pipeline, supporting staff safety and health during assignments, incentives for working in and on FCV, and clarifying career paths and next assignment planning. Linked to this, Management will also consider how to best ensure that FCV roles, expertise, and competencies are defined, staffed for, recognized, formalized, and deployed to support work on the FCV agenda. Management will also review issues related to budget allocations for assignment benefits and how this can be designed to better incentivize assignments in FCS and linkages with hardship considerations. This will ensure that the staffing model serves operational priorities on FCV, and at the same time it will create robust career paths throughout the institution.

III. Areas of Focus

The MTR focused on specific areas of implementation of the FCV Strategy. This section first reviews the implementation experience across the four pillars of the Strategy, followed by a review of an additional five cross-cutting areas of particular significance to the FCV Strategy implementation.

3.1 Pillars of the FCV Strategy

3.1.1 Prevention and transition (pillars 1 and 3)

52. The FCV Strategy conceptualizes conflict prevention as directly addressing key drivers of fragility and strengthening sources of resilience. This entails strengthening the social contract between citizens and the state, enhancing the legitimacy and capacity of core institutions, leveraging the private sector, and addressing gender inequalities, social exclusion, and marginalization. Prevention can take different forms, and support for a transition out of FCV can start before, during, or after armed conflict. These are long-term, collective efforts, and progress is not linear. The Strategy calls for tailored approaches to each context in line with the principle of differentiation. The WBG is committed to supporting FCV prevention and transition through analysis, policy dialogue, partnerships, and programmatic responses, and by helping countries anticipate and prepare for different types of shocks.

Continuing efforts to strengthen institutions

53. Strengthening institutions is at the heart of WBG prevention and transition efforts. Governance pillars in CPFs often articulate the link between state legitimacy, institutional effectiveness, and stability (IEG 2021), and progress may be tracked on indicators of transparency and accountability

(e.g., budget transparency and revenue transfers) and citizen engagement. However, the proportion of investments in governance-themed projects has not kept pace with overall finance to FCS countries (see annex 3). Indeed, despite the lessons of *World Development Report 2011: Conflict, Security and Development, Pathways for Peace*, and numerous RRAs, Bank engagement on specific aspects of governance—such as rule of law and the justice sector, or transparency around distribution and management of natural resources—is limited in FCS countries (WB 2023d; 2023g).

54. The WBG has provided important support for core government functions such as public financial management and capacity-building of public administration in prevention and transition contexts.⁴² Emphasis is increasingly placed on doing so in a manner that people regard as effective and equitable, including through local governments. Most projects also promote greater transparency, and some actively support strong citizen engagement (WB 2023d). In countries with large inequities across regions and low state presence outside the capital, the trend is to support local authorities to reinforce the social contract at the local level—for example, through support to financial or human resources reforms applied to sectors such as education or health, through Program-for-Results (PforR) in, for example, Niger and Burkina Faso.⁴³

55. The success of these institution-building efforts is modulated by the internal conflicts, interests, and incentives of actors and stakeholders to support them and their suitability to the political and social context. Attempts to build institutions and systems do not hold up when they are undermined, actively resisted by entrenched interests, or unsupported by suitable accountability mechanisms. This is of course true in any context, but in FCV contexts in particular, the challenge can be exacerbated. In addition, experience has shown that it is important to temper expectations for rapid outcomes from “first best” system and institution-building efforts that mimic typical models, and instead recognize the importance and role of broader scope of political, social, and economic institutions, some of which may be informal. This demands a keen understanding of the FCV dynamics and political economy, resistance to “importation” of technical solutions that might not be suitable to the local context, and an ability to adapt to challenges and opportunities.⁴⁴

Strengthening resilience and the social contract

56. The FCV Strategy highlights the importance of building resilience, yet without specificity on how to do so in WBG diagnostics and programming, which remains a challenge. Identifying and strengthening sources of resilience is crucial to helping institutions, communities, households, and individuals withstand crises and setbacks in transitioning out of FCV. Yet even with the updated RRA methodology, teams report that it is difficult to identify sources of resilience or recommend ways to strengthen them. While existing definitions and concepts are useful in laying out the broad parameters, they do not provide guidance on how to apply them in specific country contexts. Resilience is intangible and its sources might not be immediately evident or obvious. This has frequently led to RRAs either focusing mainly on challenges and risks, or describing areas of resilience too generic to be translated into action. These challenges have been recognized, and more analytical work is planned to fill this knowledge gap.

⁴² Commitment to this agenda is reflected in the IDA20 policy commitment and a previous IDA19 commitment supporting governance in IDA FCS countries.

⁴³ PforRs are still used in only 7 percent of projects in FCS, but their use for strengthening systems appeals to some FCS countries; Cameroon, Chad, DRC, Guinea-Bissau, and Nigeria are all planning to use PforR or increase its use, but the use of this instrument, and of IPFs with disbursement-linked indicators, remains constrained where country systems are lacking.

⁴⁴ The Afghanistan Lessons Learned exercise (Verheijen, Ahmadzai, and Hogg 2022) discusses lessons in this regard.

57. The WBG continues to focus on renewing the social contract, using various tools to assess what citizens expect from the state and what the state can legitimately expect from citizens. A 2019 IEG evaluation found that such efforts are most effective when anchored in regional and country engagements, and it noted a lack of operations focused on citizen engagement specifically (IEG 2019). Since then, Reform, Recovery, and Reconstruction Funds (3RF) in Iraq and Lebanon have been launched as strategic partnerships between the government, civil society, and the international community to integrate and mainstream transparency and accountability into the planning, programming, and implementation of recovery and reform projects. Initiatives in Guinea, Niger, and Tajikistan showcased the potential of collaborative social accountability mechanisms to strengthen state-citizen engagement and improve public service delivery in FCV contexts (Poli et al. 2020). The Bank plans to develop a new citizen engagement and social accountability strategy, along with a new institutional Global Partnership for Social Accountability, with an even stronger FCV perspective.

Policy dialogue on prevention and transition under the FCV Envelope

58. As key WBG financing tools in FCV contexts, the PRA and TAA⁴⁵ have supported more structured policy dialogue with government authorities in IDA countries and a robust platform for consultation and dialogue with partners. The introduction of a systematic process for establishing and maintaining eligibility for PRA and TAA financing has allowed the Bank and its partners to support the client governments in IDA countries on prevention and transition strategies and programming that encompass interconnected development, governance and security dimensions (see annex 4).⁸⁶ As noted earlier, for countries accessing the PRA and TAA, the additional funds have provided a decisive incentive to realign IDA-financed programs to address FCV drivers, though it is too early to measure results.⁴⁶ Coordination with partners varies by country, but has involved aligning diagnostics and approaches to key policy challenges, consultation on key government milestones, and monitoring. This has been particularly the case with issues outside the WBG's comparative advantage or mandate, or where partners are providing support to the government, such as on political, stabilization, security, humanitarian, and justice matters (see annex 4).

59. A review of PRA and TAA milestones undertaken for the mid-term review shows 67 percent of the milestones or yearly targets have been achieved or shown significant progress. Security and development-related milestones progressed relatively well. In Somalia, a policy paper on principles for resource-sharing was issued to guide decentralization, and the flow of fiscal transfers to Somalia's Federal Member States was sustained. Progress was more limited on 27 percent of government milestones, and on 6 percent there was no progress. Overall, there has been less progress on milestones at the policy or legislative levels and on strengthening national systems than on milestones focused on providing services on the ground.⁴⁷ This points to the challenges in effecting wider policy and systems change. Niger made significant progress on the adoption and implementation of a national security policy document, and all

⁴⁵ Introduced under IDA19, the FCV Envelope builds on lessons learned from the IDA18 Risk Mitigation Regime (RMR), as well as the Turnaround Regime (TAR). As part of the eligibility process and a cornerstone of the dialogue, governments make a series of specific commitments (i.e., milestones) from their respective national strategies to be achieved over three years. Overall progress is reviewed yearly.

⁴⁶ IEG noted that CPFs in countries that have received the TAA present a coherent narrative about their transition out of fragility and are mainstreaming conflict considerations in their country portfolio (IEG 2021). The qualitative meta-analysis of portfolios noted a marked difference between countries accessing the PRA or TAA and those that are not in terms of how consistently portfolios address FCV drivers (WB 2023c).

⁴⁷ Analysis carried out for the MTR indicates that 68 percent of policy or legislative milestones were achieved or displayed significant progress, while 53 percent of milestones focusing on national systems were achieved or displayed significant progress, compared to 78 percent focused on providing services on the ground.

border and at-risk municipalities now have peace committees.⁴⁸ Though good progress was made, this alone could not prevent the recent efforts to overthrow the democratically elected government.

60. The IDA19 Retrospective highlighted the importance of regularly reviewing progress and milestones and considering transitions out of fragility and conflict. There have also been concerns over whether the IDA could do more and come in earlier with dedicated funding regarding prevention, as the PRA is focused on preventing further escalation of conflict where there are already conflict-related fatalities, as opposed to supporting more upstream conflict prevention or where fragility manifests in other ways (as noted in consultations; see annex 6). Efforts are underway to explore how the FCV Envelope could support countries committed to addressing FCV drivers earlier, noting that these efforts necessarily are constrained by the availability of scarce IDA resources, and that a focus on prevention is desirable and possible in all countries, regardless of access to dedicated FCV financing. Furthermore, considering the volatile nature of FCV, careful planning around funding levels will be critical as countries successfully achieve conflict prevention, exit from active conflict and turnaround, or otherwise become ineligible against the criteria for accessing the PRA, RECA, and TAA. This needs to be considered in a way to avoid a sudden drop in financing so as to not increase FCV risks.

Broadening support for prevention through analysis, programming, and monitoring

61. The WBG is providing a broad range of support to countries to address FCV proactively, including in non-FCS countries and in MICs—but there is still more to be done. FCV-related analytics are being undertaken in several non-FCS countries, such as RRAs in the Gulf of Guinea and Mauritania, and those in MICs such as Honduras and Nepal. Some programmatic responses explicitly address early stages of conflict, such as the Gulf of Guinea Northern Regions Social Cohesion Project,⁴⁹ which combines a community-driven approach with local economic development to improve conflict resilience of territories facing increasing security risks. Still, efforts to address FCV drivers early and before the onset of conflict through the operational portfolio remain uneven, especially in MICs and non-FCS countries (WB 2023c). Factors include the availability of analytics, access to concessional financing, and political will and sensitivities. The availability of trust funds provides an important option for innovative work that can be scaled up through WBG programming (see box 1).

Box 1: Scaling Up through Trust Funds: The State and Peacebuilding Fund (SPF)

The SPF is the WBG's largest global trust fund supporting the implementation of the FCV Strategy and provides a vital source of financing in FCV contexts, where catalytic funding is critical. The SPF finances pilots of innovative analytical and operational activities that can be mainstreamed and scaled up—for example, a grant in the Lake Chad region to support the governments of Chad, Niger, Cameroon, and Nigeria in enhancing preparedness and cross-border collaboration efforts. The grant supported the development of a platform to monitor regional fragility and development trends, the first of its kind in the region, and to facilitate regional dialogue. The grant activities informed the Lake Chad Region Recovery and Development Project, a US\$170 million IDA project that provides agricultural livelihoods training to over 23,000 individuals and has supported over 11,000 beneficiaries to date, including almost 8,000 youth. From 2009–22, 79 percent of SPF funding was for recipient-executed projects. In the same period, 44 percent of activities funded by SPF grants were scaled up or mainstreamed, with even higher uptake for gender-focused grants (68 percent). Going forward, frontier areas the SPF may invest in include work to address the intersection of climate change, disaster risk, and FCV; governance and institutional transformation in FCV contexts; and mental health and psychosocial support.

⁴⁸ An irregular political transition took place in Niger in July 2023, illustrating how volatile these situations can be, where efforts for prevention and transition can be derailed despite best efforts.

⁴⁹ P175043.

62. The WBG is also expanding regional and country risk monitoring systems, including in countries where there are ongoing or nascent FCV situations of concern, but which may not be on the FCS list. Monitoring and analysis of fragility, conflict, and risks provides valuable insights to inform country engagement (e.g., in the Kyrgyz Republic, Nepal, or Sri Lanka), and in active conflict situations. In addition, given the role that conflict can play in exacerbating a broader range of risks, global compound monitoring tools can inform adaptive management of risks that may emerge across multiple dimensions and support countries in preventing compound crises from developing or deteriorating.⁵⁰

63. The WBG is increasingly using geospatial data across FCV contexts, including in prevention. The production and use of maps, dynamic dashboards, and advanced spatial analyses are informing operations and expanding analytics. The Project Targeting Index is an evidence-based approach to guide the geographic targeting of projects based on country strategies and objectives. It has been applied in several countries, including Cameroon, DRC, Ethiopia, and Madagascar. Another tool, Geo-enabling for Monitoring and Supervision (GEMS),⁵¹ is coupled with extensive capacity-building for client and project teams in both FCS and non-FCS countries. Some regions and countries, such as the Sahel, use geospatial conflict and portfolio data to apply a spatially differentiated approach to WBG-supported investments depending on the severity of conflict and what is feasible in the short, medium, and longer terms. IFC has mainstreamed the use of conflict data into its early project screening as part of environmental and social due diligence, and in high-risk contexts, geospatial analysis feeds into mitigation measures with private sector clients. Much of the analytics, monitoring, and data collection is financed through trust funds.

Persistent challenges to prevention and transition

64. Political turmoil can pause, and, in some cases, halt, dialogue and operations to prevent and transition out of FCV situations, which calls for adaptive and responsive approaches. For example, in 2020, Sudan re-engaged with IDA following 27 years of disengagement, and peace accords were signed after 17 years of conflict. The government committed to a series of reforms in the political, economic, and social sectors, supported by the WBG and the international community, in what was described as a high-risk, high-reward engagement to support Sudan’s economic and social renewal (WBG 2021). However, a coup in 2021, and armed violence in April 2023, derailed this engagement. Similarly, despite investments in prevention, FCV contexts can deteriorate, pointing to the limits of what can be achieved through prevention and transition engagements, as illustrated in the Sahel (see box 2). Experience in Afghanistan has also shown that the WBG and other donors cannot help societies “transition out of fragility” if the domestic political and security dynamics do not support it (WBG 2023d). This underscores the need for long-term and adaptive approaches that can respond to both progress and setbacks, recognizing the complexity of FCV situations (WBG 2023b). Research and experience clearly indicate the benefits of

⁵⁰ The WBG is testing a Compound Risk Monitor, which is a real-time risk monitoring system that provides an overview of current and emerging threats across a range of sectors, including natural hazards; food security; conflict and fragility; macro-fiscal conditions; socioeconomic vulnerability; and health. It collects and aggregates real-time data from sectoral risk repositories drawn from WBG and reputable external sources, allowing identification of countries that are “hot spots” of compound risks that pose significant threats to development and poverty alleviation.

⁵¹ GEMS builds local capacity with clients and project teams to use simple tools to collect structured and geo-tagged, real-time data from the field and create customized digital monitoring systems. It relies on KoBoToolbox, a free, open-source, and donor-funded set of tools. GEMS can help provide insights into areas where access for development practitioners is limited due to active conflict, high insecurity, or logistical constraints.

Box 2: Learning from the Sahel experience

Over the past decade, the Sahel has experienced a growing security crisis that is now spreading toward coastal West Africa and the Gulf of Guinea. The drivers of FCV are complex and multifaceted. In addition to geopolitical complexities and the aftermath of historical military collaborations, new military partnerships, violent extremism, and the repercussions of instability stemming from Libya, the fragility factors also encompass issues like feeble governance, lack of trust in State institutions—particularly in security and justice—social exclusion, weak social cohesion, and inadequate state presence, including the absence of essential services and economic prospects. Furthermore, there is poorly regulated competition over natural resources (land and water), which has been exacerbated by the impacts of climate change and population pressures. Throughout the region, there has been a series of irregular political transitions since 2020.^a This has led the WBG to temporarily pause operations under OP 7.30 assessments. The challenge of remaining engaged is a delicate balance against the risks of a stop-and-go approach or of inaction that have a direct effect on WBG efforts to protect the poorest and most vulnerable and to minimize the erosion of institutional capacity. Notwithstanding the regional turmoil, WBG support to the Sahel countries has both expanded and adapted to changing conditions all under a people-centered approach. Since 2020, Burkina Faso, Chad, Mali, and Niger have gained access to the PRA,^b allowing the WBG and its partners to support the client governments on prevention strategies and programming that encompass interconnected development, governance, and security dimensions. Partnerships have been strengthened on analytics, policy dialogue, and through platforms such as the Sahel Alliance. Regional and national RRAs, conflict tracking, and collaboration with external experts have increased country teams' contextual understanding. Despite some progress, the Sahelian governments face persistent challenges and limited success in implementing their prevention approaches.

Two key lessons are emerging from the successive upheaval and deteriorations in political and security conditions. First, that the WBG and other development partners are limited where progress largely depends on domestic and regional political and security dynamics. The WBG could benefit from stronger and more formalized cooperation with regional organizations that can influence the security situation as a prerequisite for development efforts. Second, it is increasingly clear that more efforts are needed upstream to support countries in addressing FCV drivers and building resilience before insecurity becomes entrenched. For instance, efforts are underway to explore how the FCV Envelope could support countries committed to addressing FCV drivers earlier, noting that such efforts are naturally also desirable and possible in all countries regardless of access to dedicated financing.

Notes: a. Burkina Faso in January and September 2021, Chad in April 2021, Mali in August 2020 and May 2021, and Niger in July 2023; b. Mali FY22 and FY23 annual reviews are pending and Niger is, as of September 2023, undergoing an OP 7.30 assessment.

conflict prevention (conservative economic estimates suggest a return of US\$16 per US\$1 invested) (UN and WB 2018), and the positive role that development assistance can play, but more research is needed on how that assistance can be deployed most effectively. The existence of compound risks and overlapping crises also underscores that focusing on conflict alone is not enough; other drivers of fragility must be considered as well.

65. The WBG will continue to use different types of analytics, instruments, and financing in regional and country engagements and responses, while developing a deeper knowledge and evidence base on prevention and resilience. The current focus on strengthening institutions and the social contract, and addressing the social exclusion of vulnerable and marginalized groups, remains relevant to guide WBG interventions, within the overall principle of differentiation.

3.1.2 Remaining engaged in the most challenging and volatile situations (pillar 2)

66. Remaining engaged during conflict and crisis remains at the heart of WBG engagement. The FCV Policy states that WBG engagements span the FCV spectrum, including remaining engaged during situations of crisis and violent conflict to protect human capital, institutions, and development gains, and emphasizes the importance of partnerships. The Strategy notes engagement should be informed by analysis of the value the WBG can add to protecting human capital of vulnerable groups and strengthening institutions to preserve development gains and build capacity for recovery. The Strategy also recognizes that partnerships are fundamental to the WBG's engagement in challenging and volatile situations, in part because they allow the WBG to leverage the presence of other actors in hard-to-reach areas.

67. WBG engagement in politically challenging and highly insecure contexts depends on a range of factors. Despite a deteriorating security situation, the WBG has remained engaged in Afghanistan for decades, with a comprehensive program implemented through government systems and a significant staff presence in Kabul. During the 2001–21 period, this engagement contributed to an increase of nearly 12 years in life expectancy, a 23 percent rise in primary education, a decline in fertility rates from 7 to 5 births per woman, and an increase in the share of households with access to electricity from 41 percent to 98 percent (Verheijen, Ahmadzai, and Hogg 2022). WBG support to Ukraine after Russia’s invasion shows the WBG can step up if there is a supportive authorizing environment. In the most challenging and insecure situations, the FCV Policy and OP 7.30, Dealings with De Facto Governments, provide a suitable, flexible framework for engagement and disbursements. In addition to the variable authorizing environment, other factors have bearing on the extent to which the WBG engages in these settings and how it does so, including the WBG mandate and comparative advantage, the country’s humanitarian, crisis, and poverty situation, and the presence of minimum operating conditions, including security. In other situations, where there is

Box 3: Remaining Engaged in Ukraine

The World Bank Group’s emergency support in Ukraine, which features several distinctive innovations, presents opportunities for replication to provide both public and private sector support in other emergency situations—if the appropriate country conditions are present or can be put in place, particularly enablers such as the functional financial sector, payment, and social safety net systems. Since 2022, the WBG has mobilized US\$38 billion in commitments and pledges through a variety of financing instruments, including donor grants, IBRD and IDA loans, IBRD loans guaranteed by partners, IFC blended finance, and MIGA guarantees. These innovations include:

Needs Assessments During War: The Ukraine Rapid Damage and Needs Assessments (RDNAs) are prepared by the Bank with the Government, and in partnership with the European Union and United Nations. They provide the authorities and development partners an analytical foundation to identify near-term emergency and recovery priorities while converging around longer-term reconstruction needs covering different sectors across the entire economy.

Financing Essential Government Funding During War: The IBRD’s Public Expenditures for Administrative Capacity Endurance (PEACE) project, based on core learning from World Bank work in FCV situations and inspired by experience in settings including Guatemala and Somalia, supports critical government functions and the delivery of basic services. This is achieved by leveraging Ukraine’s strong public financial management systems and the fact that public transfers are paid digitally through the banking system.

IBRD Framework Projects: IBRD designs scalable projects with modular implementation in each sector, identifying a coherent program with clear outcomes to facilitate donor coordination. These projects follow a phased approach, so they are adaptable to events on the ground and flexible and scalable to integrate donor financing and requirements while targeting impacts and disbursing rapidly. This approach also helps to align potentially fragmented donor resources around a shared set of sectoral outcomes and implementation approach. Ongoing projects are supporting the health, energy and transport sectors, while new operations are under preparation for housing, agriculture, and social protection.

IFC Internal Risk Framework: IFC simplified and clarified processes and empowered decision-making without requiring escalation of investment terms outside the traditional means of assessing IFC investments. Pre-determined methodology for capital allocation and streamlining approval processes.

Facilitation of Financial Inclusion and Other Financial Sector Enablers: IFC initiatives in financial innovation include: (i) Digital Data Corridors to build cross-border sharing of digital data among credit bureaus in support of financial inclusion for migrant or refugee populations; (ii) Diversified Payment Rights to help manage foreign exchange risk and imbalance—a specialized structure with offshore collateral enabling lower credit risk for loans, as well as an enhanced security structure and potentially better lending terms; and (iii) non-performing loan (NPL) resolution and the introduction of Asset Resolution Companies to help banks offload NPLs from their balance sheets.

Wide Use of Guarantee Instruments: IBRD has advised countries supporting Ukraine that they can do so by guaranteeing IBRD lending to the country. This makes it easier for some countries to package support for Ukraine, by leveraging their support through IBRD with relatively low provisioning. This has pulled in both large and small guarantors. Overall, eight countries have committed to guarantees for Ukraine, with commitments totaling over US\$11 billion.^a

Note: a. These are committed guarantee amounts that are expected to be signed.

no clear pathway or consensus on the way forward, such as after the latest developments in Afghanistan, engagement has been more limited.

Strengthened engagement in the most volatile situations

68. Since the launch of the Strategy, the WBG has strengthened its engagement in the most volatile and insecure situations. Engagement has been facilitated by an increasing commitment and strong partnerships, the revised policy framework and flexible operational engagements, more systematic use of diagnostics, financing and implementation tools, and innovative solutions. The WBG is often able to help reduce the negative developmental consequences of political instability by restoring critical financing and leveraging donor funding. The WBG has expanded its support to both Yemen and Somalia, though without a permanent presence in these countries. The program in the Sahel has also grown, and the WBG has provided unprecedented and innovative support in Ukraine, from which important lessons can be drawn (see box 3). In cases studied by IEG (2021), the WBG helped preserve hard-won development gains by engaging with de facto governments during irregular political transitions in line with OP 7.30. More than 80 percent of emergency operations approved during these transitions effectively maintained critical service delivery. Remaining engaged during irregular political transitions has enabled IBRD/IDA to contribute to the preservation of hard-won development gains and limit the risk associated with inaction. However, the World Bank has had to wrestle with reputational risks in considering whether or how to engage with de facto governments, particularly those that are also a party to conflict (IEG 2021). Such engagement decisions can also have risks that can be difficult to predict given volatile and evolving contexts.

Third-party implementation is crucial to remain engaged

69. Partnerships and third-party implementation (TPI) through the UN and other international partners such as the International Committee of the Red Cross (ICRC) have proven crucial when government capacity is limited or engagement is otherwise constrained (see box 4).⁵² TPI enables the WBG to work in insecure environments where risks exceed the institution's risk tolerance and where engagement can continue only through arrangements to outsource management of those risks to partners better suited to operate in those environments. Direct financing to third parties in FCS, from both IDA and trust fund resources, has increased in order to maintain some level of engagement in situations where the WBG is unable to operate through governments. This ensures that support and services can be provided to the extent possible, and helps avoid the setbacks that result from disengagement (see figures 4 and 5). Examples include Afghanistan, Somalia, South Sudan, Sudan, and Yemen. Similarly, albeit on a more limited scale, the

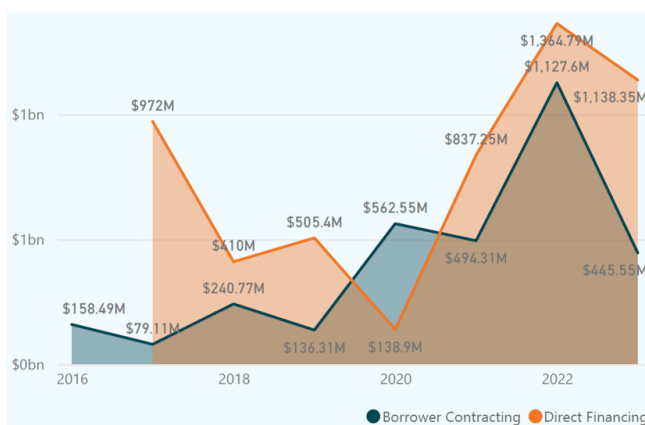
Box 4: Partnerships are Crucial for the WBG to Remain Engaged

Leveraging UN and humanitarian implementation partnerships has enabled the WBG to deliver critical services to conflict-affected populations in areas inaccessible to the WBG. Engaging UN agencies has enabled the Bank to reach conflict-affected populations residing in hostile and contested areas. Because UN agencies are better able than the WBG to negotiate with all parties to obtain access to parts of the country, partnering with them enables the Bank to better understand social perceptions, group and network dynamics (such as whether certain groups will act as spoilers), and how to avoid doing harm. However, such implementation partnership arrangements have at times also been challenged by different approaches to fiduciary and security rules and protocols when problems arise, stemming largely from differences in the operating models of humanitarian and development actors.

⁵² Direct implementation through third parties is used in FCV contexts facing large-scale conflicts, disasters, and political transitions. Direct financing is used in exceptional circumstances and allows the Bank to directly finance UN agencies or other organizations for project delivery while applying WBG operational policies. Indirect financing, the principal mode of engagement, allows IBRD/IDA borrowers to contract third-party implementors without competition where they are uniquely qualified and/or in situations of urgent need or capacity constraint.

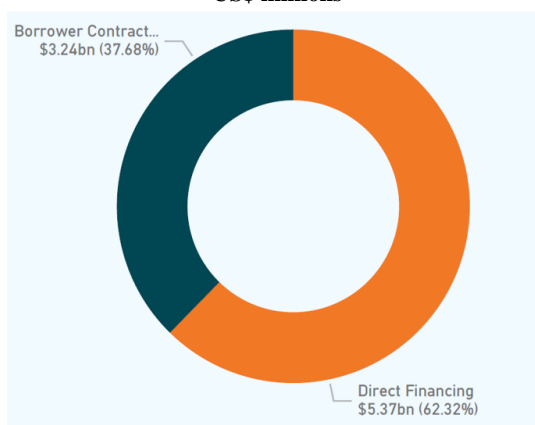
Myanmar Community Support Project⁵³ is designed to channel resources to communities directly through TPI to maintain operational engagement, coordinate dialogue with development partners, and protect the human capital of vulnerable people.

Figure 4: Direct TPI Financing in FCS (FY16–23), in US\$ millions



Source: OPCS (UN Prog. FCV Dashboard FY16–23, as of March 31, 2023).

Figure 5: Aggregate TPI Financing (FY16–23) in FCS by Direct and Indirect (Borrower) Contracting, in US\$ millions



70. While the Bank uses direct TPI only in very specific situations, recent experience shows it can be beneficial. TPI arrangements have enabled the Bank to maintain service delivery to conflict-affected populations and preserve development gains. Experience has shown that direct TPI through UN agencies and other third-party implementors does, nevertheless, imply considerations, including acknowledging that: learning curves related to Bank operational partnership requirements must be factored into preparation and implementation timelines; higher costs surface, given the operating contexts and associated due diligence and risk requirements; and, most importantly, medium-term capacity-building goals can suffer from being side-tracked when focus shifts to short-term, humanitarian response. Wherever possible, governments should be meaningfully engaged in TPI project design and implementation,⁵⁴ and there should be an exit strategy. The IBRD/IDA approach in these contexts is to build capacity and support institutions to pave the way toward government-led implementation (see box 5). Trust, transparency, and partnership are cornerstones of successful direct TPI arrangements, including proactively managing fiduciary and integrity standards. In-depth Bank corporate engagement with all UN and other third-party implementors has cemented understanding and agreement around processes. Even so, fulfilling the Bank’s operational policy requirements, such as fiduciary, ESF, and monitoring and evaluation requirements in these contexts can

Box 5: Strengthened Government Ownership in South Sudan

During IDA19 and IDA20, South Sudan has transitioned from direct TPI to an implementation model where the government is more firmly in the lead. From 2018 to 2020, Bank-financed projects in South Sudan were implemented by third parties, including UN agencies and ICRC. To lay the ground for a more sustainable development approach, the CEN FY21–23 proposed a gradual transition back to government-led implementation through a differentiated approach. Projects in sectors with higher levels of government ownership and accountability leverage a “hybrid model” where government ministries are responsible for implementation and oversight, but contract UN agencies to conduct the bulk of project activities and manage most of the funding. In other sectors, projects are implemented directly by third parties. Extensive capacity-building is provided to enable government ministries to assume greater responsibility over time. While start-up periods for projects are often longer than under direct TPI, this approach has incentivized greater government ownership, accountability, and performance.

⁵³ P179066. The project is supported through the Myanmar Partnership Multi-Donor Trust Fund.

⁵⁴ This can be more difficult in situations where direct TPI is being used due to OP 7.30 being triggered, and where dialogue with the de facto or interim authorities has been paused.

be challenging for humanitarian partners, creating a tension between the Bank's aspirations to provide support and the need to manage risks and maintain compliance with its operational policies. Regional and country-level coordination furthers such assurance: in Yemen, annual deep dives are credited with nurturing UN–WBG collaboration.

Increased innovation when it comes to monitoring

71. Third-party monitoring (TPM) has also proven instrumental in enabling the Bank to remain engaged and supervise projects. In Afghanistan, for example, a portfolio-wide TPM agent was hired early on to comprehensively monitor all projects funded by the Afghanistan Reconstruction Trust Fund. The agent is now used for projects that are implemented directly by third parties. In Somalia, a portfolio-wide TPM agent was recruited for a more limited scope, including to provide fiduciary expenditure eligibility review on recurrent costs, portfolio fiduciary and procurement monitoring, and capacity-building. TPM is costly, however, and like TPI, its prolonged use potentially absolves governments of their own mandate to monitor.

72. Country teams are increasingly innovating with real-time conflict risk identification and monitoring to remain adaptive in the most insecure environments. Although these efforts have often been developed in reaction to major conflict-related events that posed significant risks to the WBG and country portfolios, many have been sustained as a portfolio monitoring tool. Critical to these efforts is the use of local knowledge and the ability to interpret events to inform real-time decision making (IEG 2021). Conflict-tracking initiatives are ongoing in the Sahel, Horn of Africa, and South Sudan. The Horn of Africa dashboard, financed by a multidonor trust fund, is an important tool for strategic oversight of the growing regional portfolio. GEMS is supplementing this effort through a dashboard that maps the full portfolio of regional and country-level projects. IBRD/IDA is also collaborating with organizations such as the International Crisis Group that provides regular briefings to the country teams on FCV dynamics in the Horn of Africa and the Sahel to broaden its contextual understanding.

73. The WBG has developed a Remotely Conducted Damage and Needs Assessment (RDNA) methodology to facilitate recovery in fragile and conflict-affected settings while conflicts are still ongoing or where access is not possible. The RDNA leverages experience in Post-Disaster Needs Assessments (PDNAs) and is conducted remotely through the corroboration and analysis of tools including satellite imagery, social media analytics, drones, ground sensors, anonymized cellphone data tracking, Night Lights, and Active Fire data. This methodology has been used in many FCV contexts, including in Iraq, Gaza, Lebanon, Pakistan, Syria, and Ukraine.

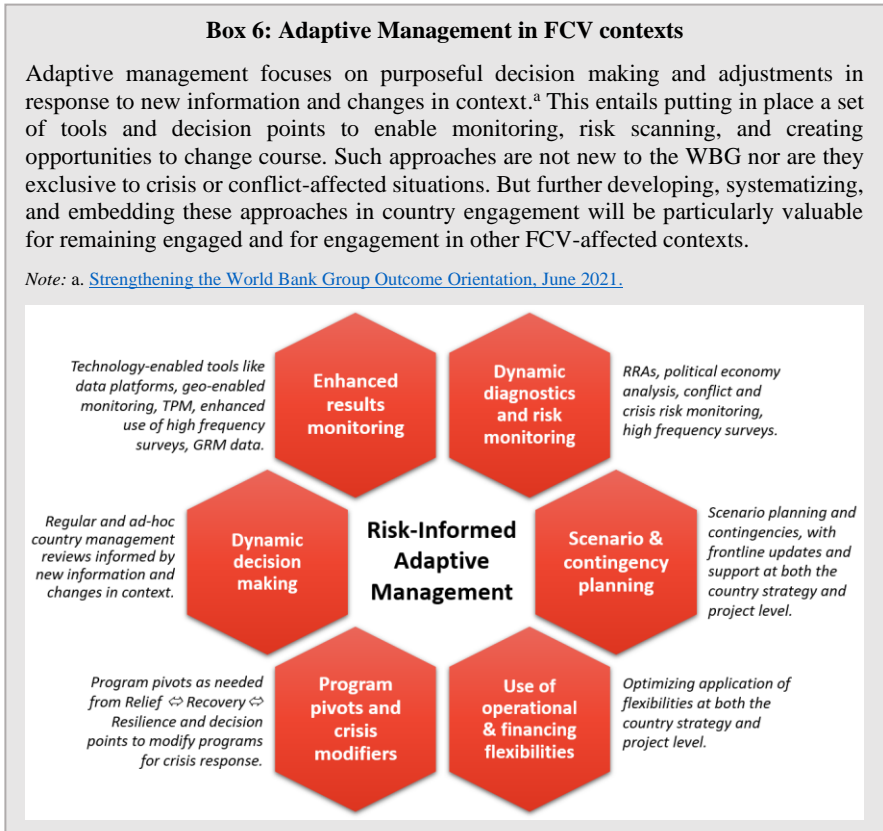
Financing tools for remaining engaged

74. The Remaining Engaged during Conflict Allocation (RECA) enables the Bank to maintain some engagement in IDA countries with high-intensity conflict and extremely limited government capacity. RECA builds on the experience of an exceptional allocation to Yemen under IDA18 and was introduced in IDA19 as part of the FCV Envelope. During IDA19, Yemen and South Sudan received US\$365 million from RECA. In South Sudan, RECA support has facilitated an ambitious expansion of the Bank portfolio (see box 5). Since FY17, the Yemen project portfolio has nearly tripled, from US\$850 million to US\$2.41 billion. RECA funding has helped sustain basic service delivery while supporting institutional capacities and human capital priorities. The Bank has implemented projects through international partners, mainly UN agencies. It has also invested in building the capacities of national and local institutions to prepare for a transition.

75. Trust funds have been crucial in enabling the Bank to operate in conflict situations in which IDA or IBRD financing is unavailable or limited. Country-level multidonor trust funds help mobilize and pool donor resources for these exceptional situations and have proven especially important for nonmembers such as the West Bank and Gaza. In Gaza, a trust fund provided initial finance for a solid waste management facility that then obtained additional financing from the Global Partnership for Results-Based Approaches. Single-country multidonor trust funds have also been key tools in Ukraine and Afghanistan. The cost of working in conflict situations can be very high, and trust funds can provide crucial resources. For example, the Somalia Multi-Partner Fund, launched in 2014, has financed enhanced risk management for the country portfolio that was key to building confidence in country systems, improving supervision, and enabling rapid feedback. Still, it is important to note that relying on trust funds over the long term may not be sustainable.

Persistent challenges to remaining engaged

76. Despite progress, the WBG faces challenges in sustaining and adapting engagement in the most volatile environments. The FCV Policy and OP 7.30 provide a useful framework, but dynamic political contexts and authorizing environments, and uneven WBG risk tolerance (IEG 2021), have led to different responses. There can be difficult trade-offs between protecting human capital and institutions in the near term versus longer-term sustainable development agendas and institution building, particularly in active conflict contexts. Experiences in diverse contexts during the COVID-19 pandemic, or in the Sahel and Ukraine, have demonstrated how country programs can adapt and create pivots between immediate response, recovery, and resilience. The WBG will continue to take an incremental approach in insecure contexts, learning from experience, and reinforcing its focus on adaptive approaches (see box 6).



77. There are also key institutional and operational issues that hinder staff from engaging effectively in conflict situations. IEG highlights disincentives stemming from the pressure to disburse funds and the higher cost of supervision, in a context of limited resources for project implementation, which have the effect of discouraging staff from covering conflict-affected areas (IEG 2021). This is evidenced by the fact that multidonor trust funds are used to finance supervision and TPM in insecure environments. Countries that do not have access to such funds face an added challenge.

78. Despite stepped-up efforts, security risk management remains a challenge and varies by country. Teams have different approaches to the risks of sending staff to project sites for supervision, for example. Tools have been developed to address these issues. In Afghanistan, creative use of TPM compensated for limited access to clients and project sites as the security situation deteriorated. In Niger and Nigeria, a pilot has been launched to better inform WBG planning and operations and more effectively manage security risks to staff, implementers, beneficiaries, and assets. As protecting staff is paramount, the choice of implementation modality, and how much in-country Bank staff presence they require, is critical (Haque, Roberts, and Ahmadzai 2023). The WBG will continue to strengthen, learn, and adapt how it works in the most challenging FCV contexts based on the FCV Strategy. IEG has noted there is particular scope for more systematic risk monitoring. A key step is to continually use this information to adapt WBG engagement as contexts evolve.

3.1.3 Regional, cross-border, and spillover challenges (pillar 4)

Regional and cross-border work

79. The FCV Strategy serves as a crucial milestone in recognizing the importance of enhancing the WBG’s focus on regional, cross-border, and spillover FCV challenges, in tandem with IDA. During IDA19, the Regional Window contributed US\$5.9 billion to 44 operations in 41 countries, focused on addressing development challenges requiring cross-border collaboration in FCS countries. In addition, the 2020 update to the FY18–23 Africa Regional Integration and Cooperation Assistance Strategy committed that under IDA19, and in line with the FCV Strategy, the WBG would implement regional integration programs in four FCV priority areas: the Sahel, Lake Chad, the Horn of Africa, and the Great Lakes.

80. Portfolio reviews conducted as part of the regional RRAs found that regional portfolios—and particularly newer projects approved under IDA19 and since the launch of the FCV Strategy—broadly take FCV considerations into account. For example, the Afghanistan and Central Asia cross-border areas Regional RRA noted that the WBG had been active in conflict prevention (e.g., through the Regional Engagement Framework for Central Asia, the Tajikistan RRA, and a subsequent CPF), including through operations designed to address FCV drivers and mitigate risks, such as the Central Asia Resilient Landscapes Restoration Program (Junaidov 2023; Government of Uzbekistan 2022; Setlur 2022). Similarly, in the Great Lakes, a regional trade facilitation and integration project was approved in 2022 to support cross-border trade (WB 2022c).

81. To operationalize its commitments under the FCV Strategy, IFC is also expanding its regional support for private sector development in fragile settings. In 2022, IFC launched the Africa Fragility Initiative (AFI), a five-year, US\$74 million program to scale up support for the development and implementation of investment, upstream, and advisory programs in 32 FCS countries. The program builds on the Conflict-Affected States in Africa (CASA) Initiative and will be implemented through five subregional platforms focused on building partnerships, knowledge management, and delivering innovative, tailored, conflict-sensitive approaches to promote responsible investing in fragile countries.

82. Regional platforms such as the Sahel Alliance, the Lake Chad Basin Commission, and the Horn of Africa Initiative have been critical forums for dialogue on shared fragility challenges. These platforms have enabled the WBG to leverage its comparative advantage in convening diverse actors to discuss the complementary development, humanitarian, political, security, and/or peacebuilding support needed to address the drivers and impacts of complex regional FCV dynamics. The WBG’s approach to

partnering with, and supporting the capacity of, institutions such as the Intergovernmental Authority on Development (IGAD), the Economic Community of West African States (ECOWAS), the Lake Chad Basin Commission (LCBC), or the African Union Commission (AUC) has also been a core part of its regional engagement, although the capacity of regional organizations can vary.

83. Embedding regional and cross-border FCV issues within country engagement documents is key to ensuring greater national ownership and guiding WBG programming. Experience has shown that regional analytics, including ongoing contextual monitoring and regional programs, are key to prioritize investments in marginalized borderlands that are often among the most socially, politically, and economically deprived within a country. Moreover, regional RRAs can also be helpful in ensuring that FCV-related dynamics are covered within the strategies of non-FCS countries. For example, the Horn of Africa RRA served to inform the recent Kenya CPF, particularly as it relates to the spillovers of conflict and violence, as well as the importance of addressing spatial inequities in marginalized borderland regions. Regional analytics could be further leveraged to inform country engagement documents.

84. Regional projects are often highly complex, as they involve different national governance structures and systems, while operations in FCV contexts call for simplicity, focus, and realism. Weak capacity, limited presence and on-the-ground access, along with insecurity, make project implementation challenging in FCV contexts. For regional projects these challenges are multiplied by the need to address them in more than one country, and by potential political sensitivities between countries. Given the challenge of operating in FCV-affected cross-border regions, there needs to be adequate resourcing provided for implementation and supervision, as well as more systematic use of digital tools.

85. With the notable exceptions of Afghanistan and Central Asia, most of the strategic, analytical, and operational engagement on the regional FCV agenda has focused on IDA-eligible countries in Africa. This is due in large part to the prominent crises in major African subregions, as well as the availability of additional concessional financing through the IDA Regional Window. Looking ahead, similar approaches could be considered in other priority subregions, such as the Levant and Central America. These are largely MIC areas where cross-border and regional FCV dynamics affect development outcomes and where regional approaches supported by concessional financing could incentivize cooperation.

86. There is a need for the WBG to invest in analytical work, monitoring, and early warning systems to help inform prevention approaches and address cross-border impacts of FCV. Understanding the intersection of diverse risks—such as conflict, climate change, pandemics, and food crises—is essential to develop more targeted, multisectoral, and risk-informed approaches. These issues could be explored further through tools such as the Compound Risk Monitor and the CCDRs. Embedding FCV analysis in Regional Economic Memorandums can also be an avenue to elevate the visibility of regional and cross-border FCV challenges, both with client countries and within the WBG.

Forced displacement

87. As part of efforts to mitigate FCV spillover effects, the WBG has maintained its focus on advancing medium-term development-related processes and practices related to forced displacement. The *2023 World Development Report (WDR) on Migrants, Refugees, and Societies* emphasizes the role of country policies in adopting sustainable hosting practices, building on the recognition that hosting refugees is a global public good and that costs must be shared equitably. Given that many FCV countries are sources and hosts both of economic migrants and refugees, there are opportunities

to engage with FCV countries on how to better harness cross-border movements for prosperity, development, and job creation for countries both of origin and destination. The Refugee Policy Review Framework (Hanafi et al. 2021), prepared with UNHCR and other stakeholders, provides a methodology to systematically review refugee policies and institutional environments⁵⁵ in countries eligible for the WHR. It is also complemented by the Refugee Policy and Protection Review in the Global Concessional Financing Facility (GCFF) for MIC countries. The 2021 IDP Approach Paper (WB 2021a) advocates for greater inclusion of internally displaced persons (IDPs) and posits that they be included in development assistance.

88. Dedicated financing to expand access to infrastructure, services, and opportunities for refugees and host communities in both LIC and MICs has increased. By end-2022, 17 IDA countries⁵⁶ had accessed US\$3.1 billion.⁵⁷ WHR/RSW operations have helped expand access to infrastructure and services for refugee and host communities, including health, education, water and sanitation, and roads. They have also helped improve environmental management in and around refugee settlements, improve access to economic opportunities, and better include refugees in social safety net programs. The GCFF continues to support middle-income countries hosting refugees through concessional financing. It provided over US\$407 million in grants between FY20–23, leveraging almost US\$5.3 billion in loans, to benefit refugees and host communities in six countries,⁵⁸ including to support Lebanon and Jordan in response to the Syrian refugee crisis (Ipsos MORI 2021).

89. IFC has supported private sector development in forced displacement contexts through projects on financial inclusion, entrepreneurship, capacity-building and employability, and economic development. Notable projects include Bancamia in Colombia, StartMashreq Entrepreneurship Program in Jordan, Lebanon, and Iraq, and the Kakuma Kalobeyei Challenge Fund in Kenya.⁵⁹ Blended finance investments, supported by information generated through advisory services and technical assistance, can create new markets, de-risk projects, reduce first-mover costs, and incentivize positive behavior. Limited availability of blended finance is a constraint to investments, particularly in refugee-hosting MICs.

90. The WBG’s evidence base on forced displacement has been reinforced by data collection and analysis to strengthen diagnostics and SCDs. This includes work by the [WBG-UNHCR Joint Data Center on Forced Displacement](#), the [Building the Evidence on Forced Displacement](#), and activities funded under the Forced Displacement Trust Fund, including by the Partnership for Improving Prospects for Host Communities and Forcibly Displaced Persons (PROSPECTS).⁶⁰ Improved dissemination of evidence would support decision making and tailor data collection for implementation (WB 2022d).

91. The WBG has largely focused on country-level and project-specific responses, with limited engagement on regional approaches to address refugee flows. There are a few examples of WBG operations toward regional initiatives, such as WHR-funded projects to support the Solutions Initiative for Sudan and South Sudan, led by the IGAD. The IFC’s Digital Data Corridors aims to help Ukrainian refugees

⁵⁵ The Refugee Policy Review Framework has documented significant policy developments related to, for example, the regulatory environment and governance, identity documentation and civil registration, and access to economic opportunities and national public services.

⁵⁶ Bangladesh, Burkina Faso, Burundi, Cameroon, Chad, DRC, Djibouti, Ethiopia, Kenya, Liberia, Mauritania, Niger, Pakistan, Republic of Congo, Rwanda, South Sudan, and Uganda.

⁵⁷ This includes all commitments in IDA18 and IDA19, and one operation (the Liberia Third Inclusive Growth Development Policy Operation) in IDA20.

⁵⁸ Colombia, Costa Rica, Ecuador, Jordan, Lebanon, and Moldova.

⁵⁹ Kakuma Kalobeyei Challenge Fund (KKCF) Project is supporting over 5 business through development services. KKCF-supported companies have created 259 jobs in full-time equivalents and facilitated access to nonfinancial services to over 30,000 people, and KKCF-supported microfinance institutions have disbursed 2,462 loans valued at US\$1.9 million.

⁶⁰ PROSPECTS is a partnership between the WB, IFC, UNHCR, UNICEF, and ILO financed by the Netherlands.

access credit cards, loans, and other services by putting in place the first cross-border electronic data exchange mechanism to allow select institutions in host countries access to credit histories.⁶¹

92. The WBG has expanded collaboration with partners, especially with UN agencies,⁶² such as UNHCR, premised on the principle of complementarity. The Refugee Policy Review Framework was developed through a consultative process, and its baseline is being used in the PROSPECTS Partnership to inform dialogue and align messages. In addition, IFC and UNHCR have partnered since December 2022 on a joint initiative on creating markets in support of private sector development in forced displacement contexts.⁶³

3.2 Private sector development

93. The FCV Strategy reiterates the commitment to scale up private sector solutions in FCV settings, though challenges abound. Creating jobs, delivering essential goods and services, supporting reconstruction efforts, and providing economic empowerment opportunities can mitigate fragility. However, political volatility, fragile institutions, and weak legal and regulatory frameworks create obstacles for doing business and increase risk perceptions for foreign investors. In FCV settings, domestic small and medium enterprises (SMEs) often play a key role in employment creation and serve as sources of stability and resilience.

94. The WBG is uniquely positioned to address the challenges of private sector development in FCV contexts, leveraging synergies across IBRD/IDA, IFC, and MIGA to strengthen and create markets and to enable and mobilize private capital. The WBG brings together a range of instruments, from policy lending that can transform the business-enabling environment through key reforms, to public sector investments in growth-enabling infrastructure, institutions, and services, to upstream and advisory initiatives targeting the growth of private sector investment opportunities, to private sector financing and guarantees that enable private investors and entrepreneurs to invest and grow. The DRC provides an example, where a US\$600 million IDA project is leveraging private investment, advancing utility reform, enhancing institutional capacity and sector governance, as well as setting up risk mitigation instruments in close coordination with IFC and MIGA to expand access to renewable-based electricity and drinking water services. IBRD/IDA are collaborating with IFC's Scaling Mini-Grid Program to bring electricity to more than 1.5 million people across DRC's two largest and poorest provincial capitals (IFC 2022). MIGA is supporting the BBOXX and Nuru off-grid systems in the DRC, building on the Bank's technical assistance and grants to make electricity more affordable to households. Moving forward, there is potential to continue developing such integrated solutions under the WBG's Distributed Access through Renewable Energy Scale-up initiative.

95. The WBG deploys interventions in various sectors to help create an enabling environment for private sector development and private investment in FCV-affected contexts. Reforms, capacity-building, and targeted investments all support private and financial sector development, address FCV drivers, and build resilience. The WBG has prepared 50 projects in FCS since the launch of the FCV Strategy, supporting entrepreneurship, business development, market access, institutional capacity,

⁶¹ See the IFC Project Information & Data Portal, "Ukraine Financial Inclusion–Credit Reporting," International Finance Corporation, Washington, DC, <https://disclosures.ifc.org/project-detail/AS/603603/ukraine-financial-inclusion-credit-reporting>.

⁶² Including IOM, UNRWA, UNICEF, FAO, WFP, and UN Women.

⁶³ This initiative leverages staff from both institutions and has two core objectives: (i) supporting teams on the ground with funding and expertise to design and implement new interventions; and (ii) producing and disseminating operational knowledge on private sector engagement in forced displacement to establish thought leadership.

regulatory environment, financial inclusion, and financial infrastructure. In Somalia, for example, the IBRD/IDA partnered with IFC Advisory Services to help lower regulatory barriers, improve the legal protections for creditors and shareholders and expand access to finance for SMEs. Financial inclusion is crucial in FCV environments where financial markets tend to be shallow and financial inclusion is low; the WBG has invested in FCV contexts in solutions such as credit guarantee schemes and financial digital technologies.⁶⁴ The Bank is also supporting the resilience and integrity of financial infrastructure and payment systems to support recovery and stability during crises, recognizing their importance in addressing risks while supporting resilience and state legitimacy.

96. World Bank support to government clients in infrastructure, agriculture, and other sectors also contributes to job creation and private sector development in FCS, with some 7.2 million beneficiaries reached by job-focused interventions between FY20 and FY22.⁶⁵ The Bank’s experience to date has shown that what works elsewhere does not necessarily work in FCV-affected contexts, and the Bank is adapting interventions to focus on safeguarding local market supply and demand of goods and services and jobs for stability and cohesion.⁶⁶ Cash grants, in-kind support, and labor-intensive public works have demonstrated a good track record in raising incomes and enabling small businesses to function, while skills training and microfinance do not necessarily yield results in the short term. In Lebanon, for example, the Roads and Employment Project has created over 600,000 labor days⁶⁷ for low-skilled and skilled Lebanese and Syrian workers to support road rehabilitation and maintenance. In addition, the Building Beirut Businesses Back and Better (B5) Fund is providing grants to micro, small, and medium enterprises (MSMEs) in the vicinity of the Port of Beirut to safeguard jobs and reduce business closures in the area most affected by the August 2020 explosion. To date the project has helped 4,457 people retain their basic source of income.

97. The number of bankable projects in FCV-affected countries remains limited, making a One WBG approach ever more critical. Attracting investors to FCV-affected countries is challenging and demands a focus on upstream private capital-enabling activities. This means doing more to combine IBRD/IDA public sector financing with IFC and MIGA’s private sector financing and guarantees; as well as IBRD/IDA support for private sector-enabling policy reforms and IFC’s upstream and advisory services in early-stage sector development, project preparation, and implementation. To facilitate these activities and foster market creation, IFC has dedicated staffing, differentiated incentives, and FCS/IDA-focused targets to encourage delivery of higher-risk and long-gestation programs. New diagnostic tools, such as CPSDs and IFC Country Strategies, articulate country and sector context, define entry points for engagement with the private sector, and provide an actionable roadmap to deliver on country objectives. IFC’s impact tool, AIMM, was modified to apply FCS considerations and weighting to projects in FCS. WBG private capital mobilization averaged US\$2.8 billion per year over FY20–22, primarily through IFC and MIGA.

98. The WBG will continue to focus on strengthening the capacity and resilience of the domestic private sector, including MSMEs, as they will be critical to sustain employment, livelihoods, and access to goods and services in FCV-affected areas. Specifically, the WBG is expanding dedicated

⁶⁴ It is estimated that closing financial development gaps could boost income per capita growth by between 0.6 and 1.2 percent annually in FCV countries. See for example, Barajas, Chami, and Fullenkamp (2021) and Assaf et al. (2021).

⁶⁵ See the WBG Corporate Scorecard, <https://scorecard.worldbank.org/en/scorecard/tier2#a>.

⁶⁶ The updated *Integrated Framework for Jobs in Fragile and Conflict Situations* will present key lessons learned over the past six years.

⁶⁷ The project aims to create 1.25 million labor days. It is financed through a US\$154.6 million nonconcessional portion from IBRD and a US\$45.4 million concessional portion from the GCF.

programs focused on this segment of the private sector such as the Local Champions Initiative. The initiative aims to create a pipeline of investable transactions for IFC in the Sahel and West Africa by improving the investment readiness of domestic companies in the Manufacturing, Agribusiness and Services (MAS) sector. MIGA's capital optimization product also supports domestic financing of SMEs through engagement with the local subsidiaries of international banks, including in FCV-affected countries.

99. PSW has been critical in providing blended finance to manage financial risks and enable projects with high development impact. During IDA19, the IDA PSW committed US\$1.7 billion and mobilized an additional US\$8.2 billion in investments from IFC, MIGA, and third parties (WBG 2023b) to support projects in some of the most challenging environments. For example, PSW enabled IFC to invest in Yemen and South Sudan for the first time in several years. However, other IDA PSW projects in countries affected by political instability and insecurity were suspended, withdrawn, or divested, including in Afghanistan, Myanmar, and Sudan. Besides IDA PSW, other blended finance facilities are available to support investments in specific sectors.⁶⁸ Over the last three years (FY20–22), on average 32 percent of IFC's own account long-term finance in FCS has been supported by blended finance. IDA PSW and other blended finance facilities are also essential for MIGA's engagement in FCV-affected countries, given the significantly higher claims risk in these contexts.⁶⁹ However, the limited availability of blended finance remains a constraint for IFC and MIGA's ability to scale up engagement in FCV situations, especially in MICs not eligible for IDA PSW support.⁷⁰

100. Non-financial risks, especially environmental and social risks, are a challenge for private investment in FCV-affected countries, and both IFC and MIGA have put in place tools to engage with clients. IFC's [Contextual Risk Framework \(CRF\)](#) offers a systematic approach to identifying risks that can negatively impact a project's ability to meet IFC and MIGA's performance standards. IFC has expanded its Environment, Social, and Governance (ESG) advisory program to ease ESG constraints and help prepare key IFC pipeline projects for investment. FCV issues are also being considered at the project level, as well as part of upstream value chain assessments. MIGA has created a trust fund, the Fund for Advancing Sustainability (FAS), to support clients in meeting its environmental and social performance standards and integrity expectations. For example, following early identification of contextual risks related to labor and working conditions in the telecommunications sector in Liberia, MIGA and its client are developing a proposal to use FAS resources to enhance the client's management of labor and working conditions. MIGA also recently relocated a senior environmental and social specialist to Nairobi to facilitate more support for clients in the region. More work needs to be done to ensure that investment teams, clients, and partners consistently address FCV considerations.

101. Going forward, the focus will be on further strengthening One WBG approaches that optimize synergies to promote private sector development, while recognizing the specific challenges of working in FCV contexts. Joint analytics can play a crucial role in identifying common or mutually reinforcing entry points based on a strong understanding of the FCV context, sectoral dynamics, and confluence of political and business interests. This could be achieved by ensuring that RRAs include private sector considerations, and that CPSDs are FCV sensitive and systematically integrate RRA findings, as well

⁶⁸ These blended finance facilities include the Global Agriculture and Food Security Program—Private Sector Window (PSW), Global SME Finance Facility (GSMEF), Women Entrepreneurs Opportunity Facility (IFC WEOF), Women Entrepreneurs Finance Initiative (IFC We-Fi), Blended Finance Facility for Refugees—Prospects Initiative, Alafaq Aljadida—MENA Private Sector Development (PSD), and several others. The full list of blended finance facilities can be found at: https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/bf.

⁶⁹ MIGA has used US\$104 million of IDA PSW over FY20–23 Q2.

⁷⁰ This topic is discussed further in Section 3.8 on middle-income countries.

as reinforcing joint, coordinated strategies and country programming that brings together public and private sector solutions.. With the next generation CPSDs and their elevation as a core analytical product, WBG will be better able to more systematically address structural barriers and recommend actions to enable private capital and identify investment opportunities and mobilize private capital.

102. In FCV contexts, the role of the private sector goes beyond promoting growth and investment and is integral to building resilience and supporting stability, and the type of investments, sectors, or segments targeted by interventions may shift accordingly. Given the volatility of FCV contexts, greater engagement with the domestic private sector will be essential and require testing new approaches and learning from successes as well as setbacks. It will also require working with the domestic private sector service providers (e.g., in the area of ESG advisory) to strengthen local capacity and ensure continuity when conditions worsen. Finally, the WBG must continue to manage risks in FCV. This includes preparing targeted political economy analyses for key sectors (e.g., energy, extractives, ICT, agriculture), addressing risks facing local MSMEs, developing approaches to manage risks to financial infrastructure and stabilize payment systems in crisis situations, and ensuring greater availability of blended finance resources, especially in MICs.

3.3 Climate change

103. The FCV Strategy recognizes that countries affected by FCV are among those most vulnerable to the impacts of climate change. In FCV settings, climate change often serves as a threat multiplier, as it interacts with and exacerbates wider sectoral threats that can further fuel FCV-related challenges. Moreover, many FCV countries face governance, security, and resource-related challenges that severely limit their capacity to prevent, prepare for, and respond to climate-related impacts.

104. Since the launch of the FCV Strategy, various initiatives have been executed to support climate and FCV-related objectives within it. This includes targeting analytics to better understand the interplay between climate change, FCV, and wider sectoral challenges. For example, the [Defueling Conflict: Environment and Natural Resources as a Pathway to Peace](#) report shows how compounding environment-climate challenges serve to exacerbate issues related to social exclusion, displacement, and the fragility of vulnerable groups, including women and girls. Projects in countries such as Nigeria and Yemen address gender-related dimensions as part of climate interventions.⁷¹

105. Preventing and mitigating wider drivers of fragility such as overlapping climate, water, and food insecurity threats are key to WBG engagement. The Bank's [Future of Food](#) report suggests that food insecurity driven by climate shocks can increase conflict risk, while improving crop resilience to droughts and floods can have a positive impact in FCV settings by preventing hunger, creating jobs, and building trust. IBRD/IDA have also increased its portfolio of water-related projects in FCV settings. In Somalia, the Biyoole Project and Water for Agro-pastoral Productivity and Resilience activities address water-conflict risks through support of small, decentralized water investments, contributing to reducing water-related displacement and addressing drivers of resource-related conflict.⁷² In addition, the Disaster Risk Management FCV Program provides operational support alongside knowledge and analytical tools to

⁷¹ See Nigeria for Women Project (P161364): <https://projects.worldbank.org/en/projects-operations/project-detail/P161364> and Desert Locust Response Project (P174170): <https://projects.worldbank.org/en/projects-operations/project-detail/P174170>.

⁷² See Biyole and Water for Agropastoral Productivity and Resilience Projects (P178866): <https://projects.worldbank.org/en/projects-operations/project-detail/P178866> and Programme for DRM in countries affected by FCV (P176256): <https://www.gfdrr.org/en/program-disaster-risk-management-countries-affected-fragility-conflict-and-violence-drm-fcv-nexus>.

mainstream climate and disaster risk management in FCV settings while ensuring conflict-sensitive approaches.

106. The CCDRs in FCS play a pivotal role in addressing climate and FCV threats through planning that is tailored to the needs and capacities of FCV-affected countries. Several CCDRs have been completed in countries affected by FCV, including Burkina Faso, Cameroon, Chad, Mali, Mozambique, Niger, and Iraq, while other country reports are underway. CCDRs highlight the potential for climate change to inflict significant social and economic impacts in FCV-affected countries and exacerbate underlying drivers of FCV, as well as how FCV dynamics can erode countries' adaptive capacity. Yet early CCDRs had limited focus on incorporating FCV dynamics, and there remains considerable potential to strengthen how FCV issues are accounted for in upcoming CCDR delivery.

107. Going forward, alongside efforts to support country-level strategy and planning, care should also be given to promote regional action to address climate and FCV concerns. Support for regional approaches to identifying and addressing cross-border risks, such as the Sahel regional CCDR and RRA, as well as encouraging closer engagement and strengthening the capacity of regional coordination bodies, should also be prioritized. Moreover, to effectively address the interconnected challenges posed by climate change, water and food insecurity, disease, and FCV, the Bank will continue to strengthen partnerships, cross-sectoral coordination, and knowledge-sharing with key humanitarian and development organizations.

108. Work on climate change in FCV settings requires predictable and dedicated access to financing.⁷³ On a per capita basis, FCS countries receive just 60 percent of the adaptation finance committed to other LICs and MICs.⁷⁴ To address the FCV finance gap, the IBRD/IDA initiative, Scaling Adaptation Finance in Fragile Environments (SAFFE), aims to identify entry points for leveraging climate and disaster risk finance in FCV settings by supporting greater knowledge-sharing and collaboration between key actors within and outside the WBG. Another relevant activity is the Regional Climate Resilience Program for Eastern and Southern Africa, which aims to help FCV-affected African countries be ready to accept and use climate and disaster-related finance. The recent WBG Blueprint for Action on Enabling Private Investment in Climate Adaptation and Resilience will help to further identify entry points for engaging the private sector to support climate action in settings affected by FCV.

109. Going forward, in line with the Strategy's climate-related objectives, the WBG is working to ensure that its climate investments are adequately tailored to various FCV settings. One effort to address the knowledge and capacity shortfall is a cross-sectoral initiative to develop a framework for FCV-sensitive climate action that identifies entry points for promoting conflict-sensitive adaptation and mitigation tailored to unique environments across the FCV spectrum.

3.4 Gender equality and gender-based violence

110. The WBG has increased its support to close gender gaps and eliminate gender-based violence in FCS since the Strategy was launched. The FCV Strategy highlights the importance of gender both in conflict prevention and responses in alignment with the [2016-2023 WBG Gender Strategy](#), which will be further enhanced in the forthcoming Gender Strategy update, as well as "A Development Approach to

⁷³ See Scaling Adaptation Finance in Fragile Environments (P180367), Regional Climate Resilience Program for Eastern and Southern Africa (P180171).

⁷⁴ Calculations based on Aid Atlas data, 2010–20. Country average per capita average was calculated as the sum of individual country-level per capita values over the total number of recipient countries for which data is available for a given year. The database includes publicly reported financing from multilateral, bilateral, and private-sector commitments. Non-FCS countries are limited to low- and middle-income countries.

Advancing Gender Engagement in Fragile, Conflict, and Violent Situations” (WBG forthcoming), and the UN’s Women, Peace, and Security Agenda.

111. The number of projects aiming to close gender gaps in FCS has doubled from 64 in FY20 to 130 in FY22, and the share of gender-tagged projects is greater than in non-FCS countries (see figure A3.8). The IFC equivalent—the gender-flagged investment and advisory projects—indicates a stable level of 12–13 percent for investment projects and an increase from 44 percent in FY20 to 50 percent in FY22 for advisory services in FCS countries. Inclusion of relevant indicators in gender-tagged projects facilitates monitoring (WBG 2023a). MIGA delivered its first three gender-flagged projects in FCS in FY23, and is developing a pipeline of gender-flagged projects in FCS.

112. The WBG’s engagements on gender in FCV are embedded in all sectors, with an emphasis on social inclusion and services, livelihoods and income, an equitable care economy, and financial inclusion and gender-based violence (GBV). The Sahel Pastoralism Project⁷⁵ included a gender component that supported youth and women’s income-generating activities, including gender training and female participation quotas in management committees. Dedicated blended finance facilities such as the Women Entrepreneurs Finance Initiative (We-Fi) often enable IFC support for women entrepreneurs, including in FCV contexts. In the West Bank and Gaza for instance, IFC together with We-Fi is investing in the Ibtikar Fund II to support women entrepreneurs, spur innovation, and provide support needed to scale their businesses.⁷⁶

113. The WBG has successfully shifted from a position of considering GBV largely outside its institutional realm to now viewing it as a priority, particularly in FCV contexts. Thirty-three percent of Board-approved operations in FY22 contributed to GBV prevention and response, up from 14 percent in FY20.⁷⁷ WBG engagement on GBV began with small trust-funded operations in FCV settings, with an emphasis on service delivery for survivors of nonpartner sexual violence in the context of armed conflict. These interventions have since evolved to GBV prevention and incorporate a focus on livelihoods and economic empowerment activities.⁷⁸ Technology is leveraged through interactive mapping dashboards on services available for GBV survivors that are supporting government agencies across the Sahel, as well as in Nigeria, Mozambique, São Tomé and Príncipe, and Pakistan.

114. The WBG has endeavored to work to reduce gender disparities through project-level responses, though more emphasis is needed on long-term, transformational change.⁷⁹ An IEG evaluation found that WBG support to FCV countries to increase women’s and girls’ economic empowerment (WGEE) and to address GBV is consistently relevant and promotes women’s ownership, but could become deeper, more sustainable, or scalable (Bossuroy, Goldstein, and Karimou 2022).⁸⁰

⁷⁵ P173197.

⁷⁶ We-Fi is a blended finance facility that enables the IFC and IBRD/IDA to support women entrepreneurs, including in FCV contexts.

⁷⁷ WB (2023e), figure 4.2, share of total WBG operations including GBV prevention and/or response activities in all IDA/IBRD projects (FY17–22).

⁷⁸ For example, in Lebanon, the WBG Mashreq Gender Facility provided legal technical assistance identifying legal gaps related to women’s economic opportunities, which directly contributed to the passage of a law criminalizing sexual harassment (WB 2021b). IFC’s [Respectful Workplaces Program](#) has become a global offering that is being deployed with clients in Fiji, Kenya, Myanmar, Nigeria, Papua New Guinea, the Solomon Islands, Sri Lanka, and Vietnam.

⁷⁹ WBG Gender-in-FCV internal discussion, April 5, 2023.

⁸⁰ The evaluation found that the SCD-CPF model did not include an explicit long-term approach for addressing gender inequalities in the six FCV countries analyzed and that the focus of country strategies on GBV and WGEE, when it exists, is easily lost from one strategy to the next. This discontinuity makes it difficult to connect individual projects to others over the long term. This

Furthermore, the gender-tagging system focuses on the preparation stage, and there is a gap in understanding issues during implementation and what has worked throughout projects' life cycle.

115. There are efforts to address these challenges, notably by increasing knowledge that is informing operational responses and gender norms. The Gender Innovation Labs are carrying out impact evaluations on both WBG-financed and partner projects.⁸¹ For example, the impact of Niger's Adaptive Safety Net Project 2⁸² included women experiencing greater autonomy over their income, productive activities, and relative share of household income, as well as improved gender attitudes and perceptions of women engaging in economic activities.⁸³ IFC has encouraged companies to address gender imbalances by establishing peer learning platforms. These create momentum at the country level, tackling issues such as GBV or unpaid care through private sector knowledge exchange and commitments.⁸⁴

116. The remaining period of the FCV Strategy provides an opportunity to further deepen the WBG's gender-in-FCV engagement by strengthening policy dialogue, country engagement, and knowledge. The WBG has an important role to play in high-level dialogue around gender-oriented legislation and institutional reform and can leverage its convening power by ramping up client engagement, collaborating beyond government and local NGOs. Other important areas include identifying opportunities to leverage the private sector to support economic opportunities for women, and, where possible, supporting critical reforms to empower women. To assess achievements associated with the large number of gender-tagged projects, the next step is to evaluate implementation and results as projects reach completion, in line with the Gender Strategy update, including adding and tracking gender outcomes over CPF cycles. Better integration of gender equality goals into country strategies (through multisector programming and complementary investments accompanied by gender outcomes in CPFs) could enable a pivot from closing gender gaps in specific sectors to longer-term, transformational change (IEG 2023). By investing in data and filling knowledge gaps, the WBG can strengthen country dialogue on the interplay between gender inequalities and FCV issues, and how WBG-financed operations (e.g., economic empowerment, community-driven development) can drive change.

3.5 Middle-income countries

117. The FCV Strategy highlights the importance of addressing FCV in MICs; and analytical work and diagnostics related to FCV increasingly inform country engagement products in MICs. Analytical work and diagnostics related to FCV increasingly inform country engagement products in MICs. RRAs have been completed in Honduras, Libya, Mauritania, and Nepal, and FCV issues have been featured in CPSDs, such as for Nigeria and Haiti. However, a 2022 study (WB 2022a) found that, although the issue of FCV in MICs is now more widely recognized, this has yet to translate into significant changes in WBG programming. Both external and internal constraints hamper the WBG's ability to help address FCV in MICs, as many clients are reluctant to have international agencies work on sensitive domestic or regional

evaluation assesses the quality of WBG support to FCV countries in promoting WGEE and GBV and analyzes in-depth the experiences of six countries (Burkina Faso, Chad, DRC, Lebanon, Solomon Islands, and Yemen) where the IBRD/IDA and IFC have provided support to advance WGEE and WBG during the past 10 years.

⁸¹ As of April 2023, 59 impact evaluations have been conducted across FCS countries in Africa, with an additional 4 focusing on GBV in non-FCS countries. Many are conducted jointly with Development Impact Evaluation (DIME) and relevant sectors. Africa Gender Innovation Lab: GIL Evidence in FCV contexts (team input for the MTR).

⁸² See the Niger Adaptive Safety Net Project 2 (P166602), <https://projects.worldbank.org/en/projects-operations/project-detail/P166602?lang=en>.

⁸³ Africa Gender Innovation Lab: GIL Evidence in FCV contexts (team input for the MTR).

⁸⁴ These programs include Waka Mere in the Solomon Islands, Powered by Women in Myanmar, Energy2Equal Africa (still in implementation), Nigeria2Equal, and the Mashreq Gender Facility.

issues and may be unwilling to borrow to address FCV issues, including to support refugees and host communities (WB 2022a). Furthermore, as in LICs, WBG teams are faced with security challenges and domestic political change.

118. Limited access to concessional financing is a major constraint for pursuing solutions to development challenges, including through the private sector. In MICs, trust funds continue to play a crucial role in enabling engagement on FCV issues. The GCFF has expanded support to refugee responses in Jordan, Colombia, and Moldova, including for budget support and investments in health, education, transport, and wastewater management. The SPF provides flexible, demand-driven financing for FCV-affected countries (whether or not on the FCS list), including countries in arrears, nonmembers, subnational FCV contexts in MICs, and other FCV-affected countries.⁸⁵ The Global Public Goods (GPG) Fund has provided US\$85 million for operations in Colombia and Romania, focusing on FCV spillovers. Donor-backed guarantee mechanisms are being increasingly used to provide additional finance to IBRD borrowers, and especially to support FCV-affected countries (but not on concessional terms). By March 2023, bilateral guarantees worth a total of US\$2.7 billion had been signed with Iraq, Jordan, and Ukraine. Finally, country-level MDTFs have enabled innovative work on FCV issues, including in Colombia, Indonesia, Lebanon, Myanmar, Pakistan, and the Philippines.

119. Despite the importance of private sector development for addressing FCV, access to blended finance and funding for advisory programs in FCV-affected MICs remains limited. Many of the main sources of concessional funds for IFC and MIGA, such as the IDA PSW, are restricted to IDA countries and advisory funds are also limited. However, IFC has raised some additional resources for MICs with FCV issues, including: the PROSPECTS partnership program together with IBRD/IDA and the MENA Private Sector Development initiative (both supported by the Netherlands); the IFC Better Futures Program (supported by the EU); as well as blended finance support for the Economic Resilience Action (ERA) Program in Ukraine. IFC's climate facilities continue to be relevant for climate projects in MICs affected by FCV, but some have conditions that limit risk appetite. MIGA's development impact in MICs has been supported by the Conflict-Affected and Fragile Economies Facility (CAFEF), and MIGA recently established the Support to Ukraine's Reconstruction and Economy Trust Fund (SURE) which will enable MIGA to support trade finance guarantees, political risk insurance for financial and real sector projects, and reconstruction efforts after partial or full cessation of hostilities.

120. The challenge ahead is to translate encouraging progress into enhanced and broader programming. The focus within the WBG evolution process on global public goods and addressing key vulnerabilities in IBRD countries is encouraging. Targeted analytics such as RRAs and political economy analyses could be more systematically deployed to better inform country engagements in MICs. Existing concessional financing facilities, like the IBRD GPG Fund, GCFF, SPF, country MDTFs or other concessional instruments could channel resources and other financial incentives to encourage FCV-focused engagement in MICs, but this is contingent on availability of resources for sustained and scaled up engagement.

3.6 Violence

⁸⁵ From July 1, 2020, to December 31, 2022, 79 percent of the SPF portfolio supported non-FCS countries, with 47 percent going to IBRD countries.

121. Addressing violence is an intrinsic element of the FCV Strategy, yet there has been limited emphasis on this in its implementation. Despite total homicides causing far more fatalities than armed conflicts globally,⁸⁶ there is limited emphasis on urban and criminal violence, and most of the attention is focused on countries affected by political conflict and fragile contexts. The distinction between conflict and violence, particularly organized criminal violence, is often blurred (see box 7). This is due in part to the dynamics of competition for power (in some cases challenges to the state), and shared drivers and social and institutional fragility. As with armed conflict, the drivers of urban and criminal violence are multidimensional and require long-term multisectoral and whole-of-government approaches.

122. Since the launch of the Strategy, there has been limited progress in developing approaches to violence prevention in country engagement. Past efforts to engage strategically on violence,⁸⁷ particularly in Latin America and the Caribbean, have tapered off in recent years due to evolving country conditions (including shifts in country leadership on the prevention agenda, perceptions of the WBG’s comparative advantage, difficulty in formulating holistic approaches at the country level, and local operational challenges). Violence prevention also

often has links to security sector engagement, or is viewed as having political dimensions, meaning that the WBG has been less likely to lean in on this agenda. Some current country engagement documents suggest a degree of linkage between the proposed areas of focus and the potential for violence prevention; however, in contexts with limited client engagement on violence prevention, or where the issue seems highly politicized, it is likely to be excluded from the main objectives and results framework.⁸⁸

123. Recognizing that violence can act as a binding constraint on development, the WBG will revisit and prioritize its commitment to address violence as part of the FCV Strategy. Further analysis will be carried out on the relevance of violence prevention to the WBG’s goals and mandate to inform a renewed approach to integrating this focus in country engagement, with linkages to issues of justice, rule of law and social inclusion. Building on the institution’s work on conflict, emphasis can be placed on incorporating analysis of violence dynamics into WBG country engagement—to be treated as a core development challenge, the drivers of which may be addressed through WBG financing, analytics, policy

Box 7: Understanding Violence Akin to Conflict

In certain contexts, interpersonal or criminal violence can be indistinguishable from conflict in the way they challenge public safety and security. Even if criminal groups do not seek to replace or break away from the state, in some cases, they challenge or negatively affect the role of the state. Some criminal groups have developed collaborative and competitive relationships with the state that result in their amassing significant political authority, similar to nonstate actors in conflict zones. There is thus a case to be made to no longer segregate organized criminal violence from more traditional forms of conflict—especially in such contexts.

If data on organized violence is integrated with data on conflict as it is traditionally defined, new patterns emerge. The Americas are the region with the second-highest number of “conflicts” in the world, second only to Africa—hosting nearly 21 percent of all “conflicts” around the world in 2021. Notably, this still accounts only for a subset of all violence and does not account for rates of other interpersonal or criminal violence, intimate partner violence or domestic violence, among others, which pose even further risks for populations.

Source: Kishi 2023.

⁸⁶ Between 1990 and 2017, crime was linked to 11.8 million fatalities, compared with 2.2 million linked to armed conflict (UNODC 2019).

⁸⁷ 1990–2000: The WBG started analyzing issues of urban crime and violence; work focused on describing the problem. 2001–04: Enhanced understanding of the problem as an urban issue, with growing focus on understanding gender and youth dimensions as well as city-level studies. Although work focused on the LAC region, this period saw increased interest among other regions. 2011–17: Increased interest in operational engagement, with one small stand-alone lending operation (IPF), and greater mainstreaming of urban crime and violence throughout the portfolio. 2017–19: Saw some tapering off of interest in engaging in violence prevention; however, growing support in addressing GBV, particularly in Africa.

⁸⁸ In these cases, there is often (i) an acknowledgment of the importance of the agenda to the country’s overall development goals; (ii) application of a selectivity filter, suggesting that other international development partners have a comparative advantage; and (iii) an indication of some flexibility to explore future engagement on the agenda, often through potential ASA.

dialogue, and a particular emphasis on partnerships with other institutions with experience and investments in this area. The WBG could revisit approaches to violence prevention among priority sectors, informed by analysis of the drivers of violence. Finally, it would be important to adopt a long-term approach to urban and criminal violence prevention work. In some contexts this will require a whole-of-government approach and coordination of multisectoral teams within the WBG, with high level development outcomes that might be achievable only over multiple CPF cycles.

IV. The Way Forward: ADAPT to Evolving Challenges and Complexity

124. The global environment remains challenging, marked by compounding and overlapping crises, thus reinforcing the need for the WBG to maintain its focus on those countries impacted by FCV. To better address the scale and complexity of global development challenges, the WBG is responding through the evolution process.⁸⁹ Although the current FCV Strategy remains fit for purpose and has proven effective, the WBG’s approach needs to be adjusted to adapt to future FCV challenges, while also staying aligned with the evolution process.

125. Overall, the WBG has made substantial progress in implementing the FCV Strategy, while recognizing that there is more to be done to enable deeper and more effective engagement. Progress on the operationalization of the FCV Strategy has been facilitated by the steady implementation of operational measures (see annex 5 for all 23 operational measures and their implementation status). However, while the FCV Strategy remains relevant, the past three years of operationalization have revealed a tension between its aspirations and implementation in a volatile and challenging environment. This is true even for challenges at the core of the Strategy, such as helping to prevent the onset and escalation of conflict and violence, remaining engaged in the most difficult conflict-affected contexts, and engaging the private sector in FCV situations.

126. Thus, going forward, the WBG will ADAPT its approach to implementing the FCV Strategy. Implementation will remain integrated and aligned with the IDA process, as well as with the evolution process, as these initiatives define resources and guide the WBG’s broader strategic directions. The ADAPT approach will consist of: Anticipating FCV challenges earlier and better; responding Dynamically at all levels; Advancing the WBG’s approach to engaging the private sector; focusing on critical Partnerships; and ensuring WBG Teams on the ground are safe, strong, and prepared.

⁸⁹ “The World Bank Group, led by its Board and shareholders, has embarked on a process to evolve its Vision and Mission, Operating Model, and Financial Capacity, as detailed in the Evolution Roadmap, which was publicly disclosed in January 2023.” See: <https://consultations.worldbank.org/en/consultations/detail/roadmap> and <https://consultations.worldbank.org/content/dam/sites/consultations/doc/2023/WBG-Evolution-roadmap.pdf>.

Way Forward: The ADAPT Approach



Anticipate earlier and better

127. Research and experience clearly indicate the benefits of conflict prevention and the positive role that development assistance can play. Despite progress, more research is needed regarding how assistance can be more effectively deployed through the WBG’s core mandate to support institution-strengthening in partnership with other actors, as well as to address regional and cross-border challenges and solutions.

128. FCV diagnostics will be expanded, with the aim of contributing to the prevention of crisis, conflict and violence, as well as mitigation and building resilience. This includes conducting diagnostics more methodically both in low- and middle-income countries facing FCV challenges, as well as further enhancing the FCV sensitivity of country engagement strategies and operations. Linked to the ongoing discussions on prevention and transition in the IDA20 Mid-Term Review and WBG evolution process, the WBG seeks to support countries to address the drivers of FCV upstream. Efforts are now underway to explore how the FCV Envelope could help countries address FCV drivers earlier and more effectively, noting that lessons from prevention and transition experience to date can nonetheless be applied to country engagement even in the absence of additional financing.

129. The WBG will invest in strengthening understanding of FCV as a global challenge. This entails breaking knowledge silos at the intersection of risks between FCV and other global challenges, including climate. It also entails looking at how to effectively support climate adaptation and access to climate finance in FCV contexts, including improving crisis preparedness at the local and regional levels to better address cross-border challenges. A further area of focus is forced displacement, where the WBG needs to continue to invest in leveraging the public and private sectors to address this global challenge.

Respond Dynamically

130. The WBG will increase its focus on delivering development outcomes in evolving and volatile contexts. Existing policies, tools, diagnostics, and modalities of engagement, including TPI and TPM, have provided a suitable and flexible framework for the WBG’s operational responses. Despite operational flexibilities, procurement and environmental and social risk management in FCV contexts are still perceived as cumbersome, and efforts will continue to bridge the gap within broader and ongoing efforts on enhancing operational efficiency and effectiveness focusing on more timely responses, supporting staff productivity, maximizing impact, and accompanying the WBG transition. To respond more dynamically to

rapidly changing risks and compounding crises, enhanced risk analysis should inform dynamic strategy and operational decision-making.

131. The WBG will further develop and put in place a set of tools and decision points to enable monitoring, risk scanning, and creating opportunities to change course as necessary. Tools like RRAs will be complemented by more dynamic political economy and institutional analyses, scenario and contingency planning, as well as robust risk monitoring using high frequency and perception surveys and social media monitoring. Innovative approaches, including artificial intelligence and machine learning tools, will be increasingly employed to integrate information and undertake dynamic predictive analyses of emerging and evolving risks. Embedding dynamic decision points in program designs and implementation modalities that allow quicker modification of programs can enable more agile responses.

132. The WBG will enhance adaptive management in the implementation of strategies and operations in FCV contexts. The WBG will adjust its operational modalities to different contexts while continuing to enhance the use of operational flexibilities, including through strengthening support to frontline country and project teams during project preparation and throughout the project cycle. It will also explore delivering more effectively through local service providers and other partners to engage in challenging contexts, while building local capacity. Results-monitoring with continual adaptation is critical to better adapting projects to FCV complexities and uncertainties. Scenario-planning and contingencies—as well as program pivots from relief/recovery/resilience at the local, country, and regional levels—should inform dynamic decision-making and resource allocation to respond more quickly and effectively to changing conditions and needs.

Advance engagement with the private sector

133. In line with the One WBG approach, the WBG will further strengthen efforts to mobilize and enable the private sector in FCV contexts. The WBG will continue to pursue opportunities for investment through concerted efforts to leverage public and private sector entry points across the organization to address the binding constraints to private investment and work upstream to help develop bankable projects and build capacity at the client level, deploying a range of tools including policy lending and investments in growth-enabling services and infrastructure and blended finance to provide de-risking in challenging environments. The WBG will place renewed focus on supporting the resilience of the domestic private sector and its role in creating and sustaining jobs and service delivery in the most challenging contexts. This will require coordination, innovation, and testing new approaches, including engagement with smaller, local businesses, and learning from successes and setbacks. Additionally, further emphasis will be placed on integrating FCV and private sector diagnostics (such as RRAs and CPSDs), particularly in FCV-affected contexts.

Focus on critical Partnerships

134. The WBG will maintain and deepen its mission-driven partnerships and forge new regional and context-specific partnerships, leveraging our comparative advantage as a development institution. Part of the WBG's evolution process is a recognition that collective action is critical to address challenges at the global and country levels, and that partnerships can be effective instruments to achieve development impact. Partnerships also facilitate resource mobilization, and will be key in expanding access to financing, including grants, guarantees, and concessional financing, to MICs and LICs to address the drivers and impacts of FCV. The WBG will reinforce its engagement with multilateral, bilateral, and civil society partners, as well as the private sector in the years to come.

135. The WBG will invest in flexible and responsive diagnostics to inform work with other partners, including coordinating crisis response, recovery, and peacebuilding efforts. More cooperation with local, regional, and international institutions to gather data for evidence-based decision-making is also important. Engagement with civil society organizations will be further strengthened to better understand and support sources of resilience.

136. Working within its mandate, the WBG will reinforce its partnerships in justice, security, and the prevention of violence. On security, while there has been cooperation, particularly in high-conflict areas or countries benefiting from the FCV Envelope, the WBG has not yet engaged systematically at the global level with international or regional security organizations in strategic dialogue or operations. Better-structured partnerships for engaging on cross-border security issues are needed to transition from short-term and emergency responses to building systems and client capacity to prepare, manage, and recover from crises. However, the capacities of regional organizations vary greatly, and additional dedicated support may be needed.

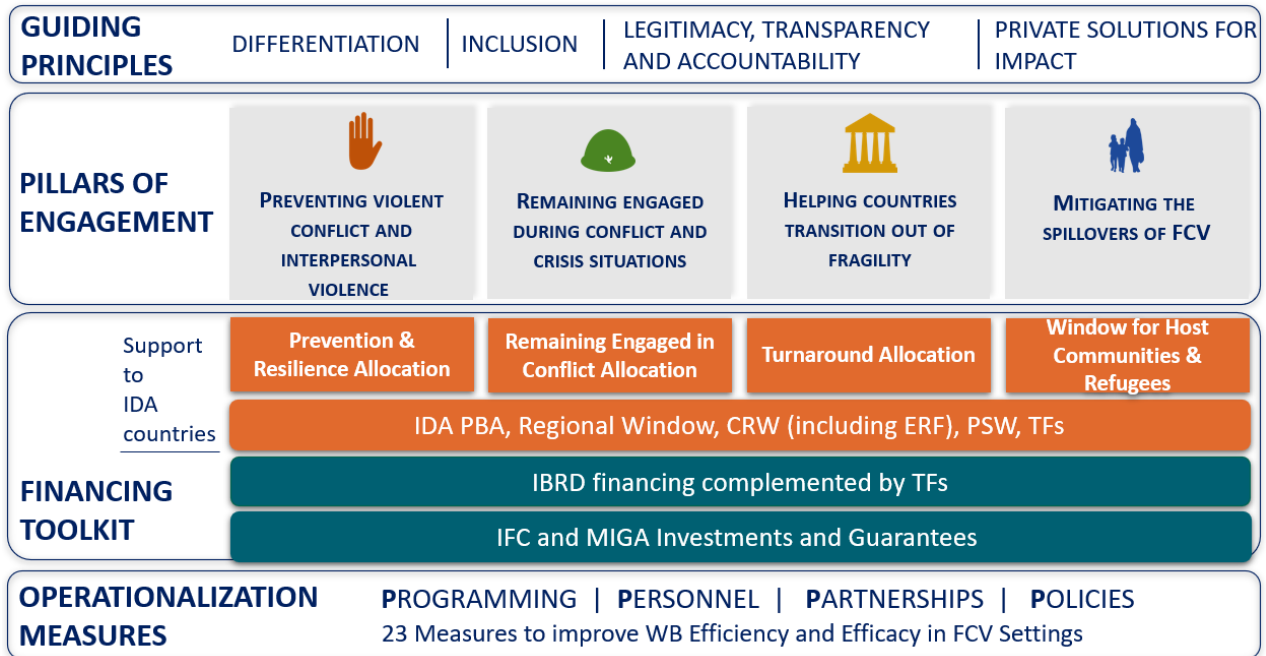
Build strong Teams

137. It is critical that the WBG has the necessary skills mix, incentives, resources, and ground presence to address the many challenges across the FCV spectrum. Although progress has been made in expanding the footprint in FCV, the WBG also recognizes that maintaining skilled, accountable, and well-supported staff is essential to the success of this endeavor. Therefore, the WBG will continue to focus on personnel measures outlined in the FCV Strategy, with an emphasis on strategic recruiting, defining FCV career paths and incentives (including financial benefits and growth opportunities beyond FCS assignments), clarifying and reinforcing FCV roles, responsibilities, and accountability, and ensuring staff welfare and safety. A high-level working group across the WBG is being established to address challenges and identify specific measures and recommendations to further optimize FCV staffing. Several issues will potentially be explored by the working group, including how to ensure a holistic approach to staffing in FCV that takes into account the complete personnel life cycle—from attracting FCV-oriented staff in recruitment to proactively building the talent pipeline, supporting staff safety and health during assignments, incentives for working in and on FCV, and clarifying career paths and next assignment planning. Linked to this, Management will also consider how to best ensure that FCV roles, expertise, and competencies are defined, staffed for, recognized, formalized, and deployed, to support work on the FCV agenda.

Annexes

1. FCV Strategy Figure
2. A Changing FCV Landscape
3. Overview of Programming—Quantitative Portfolio Review
4. Policy Dialogue on Prevention and Transition under the FCV Envelope
5. FCV Strategy Operational Measures: Implementation Status
6. Summary of External Consultations
7. Budget Context for FCS Countries
8. Summary of IEG Findings and Recommendations from “World Bank Engagement in Situations of Conflict” (2021)

Annex 1: FCV Strategy Figure



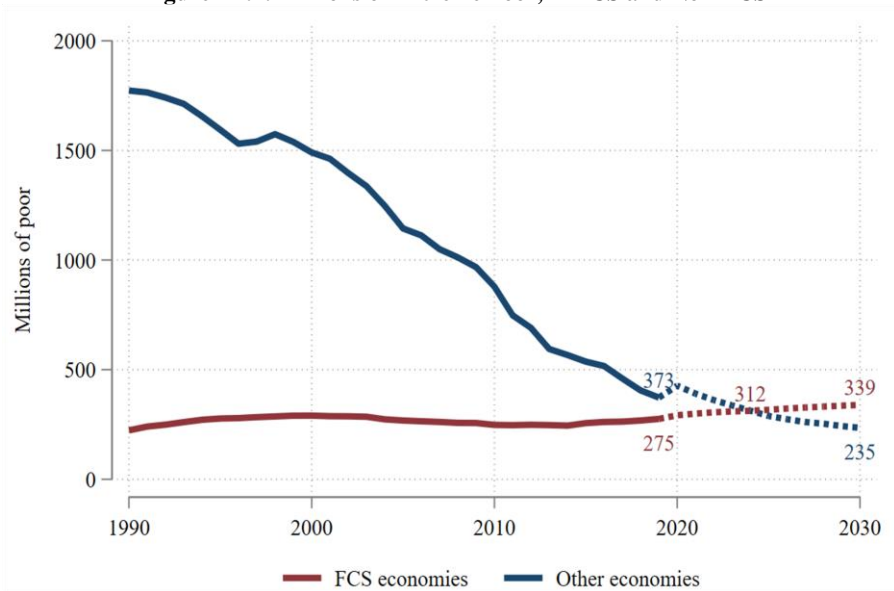
Annex 2: A Changing FCV Landscape

Since 2020, the world has experienced a set of overlapping and compounding crises, as well as cross-border and global challenges that have reversed hard-won development gains; FCV-affected countries have been among the most impacted. Irregular political transitions and conflicts across the globe, including Russia’s invasion of Ukraine and increased geopolitical tensions, have brought on serious development challenges and exacerbated FCV risks. This has generated enormous regional and global costs and impacts in terms of economic growth, food security, and forced displacement. Additionally, the COVID-19 pandemic and its socioeconomic impacts, combined with ongoing vulnerabilities to natural hazards and climate-related stresses, have had catastrophic effects on the ability of the poorest countries to meet the 2030 Agenda for Sustainable Development. The report to Governors prepared for the April 2023 Development Committee noted an “unprecedented confluence of global crises that has upended development progress and threatens people and the planet,” with FCV among the key threats (Development Committee 2023). Additionally, a combination of weak macro-fiscal policy frameworks, exogenous shocks, and increased access to nonconcessional sources of funding have led to a rapid build-up in public debt levels between 2010 and 2019, further accentuated since 2020. The economic and financing landscape confronting the poorest countries is challenging and could aggravate debt vulnerabilities (WBG 2023c).

In a world of compounding risks and polycrises, the need to support FCV-affected countries to prepare for and withstand new shocks or crises is greater than ever. Governments in FCV-affected states often have relatively limited capacity and resources to manage, absorb, or mitigate compound risks, or “polycrises.” They face pressures to restore/provide services and security quickly (on short time frames), with limited capacity to build on, little margin of error (e.g., lack of trust and social capital, weak institutional resilience, etc.), and a hyper-politicized environment. Helping FCV-affected countries avoid widespread hunger, mitigate debt distress, and build resilience to climate and other shocks can help avert the risk of instability, unrest, widespread displacement, and cross-border spillover effects.

Amidst a global context of reversals in development, countries experiencing fragility, conflict, and/or violence face even deeper challenges, with rising concentrations of poverty and lagging indicators in human capital. Despite precipitous drops in the rest of the world, extreme poverty (measured at an income of US\$2.15 per day) continues to grow and concentrate in FCS, threatening the achievement of development goals. By 2025, the total number of extreme poor in FCS is projected to surpass that in

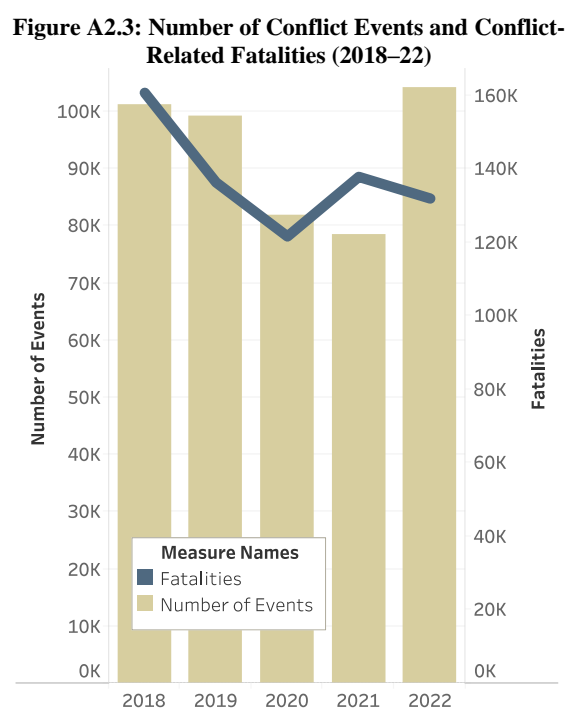
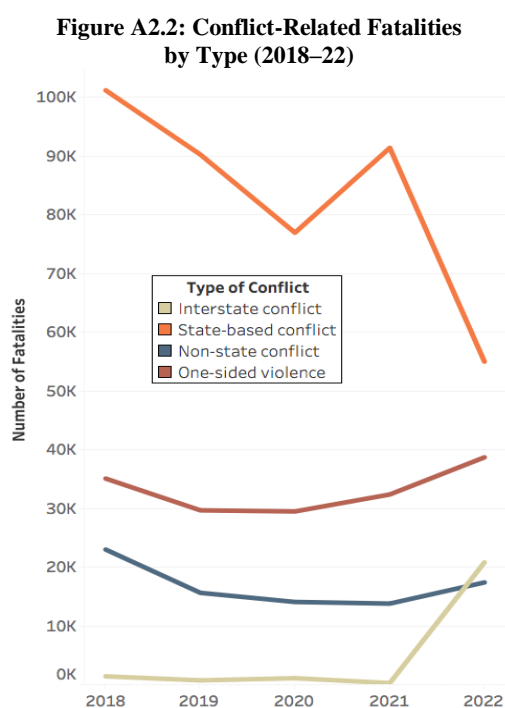
Figure A2.1: Millions of Extreme Poor, in FCS and Non-FCS



Sources: [Poverty and Inequality Platform](#) (PIP), v 20220909_2017_01_02_PROD; Mahler, Yonzan, and Lakner 2022; World Bank 2022h. Based on FY24 FCS list.

non-FCS worldwide (see figure A2.1). This trend is expected to continue; by 2030, an estimated 59 percent of global extreme poor will live in FCS. As reflected by the HCI,⁹⁰ FCS countries are also expected to have substantially lower levels of productivity than non-FCS countries,⁹¹ and overall exhibit lagging progress on socioeconomic indicators.⁹² Finally, FCS countries tend to face multiple compounding risks, including global challenges such as the impacts of climate change, often with limited capacity to address them. Among the 25 countries most vulnerable to climate change, 15 are FCS, and 9 of these are also food insecurity hotspots of highest concern.⁹³

The number of conflict events around the world has risen, and the human and socioeconomic costs of conflict remain high. Trends in recent years suggest that conflict-related fatalities have been generally declining globally,⁹⁴ on aggregate (see figure A2.2); however, fatalities stemming from one-sided violence (in red) have been steadily increasing, as well as fatalities stemming from interstate conflict (in tan), which



Source: Kishi (2023), using data from ACLED.

⁹⁰ Human capital is a critical component of economic growth and encompasses various dimensions that accumulate over a person’s lifetime. The HCI measures the level of human capital that a child born today can expect to achieve by age 18. HCI compares the productivity of the next generation of workers to a benchmark of complete education and optimal health.

⁹¹ FCS countries are expected to have lower levels of productivity (42) than non-FCS countries (59), according to the HCI.

⁹² Human Capital Complementary Indicators (HCCI) show that under-five mortality related to child health conditions is higher in FCS than in non-FCS, with an average of 55 newborns dying before the age of five (expressed per 1,000 live births) in FCS, compared to 19 in non-FCS. Similarly, the primary completion rate, which measures the gross intake ratio to the last grade of primary education, is higher in non-FCS (98 percent) than in FCS (72 percent). At the same time, adult labor force participation (ages 25+) is higher in non-FCS (64 percent) than in FCS (61 percent), although this varies significantly among countries.

⁹³ Data are from the latest ND-GAIN Vulnerability Index, most recently updated until 2021 by the Notre Dame Global Adaptation Initiative, University of Notre Dame, Notre Dame, IN (published 2023), <https://gain.nd.edu/our-work/country-index/>; WBG FY23 FCS list; and food security per FAO/WFP food security warning: June–November 2023 outlook.

⁹⁴ Alternative datasets suggest an increase in conflict-related fatalities in 2022; such differences across datasets can be the result of a number of factors, such as differences in sourcing strategies, methodologies, inclusion criteria, and more.

spiked in 2022.⁹⁵ Additionally, considering overall *conflict activity* (i.e., the number of conflict events) alongside *conflict-related fatalities* (see figure A2.3), it is evident that violent activity increased considerably in 2022, reaching new highs and implying new risks to populations around the world. Conflict can also be responsible for deaths off the battlefield; the many indirect consequences of war (such as food or economic insecurity, amongst others) can have deadly consequences. Furthermore, *direct conflict-related deaths* (i.e., those captured in data points, such as in figures A2.2 and A2.3) tend to be biased toward men’s experience of war. Political violence targeting women can take many forms; and it is the non-lethal forms of such violence—such as abductions and forced disappearances, or sexual violence—that tend to disproportionately impact women relative to civilian populations at large (Kishi 2021).

FCV in MICs is a major development challenge. It is commonly assumed that poorer countries are more prone to FCV than middle-incomes ones. Yet over the past decade (2010s), there have been more deaths from political violence in MICs than in low-income countries (WB 2022a). Importantly, FCV in MICs can have broader global and cross-border impacts, such as in the case of Russia’s invasion of Ukraine, with implications for the global economy, food supply, trade, and stability. Subnational conflicts can occur in MICs even as they may exhibit significant economic growth nationally, potentially masking deep institutional fragility and important regional disparities (WB 2022a). While in 2021 most active conflicts in the world took place in LICs, this is in part due to the downgrading of several MICs with ongoing active conflicts (e.g., Syria, Yemen, and Sudan) in recent years to LIC status as conflicts wage on.⁹⁶ This implies that MICs experiencing ongoing active conflicts often do not remain middle income in the long-term—they eventually shift to low-income classification as conflicts wage on, underscoring the relationship between FCV and poverty (Kishi 2023). Additionally, the highest homicide rates globally tend to be concentrated among MICs (WB 2022a). Criminal violence and transnational organized crime affect development outcomes and contribute to vicious cycles, resulting in social exclusion, inequality, and a weakened social fabric. The Global Organized Crime Index highlights that challenges related to the confluence of high levels of *criminality* and low levels of *resilience* to it are spread out across regions and affect both LICs and MICs.⁹⁷ High levels of criminality and violence have dire implications for governance, institutions, and the rule of law, further compounding development challenges across the FCV spectrum.

The estimated number of forcibly displaced has also continued to rise since 1991, reaching over 100 million people forcibly displaced in 2022. This record figure includes 26.7 million refugees under UNHCR’s mandate, 5.8 million Palestinian refugees under UNRWA’s mandate, 4.9 million asylum seekers, 5.3 million other people in need of international protection, and an estimated 60.2 million IDPs (see figure A2.4) (UNHCR 2022). The number of refugees in protracted situations has more than doubled over the last decade,⁹⁸ and fragile contexts remain both the principal origin and hosts of most of the world’s refugees and IDPs (see figure A2.5).⁹⁹ Women and children account for about three-quarters of all forcibly

⁹⁵ The decline in conflict-related fatalities is driven by a decline in fatalities stemming from state-based conflict (in orange), mainly by trends in Afghanistan and Yemen (although in the case of the latter, alternative datasets note a spike in fatalities, which may, at least partially, be attributed to changes in reporting of fatalities). The spike in interstate conflict in 2022 was related to the onset of Russia’s invasion of Ukraine. One-sided violence rose significantly in Europe and Africa.

⁹⁶ The downgrading of income classification occurred for Syria and Yemen in 2017 (reflected in FY19), and Sudan in 2019 (reflected in FY21).

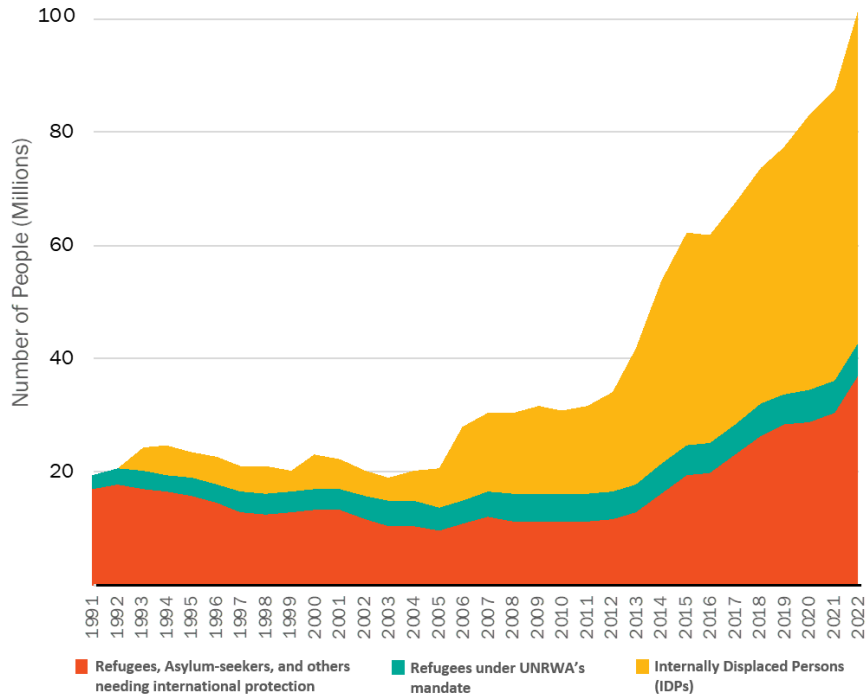
⁹⁷ The Global Organized Crime Index measures resilience based on indicators of political leadership and governance, government transparency and accountability, international cooperation, national policies and laws, judicial system and detention, law enforcement, territorial integrity, anti-money laundering, economic regulation capacity, victim and witness support, prevention, and nonstate actors. Conversely, criminality indicators include criminal markets and criminal actors (mafia-style groups, criminal networks, state-embedded actors, and foreign actors).

⁹⁸ WB (2023a), figure 7.2, based on UNHCR data and utilizing methodology developed in Devictor and Do (2017).

⁹⁹ OECD 2022 (based on OECD’s classification of fragile contexts).

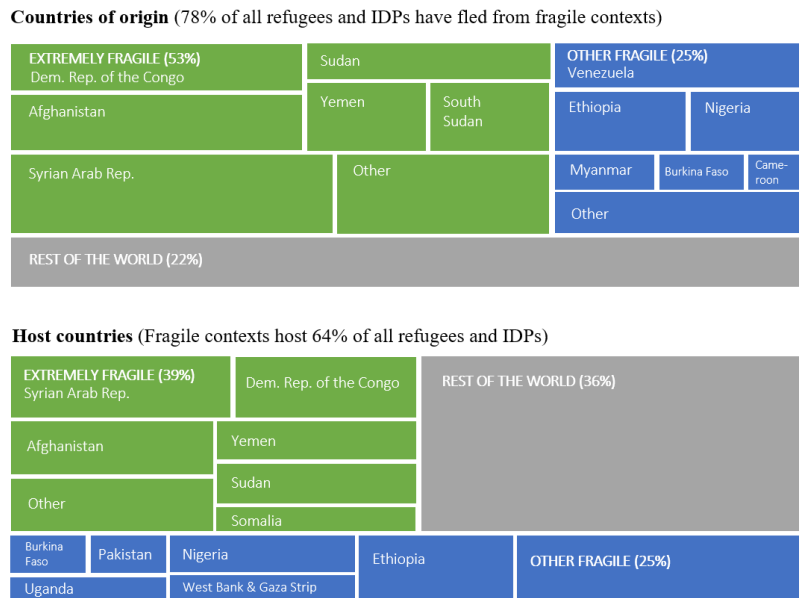
displaced people and frequently face heightened protection risks, including GBV. Seventy-two percent of the forcibly displaced originate from just five countries: Syria, Venezuela, Ukraine, Afghanistan, and South Sudan (UNHCR n.d.b.). Climate change is increasingly aggravating forced displacement, driving the movement of people within countries and across borders (UNHCR n.d.a.), while food insecurity can contribute to driving new and repeated internal displacement (Anzellini 2022).

Figure A2.4: Number of Forcibly Displaced Persons, 1991-2022



Source: OECD 2022 (based on OECD's classification of fragile contexts).

Figure A2.5: Origin & Hosting Countries of Refugees and IDPs

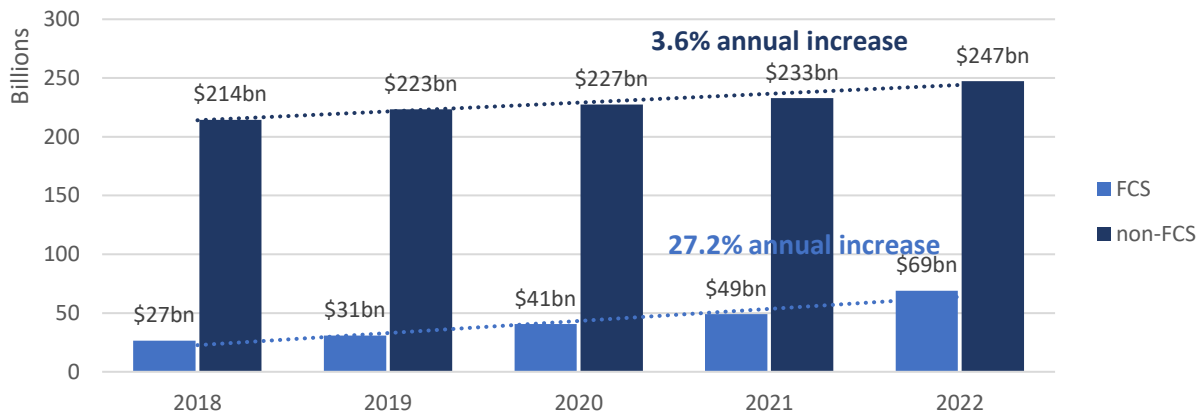


Source: OECD 2022 (based on OECD's classification of fragile contexts).

Annex 3: Overview of Programming—Quantitative Portfolio Review

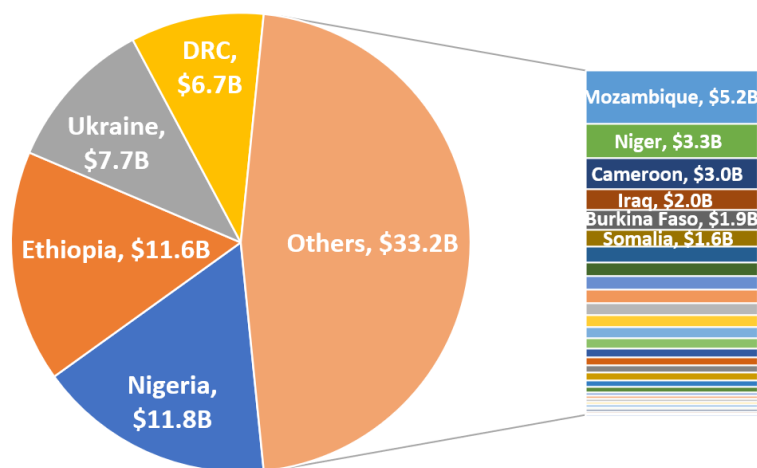
IBRD/IDA financing to FCS countries through lending operations has seen a continual increase over the last few years and is growing at a faster rate than in non-FCS. As of end-FY22, the total active portfolio in FCS countries reached US\$69 billion, more than 2.5 times higher than in FY18, and accounting for 28 percent of the entire FY22 global lending portfolio (see figure A3.1). The average annual rate of

Figure A3.1: IBRD/IDA Portfolio in Volume



increase over the last five years in lending is 27.2 percent in FCS countries, compared to 3.6 percent in non-FCS. A significant factor contributing to this sharp increase is the inclusion of Nigeria (starting from FY20) and Ethiopia (starting from FY22) on the FCS list. Even without considering the contribution from these two countries, the portfolio experienced consistent growth, albeit at a slower rate, averaging approximately 12.9 percent annually over the same period.¹⁰⁰ As of December 2022 (mid-FY23), the total active portfolio volume in FCS countries had increased to US\$71 billion in FCS countries, with Nigeria, Ethiopia, Ukraine, and DRC constituting more than half of the FCS portfolio (see figure A3.2).¹⁰¹

Figure A3.2: IBRD/IDA FCS Portfolio by Country (mid-FY23)



Trust funds also play a key role in FCV contexts as complementary sources of funding. FCS countries have received more than half (57 percent) of all recipient-executed disbursements from trust funds FY18–22, with Afghanistan, Ukraine (FY22),¹⁰² and West Bank and Gaza at the top. These recipient-executed trust funds, including global funds and country-focused trust funds, allow the WBG to operate effectively

¹⁰⁰ Nigeria’s inclusion on the FCS list added US\$11.2 billion to the portfolio, and Ethiopia’s inclusion further increased the portfolio by US\$12.5 billion.

¹⁰¹ Ukraine was added to the FCS list as of FY23. The overall portfolio analysis in this section uses the FCS list corresponding to each FY during FY18–22.

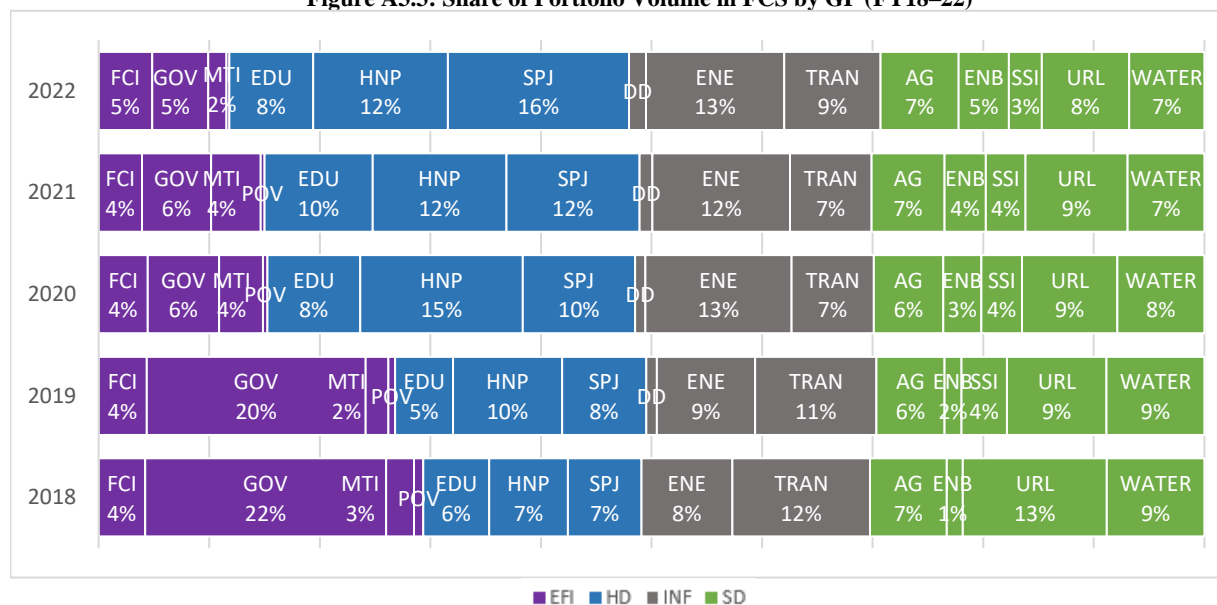
¹⁰² Ukraine is included here even if it was not formally added to the FCS list until FY23.

in conflict situations in which IDA or IBRD financing were unavailable or where there are exceptional needs. They also provide resources to support the extraordinary demands of working in conflict situations, including enhanced analytics, monitoring, capacity-building, and technical assistance.

In addition, Advisory Services and Analytics (ASA) have played a pivotal role in implementing the FCV Strategy. In FY22, 176 ASAs were completed for FCS countries, representing approximately 18 percent of total IBRD/IDA ASAs. With a total expenditure volume of US\$101 million in FY22, funding for FCS ASAs increased by 55 percent compared to FY19, showcasing the importance of analytics in addressing FCV.

In recent years, IBRD/IDA sectoral investments in FCS have increasingly focused on strengthening human capital. The Human Development portfolio, consisting of Education, Health, and Social Protection and Jobs Global Practices, has increased in financing volume from US\$5.2 billion in FY18 to US\$24.9 billion in FY22 and now represents over a third of the IBRD/IDA FCS portfolio. At the same time, the share for Equitable Growth, Finance and Institutions (EFI) has decreased. This relative shift in composition is not because the absolute investment amount to EFI has lessened, maintaining about US\$8 billion in each FY portfolio snapshot over the last five years. In EFI, the Governance Global Practice saw the most drastic decrease in share of portfolio volume from around 20 percent (US\$5.8 billion) pre-pandemic to 5 percent in FY22 (US\$3.5 billion). This was mainly due to change in the Afghanistan portfolio.¹⁰³ Infrastructure

Figure A3.3: Share of Portfolio Volume in FCS by GP (FY18–22)



Note: EFI Practice Group: Finance, Competitiveness and Innovation (FCI); Governance (GOV); Macroeconomics, Trade and Investment (MTI); Poverty (POV); Human Development (HD) Practice Group: Education (EDU); Health, Nutrition & Population (HNP); Social Protection & Jobs (SPJ); INF Practice Group: Digital Development (DD); Energy & Extractives (ENE); Transport (TRAN); SD Practice Group: Agriculture & Food (AG); Environment, Natural Resources & Blue Economy (ENB); Social Sustainability and Inclusion (SSI); Urban, Disaster Risk Management, Resilience and Land (URL); Water (WAT).

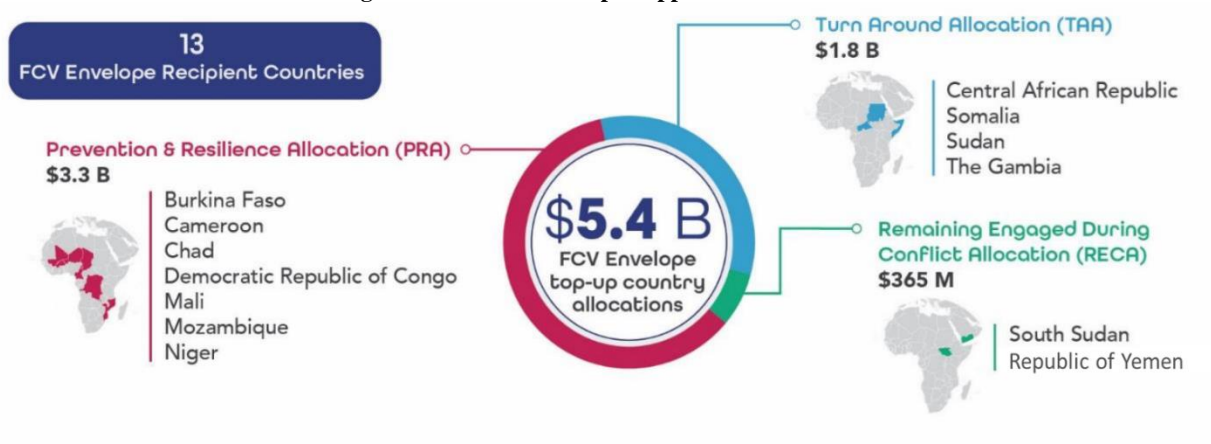
¹⁰³ The Afghanistan Reconstruction Trust Fund (ARTF) Recurrent and Capital Costs' operation (under GOV) that was at the maximum at US\$5.1 billion in FY19 was discontinued in FY20, which explains the absolute majority of the drop. Disbursements continued through Development Policy Operations under MTI. A small share of the drop can be explained by the shifting in sectors due to the pandemic.

(INF) and Sustainable Development (SD) Practice Groups saw proportional increases, maintaining their shares of the portfolio volume (see figure A3.3).

The sharp portfolio increase in Human Development (HD) in FY20 is by and large due to the COVID-19 response. Most COVID-19 response projects were approved during FY20–22 totaling US\$117.6 billion, where HD’s share was US\$44 billion or 37.5 percent of total IBRD/IDA lending to FCS. Of the total COVID-19 response, US\$31.1 billion went to FCS countries and of this 45 percent was committed for HD.

A substantial part of the increased financing can be attributed to the establishment of the FCV Envelope introduced under IDA19.¹⁰⁴ The FCV Envelope supports eligible IDA FCS countries access the PRA, RECA and TAA. Under IDA19, US\$5.4 billion was provided through the FCV Envelope to 13 eligible countries (see figure A3.4).¹⁰⁵ Burundi is the latest country to have gained eligibility in April 2023. Additional financing has been provided through the Regional Window, Crisis Response Window (CRW), WHR, SUW, and PSW in the amount of US\$5.6 billion under IDA19 to IDA FCS.¹⁰⁶

Figure A3.4: FCV Envelope Support under IDA19



In both IBRD and IDA countries, IPF remains the predominantly used instrument in FCS countries. Over the FY18–22 period, out of the total US\$52.9 billion lent through 491 operations in FCS countries, IPF constituted 82 percent or 432 projects, Development Policy Financing (DPF) 12 percent or 49 operations, and PforR 7 percent or 10 programs.¹⁰⁷ The macroeconomic framework in many of these countries is not adequate to enable budget support operations through DPFs, though there has been an increase in use in IDA countries. PforR operations require sufficiently robust country systems, which often do not exist in FCS countries. The Multiphase Programmatic Approach (MPA) is also increasingly being

¹⁰⁴ Design of the FCV Envelope built on the postconflict, risk mitigation, and turn around regimes employed in IDA18, as well as the postconflict regime phaseout applicable to South Sudan. Incorporating lessons from these initiatives, the FCV Envelope introduced a formal eligibility process and a strong incentive and accountability structure to scale up IDA’s support for prevention and resilience, remaining engaged during conflict, and helping countries transition out of FCV (WBG 2023b).

¹⁰⁵ Under IDA19, these included seven countries eligible for the PRA receiving an additional US\$3.3 billion (Burkina Faso, Cameroon, Chad, DRC, Mali, Mozambique, and Niger); four countries eligible for the TAA receiving an additional US\$1.8 billion (CAR, Somalia, Sudan, and The Gambia); and two RECA-eligible countries (South Sudan and Yemen) receiving an additional US\$365 million.

¹⁰⁶ Commitments to FCS in FY23 amounted to US\$3.6 billion distributed as follows: the Regional Window (US\$825 million), Crisis Response Window (US\$970 million), Window for Host communities and Refugees (US\$920 million), Scale-up Window (Regular US\$150 million and Shorter Maturity Loans US\$460.8 million), and Private Sector Window (\$255.8 million).

¹⁰⁷ The overall usage of the respective instrument is 61 percent IPF, 25 percent DPF, and 13 percent PforR.

utilized, with over US\$9 billion in operations financing in 31 FCS countries since the first MPA in an FCS was approved in June 2018.¹⁰⁸

ICRR outcome ratings are somewhat lower in FCS countries compared to non-FCS. About 21 percent of FCS projects since FY18 received “moderately unsatisfactory” or lower compared to 18 percent in non-FCS countries. In the long run, both FCS and non-FCS are comparable and improving over the last 10 years¹⁰⁹ (see figure A3.5a and b).

Figure A3.5a: ICRR Outcome Rated “Moderately Satisfactory or Higher”

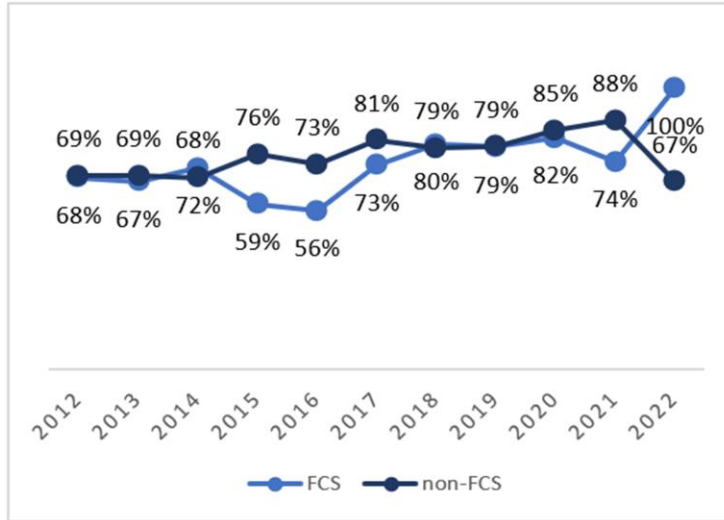


Figure A3.5b: ICRR Ratings since FY18

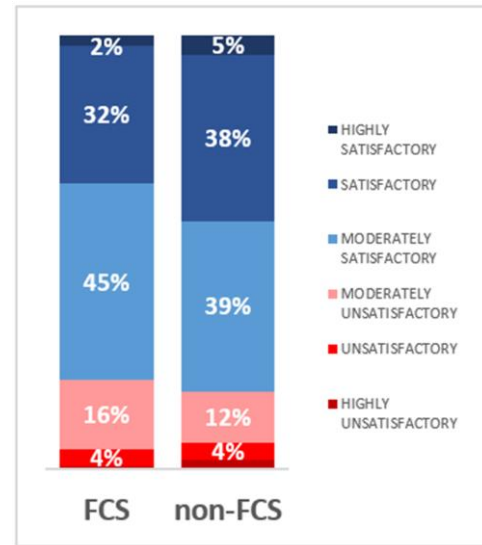


Figure A3.6: SORT Overall Risk Rated “High”

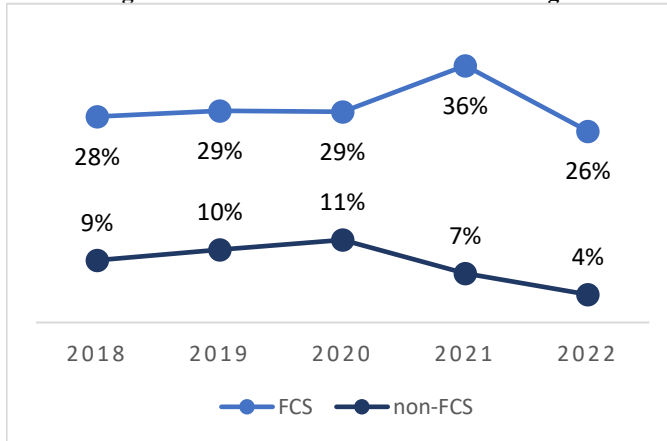
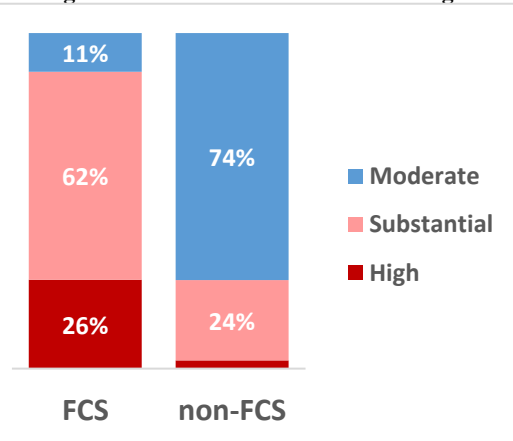


Figure A3.7: SORT Overall Risk Ratings



¹⁰⁸ An example of a vertical MPA in FCS supporting long-term and higher-level outcomes is the Niger Accelerating Electricity Access Project (Haské, P174034), approved on December 10, 2021. The program consists of a US\$835 million IDA-financed MPA which aims to increase access to sustainable, reliable, and affordable energy services in Niger. It is structured as a nine-year engagement through three overlapping IPFs, of which the first phase is in the amount of US\$310 million.

¹⁰⁹ Only a small number of projects closed in FY22 were evaluated due to the IEG evaluation schedule at time of this report.

Operational risks are rated much higher in FCS than in non-FCS countries. About a quarter of FCS operations received a “high” risk rating in SORT (Systematic Operations Risk-rating Tool), compared to 4 percent in non-FCS. Only 11 percent of projects in FCS were rated “moderate” whereas 74 percent in non-FCS countries were rated “moderate” in FY22 (see figures A3.6 and A3.7). The Political and Governance, Macroeconomic, Fiduciary, and Institutional Capacity risk categories currently have the highest shares of high-risk ratings in the FCS portfolio.

Operations in FCS countries have higher rates of gender-tagged projects than in non-FCS,¹¹⁰ but climate cobenefits are lower in FCS than in non-FCS (see figures A3.8 and A3.9). Of all active FY22 projects, 57 percent of those in FCS countries received gender tags indicating that gender considerations are addressed in project design, compared to 51 percent in non-FCS countries. Climate cobenefit, which measures the part of the project commitment dedicated to either adaptation or mitigation efforts, is lower in FCS countries than in non-FCS.

Figure A3.8: Active Projects with Gender-Tagging (%)

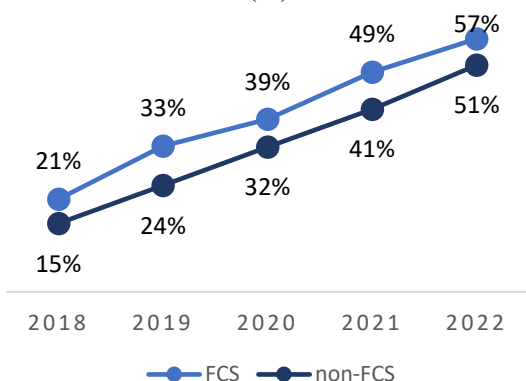
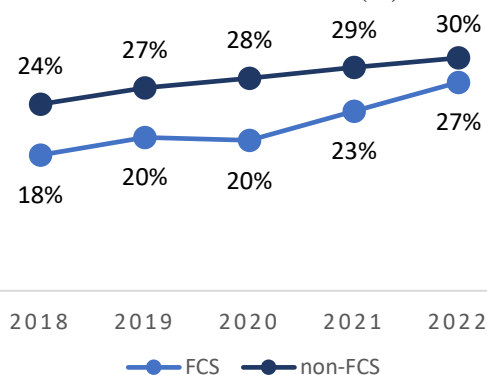


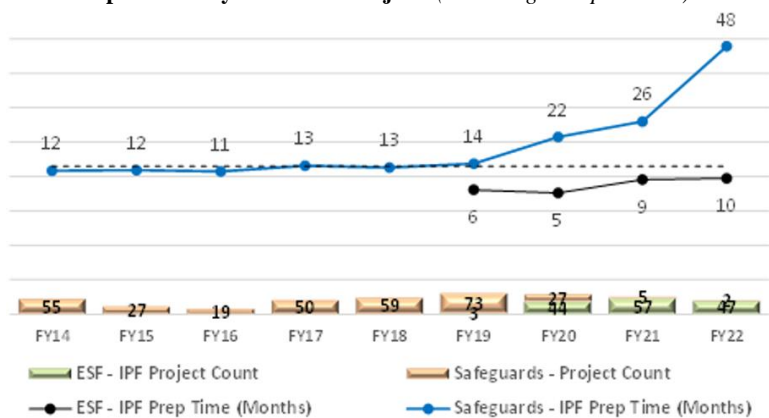
Figure A3.9: Average Climate Cobenefits over Total Commitment (%)



Project preparation in FCS under the ESF is significantly faster than it was under Safeguards policies (see figure A3.10). While project preparation time under ESF to date averages 7.5 months (FY19–22), the average under Safeguards was 12.5 months (FY14–19, excluding the years since ESF was introduced, given these likely represent exceptional projects).

IFC has increased investments in FCS countries especially since the beginning of the FCV Strategy. In

Figure A3.10: IBRD/IDA Average Preparation Time—Approved IPF Operations by FY—FCS Projects (excluding AF operations)



¹¹⁰ The gender-tagging system monitors progress made toward gender-oriented corporate goals and operational commitments for IDA and IBRD operations. Projects are assessed upon Board approval and are considered to meet the tag if the PAD articulates a logical chain addressing a gender gap, comprising (i) analysis; (ii) actions; and (iii) indicators. The gender tag also tracks implementation of the 2016–23 Gender Strategy to measure project results against its four pillars: (i) human endowments; (ii) jobs; (iii) assets; and (iv) women’s voice and agency.

terms of own account (O/A) long-term finance (LTF), IFC has more than doubled its commitments in FCS countries FY20–22 (US\$2.8 billion cumulatively and 116 projects), compared to the previous three-year period of FY17–19 (US\$1.2 billion). This was particularly pronounced in Africa, where investment commitments increased from US\$0.5 billion FY17–19 to US\$2.3 billion FY20–22.¹¹¹ Of the US\$2.8 billion O/A LTF commitments in FCS countries FY20–22, 80 percent was in Africa and 14 percent in the Middle East, 4 percent in East Asia and the Pacific, and 2 percent in Europe. The Financial Institutions Group (FIG) accounted for 41 percent, Infrastructure for 28 percent, MAS for 25 percent, and Disruptive Technologies and Funds (CDF) for 6 percent. The O/A LTF project count increased as well, from 91 projects FY17–19 to 116 projects FY20–22. Given the substantial increase in the project volume, the overall increase in the number of O/A LTF projects from FY17–19 to FY20–22 is relatively modest, reflecting a larger average project size during the latest three-year period.

Figure A3.11: IFC Financing in FCS¹¹²

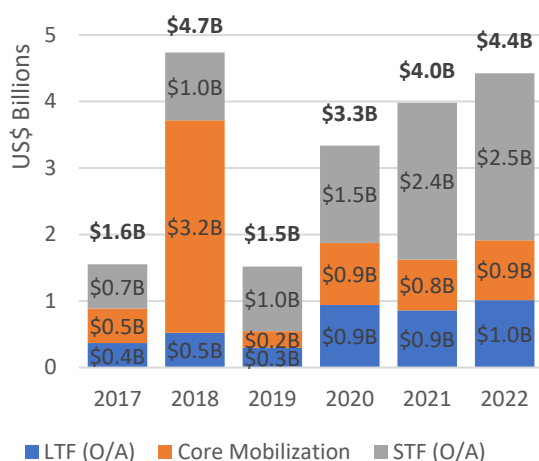
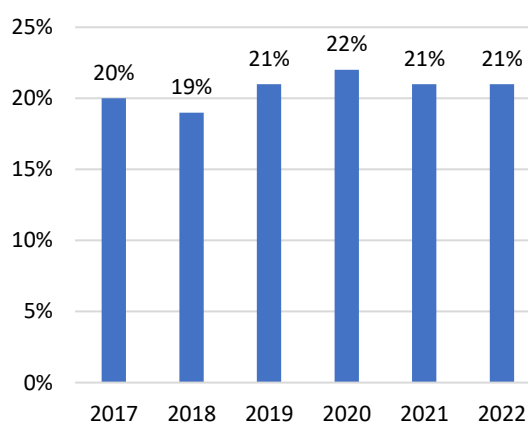


Figure A3.12 Share of Upstream and Advisory Annual Program Spend in FCS



IFC also saw significant increases in short-term finance (STF) and core mobilization. IFC has committed US\$6.3 billion or 26 percent of all STF in FCS countries on average during the FY20–22 period, more than doubling from US\$2.7 billion in FY17–19 (see figure A3.11). Core mobilization amounted to US\$2.6 billion in FY20–22. Core mobilization can fluctuate significantly from year to year and be driven by one large project, as was the case in FY18 with the Nacala Corridor project.¹¹³

IFC has been prioritizing upstream and advisory services in FCS. In FY22, IFC delivered 21 percent of its upstream and advisory program spend in FCS.

IFC’s investments in FCS achieved significant results. Between FY18–22, on average, IFC investment clients:

- Reached over 180,000 farmers per year.
- Provided mobile/fixed voice service to 20.4 million customers per year.

¹¹¹ IFC data is based on the IFC FCS list, where FCS countries are defined as those that are on the WBG FCS list in the current FY, plus countries that graduated in the last three fiscal years.

¹¹² Note: Key IFC financing instruments: LTF, STF, and core mobilization. LTF investment projects typically have a tenor of more than one year and are not considered part of STF programs. STF refers to all projects that are part of the Global Trade Finance Program and the Global Trade Supplier Finance. Core mobilization refers to non-IFC financing or risk sharing arranged on commercial terms due to the active and direct involvement of IFC for the benefit of a client.

¹¹³ The Nacala Corridor in Mozambique accounted for US\$2.7 billion mobilization. If the Nacala Corridor project is excluded, IFC doubled its mobilization FY20–22 to US\$2.6 billion, compared to US\$1.2 billion FY17–19.

- Reached nearly 25 million customers through power generation and distribution per year.
- Handled 1.1 million twenty-foot equivalent unit containers per year.
- Reached nearly 1.3 million outstanding MSME loans per year, totaling US\$5.4 billion, of which nearly 0.9 million were women-led MSMEs, with the outstanding loan value of nearly US\$1 billion.

The reach through IFC’s infrastructure clients in FCS accounts for a large share of IFC total reach for infrastructure in any given year. This is not surprising, as IFC investments enable clients to provide access to key basic services such as power, telecommunications, and internet. For example, between 2017 and 2021, 40 percent of IFC’s clients’ reach in power generation came from investments in FCS.

The development reach by Advisory Service clients is significant in some areas. The reach from projects in FCS accounted for a substantial portion of IFC’s total results on some key indicators. For instance, the number of non-cash (retail) transactions represented over 70 percent of IFC’s total reach on average in CY19 and CY20, while direct compliance cost savings to firms and the number of reforms in FCS accounted for over 70 percent of IFC’s total impact in CY21. Between FY18 and FY22, IFC Advisory Service (AS) clients in FCS have achieved the following on average per year:

- Reached over 33,000 farmers per year.
- Reached 108,000 people with improved services per year on average.
- IFC Digital Financial Services (DFS) clients provided non-cash retail transactions worth US\$122 million.
- US\$10 billion financing was facilitated through financial infrastructure.
- US\$103 million investment generated. Savings to firms amount to an estimated US\$9 million in compliance costs per year.

MIGA’s prioritization of projects in FCS countries has resulted in a significant increase in the Agency’s FCS portfolio, both in terms of number of projects and gross guarantee value. The value of MIGA’s gross portfolio in FCS was US\$2.6 billion at end-FY22 (see figures A3.13 and A3.14) and US\$3.5 billion at end FY23.¹¹⁴ FY23 also saw MIGA deliver its first trade finance transaction in an FCS country (Ukraine). MIGA plans to increase the use of this short-term trade finance instrument to support critical imports into FCS countries.

Figure A3.13: MIGA Activity in FCS

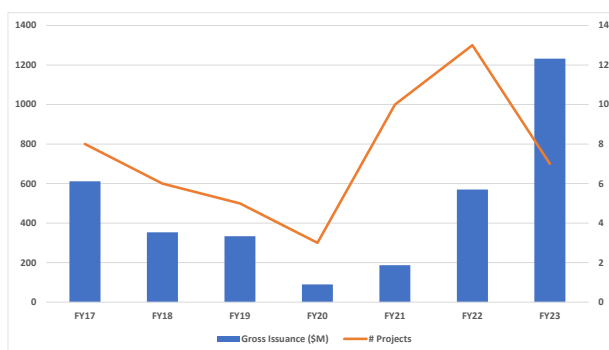
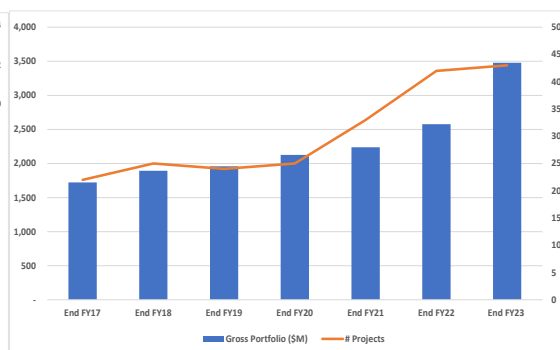


Figure A3.14: MIGA Portfolio in FCS

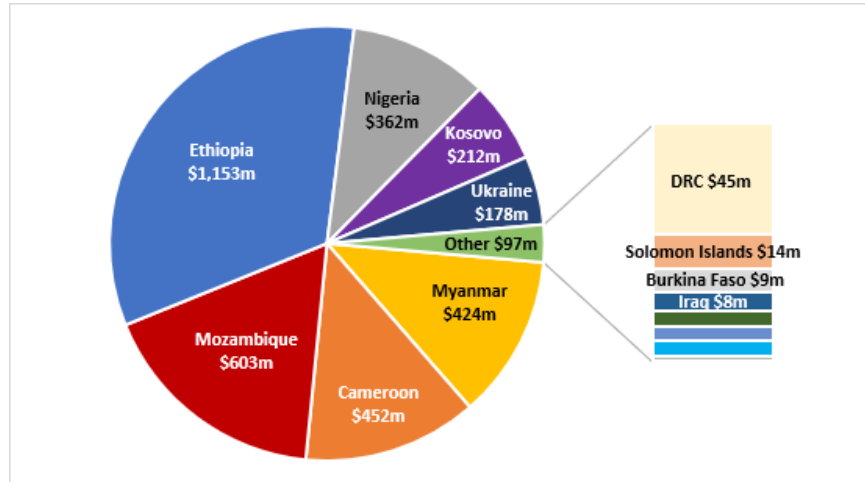


MIGA’s guarantee issuance in FCS countries in Sub-Saharan Africa has increased significantly from US\$197 million over FY17–19 (on a cumulative basis) to US\$1.701 billion over FY20–23 (on a

¹¹⁴ IEG data (i.e., figure A3.16) use the WBG FCS definition.

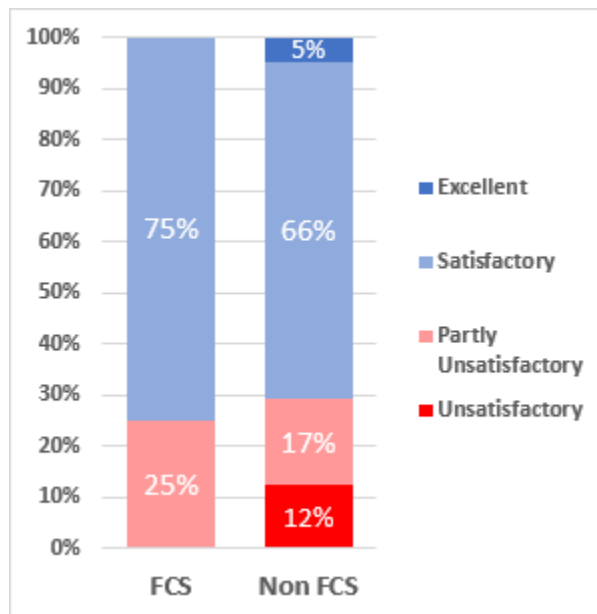
cumulative basis). Energy and telecom access projects accounted for 80 percent of the total with the bulk of the remainder in the Finance and Capital Markets sector (9 percent) followed by the manufacturing sector (5 percent). In FY23, guarantee issuance in Sub-Saharan Africa increased by over US\$1 billion, largely driven by a sizable transaction in the telecom sector (Ethiopia). At the end of FY23, MIGA’s top three FCS exposures in its portfolio were in Sub-Saharan Africa (see figure A3.15).

Figure A3.15: MIGA’s FCS Portfolio by Country (end-FY23)



The development outcome success rate, based on MIGA’s Project Evaluation Reports in FCS countries as validated by IEG, were on par with projects in non-FCS countries. Over FY18–22, 75 percent of evaluated projects in FCS were rated Satisfactory or above, compared to 71 percent for projects in non-FCS countries (see figure A3.16).

Figure A3.16: Development Outcome: MIGA’s Project Evaluation Results, FY18–22



Annex 4: Policy Dialogue on Prevention and Transition under the FCV Envelope

As key WBG financing tools to strengthen support in prevention and transition contexts, the PRA and TAA have helped ensure a more structured policy dialogue with government authorities on FCV.

Introduced under IDA19, the FCV Envelope builds on lessons learned from the IDA18 Risk Mitigation Regime (RMR) that has supported Guinea, Nepal, Niger, and Tajikistan, as well as the IDA18 Turnaround Regime (TAR) that provided additional resources to the Central African Republic, Madagascar, The Gambia, and Somalia. As part of the eligibility process and a cornerstone of the dialogue, governments make a series of specific commitments (i.e., milestones) from their respective national strategies to be achieved over three years. Overall progress is reviewed yearly. The introduction of a systematic process for establishing and maintaining eligibility to access PRA and TAA financing has allowed IDA—in collaboration with partners—to support the client governments on prevention and transition strategies and programming that encompass interconnected development, governance and security dimensions. Though the first countries only became eligible in late 2020/early 2021¹¹⁵ there are already lessons learned at the strategic level and related to policy dialogue.¹¹⁶ In DRC, the PRA dialogue resulted in the first nationally designed and led national conflict prevention strategy (hitherto, this agenda had been led by international and regional partners), including milestones on security sector reform, and a wider national security sector strategy. In Burundi, the government approved the PRA Action Plan together with its new programmatic budget to show the real budget allocations made from government resources for the coming years for prevention and resilience activities. Policy dialogue facilitated by the TAA is also supporting transition in The Gambia, as illustrated below (see box A4.1).

Box A4.1: Transition in The Gambia

The Gambia gained access to the TAA in 2021, at the end of a 22-year dictatorship marked by low economic growth and lack of economic diversification, limited access and confidence in the justice system, poor delivery of public services, migration of the youth, and high unemployment levels. Strong government leadership and clearly defined national strategies underpinned the formulation of an ambitious set of government milestones to be achieved over three years. The TAA process provided a platform of engagement and collaboration that facilitated discussions, at political and technical levels, with sectoral ministries. Formal participation of CSOs ensured transparency and helped garner support for the reforms, while also serving to catalyze further support from development partners.

Significant gains have been made on the government's strategic goals and associated milestones centered around restoring trust between citizens and the state, good governance, sustainable land management, access to basic services and economic and social equality. The roadmap to develop an inclusive and gender sensitive land policy has been completed, and the formulation of the land policy is ongoing. A Civil Registration and Vital Statistics platform is effective, contributing to significant improvement in access and provision of basic services, with a particular focus on vulnerable groups. However, some challenges remain. While the publication of the final Truth, Reconciliation and Reparations Commission (TRRC) report by the Presidency in 2022 was a major milestone, the TRRC recommendations, including promised compensation to victims, are still pending approval. Additionally, progress on security and justice sector reform has been lagging. This underscores the formidable challenges in transition contexts and the complexity and sensitivity of identified reform areas, even where there is strong government commitment and leadership.

PRA and TAA processes have offered a robust platform for consultation and dialogue with partners on FCV topics. Under the overall leadership of the government, it is often the first time development, humanitarian, and security-related issues are comprehensively discussed within one policy framework. Coordination varies depending on the country context but has involved aligning diagnostics and approaches to key policy challenges, consultation on key government milestones, and monitoring milestones. This has

¹¹⁵ Burkina Faso gained eligibility in December 2020, Niger in March 2021, and Mozambique in April 2021.

¹¹⁶ In addition to published documents, this section builds on lessons learned collected from clients in a two-day workshop in April 2023, from staff and corporate units in key informant interviews and group discussions in FY23, as well as an analysis of the milestones for this MTR.

proven particularly valuable on topics or milestones that are outside the WBG’s comparative advantage or mandate or where other partners are providing support, notably on political, stabilization, security, humanitarian, and justice matters. For example, the UN is helping to monitor the overall political and security situation and associated milestones in several countries. In Burundi, IDA worked in close partnership with the UN Resident Coordinator’s Office, which facilitated an overarching strategic dialogue between the government and partners. In Mozambique, a partnership with Chatham House helped to build consensus with a broad range of stakeholders across the humanitarian-development-peace nexus. In DRC and Chad, milestones on justice reflect close collaboration with the European Union in order to support transitional justice and security sector reform.

For countries accessing the PRA and TAA,¹¹⁷ the additional funds have provided a decisive incentive to recalibrate country programs to attempt to address some FCV drivers.¹¹⁸ In a country that is at risk of escalating conflict or seeks to break the FCV cycle, the prevention, turnaround, and resilience effort is not a matter of adding projects to implement in parallel with the “traditional” program, but rather of refocusing the entire portfolio toward addressing and mitigating FCV drivers and risks in support of the government’s broader strategy on prevention or transition, including in country engagement documents, country dialogue, and the pipeline and portfolio of operations and analytical products, as appropriate. This has included cancellations, restructuring, or continuing with a renewed focus on FCV, determined on a project-by-project basis. In Chad, this entailed focusing on fewer sectors and shifting toward more extensive operations concentrated in conflict-affected and at-risk areas. In Mozambique, it included a spatial approach to distinguish between interventions focused on areas surrounding the active conflict, areas at risk of becoming engulfed by conflict (the “buffer” zone), interventions focused on historically marginalized areas and urban and peri-urban locations, in line with the government’s strategy. Although portfolios have been recalibrated in these countries, effective prevention or transition are long-term endeavors, and it is still too early to pinpoint FCV-related impacts of projects and programs. There have been concerns over whether the Bank could do more and come in earlier with dedicated funding regarding prevention, as the PRA is focused on preventing further escalation of conflict where there are already conflict-related fatalities, as opposed to supporting more upstream conflict prevention or where fragility manifests in other ways. In consultation with IDA Deputies and Borrower representatives, efforts are underway to explore how the FCV Envelope could support countries committed to addressing FCV drivers earlier, noting that such efforts are naturally also desirable and possible in all countries regardless of access to dedicated FCV financing.

Although the prevention and transition allocations have provided incentives to address FCV drivers and recalibrate IBRD/IDA-funded programs, implementation has been negatively impacted by volatile FCV contexts. Annual reviews of PRA and TAA milestones are required to maintain eligibility. In 4 of the 12 countries benefiting from these allocations, the reviews for FY22 were significantly delayed or put on hold due to delays in key reforms, delays in obtaining sufficient information from government, or unexpected political turmoil.¹¹⁹ The delays are indicative of the longer-term horizon of PRA and TAA

¹¹⁷ To date, eight countries have gained eligibility to the PRA: Burkina Faso, Burundi, Chad, Cameroon, DRC, Mali, Mozambique, and Niger. Four countries have gained eligibility to the TAA: Central African Republic, Somalia, Sudan, and The Gambia. Sudan and Niger are currently under OP 7.30 assessment.

¹¹⁸ IEG noted that CPFs in countries that have received the TAA present a coherent narrative about their transition out of fragility and are mainstreaming conflict considerations in their country portfolio (IEG 2021). The qualitative meta-analysis of portfolios noted a marked difference between countries accessing the PRA or TAA and those that are not in terms of how consistently portfolios are addressing FCV drivers (WB 2023c).

¹¹⁹ Cameroon, CAR, Mali, and Sudan, with Cameroon and CAR having since successfully completed the annual review process in FY23.

milestones that are more structural in nature, the complexities of addressing the root causes of FCV, particularly in fluid security contexts, and the changing political landscape in a number of countries.

A review of milestones for the FCV Strategy MTR indicates that, overall, 67 percent of the milestones or yearly targets were achieved or had made significant progress. Amidst overall progress, 27 percent of agreed milestones made only some progress, and a small proportion—6 percent—did not progress. Furthermore, in all but one of the countries, milestones specifically addressed gender either in terms of increased service delivery or participation in decision-making processes, including in conflict management, peace, and transition structures. Security and development-related milestones progressed relatively well. For instance, Niger made significant progress on the adoption and implementation of a national security policy document, a national internal security strategy, and a counter-radicalization strategy; also, all border and at-risk municipalities now have peace committees (exceeding the initial target of 50 percent).¹²⁰ In Chad, following the unforeseen political transition, milestones around establishing the institutional architecture of the transition were nonetheless met. In Somalia, a policy paper on the principles for resource-sharing was issued to guide decentralization, while the flow of fiscal transfers to Somalia’s Federal Member States was sustained. Overall, milestones at policy or legislative levels or that seek to strengthen national systems have progressed less rapidly than milestones that focus on providing services on the ground. Sixty-eight percent of policy or legislative milestones were achieved or displayed significant progress, while 53 percent of milestones focusing on national systems were achieved or displayed significant progress, compared to 78 percent focused on providing services on the ground.¹²¹ This points to the challenges of affecting wider policy and systems change.

The IDA19 Retrospective highlighted the importance of annually reviewing milestones and considering transitions out of fragility. Given the complexity of country circumstances, the proactive use of annual reviews to document shifts in the local context, report on progress and challenges, and carefully consider IDA’s approach are important to inform continued dialogue and adjust milestones, as and when needed. This also helps ensure that the overall objectives of the PRA and TAA are safeguarded, and the Bank’s policy dialogue and support remains relevant and appropriate. While recognizing that these are uncertain and long-term processes that require steady commitment, the PRA and TAA need to remain fit for purpose, which may not only require that new countries can gain access, but that countries that no longer have the FCV profile can exit. Considering the dynamic nature of FCV, careful planning around funding levels will be critical as countries successfully achieve conflict prevention, exit from active conflict and turnaround, or otherwise become ineligible against the criteria for accessing the PRA, RECA, and TAA. This needs to be considered in a way that ensures a sudden drop in financing does not increase FCV risks.

¹²⁰ An irregular political transition took place in Niger in July 2023, illustrating how volatile these situations can be, where efforts for prevention and transition can be derailed despite best efforts.

¹²¹ Milestones analysis for the MTR. Progress is measured against the completion of the milestone or its yearly target as indicated in the latest annual progress report.

Annex 5: FCV Strategy Operational Measures: Implementation Status

#	Measure	Delivery Status
<i>Policies, processes, and practices</i>		
1	Articulate how the WBG will operate in humanitarian crises, in refugee and forced displacement situations, and when dealing with security and military actors, particularly in insecure environments; and update OP 2.30 on Development Cooperation and Conflict accordingly.	<p><u>COMPLETED</u></p> <ul style="list-style-type: none"> • The updated OP 2.30 and associated Vision Statement was approved by the Board of Executive Directors (August 6, 2021). • Guidance on engagement in forced displacement situations has been prepared and issued (August 2023).
2	Systematize the use of digital solutions in FCV settings—including Geo-enabling for Monitoring and Supervision (GEMS) and remote-sensing technologies—to enhance supervision and implementation. (See also IDA19 FCV policy commitment #5).	<p><u>ONGOING</u></p> <ul style="list-style-type: none"> • GEMS has supported projects in over 100 countries, with more than 1,000 projects, prioritizing FCS and other situations facing FCV issues. Its use is also significantly growing in MICs in Asia. Over 8,000 government staff from all sectors have been trained to create customized digital monitoring systems using GEMS. • The target for the IDA19 Policy Commitment on GEMS was reached, with GEMS being effectively implemented in over 1/3 of IDA FCS countries. Under IDA20, tracking has continued as part of IDA RMS, reaching 50 percent of IDA FCS, as per the original baseline. • GEMS has become an important part of the FCV partnership agenda, as various UN agencies, bilateral donors, and MDBs benefit from it. For instance, the African Development Bank is adopting GEMS and its tools across its entire project portfolio, with support provided by IBRD/IDA. In Yemen, GEMS is an integral part of the Data and Information Group comprised of multiple UN agencies and other development partners to help coordinate data collection and information exchange among critical players and enhance digital monitoring of development interventions.
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	<p><u>ONGOING</u></p> <ul style="list-style-type: none"> • A comprehensive training program has been rolled out to support teams in FCV contexts, including on operational flexibilities, tailored to specific country contexts.

#	Measure	Delivery Status
	operational flexibilities that exist in FCV settings, particularly for procurement, environmental and social safeguards, and financial management.	<ul style="list-style-type: none"> • The Country Snapshots Dashboard, designed to help monitor pipeline/portfolio, as well as oversee the Bank’s program in a country by CMU/Region/PG/GP, was developed in 2022 and was operational as of January 2023. It covers all instrument types and various stages of a project’s life cycle. • A dedicated page on the OPCS website “Policy Optimization for Fragility, Conflict, and Violence (FCV) Operations,” has been developed, with the objective of enabling staff to receive timely and appropriate answers to questions about how to apply operational policy, including the policy’s flexibilities.
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 solutions, such as GEMS, and more fit-for-purpose survey designs to fully capture beneficiary feedback.	<p><u>COMPLETED</u></p> <ul style="list-style-type: none"> • In FY21 a good practice note, “How to improve Results and M&E in FCV environments” was developed and added to the OPCS Knowledge menu and the FCV Core Course content. In FY22 an extensive dissemination and training program was implemented, including clinics for projects teams in all the regions and in several Practice Groups.
5	Enhance the WBG evaluation framework that assesses country programs and operations in FCV settings , including encouraging more realism in objective-setting and project design and implementation, as well as adaptability to dynamic circumstances and situations of low institutional capacity and high levels of uncertainty and risk.	<p><u>COMPLETED</u></p> <ul style="list-style-type: none"> • The Bank Guidance on Implementation, Completion, and Results Reports (ICRs) for IPF Operations and Bank Guidance on ICRs for PforR Operations have been updated to include a new appendix on the preparations of ICRs in FCV settings, providing targeted advice and provisions on how to evaluate projects in FCV environments. The guidance was developed jointly by OPCS, IEG, and the FCV Group.
6	Simplify and streamline IFC and MIGA processes to more nimbly address FCV challenges , including the processing of small loans.	<p><u>ONGOING</u></p> <ul style="list-style-type: none"> • IFC’s Credit Delegation Framework (CDF) was launched in September 2019 to streamline the processing of small loans in Financial Institutions Group (FIG) and MAS. To date (as of March-end), 70 percent of the US\$ volume and 75 percent of the project count processed under the CDF are in FCS/IDA countries, with 24 percent of the volume and 33 percent of the project count processed for FCS-only countries.

#	Measure	Delivery Status
		<ul style="list-style-type: none"> • MIGA reaffirmed its Small Investment Program’s processes and procedures and has increased its use of Master Contracts to streamline the approval process. • IFC-MIGA continue to share due diligence under the Partnership Agreement, including in IDA/FCS locations.
Programming		
7	<p>Revise the methodology for Risk and Resilience Assessments (RRAs) and ensure they are conducted systematically for countries impacted by fragility, conflict, and violence. Each RRA/fragility assessment will analyze FCV drivers and sources of resilience, and include operational recommendations that can be integrated into country programming. (See also IDA19 FCV policy commitment #1).</p>	<p><u>COMPLETED</u></p> <ul style="list-style-type: none"> • In total, 32 RRAs have been delivered since the launch of the FCV Strategy in February 2020. This includes 22 in FCS countries, four in non-FCS countries (Honduras, Madagascar, Nepal and The Gambia) four at the regional level, (Sahel, Lake Chad, Horn of Africa and Central Asia and Afghanistan cross-border regions) and two at the subnational level (in South Sudan and Tunisia). Of the 28 national RRAs, 17 were in LICs and 11 in MICs, while 22 countries were IDA, 3 IBRD, and 3 blend.
8	<p>Ensure that country partnership frameworks and operations in FCV settings systematically address the key drivers of fragility and sources of resilience. (See also IDA19 FCV policy commitment #1).</p>	<p><u>ONGOING</u></p> <ul style="list-style-type: none"> • All country engagement products (CPFs, CENs, and PLRs) completed for IDA FCS in FY21, FY22, and the first half of FY23 have been informed by RRAs or other FCV assessments, outlined how the WBG program would address FCV drivers and sources of resilience, and recognized the importance of partnerships. • The pipeline is being monitored to ensure that RRAs or other FCV assessments inform upcoming CPFs, CENs, and PLRs.
9	<p>Ensure that operations in FCV settings take security considerations into account throughout the project cycle, including factoring security issues into project design and documentation, implementation,</p>	<p><u>ONGOING</u></p> <ul style="list-style-type: none"> • The resource guide on “Implementation and Supervision of Bank Projects in Insecure Areas including Security and Third-Party Monitoring” is in final stages and under discussion by Management in view of the ongoing WBG-wide initiative on enhancing operational efficiency and effectiveness.

#	Measure	Delivery Status
	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.	<p><u>ONGOING</u></p> <ul style="list-style-type: none"> • FCV-sensitive portfolio analysis has been incorporated into all recent RRAs and for all the countries accessing the PRA and TAA as part of the portfolio recalibration processes. • Peace and conflict lenses in the FCV setting have been developed and are being used in Myanmar, the Philippines, and Tajikistan, and are under development in additional countries.
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).	<p><u>ONGOING</u></p> <ul style="list-style-type: none"> • Four regional RRAs have been completed (Central Asia, Lake Chad, Horn of Africa, Sahel). Two regional Economic Memorandums were completed for the Lake Chad and Horn of Africa regions. These analytical products inform the identification and preparation of operations. • In IDA19, 13 regional IDA operations were approved, informed by regional RRAs and focusing on mitigating key fragility and security risks. These operations involved 16 countries in the Sahel, Lake Chad, and the Horn of Africa. For some of these operations, regional organizations also benefited from IDA financing.
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).	<p><u>ONGOING</u></p> <ul style="list-style-type: none"> • In June 2022 IFC launched an e-learning course, Applying Conflict Sensitivity to IFC Investments in Fragile and Conflict-Affected Situations, which is now being rolled out across the WBG. • In conjunction with EIB, IFC has developed a guidance note for clients working in FCS to guide them on implementing a conflict-sensitive approach. The guidance was developed as an output from the ARIA working group on conflict sensitivity and will be supported by training for ARIA members. • IFC has been systematically integrating contextual risk screening into its due diligence and supervision and broader diagnostics and strategy. The new internal CRData portal was launched in 2022 and is accessible to all WBG users, and the Contextual Risk Good Practice Note (GPN) was produced.

#	Measure	Delivery Status
		<ul style="list-style-type: none"> FCV considerations have been reflected in the AIMM framework, with several country-level analyses under development, and an FCV Guidance Note is being finalized for CPSDs. FCV considerations have been reflected in MIGA's Impact Measurement and Project Assessment Comparison Tool (IMPACT), and MIGA leverages IFC's diagnostic and analytic work in FCV contexts, and when working with IFC on joint projects.
13	<p>Engage across the WBG to develop the private sector and help create markets in FCV settings; this includes upstream project development, SCDs, CPSDs, and implementation of the Cascade Approach/Maximizing Finance for Development.</p>	<p><u>ONGOING</u></p> <ul style="list-style-type: none"> Relevant SCDs, CPFs, and WBG lending programs incorporating key private sector policy issues, building on joint IFC-IBRD/IDA CPSDs. IFC has been prioritizing Upstream project development in FCS and IDA. FCS account for 10 percent (by volume) of IFC's Own Account Upstream (expected investments in the next five years) as of March-end 2023.
14	<p>Scale up IFC's special advisory funding and implementation facilities, including the IFC Creating Markets Advisory Window, FCS Africa, and an expanded Environmental, Social and Governance (ESG) advisory program, to increase support for market development and capacity-building; and address FCV needs in MICs not covered by current facilities.</p>	<p><u>ONGOING</u></p> <ul style="list-style-type: none"> The Africa Fragility Initiative is in its second year of implementation and has launched the Local Champions Initiative for five countries in the Sahel, focused on identifying a pipeline of investable local sponsors and providing technical assistance to improve their investment readiness. The project will be expanded to other FCS countries over the coming year. IFC, in partnership with UNHCR, launched a joint initiative on creating markets in forced displacement contexts in December 2022. ESG Advisory has active in-depth country level interventions, tackling systemic ESG risks at firm, market, and/or regulatory level in the following FCS countries: Armenia, Ethiopia, Iraq, Kosovo, Papua New Guinea, and Ukraine. MIGA's technical assistance fund to support smaller clients with ESG challenges in FCV is operational and proving effective.
Partnerships		
15	<p>Systematize partnerships with humanitarian, development, security, and peacebuilding actors</p>	<p><u>ONGOING</u></p>

#	Measure	Delivery Status
	<p>at the country level, drawing on the WBG’s comparative advantage as a development actor, enhancing the impact of operations on the ground, and ensuring effective implementation arrangements with third parties as needed. This includes conducting joint assessments such as Recovery and Peacebuilding Assessments (RPBAs) more systematically, and deepening coordination at the country level with actors operating in insecure environments.</p>	<ul style="list-style-type: none"> Partnerships with UN agencies in more than 40 FCV-impacted countries with 2021/2022 UN-WBG partnership monitoring report in the process of being finalized. The operational Agreement with ICRC was signed in April 2020 and extended in March 2022 for another two years. Cooperation in South Sudan and DRC is ongoing. Moreover, cooperation in Yemen and Myanmar was recently approved. Joint analytics is undertaken with key partners (e.g., the RPBAs in Mozambique, Libya, and a Joint Recovery Needs Assessment in Azerbaijan, together with the EU and UN).
16	<p>Operationalize and deepen partnerships with multilateral development banks (MDBs) at the country level on areas of focus in the FCV agenda, including more regular joint trainings and joint diagnostics.</p>	<p><u>ONGOING</u></p> <ul style="list-style-type: none"> Concrete collaboration at the institutional level includes (i) analytics with a focus on prevention (including RRAs); (ii) FCV learning, training, and knowledge exchange; (iii) FCV results frameworks and M&E; and (iv) MDB Platform on Economic Migration and Forced Displacement. Cooperation is ongoing with the IMF on its new FCS Strategy in areas such as Country Engagement Strategies, RRAs, and macroeconomics. Two IMF-WBG workshops have been held focusing on FCV analytics in South Sudan and Mozambique. The 4th DFI Fragility Forum gathered 25 DFIs and shareholder representatives to discuss catalyzing greater private investment in fragile states. The five IFC/DFI pilots are ongoing. The MIGA MDB-Guarantee Partnership program is fully established, including a focus on FCV.
17	<p>Continue to consolidate partnerships with regional organizations that have the authority and capacity to address cross-border FCV challenges.</p>	<p><u>ONGOING</u></p> <ul style="list-style-type: none"> Continued strong and active collaboration with African Union Regional Economic Communities such as the IGAD, Economic Community of West African States (ECOWAS), and Lake Chad Basin Commission (LCBC) is a core part of the regional engagement and plays a crucial role in promoting regional integration and supporting cooperation on cross-border challenges.

#	Measure	Delivery Status
		<ul style="list-style-type: none"> Partnerships are being pursued with AfDB and the EU Commission in developing the Horn of Africa Initiative, attracting other bilateral donors. In the Sahel, the partnership with AFD, the Swiss development cooperation, and the donors of the Sahel Alliance is focusing on the Community-based Recovery and Stabilization Project for the Sahel.
18	<p>Scale up engagement with civil society organizations (CSOs) at the country level in FCV settings, particularly those operating in insecure areas and in proximity to vulnerable and marginalized communities, and those that are women-led and promote women and girls' empowerment, as well as youth organizations.</p>	<p><u>ONGOING</u></p> <ul style="list-style-type: none"> Incorporation of ideas on approaches to CSO engagement in FCV contexts in the strategic review of the Citizen Engagement and Social Accountability (CESA) strategy and Global Partnership for Social Accountability (GPSA) framework. Development of guidance on how to engage CSOs as part of the implementation of Peace and Inclusion Lenses.
Personnel		
19	<p>Increase on-the-ground presence by deploying more professional staff to fragile and conflict-affected situations, as well as nearby locations. (See also IDA19 policy commitment #6).</p>	<p><u>ONGOING</u></p> <ul style="list-style-type: none"> As of FY23 end-Q2, total WBG staffing in FCS stands at 1,317, compared to 836 staff at end-FY18. Over this period, GE+ local staff in FCS has increased at a slightly higher rate (79 percent) than GE+ international staff (68 percent). It should be noted that this figure is based on a changing FCS list and is therefore partly due to the inclusion of several large country offices in the FCS list since end-FY18. However, it is worth noting that growth is also visible when using the frozen FY19 FCS list (i.e., excluding the large country offices referred to above) with GE+ staffing increasing by 9 percent from end-FY18 to end-Q2 FY23. Staff are also becoming more senior in FCS locations. As of end-Q2 FY23, GF and GG grades now comprise 54 percent of the total IBRD/IDA FCS staffing footprint, and 62 percent of the total IFC FCS staffing footprint. The IDA19 Policy Commitment on increased staffing in IDA FCS initially aimed to increase GE+ staff and Extended Term Consultants (ETCs) in IDA FCS countries and nearby locations by net 150 over the three-year IDA19 cycle; however, due to the shortened IDA19 cycle, the target was reduced to 100. At the

#	Measure	Delivery Status
		<p>close of IDA19, the net increase was 88 GE+ staff/ETCs at the close of IDA19, mainly due to staff reductions in Afghanistan and Myanmar due to political shifts.</p> <ul style="list-style-type: none"> IFC had 189 staff in FCS locations at FY23 Q2-end, compared to 94 at end-FY18.
20	<p>Strengthen the link between FCS experience and career development by creating further incentives for WBG staff to work in FCV contexts and ensuring that FCS experience is systematically recognized and considered as part of performance, talent reviews, and next-assignment planning.</p>	<p><u>ONGOING</u></p> <ul style="list-style-type: none"> Among staff in FCS, positive trends are also emerging for both international and local staff in terms of talent evaluation and indicators. Among all WBG staff, talent indicators show a larger portion of percentage of Top Talent and Emerging Talent in FCS relative to non-FCS. Furthermore, since 2013, the percentage of WBG staff with FCS experience promoted to higher grades has doubled, from 7 percent to 14 percent. Enhanced mobility benefits in support of the Global Footprint include introducing the expanded package for FCV/Nonfamily Post Locations, which is now effective. Financial incentives and benefits for staff taking on FCS assignments will be further reviewed, particularly to consider how benefits should be structured to support FCV strategic priorities and ensuring linkages to hardship considerations. IFC HR will establish new guidelines to ensure that FCS experience is recognized for select positions. Work exercise is under way, planned for FY24 Q1. IFC’s global footprint career mobility framework was introduced to amplify focus on the FCS experience. IFC continues to recognize outstanding individual and team contributions through the Corporate Awards program. MIGA regularly recognizes outstanding team achievement for FCS projects through its Corporate Awards program.
21	<p>Introduce an enhanced FCV learning curriculum for staff working in FCV settings, with learning focusing on increasing operational competencies, analytic competencies, and personal effectiveness. Staff and managers working in or on FCV will be</p>	<p><u>ONGOING</u></p> <ul style="list-style-type: none"> The FCV Learning Curriculum has been launched and includes an eLearning on the FCV Strategy (for all WBG staff) and an updated FCV Core Course. The FCV Core Course has been delivered continually for almost 5 years. In FY22–23, the course was delivered to approximately 280 staff in Burkina Faso, Cameroon, Chad, Iraq, Mali, Mozambique, Niger, Sudan, and Timor Leste.

#	Measure	Delivery Status
	expected to participate in all relevant training.	<ul style="list-style-type: none"> • Dedicated and customized onboarding, mentoring, coaching, and leadership programs targeted at managers and staff working in and on FCV have been developed and delivered at an increasing scale. • IFC launched a course, “Tools for Investing in FCS and LIC IDA,” is delivered annually, with the last edition in March 2023.
22	<p>Provide enhanced support for staff well-being, safety, and security before, during, and after assignments in FCV settings, including health and psychosocial support, as well as security awareness and management training.</p>	<p><u>ONGOING</u></p> <ul style="list-style-type: none"> • Overall, Corporate Security has increased its staffing by over 20 percent since early 2020, coupled with expanded deployment of security equipment. The access to relevant equipment and armored vehicles in high-threat locations has also expanded, and since the launch of the Strategy, the fleet of WBG armored vehicles in use around the world has increased by more than 25 percent. • In-person SSAFE training has fully restarted globally after a pause during the pandemic. • The Country Clearance System upgrade was completed in FY23, allowing security input to in-country Travel Requests adjudication, and including non-air travel itineraries. • Enhanced multidisciplinary Health and Safety hubs have been established in AFE (Nairobi), SAR (Chennai), and ECA (Sofia). Q4 FY23 will deploy a multidisciplinary team in AFW. The teams include physicians, nurses, mental health professionals, occupational health and safety specialists, and administrative support. • A mental health awareness course is under development for completion in FY23 Q4, with delivery to begin in FY24 Q1.
23	<p>Leverage IBRD/IDA staff in countries where IFC lacks on-the-ground presence by providing training and support to IBRD/IDA managers and staff who fulfill IFC functions in these contexts.</p>	<p><u>ONGOING</u></p> <ul style="list-style-type: none"> • IFC and IBRD/IDA are piloting IBRD/IDA representation of IFC in five countries in Sub-Saharan Africa, including in two FCS (Burundi Cape Verde, Central African Republic, Djibouti, Malawi, and South Sudan). • Possible expansion to include MIGA representation still in concept stage.

Annex 6: Summary of External Consultations

As part of the WBG FCV MTR, between April and May 2023 the WBG conducted consultations with a broad range of partners and stakeholders. These included United Nations (UN) Secretariat and agencies, funds, and programs (PBSO, OCHA, OHCHR, DPO, DCO, UNDP, WFP, UNHCR, UNICEF, UN Women); the International Monetary Fund (IMF); Multilateral Development Banks (MDBs), including the African Development Bank (AfDB), Asian Development Bank (AsDB), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), Interamerican Development Bank (IaDB) and Islamic Development Bank (IsDB); INGOs, CSOs, and humanitarian foundations; g7+ client countries, the private sector, and a wide range of bilateral partners. Consultations were also carried out at country level on Afghanistan, and in the Philippines. The UN, Ireland, the Netherlands, Sweden, Switzerland, and the United Kingdom among others submitted feedback in writing. A public online platform was also available to provide feedback. Consultations were conducted as One WBG, with IFC taking the lead on consultations with private sector stakeholders.

Feedback from consultations recognized the WBG’s key role as a development actor in FCV settings in an increasingly complex global context. Overall, WBG investments and sustained commitment to the FCV agenda were strongly welcomed, including to help attain the scale required to address FCV as a global public challenge. Several participants appreciated the long-term perspective that the WBG brings as a development actor and its role in strengthening national institutions and capacities. Participants expressed concern over a reduction in available financing for prevention, development, and notably peacebuilding during a period of overlapping global crises. Some cautioned that numerous countries, although currently overshadowed by prevailing geopolitical challenges, were in need of immediate support. Against this background, many stressed the crucial requirement to enhance resource mobilization and maintain a high level of contributions to IDA.

There was general affirmation that the FCV Strategy remains relevant; and, as a precursor, helped inform other IFIs’ Strategy supporting fragile and conflict-affected countries; feedback recognized important achievements but also highlighted gaps and uneven progress in implementation. There was broad acknowledgment of progress made in remaining engaged during conflict situations and addressing forced displacement. On the other hand, there was limited progress in helping countries transition out of fragility with backslides in many situations and large-scale humanitarian needs outpacing the limited financial resources available. For most stakeholders, prevention posed the main collective challenge. Participants noted that the lessons from the UN-WBG *Pathways for Peace* report still apply, and suggested taking stock and considering what elements need to be further taken on board to make prevention work more effective in FCV settings. The crucial role of partnerships in the FCV Strategy implementation was frequently underscored, but the WBG’s engagement with key stakeholders at the country level remained uneven and was not systematized. In the context of increased WBG programming in FCV settings, country-based staff were seen as critical to delivering these programs effectively. There were widespread calls to expand the WBG’s presence on the ground, develop further conflict expertise, and to increase WBG country offices’ FCV competence. In that regard, the deployment of 15 FCV coordinators was positively acknowledged, but more is needed.

On remaining engaged there was broad recognition that the WBG and IFIs can play a vital role in preventing public institutions from collapsing, sustaining the private sector, and in the transition from emergency response to long-term development. WBG engagement in Yemen through TPI was repeatedly mentioned as a strong model that could be replicated elsewhere. Other positive examples

included Afghanistan and South Sudan. Many called on the WBG to ensure that interventions remain tailored and adaptable in fragile contexts to protect investment, instead of “stop and go” approaches. In situations where it is not possible to work through the government, it was acknowledged that it is important to develop flexible modalities to remain engaged using a people-centered approach. The WBG should consider the potential risks of contributing to destabilization by abruptly cutting off funding. The role of trust funds in remaining engaged, notably in countries that may not have access to IDA, was repeatedly stressed.

Prevention was widely acknowledged as the most challenging pillar of the FCV Strategy, and participants called for joint approaches to improving prevention work. The IDA PRA was viewed as a potentially game-changing instrument to advance prevention and deepen dialogue with national authorities. However, a more thorough review and realism in setting of PRA milestones was necessary to ensure the instrument’s effectiveness, as well as fully leveraging partners’ expertise, particularly in areas outside the WBG’s comparative advantage or mandate. This is particularly the case in contexts of deteriorating national conditions where national commitment to prevention efforts may decline. Several partners highlighted that being able to engage on prevention and provide recalibrated support as early as possible was key, and that current PRA eligibility criteria did not allow for engagement in countries at the earliest onset of conflict. It was suggested to identify emerging lessons from the PRA to understand how WBG programming and staff engagement can be used to prevent backsliding. Feedback also highlighted that despite the FCV Strategy’s commitments to prioritize justice and the rule of law and the security sector, WBG analytics and operational engagement in these areas had not been scaled up. The importance of addressing corruption as part of prevention efforts was also highlighted.

According to feedback received, greater use of FCV diagnostics is needed to inform program design and/or program adjustment and ensure that programs address drivers of FCV and help build resilience. Many stakeholders underscored the need to bring conflict and fragility analysis such as the RRAs to the fore in program design and throughout implementation, including for adaptive programming based on assessments of changing situations. Some called for systematizing the approach to conflict sensitivity and to consider making conflict sensitivity assessments mandatory in all FCV contexts. The importance of shared/joint strategic analysis and of shared understanding of the local context was strongly emphasized. Several comments noted that the process of involving partners in shared analytics remained ad hoc. Many called for greater WBG proximity to the local level to deepen country ownership and citizen engagement through working with local institutions, and with local NGOs and CSOs as peacebuilders and stakeholders, and in the context of TPI. In areas where the WBG has less experience, such as justice and rule of law and political economy, the WBG may consider partnering on analytics and engage in more systematized cooperation with the UN. Many commented that the link to building resilience is currently less clear in WBG interventions compared to addressing drivers of FCV. Suggestions were made to look at risk and resilience through youth and gender lenses, and to investigate evidence of gender inequality and regressive gender norms as drivers of fragility and conflict as well as women’s participation in peacebuilding activities as factors that ensure resilience and prevent conflict. Stronger WBG focus on gender aspects linked to Women, Peace, and Security and the WBG’s new Gender Strategy was encouraged.

Participants commented on the need to better integrate FCV considerations into WBG efforts and build resilience at the regional level, considering their interconnected and cross-border nature. The Sahel region was often used to exemplify a context where regional approaches had proven difficult. Some commented that regional RRAs face a challenge in that many countries do not translate assessments into regional action and the regional approach is subsequently lost. Moreover, in contexts where preventive

measures are needed to mitigate spillover effects, assessments do not translate into regional prevention and resilience programs with a multicountry approach. The potential for joint regional RRAs, such as the one carried out with the United Kingdom and UN for Central Asia and Afghanistan border areas, was noted.

On forced displacement, participants emphasized that the IDA WHR and GCFF have been game-changers for policy and programming shifts in refugee-hosting countries and have had a catalytic effect for broader engagement. Participants noted positive experiences in Uganda and Liberia and in MICs like Colombia. The IDA WHR has created the necessary space for policy dialogue on refugee policy, and cooperation with UNHCR and OCHA were cited as good examples. The WBG-UNHCR Joint Data Center was recognized as continuing to strengthen systems and standards of forced displacement data by substantively and financially contributing to the development of statistical standards on refugees, the internally displaced, and stateless people. The GCFF was identified as an important approach and tool to support MICs providing a global public good by receiving refugees, providing important lessons for the WBG reform agenda moving forward. In terms of areas for future attention, participants noted the need for greater focus on preparedness, notably in coastal countries in West Africa. It was highlighted that efforts must be made to ensure that the various tools used to support refugees and the displaced do not fuel further conflict by exacerbating inequalities between ethnic groups.

The challenge of engaging on FCV issues in MICs was acknowledged. Some commented on the need for sharpened strategies for engaging in MICs, and for increasing incentives while upholding support for LICs. Suggestions were made that the WBG review what type of financial instruments are used in different FCV settings, and why they work better in some countries than others. Other discussions touched on the concept of “pockets of fragility,” whereby direct support is provided at subnational level to areas affected by poverty and violence. In that context, the importance of recognizing pockets of fragility and of calibrated, tailor-made approaches at the local level was underscored.

Participants recognized the key role that the WBG plays in supporting the development of an enabling environment for private sector development and its ability to catalyze private investment in FCV contexts. They reiterated the need for the WBG to build the capacity of the private sector on technical issues and strengthen the country’s financial systems, particularly to provide support to the development of innovative tools/products to help mitigate financial and nonfinancial risks. It was also suggested that the WBG, particularly through MIGA, further increase its efforts to provide guarantees that attract and reassure investors in FCS markets. Participants emphasized it is important for the WBG to systematically adopt a participative approach in its programming and encouraged the WBG to continue to champion inclusive private and public dialogue platforms, enabling both parties to collectively identify challenges, seize opportunities, and develop practical solutions that benefit the entire community. Challenges of operating in FCV contexts were discussed, including limited access to finance due to perceived high risk, concerns about insecurity, and corruption. Participants urged the WBG to prioritize support toward the development of key infrastructure, such as roads, energy, ports, etc. as enablers of private sector investment. Concerns were expressed that the WBG’s extensive due diligence process may lead to delays in implementation.

In some contexts, the WBG’s work with the private sector would benefit from a better acknowledgment of and reference to conflict dynamics. It was suggested to practice conflict sensitivity and continue to deepen political economy analysis to support private sector work. One set of comments noted the importance of prioritizing the implementation of learning modules for conflict sensitivity for private investment. This should include a solid analysis of the ownership of businesses and share of profits, gains in standard WBG impact assessments, and social and environmental risk management. The risk of financing or stoking conflict through support for private sector investment in FCV settings is high and

should be fully investigated and actively managed. Public engagement campaigns could help air concerns related to private investments. Feedback from partners noted the usefulness of private sector diagnostics and encouraged their wider rollout across FCV settings. In addition, suggestions were made for the WBG to continue to seek out investments that build the capacity of domestic SMEs through financial services, value chains, and advisory support.

Many interlocutors evoked the need for a greater focus on the interface between climate change and FCV. Examples included the use of a fragility lens in CCDRs, improving coordination with climate-focused instruments (e.g., the Global Facility for Disaster Reduction and Recovery, GFDRR), and prioritization in trust funds. Some drew attention to the increasing importance of the link between climate policy issues and security policy and asked how the FCV Strategy could play an enabling role in strengthening the link between climate and security (e.g., by rolling out CCDRs in more FCV contexts). In addition, it was suggested that the topics of climate change and fragility could be leveraged jointly for private sector engagement.

Feedback underscored the central importance of partnerships but noted that WBG partnerships at country level were uneven and at times personality dependent. Many comments called for a systematized approach to partnerships in FCV settings. Moreover, there was a shared expectation for the WBG to play a greater convening and coordinating role, especially at country level. Partners emphasized the importance of strategic alignment based on shared analytics and stressed the need to improve information sharing and communication. In addition, some remarked on the need for a clearer approach to jointly working with others on monitoring, evaluating and adapting approaches, and for partnerships to be embedded across the full cycle of programming. The scale up of partnership in FCS (at corporate and country levels) between the WBG and the IMF was also noted as an important achievement over the past years.

Many participants had positive views of the UN-WBG partnership. For example, improvements have been made in the ability to engage with the UN on WBG-financed operations. This includes financial management, ESF, and procurement. The prompt and effective response to the crisis in Afghanistan is a testament to these efforts. At the same time, many comments underscored the need to further leverage the UN-WBG partnership, to harness the comparative advantages of both institutions, and to make the partnership more strategic for better impact in FCV settings, especially at the country level. In the absence of a systematic approach, the case for partnership must be made anew in each country context and following each turnover in both UN and WBG personnel. In addition, beyond individual country cases, there was space for greater strategic UN-WBG cooperation and dialogue at headquarter level to support effective partnership and coordination on global crises (e.g., food security, health, debt) and in the context of the WBG evolution process.

The WBG's partnership with humanitarian organizations, such as ICRC, was positively mentioned. At the same time, participants reiterated that in pursuing humanitarian-development-peace (HDP) nexus approaches, the WBG needs to engage more with peacebuilding actors. Partnerships on joint evidence generation across the HDP nexus were mentioned as a positive example.

Regarding collaboration among MDBs, the significant progress made in regard to strategic alignment and coordination at the global level was recognized. However, functional partnerships at the country level remain a challenge. Several MDBs made concrete suggestions on how to strengthen collaboration in various areas including joint risk and fragility assessments, joint knowledge sharing, and potentially cofinancing projects in FCV countries.

Annex 7: Budget Context for FCS Countries

Budget allocations for FCS countries have increased, confirming the sustained focus on strengthening the IBRD/IDA’s engagement and impact in these countries. Overall travel-adjusted spending¹²² in the FCV thematic areas has also been increasing year-on-year, with a BB/EF ratio¹²³ of around 70/30, reflecting the IBRD/IDA’s priority focus.¹²⁴ Actual spending with respect to the broader categories has increased by 42 percent since FY18 (or 47 percent for IBRD/IDA funds).¹²⁵ To support the footprint in FCS, other expenditures have also seen an increase; such as security costs, including the cost of evacuating staff from dangerous situations, which has increased in both frequency and scale ranging up to US\$2–\$3 million per year and rose to around US\$7 million in FY22.¹²⁶ In addition, the FCS Country Engagement (CE) budget allocation has been on an upward trend, with FY23 FCS CE allocations increasing by 79 percent since FY18.¹²⁷

Fig. A7.1: FCV Thematic Spending (adjusted for travel) (US\$, millions)

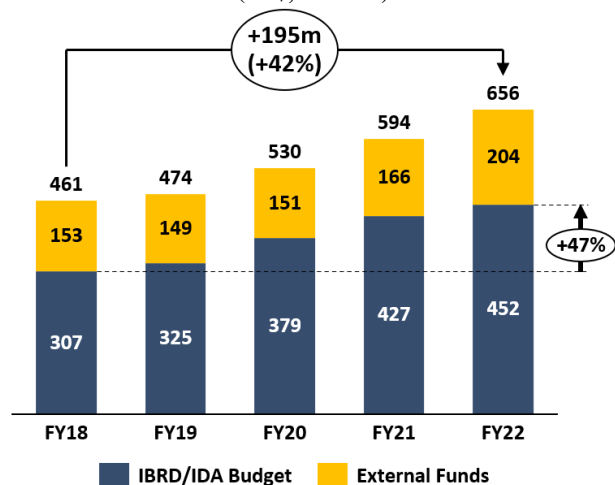
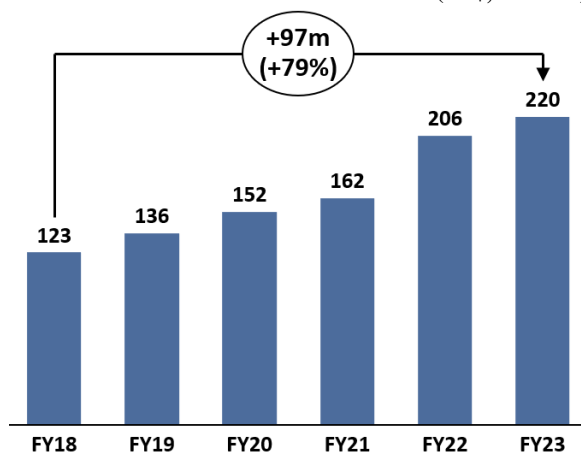


Fig. A7.2: Country Engagement IBRD/IDA Budget Allocations for FCS Countries FY18–23 (US\$, millions)



As the IBRD/IDA expands its footprint into FCS countries, where it is more complex and risky to operate, increased resource pressures arise, mainly due to related assignment benefits for staff decentralized to the field, and rising facilities and security needs. The average cost of staffing one position in an FCS country is almost US\$370,000 annually, more than 40 percent higher than in non-FCS countries. Also, the deteriorating global security environment and the Bank’s expanding footprint in higher threat locations result in additional budget pressures for security spending worldwide.

¹²² For comparability and to discount the pandemic effect on travel, FCV thematic spending shown in the figure has been adjusted for travel (i.e., the approximate travel cost has been deducted for FY18–22).

¹²³ Bank Budget/External Funds ratio.

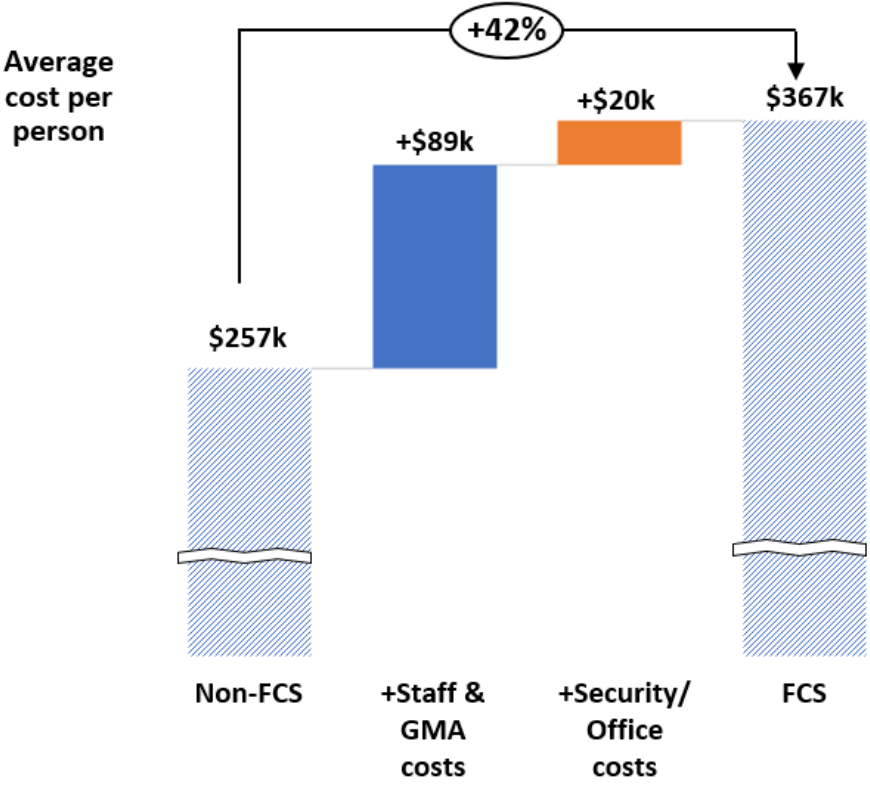
¹²⁴ WB FY24–26 Strategy and Business Outlook paper (SecM2023-0106), page 39, figure 3.3: “Expenditures in Selected Corporate Priorities.” FCV spending identified through costs attributable to the country, and thematic unit for all budget classes (CE, GE, and PPM), and includes indirect costs of IG&A units.

¹²⁵ This analysis comprises costs from all budget classes (CE, GE, and PPM) for FCS countries and includes project costs, GTFDR unit costs, TPM costs, FCV-related corporate and office security/security allowance, field benefits in FCS, and associated indirect costs for IG&A units.

¹²⁶ WB FY24–26 Strategy and Business Outlook paper (SecM2023-0106), page 94.

¹²⁷ FY23 WB Budget Document, page 69, figure 4.11.

Figure A7.3: Comparing IBRD/IDA-wide Average Cost per Person in FCS vs. Non-FCS Countries (US\$, thousands)



Note: Staff counts and costs excludes Chennai, Western Europe, and Satellite offices. Costs include staff, Global Mobility Assignment (GMA) benefits, security and office costs only. Staff cost of all staff, GMA cost of active GMA assignments.

Source: FY24–26 Strategy and Business Outlook paper (SecM2023-0106), page 94, Figure V.11.

Annex 8: Summary of IEG Findings and Recommendations from “World Bank Engagement in Situations of Conflict” (2021)

At **strategy and country levels**, the identification and analysis of fragility factors and conflict drivers relevant for achieving development effectiveness have improved (“twice as likely”). This is due to IDA FCV policy commitments, the development of the FCV Strategy, country management commitment, and the elevation of the RRA to a core diagnostic to inform lending. Country teams are increasingly innovating with real-time conflict risk identification and monitoring. Although these efforts have been developed in reaction to major conflict-related events that posed significant risks to the World Bank and country portfolios, many have been sustained as a portfolio monitoring tool.

At **operational level**, investment projects in conflict-affected areas increasingly identify and address fragility factors and conflict drivers; include adaptive, design, and implementation mechanisms; and mitigate exposure risks (in effect, “lean in” to conflict). Projects are now more likely to identify and address fragility factors and conflict drivers and include adaptive, conflict-sensitive design and implementation mechanisms. The existence of an RRA encourages leaning into conflict. RRAs, through formal identification and analysis of conflict drivers, make subsequent investment projects in a particular country more likely to integrate conflict sensitivity.

On **working differently in FCV**, the Bank is often able to help reduce the negative developmental consequences of political instability by restoring critical financing and leveraging donor funding. In cases studied by IEG, the Bank helped preserve hard-won development gains by working with de facto governments during political transitions. More than 80 percent of emergency operations approved during these transitions effectively maintained critical service delivery.

The Bank is often first to engage, has worked with de facto authorities, and leveraged UN and humanitarian implementation partnerships, enabling the delivery of critical services to conflict-affected populations. The FCV Strategy points to the need to step up partnerships with humanitarian, development, peacebuilding, security, and private actors to maximize impact in conflict-affected countries. Engaging UN agencies has enabled the Bank to reach conflict-affected populations residing in hostile and contested areas. Because UN agencies are better able than the World Bank to negotiate with all parties to obtain access to parts of the country, partnering with them enables the Bank to better understand social perceptions, group and network dynamics (such as whether certain groups will act as spoilers), and how to avoid doing harm.

The Bank has significantly ramped up its **security coverage** to better support its operations in conflict-affected situations, although high costs can be a disincentive to engagement in FCV countries, especially small ones. There are, however, marked differences in operational responses to otherwise similar security instances. The World Bank does not provide concrete guidance to heads of mission on how to systematically process data on changes to conflict risk levels as they pertain to the country portfolio. Without this, responses to similar security incidents have varied depending on the risk tolerance of the head of office, and there is no process in place to foster an optimum approach.

IEG Recommendations for Engagement in FCV countries

To enhance the conflict sensitivity of Bank engagement:

Ensure that politically sensitive, confidential analysis is generated, retained, and managed so it can be used by select future staff working on that country. To address this, there is a need for a well-

understood and safe channel for retaining, managing, and conveying extremely sensitive information that cannot be widely circulated internally or put into publicly disclosed documents.

Ensure that country engagements are informed by timely analyses of conflict dynamics and risks. This would entail regularly and systematically using conflict analysis for strategy and operational decision making and other forms of timely conflict risk monitoring (for example, that track shifts in societal perceptions and dynamics and that identify opportunities for peacebuilding) to support adaptive decision making at the country level.

Address factors that dissuade Bank engagement in conflict-affected areas. Several of these factors have resulted in inadequate financial and technical support for project preparation and project supervision in conflict-affected areas. They have contributed to insufficient security coverage for operationally relevant staff who support the implementation of projects in these areas, but who are not directly employed by the Bank.

In conflict-affected countries, rethink what success looks like. This will require moving away from an over-reliance on quantitative metrics, attribution, and short time frames that do not suit the nature of these country programs and their contribution to higher-order outcomes. Higher-order outcomes should reflect transition aims and the development of monitoring and evaluation systems to track them.

Source: World Bank Engagement in Situations of Conflict (2021)

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