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Investing in rural people

IFAD's approach to a strategy for engagement in countries with fragile situations

Note to Evaluation Committee members

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For: Review

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Abbreviations and acronyms

| | |
|-------|--|
| AfDB | African Development Bank |
| CLE | corporate-level evaluation |
| COSOP | country strategic opportunities programme |
| CPIA | Country Policy and Institutional Assessment |
| DSF | Debt Sustainability Framework |
| ESA | East and Southern Africa Division |
| FCS | fragile and conflict-affected situations |
| HC | highly concessional |
| ICO | IFAD country office |
| IDA | International Development Association |
| IFI | international financial institution |
| IFPRI | International Food Policy Research Institute |
| IOE | Independent Office of Evaluation of IFAD |
| LAC | Latin America and the Caribbean Division |
| MIC | middle-income country |
| OECD | Organisation for Economic Co-operation and Development |
| PBAS | performance-based allocation system |
| PMD | Programme Management Department |
| RSP | Rural Sector Performance |
| SDG | Sustainable Development Goal |
| WCA | Western and Central Africa Division |

Executive summary

1. IFAD has a crucial role to play in fragile situations. Agenda 2030 on the Sustainable Development Goals (SDGs) has clearly recognized that addressing fragility is one of the “six essential elements”¹ required for delivering the SDGs. Following commitments made under the Consultations on the Ninth and Tenth Replenishments of IFAD’s Resources, and the recommendation to undertake a corporate-level evaluation of IFAD’s engagement in fragile and conflict-affected states, IFAD is developing a strategy for engagement in countries with fragile situations for submission to the Executive Board in September 2016.
2. This paper presents the proposed building blocks of the forthcoming strategy. In particular, it proposes an updated definition of fragility that is more relevant to IFAD’s mandate and a new approach to identifying fragile situations that draws on IFAD’s own rural sector performance indicator, together with indicators of food insecurity and conflict risk.
3. The proposed new definition of fragility is as follows:

“Fragility is a condition of high vulnerability to shocks, often with an elevated risk of violence and conflict. Fragile situations typically provide a weaker enabling environment for sustainable rural transformation and are characterized by protracted and/or periodic crises, often with implications for food security and agricultural production. Weak institutions are a common driver and consequence of fragile situations.”
4. The paper also sets forth a set of guiding principles for IFAD’s engagement in countries with fragile situations, together with key changes to operationalize these principles by ensuring sufficient and timely resources to address fragility and by strengthening IFAD’s organizational and operational resilience for engagement in fragile situations.
5. The proposals outlined in this paper are submitted to the Executive Board in April 2016 for review and will be further refined during preparation of the full strategy.

¹ United Nations, General Assembly, *The road to dignity by 2030: Ending poverty, transforming all lives and protecting the planet*. Synthesis report by the Secretary-General on the post-2015 sustainable development agenda, A/63/332 (4 December 2014).

IFAD approach to a strategy for engagement in countries with fragile situations

I. Introduction and background

1. IFAD Management is developing a strategy for engagement in countries with fragile situations as a response both to the evolving global context and to recent corporate developments. This paper outlines IFAD's proposed approach and presents the building blocks of a strategy to be submitted to the Board in September 2016. This timeline will ensure that the strategy is aligned with other ongoing processes, including the update on IFAD's engagement in middle-income countries (MICs), the corporate decentralization plan and the results of the ongoing Corporate-level evaluation on IFAD's performance-based allocation system (PBAS), each of which will have significant consequences for IFAD's engagement in fragile situations.
2. At the global level, Agenda 2030 on the Sustainable Development Goals (SDGs) has clearly recognized that addressing fragility is one of the "six essential elements"² required for delivering the SDGs. It is also well recognized that unresolved fragility and conflict can potentially undo decades of development progress.³
3. At the corporate level, Member States' recognition of the importance of IFAD's work in fragile situations has led to the inclusion of specific commitments regarding the strengthening of IFAD's engagement in fragile situations under the Consultations on the Ninth and Tenth Replenishments of IFAD's Resources (IFAD9 and IFAD10) (see annex I). The IFAD Strategic Framework 2016–2025, approved by the Executive Board, reflects the commitment to work in fragile situations and to adopt a differentiated approach.
4. The recent corporate-level evaluation (CLE) on IFAD's engagement in fragile and conflict-affected states⁴ and situations recognized that "IFAD has a crucial role to play in fragile states" and made a number of important recommendations covering: (i) policy and strategy; (ii) project and programme design; (iii) project and programme implementation; (iv) empowerment of staff; and (v) results measurement (see annex I).
5. IFAD has traditionally played a catalytic role in countries with fragile situations, often promoting rural transformation in contexts of weakened institutions and enhanced vulnerability. Countries identified as fragile, most of which are in sub-Saharan Africa, account for 45 to 52 per cent of IFAD financing allocated through the PBAS system during IFAD8, IFAD9 and IFAD10; 44 per cent of ongoing financing; and 48 per cent of ongoing projects. Furthermore, over half of IFAD's country offices are located in these countries. Through its experience in fragile situations, IFAD has developed a wealth of tools, knowledge and experience which form the basis of its comparative advantage. However, as evident from the CLE, there is a need for differentiated approaches to strengthen performance in the most fragile situations.
6. Based on the above, this paper proposes an updated definition of fragility and an approach to the classification of fragile situations that recognize that IFAD deals not with fragile states but with fragile situations, which can be national, subnational or regional, and which affect countries across all income classifications. The paper also proposes a set of IFAD-specific guiding principles for engagement in fragile

² United Nations, General Assembly, *The road to dignity by 2030: Ending poverty, transforming all lives and protecting the planet*. Synthesis report by the Secretary-General on the post-2015 sustainable development agenda, A/69/700 (4 December 2014).

³ OECD, *States of Fragility Report 2015*.

⁴ The term "fragile states" is used in this paper only when referring to the historical use of the term.

situations, which build on IFAD's traditional comparative advantages and will enable IFAD to develop a differentiated approach, leveraging and tailoring the pillars of delivery of IFAD's Strategic Framework 2016-2025.

7. The paper has benefited from a review of the latest practices and studies of peer organizations (a summary is provided in annex II), extensive internal consultations and IFAD's decades of experience in delivering projects in fragile situations. IFAD's current harmonized list of fragile situations is provided in annex III and key information regarding IFAD's existing portfolio in these countries is provided in annex IV.

II. IFAD's approach to a strategy for engagement in countries with fragile situations

8. This section proposes the building blocks of a future strategy for IFAD's engagement in countries with fragile situations, including: (i) an IFAD-specific understanding of fragility, with an updated definition and means of classification; (ii) a set of guiding principles; and (iii) a set of potential adjustments to IFAD's pillars of delivery.

A. IFAD-specific understanding of fragility

9. Defining "fragility". While there is no internationally agreed definition of fragile states (or of fragility), a definition is a necessary starting point to ensure a shared understanding of fragility within IFAD, to provide clarity to Member States and partners regarding IFAD's position, and to furnish the basis for identifying, analysing and addressing it. IFAD is aware of the sensitivities surrounding definitions of fragility, therefore, based on a review of refinements that other international financial institutions have made to their approaches to fragility, it is felt that IFAD's definition of "fragile states"⁵ contained in the 2006 Policy on Crisis Prevention and Recovery requires updating.
10. The proposed new definition refers to "fragility", not "fragile states". It also shifts the focus from defining fragility as a result of the presence of a specific set of drivers (e.g. weak policies, weak institutions), to describing the characteristics of fragility and its main consequences for IFAD's vision of inclusive and sustainable rural transformation. The proposed new definition is:

"Fragility is a condition of high vulnerability to shocks, often with an elevated risk of violence and conflict. Fragile situations typically provide a weaker enabling environment for sustainable rural transformation and are characterized by protracted and/or periodic crises, often with implications for food security and agricultural production. Weak institutions are a common driver and consequence of fragile situations."
11. Shocks may include extreme climatic events or natural disasters, economic shocks, periods of social unrest and other disruptive natural or man-made events. Risk of violence and conflict may be driven by disputes over natural resources, including land and water; by clan, tribal or ethnic tensions; or by unrest due to social or economic marginalization, poverty or high levels of youth unemployment. Specific crises may include outbreaks of conflict or major droughts, at times resulting in humanitarian emergencies, severe food insecurity or forced displacement (i.e. refugees, internally displaced persons), with long-lasting consequences for affected populations. Issues such as de facto government are particular dimensions of

⁵ "Fragile states are characterized by weak policies, weak institutions, and weak governance, resulting in meagre economic growth, widespread inequality and poor human development. Fragile states are more exposed to the risk of outbreaks of violence than are non-fragile states. Fragile states may be well endowed with natural resources or be resource-poor."

fragility for which existing policies and guidelines are expected to remain in force.⁶ Weak institutions often contribute to the level of vulnerability and risk, and to the frequency of crises and scale of their negative impacts. In fragile situations, efforts to achieve sustainable rural transformation are hampered by frequent setbacks bringing destruction of social and economic assets.

12. The new definition provides space for regional, national or subnational⁷ analyses of the specific set of drivers in each fragile situation, regardless of the income level of the country, while recognizing institutional weaknesses as a core defining characteristic of fragility. The updated definition is also in line with the focus on resilience in the IFAD Strategic Framework 2016-2025.
13. Classifying fragile situations. IFAD's current approach to classification of fragile states combines the lists of all fragile states identified by other international financial institutions (IFIs) and the Organisation for Economic Co-operation and Development (OECD), resulting in an unwieldy list of 40 to 50 countries covering half of IFAD's portfolio. This broad classification hampers efforts to implement differentiated approaches or provide targeted additional support to the most fragile situations.
14. As noted by the CLE on fragile states, IFAD's performance was notably weaker only in a subset of 24 countries that had been continuously classified as fragile during the entire period under evaluation (2004-2013). A new approach to classification needs to recognize that a broad spectrum of situations could potentially be considered fragile, but that project performance is substantially affected only in the most fragile situations. It is proposed that IFAD establish more rigorous and IFAD-relevant criteria aimed at identifying the most fragile situations: those warranting genuinely differentiated approaches. Focusing on a limited number of the most fragile situations will allow for differentiated approaches without major budgetary or financial consequences for IFAD.
15. The classification would be based on an index composed of the following:
 - (a) Institutional capacity, as reflected in Rural Sector Performance (RSP) scores.⁸ The RSP indicator will be updated to strengthen its relevance as an indicator of fragility.
 - (b) Vulnerability, particularly with regard to food insecurity, potentially using World Food Programme assessments or the International Food Policy Research Institute's Global Hunger Index.
 - (c) Conflict, or risk of conflict, drawing on indicators used by the World Bank and others.
16. While further assessment will be undertaken, it is tentatively proposed that scores falling in the fifth quintile of the proposed index would constitute the "most fragile situations" for the purposes of applying differentiated approaches and for measuring IFAD's performance in fragile situations.⁹ Methods to apply these criteria to fragility-affected subnational or transboundary geographic areas will be explored, as will more qualitative means of identifying and assessing fragility across its multiple dimensions. In line with the practices of partner organizations, some discretion on the part of Management would be exercised in classifying the most fragile situations, particularly in situations where there is a serious lack of

⁶ While there will be a new definition and classification, the strategy will build on existing policies and guidelines relating to IFAD's role in crisis situations, disaster early recovery and dealing with de facto governments.

⁷ Transboundary fragility, for example in the Sahel, Horn of Africa and, increasingly, in parts of the Near East and North Africa could have implications for the country-based delivery model.

⁸ RSP scores are closely correlated with World Bank Country Policy and Institutional Assessment (CPIA) scores.

⁹ The Asian Development Bank considers countries in the fourth and fifth quintiles of country performance assessments for two out of three years to be in fragile situations.

data or highly context-specific drivers of fragility that cannot easily be incorporated into quantitative measures of fragility.

B. Guiding principles for IFAD's work in fragile situations

17. Whether in fragile or non-fragile situations, IFAD's strategic vision and goal remain the same: inclusive and sustainable rural transformation enabling rural people to overcome poverty and achieve food security through remunerative, sustainable and resilient livelihoods. IFAD's work in fragile situations will be guided by the Strategic Framework 2016-2025, and by the latest international principles for engagement in fragile states laid out in the New Deal for Engagement in Fragile States, and the Committee on World Food Security's Framework for Action for Food Security and Nutrition in Protracted Crises.
18. In addition, the following IFAD-specific guiding principles for engaging in fragile situations are proposed:
 - (a) Risk management and resilience. For IFAD, the objective of "inclusive and sustainable rural transformation" is to generate improved and more resilient livelihoods for rural people.¹⁰ In fragile situations, IFAD's focus on risk management and resilience will be further strengthened. Drawing on lessons learned from IFAD's extensive experience, programmes will develop activities that enhance the resilience of target communities and provide them with tools and information to better manage risk, and activities that are themselves resilient to the effects of conflict and other common shocks affecting fragile situations. Resilient delivery models – drawing on models that have proved effective in country programmes in fragile situations will enable IFAD to stay engaged and continue implementation in difficult contexts. Risk management will also extend to IFAD and project staff and their security, with clear criteria for operational engagement or withdrawal.
 - (b) Addressing root causes. The achievement of long-term sustainable development is severely compromised by fragility. It is not sufficient to manage the risks emerging from fragility. Any intervention that does not address the causes of fragility is likely to be derailed by its consequences. IFAD will seek to further address the root causes of fragility, within its areas of comparative advantage, and on the basis of a thorough analysis of the fragility context. As highlighted in the CLE on IFAD's engagement in fragile and conflict-affected states, IFAD has extensive experience in activities at the community-level that contribute to peacebuilding and state-building goals: from strengthening governance of natural resources, to fostering inclusive community-based organizations and effective local government service delivery, to creating employment opportunities for unemployed youth and marginalized groups.¹¹ The strategy will further strengthen IFAD's existing operating model, which has been proven effective in empowering marginalized rural communities in these contexts.
 - (c) Building institutions, trust and social cohesion. IFAD recognizes the central importance of legitimate, effective and accountable institutions in addressing fragility. IFAD engagement in fragile situations is already oriented towards strengthening community and government institutions, particularly at the local level. These include farmers' organizations, indigenous peoples' organizations, women's associations, water users' associations, and other community-level institutions as well as local government agencies and service providers. The strategy will leverage IFAD's reputation as a trusted partner of governments and rural communities to strengthen social cohesion among different stakeholders across social, economic, ethnic, political and other

¹⁰ Strategic Framework, 2016-2025. EB 2015/116/R.4.

¹¹ See IFAD (2012) - Growing Peace through Development.

divides. Informal and customary institutions built on trust and social bonds acquire enhanced importance in contexts where formal institutions are weak or absent, rule of law is incompletely enforced, and justice systems are slow and unreliable. Gender equality, women's empowerment and engagement with youth (including unemployed or marginalized youth and ex-combatants) will be prioritized.

- (d) Flexible and responsive resourcing, instruments and approaches. This principle focuses on flexibility in resource allocation, i.e. ensuring IFAD has a set of financing tools and instruments that enable countries to access sufficient and timely resources to address fragility, and are flexible enough to limit financing during periods of instability and reduced absorptive capacity without prejudicing access to future resources. Smaller projects may be most appropriate in some fragile situations where larger projects would entail excessive risk or complexity. Flexibility should extend to operational processes, including simplified design and procedures that recognize the challenges of working in such situations. Processes for projects operating in fragile situations should acknowledge the high levels of uncertainty and avoid placing excessive burdens, for example by ensuring harmonized procedures for cofinanced projects. However, the quality of fiduciary management or social, environmental and climate safeguards will not be compromised.
- (e) Strategic and complementary partnerships. The specific importance of partnership in fragile situations warrants its inclusion as a guiding principle. Partnerships help IFAD to manage risks and enable it to stay engaged in more challenging contexts because they provide the means to address root causes of fragility that lie outside IFAD's areas of comparative advantage but pose a threat to IFAD's country programmes. IFAD's use of partnerships in fragile situations will be guided by the IFAD Partnership Strategy (2012). Partnerships with the Rome-based agencies and other United Nations agencies will receive particular attention in fragile situations, as will partnerships with other development partners with strong implementing capacity, such as trusted civil society organizations and the private sector. Partnerships with humanitarian agencies are key to bridging the humanitarian-development gap. Fragility also requires differentiated approaches to IFAD's partnership with the government, including with regard to MICs because the range and nature of IFAD's support, and the combination of lending and non-lending engagement incorporated in the country programme vary depending on both the extent and the type of fragility.
- (f) Achieving and measuring impact. IFAD's work must have demonstrable impact, especially in fragile situations where engagement involves incurring higher levels of risk and often higher cost. Learning from IFAD's experience in such situations – for example through the ongoing IFAD9 Impact Assessment Initiative – will contribute to refining IFAD's approach and to continuously improving IFAD activities in fragile situations. As part of ongoing IFAD-wide efforts to strengthen monitoring, evaluation and impact assessment, IFAD will explore options to develop monitoring and evaluation processes and impact assessment methodologies that are simple and cost-effective but capable of capturing coherent results data in fragile situations.

C. Strengthening IFAD's engagement in fragile situations

19. Operationalizing these guiding principles and enhancing IFAD's engagement in fragile situations will require leveraging and in some cases adjusting key aspects of the pillars of IFAD's results delivery and principles of engagement described in the IFAD Strategic Framework 2016-2025. While full details will be included in the planned strategy for IFAD's engagement in countries with fragile situations, the two key areas where early Executive Board endorsement is sought, and which cut across other key corporate policies and procedures are:

- (a) Mobilizing and allocating resources to address the root causes and consequences of fragility; and
 - (b) Strengthening IFAD's organizational and operational resilience for engagement in fragile situations.
20. IFAD recognizes that operating in fragile situations can have significant pay-offs in terms of impact on rural poverty and is critical to fulfilling IFAD's mandate. It is equally aware that poor security conditions, limited infrastructure and services, and lack of capacity lead to increased costs. IFAD's commitment to strengthen its engagement in fragile situations implies a willingness to bear these increased costs, and to make trade-offs where necessary, giving priority to countries and projects with fragile situations. Assessments of efficiency, and other measures of performance in fragile situations should be sensitive to the special context.
21. Management also recognizes that IFAD's value added in fragile situations is not contingent only on the amount of financing, but also on non-lending activities including policy engagement. Furthermore, fragile situations may lack the conditions for funds to be utilized efficiently or effectively to achieve a sustainable impact on rural poverty. However it is essential to ensure that where those conditions do exist IFAD has the necessary financing tools and instruments to engage, particularly as it is often the only major development agency providing support to agriculture and rural development in such contexts.

Mobilizing and allocating resources for projects and programmes in fragile situations

22. Both the CLE on fragile states and the CLE on the PBAS note that "no additional resources [were] made available to countries by virtue of being labelled as fragile". They also note that despite the original proposal for the PBAS allowing for extra provision to countries in special circumstances, this has not been made use of except in post-conflict situations. This lack of special funds for fragile situations sets IFAD apart from most IFIs.
23. As part of the response to the CLE on the PBAS, IFAD will explore how fragility could be incorporated into the PBAS, while retaining the system's foundations as a performance-based model.¹² The option of creating a specific "crisis response window" (or similar) will be considered as a way of establishing an additional source of financing. IFAD will also review options to give Member States and other partners the opportunity to provide IFAD with financing earmarked for fragile situations through complementary or supplementary financing windows and to further leverage remittance flows for investment.
24. IFAD will seek to ensure that target groups in the most fragile situations are never completely cut off from support and that it has the tools to support transition periods and re-engagement. In cases where normal PBAS-funded operations are not possible, IFAD will seek to maintain engagement through the use of country grants and supplementary funds, as has been the case in Somalia and Zimbabwe. Such operations can lay the foundations for future re-engagement through the PBAS system and build trust at country level. They also strengthen IFAD's ability to position itself as a partner of choice for engagement in fragile situations. These changes will enable IFAD to live up to the role for which it was explicitly recognized in the Addis Ababa Action Agenda in "mobilizing investment to enable rural people living in poverty to improve their food security and nutrition, raise their incomes and strengthen their resilience".

¹² For example, providing top ups to the most fragile situations: a 20-30 per cent increase in allocations to the country programmes in the bottom quintile of the fragility index would affect 4-6 per cent of the overall programme of loans and grants.

25. In exploring the above options IFAD will carefully review the financial tools and instruments being developed by other IFIs to strengthen engagement in fragile situations and undertake assessment of their financial implications for IFAD. Actual commitment of any additional allocations to countries in fragile situations would be subject to assessment of absorptive capacity,¹³ financial management capacity and commitment of the government and other stakeholders to address the root causes of fragility.

Strengthening operational resilience in IFAD's country programmes

26. IFAD will seek to respond to CLE recommendations and implement replenishment commitments to strengthen fragility analysis, project design, and supervision and implementation support in countries in fragile situations. However, recognizing the limitations on IFAD's administrative budget, additional efforts will be made to mobilize supplementary funds, leverage partnerships, and integrate these differentiated approaches directly into investment projects and regional and country grants. IFAD will continue to build on positive experiences in using grant resources to finance technical assistance and capacity-building support, as per the pilot efforts undertaken with FAO.
27. Country strategic opportunities programmes (COSOPs) and country strategy notes (CSNs) will be the primary tools for analysing fragility. Such analysis will be undertaken for country programmes in the most fragile situations, and draw on assessments undertaken by development partners and governments themselves. For other countries, the extent of fragility analysis undertaken during COSOP/CSN preparation will be determined by the country programme management team. Pipeline projects expected to be implemented in more fragile situations within less fragile countries will be flagged and deeper analysis undertaken during project design. In the most fragile situations, projects will be framed within programmatic approaches, with long-term strategies for addressing the key drivers of fragility. Specific guidelines for undertaking fragility assessments could be prepared following approval of the new strategy. Choice of COSOP strategic objectives and areas of thematic focus will continue to be driven by the government, but IFAD will advocate for a focus on key drivers of fragility.
28. In fragile situations, programme and project design will ensure simplicity of activities and objectives. The focus will be on progressively addressing the root causes of fragility (when they lie within IFAD's areas of comparative advantage), while building the resilience of the target group to the specific risks and vulnerabilities to which they are exposed. Recognizing that situations of fragility do not always follow national boundaries, part of IFAD's efforts to strengthen engagement in fragile situations will include coordinated interventions at the regional or subregional level.
29. In order to support these efforts a series of knowledge products could be produced, providing guidance to country teams on designing simple, appropriate and resilient projects for fragile situations, as well as to quality enhancement/quality assurance reviewers on key issues. Lessons learned from IFAD experience encourage a focus on community-based activities, using locally available inputs, local staff and flexible geographic targeting strategies and locating project offices away from the areas most likely to be affected by crises. Resilient activities and delivery models enhance sustainability and enable continuous implementation even during periods of crisis. IFAD will also further review the variety of delivery models utilized by other IFIs in the most fragile situations, and the differentiated approaches they apply with regard to implementing arrangements and engagement of alternative implementing

¹³ IFAD experience suggests that while disbursement rates in fragile situations can be more volatile than in non-fragile situations, overall the rates are similar in both situations.

partners.¹⁴ Non-lending support, including country or regional policy engagement, will also be a critical component of IFAD's engagement in fragile situations.

30. Supervision and implementation support are of key importance in fragile situations from a risk management perspective, ensuring that fiduciary safeguards are being implemented, guiding the application of flexible approaches to project management to address dynamic fragility contexts and providing necessary additional support to implementing agencies. They also present key opportunities to build trust with project teams, beneficiaries, partners and government officials. IFAD's focus on supervision and implementation support for problem projects already targets many projects in fragile situations. A future differentiated approach would aim to maximize both support to problem projects, and learning opportunities from successful projects in fragile situations.

Strengthening IFAD's organizational resilience in fragile situations

31. IFAD proposes to strengthen its organizational resilience in fragile situations by addressing key corporate policies and processes with regard to country presence, security, partnerships and human resource management, while maintaining the safety and staff as the primary concern.
32. Country presence and decentralization are well established as key components of IFAD's efforts to strengthen performance in fragile situations. They enable IFAD to provide a higher level of support to national partners and also contribute to building broader and deeper networks at country level. Broader awareness of IFAD's projects and understanding of IFAD's policies and procedures can be key to maintaining implementation momentum in fragile situations. Local staff also bring in-depth understanding of local fragility contexts to the country programme and are critical to staying engaged during periods of crisis. The skill sets of national staff should enable them to provide support to project staff and government counterparts in the areas where it is most needed, for example in procurement, accounting or financial management.
33. Given the high costs of frequent disengagement and re-engagement in countries affected by periodic crises, and the disruptive effects to country programmes, IFAD will endeavour to ensure that policies and procedures are in place that enable a high level of business continuity. Staff security is a necessary condition for working effectively in fragile situations.¹⁵ IFAD's Field Support Unit plays a key role in managing security risks for IFAD country offices (ICOs) in fragile situations and is currently mapping the results of the United Nations Department for Safety and Security's Global Threat and Risk Assessment to IFAD's field locations. IFAD's revised Enterprise Risk Management Register also recognizes risks associated with operating in fragile contexts and specific measures are being identified to address them. However IFAD's experience has shown that occasional incidences of force majeure are an inevitable feature of engagement in fragile situations. In such cases IFAD will aim to maintain the physical and human assets of each country programme in a high state of readiness to re-engage, and closely monitor the evolution of the situation, in line with IFAD's obligations under the Policy on Crisis Prevention and Recovery.
34. Currently periods without active lending operations (due to conflict, force majeure or other issues) are equated with suspension of a country programme. However continuous monitoring, engagement with the government, participation in donor coordination activities, and other non-lending work should constitute a specific phase in IFAD's engagement, similar to the "watching brief" phase of other IFIs, with clearly defined procedures, activities, tools and instruments available for use.

¹⁴ For example, World Bank operational policies (OP) such as OP2.30 Development Cooperation and Conflict, OP8.00 Rapid Response to Crises and Emergencies and OP10.00 Investment Project Financing.

¹⁵ *Working effectively in conflict-affected and fragile situations*. DFID Practice Paper, March 2010.

35. Much stronger partnerships will be developed with the United Nations country team (UNCT) when operating in fragile situations. IFAD relies on the United Nations Department for Safety and Security to keep its staff and country offices safe and secure and has benefited from a range of services and support functions offered by the United Nations Development Programme and other agencies through their country offices that are critical for IFAD's effective country-level operations. The United Nations also typically leads donor coordination during and in response to periodic crises and it is essential that IFAD is fully engaged in these processes. This stronger partnership will improve coordination with the other Rome-based agencies. Through engagement with the UNCT, IFAD will seek to enhance recognition of the criticality of many IFAD-supported projects and programmes, and the role they play in stabilizing and enhancing the resilience of communities affected by shocks, which would otherwise resort to unsustainable coping strategies. IFAD's development projects often have significant synergies with humanitarian interventions, including through cash-for-work and Purchase-for-Progress. Positive experiences and lessons learned from such partnerships will be incorporated into the strategy.
36. Human resource management and empowerment of staff are the subject of recommendations in the CLE on fragile states and play a key role in IFAD's organizational and operational resilience. The Human Resources Division will contribute to developing IFAD's strategy for engagement in countries with fragile situations and Management will review incentives for staff working in fragile situations, whether based in headquarters or in ICOs, on the principle that willingness to work in countries with fragile situations should be rewarded, recognizing the benefits such experience brings to the institution. Such incentives would be of a non-financial nature and take into consideration issues such as security and broader concerns about staff well-being and career development.
37. Further, while IFAD will always expect the highest standards of work from its staff, IFAD will review how the performance management framework is applied for staff working in fragile versus non-fragile situations, ensuring that setting of objectives and performance evaluation in fragile situations are based on realistic expectations and provide the flexibility to recognize when changes in the external risk environment have made agreed objectives unfeasible. IFAD could conduct a needs assessment in terms of the specific skills and competencies required to work in fragile situations. Customized training could be developed for staff to support them in assessing and responding to business risks, in coping with serious security risks and medical or other emergencies, and in adjusting to daily life under difficult conditions.

III. Recommendations and next steps

38. IFAD's strategy for engagement in countries with fragile situations will be submitted to the Executive Board in September 2016. This will enable full harmonization with updates regarding IFAD's engagement in MICs, its corporate decentralization plan and the outcomes of the CLE on the PBAS. It will also provide an opportunity to benefit from the outcomes of the World Bank Group's Fragility, Conflict and Violence Forum in March 2016 and the World Humanitarian Summit in May 2016.
39. IFAD requests the Executive Board to review the proposed approach for a strategy for engagement in countries with fragile situations, and in particular:
 - (i) The proposed updated definition of fragility;
 - (ii) The proposed new approach to classification of countries with fragile situations, using a revised version of IFAD's RSP indicator as well as relevant vulnerability and conflict indicators;
 - (iii) The proposed guiding principles for IFAD's engagement in fragile situations;

- (iv) The intentions regarding mobilization and allocation of resources for projects and programmes to address the root causes and consequences of fragility and ensure that target groups in the most fragile situations are never completely cut off from IFAD support;
- (v) Efforts to strengthen IFAD's organizational and operational resilience in fragile situations through differentiated approaches to country strategy development, design, supervision, implementation support and country presence, and human resource management, maintaining the safety of staff as the primary concern.

IFAD Management commitments update

Table 1
IFAD9 and 10 commitments related to fragile states

| | <i>Responsibility</i> | <i>Update/Ongoing actions</i> |
|---|--|--|
| IFAD9 commitments | | |
| Adopt a flexible approach to programme design and implementation support in fragile states, with a strong focus on building the capacity of community and government institutions, including through appropriate country presence arrangements, and close collaboration with other multilateral and bilateral partners. | <p>Overall: Programme Management Department (PMD)</p> <p>Implementation: PMD Directors</p> | <p>Earlier update: IFAD-supported programmes are less effective and sometimes ineffective in fragile states. A pilot initiative through a grant provided to FAO is providing support to projects to build the capacity of project units, local institutions and communities and to strengthen government policy in fragile states (and in non-fragile states). However much more is needed to support project design, implementation, capacity-building and analysis in order to improve the situation in fragile states.</p> <p>IFAD's approach to fragile states will be outlined in the strategy to be delivered in 2016.</p> <p>Incorporation in strategy: The strategy will outline flexible and differentiated approaches to engaging in fragile situations. It will include a definition, classification methodology, guiding principles and operational changes to strengthen IFAD engagement. Institution-strengthening will be a guiding principle; IFAD will build on its comparative advantage of working with community institutions. Country presence strengthening and the updated decentralization strategy will feed into the strategy.</p> |
| Enhance the quality of programme design and implementation support in fragile states by performing deeper analysis of the causes of fragility. | <p>Overall: PMD</p> <p>Implementation: PMD Directors</p> | <p>Earlier update: An assessment of completed operations in fragile states was undertaken in 2013, and the Independent Office of Evaluation of IFAD's (IOE) CLE on fragile states was presented to the Executive Board in April 2015. Both will feed into the strategy on fragile states that IFAD has committed to delivering in 2016. Moreover, the upcoming Rural Development Report includes an analysis of fragile states which will contribute towards IFAD's understanding of the root causes of fragility and how to address them.</p> <p>Incorporation in strategy: The strategy will outline an analytical framework for designing projects in fragile situations. This will include analyses of the causes of fragility (as understood in the local context), operational risks and implications of fragility, in-depth institutional analysis and strategies for addressing (or mitigating) fragility. This will be done at both the country programme and the project level.</p> |
| Ensure simplicity of objectives and activities of projects in fragile states. | <p>Overall: PMD</p> <p>Implementation: PMD Directors</p> | <p>Earlier update: PMD is working to mainstream into the QE and QA processes special attention to the inclusion of simple and trackable performance indicators in projects in fragile states. Project objectives and activities are being simplified through updated guidance on logical frameworks, review of logical frameworks and the process for updating the design guidelines.</p> <p>Incorporation in strategy: In coordination with the Quality Assurance Group, PMD will ensure simple and realistic objectives in the design of projects affected by fragile situations. This will be reflected in the strategy.</p> |
| Strengthen application of risk management in the context of programmes in fragile states, including for security of the workforce. | <p>Overall: PMD</p> <p>Implementation: PMD Directors</p> | <p>Earlier update: IFAD now undertakes more sophisticated risk management assessment in fragile states, but it is not as robust as needed. Partnerships with other organizations will need to be explored. With regard to security of the workforce, IFAD adheres to the guidance provided by the United Nations system.</p> <p>Incorporation in strategy: Risk management will be a guiding principle for engagement in fragile situations. Security of staff will remain the primary concern of IFAD's strategy and approach in fragile situations. Field Support Unit is leading work in this regard.</p> |

IFAD10 commitments

Submit for the approval of the Executive Board, a strategy for IFAD's work in countries in fragile situations, setting out IFAD's comparative advantage and ensuring linkages with other agencies and international initiatives (such as the Committee on World Food Security Agenda for Action), and incorporating the recommendations of the IOE evaluation.

Overall: PMD

As outlined in this paper, the strategy will be developed and submitted to the Board in September 2016. Consultations will be conducted with other IFIs and international initiatives. The final strategy will build on IFAD's comparative advantage, establish modalities for linkages and partnerships that build on complementary strengths and incorporate the recommendations of the CLE.

Table 2
Updated response to CLE recommendations*

| CLE recommendation | Incorporation in strategy/rationale |
|--|---|
| A. Policy and strategy | |
| Overarching corporate policy statement including a new definition and principles | The paper suggests a new definition and outlines the draft principles, which will be finalized in the strategy. |
| Simpler approach to classification, specific to IFAD's mandate | A new mode of classification, building on IFAD's context and mandate is presented in draft in the paper. If approved, IFAD will discontinue use of international financing institutions' harmonized lists. |
| Strengthen fragility and context analysis in COSOPs | A fragility analysis will be included in COSOPs with the most fragile situations. Elsewhere the extent of analysis will be determined by the country management team based on assessment of subnational (or regional) fragile situations. |
| B. Project and programme design | |
| Need to identify necessity for engagement or disengagement | New criteria for engagement or non-engagement, including a "watching brief" and guidance for re-engagement will be developed in the strategy. |
| Simple objectives and design | These will be integrated into the proposed guiding principles on addressing root causes and on flexibility and into measures to enhance operational resilience. |
| Institutional strengthening through working with local institutions | This will be integrated into principles on institutions and partnerships. |
| C. Project and programme implementation | |
| Expand supervision and implementation support with budgets based on needs and not pre-determined | A differentiated approach to supervision and implementation support is proposed for the strategy. |
| Prioritize establishment of ICOs | Ongoing. Relevant figures are provided in this paper (para. 5 and annex III). More details are provided in the decentralization paper to be presented to the Board in December 2016. |
| Strategic partnerships | Strategic partnerships are proposed as part of the guiding principles on partnerships. |
| D. Empowerment of staff | |
| Incentives and training needs | Providing flexibility and recognizing staff commitment to working in fragile contexts will be part of the strategy. Training for skills requirements for fragile contexts will be developed. |
| E. Results measurement | |
| Plan and allocate resources more selectively | More selective application of tools to ensure that they are cost-effective, but capable of capturing coherent results data. |
| Outcomes related to fragility | Indicators relating to fragility and vulnerability will be developed. |

*See main report for detailed responses and approaches.

Review of partners' evolving approaches to fragile situations

1. This annex provides an overview of the latest thinking on fragility and the steps being taken by development partners to strengthen their approach to engagement in fragile situations. A summary of general trends is also provided.
2. OECD. The OECD report *States of Fragility 2015: Meeting Post-2015 Ambitions* recognizes that addressing fragility will be central to realizing the SDGs. However for the post-2015 period, OECD has proposed shifting the perspective from "fragile states" to "states of fragility". OECD tentatively plans to phase out the production of a fragile states list and is developing a new methodology to analyse all countries' risk across five clusters of fragility: (i) violence; (ii) access to justice for all; (iii) effective, accountable and inclusive institutions; (iv) economic inclusion and stability; and (v) capacities to prevent and adapt to social, economic and environmental shocks and disasters (resilience). The clustering approach allows for the identification of those countries showing the highest vulnerability and risk in each cluster, and highlights a subset of countries that are the most vulnerable across multiple clusters. In order to address fragility effectively, the OECD calls for smarter, demand-driven aid modalities and instruments, a greater allocation of official development assistance (ODA) to the poorest and most fragile countries, and addressing of imbalances in the distribution of ODA across fragile situations. The need to scale up resources to MICs, boost domestic revenues and reduce transaction costs of remittances is also stressed.
3. World Bank.¹⁶ Supporting fragile and conflict-affected states (FCS) is a priority for the World Bank Group. The publication of the *World Development Report 2011: Conflict, Security and Development* provided the basis to initiate reforms to strengthen the World Bank Group's operations in fragile and conflict-affected states during the International Development Association's sixteenth replenishment (IDA16), and additional commitments were made in IDA17 to: (i) address drivers of fragility and conflict; (ii) support countries facing turnaround situations and build resilience; (iii) incorporate feedback from experiences to build more agile operations; and (iv) enhance financing for FCS. As part of the midterm review of IDA17 in November 2015, a paper was produced summarizing progress against these commitments and proposing next steps to further strengthen support to FCS.
4. Key actions implemented so far include:
 - (i) Revision of the International Development Association (IDA) resource allocation framework for FCS to enhance targeting of IDA's exceptional support and financial engagement in these countries through: (i) a "turnaround" allocation regime to support countries presenting unforeseen openings for significant policy and institutional changes; (ii) changing the Country Performance Rating exponent in the regular PBAS formula from 5 to 4; and (iii) increasing the minimum base allocation under the PBAS from SDR 3 million to SDR 4 million per year;
 - (ii) Ensuring that all new country partnership frameworks are informed by analysis of drivers of fragility, with at least 66 per cent of operations in FCS informed by gender considerations;
 - (iii) Preparation of eight joint implementation plans to enhance synergies among the IDA, International Finance Corporation and Multilateral Investment Guarantee Agency and the United Nations-World Bank Group partnership to strengthen coordination at country and regional level and pilot state-building

¹⁶ World Bank. 2015. *Strengthening Support to Fragile and Conflict-Affected States – Progress Report. IDA17 Mid-term Review. November 2, 2015.*

- and peacebuilding initiatives, including supporting countries to implement programmes under the New Deal for Engagement in Fragile States;
- (iv) Implementing revised operational policies for investment project financing with special provisions for FCS, and proposing a revised procurement policy for situations of urgent need or capacity constraints;
 - (v) Initiating work to redefine "fragility", develop guidelines for fragility assessment and increase attention to gender-based violence and economic empowerment of women (in response to the recommendations of the Independent Evaluation Group); and
 - (vi) Launching the Evidence for Peace programme, conducting evaluations on key FCS themes, updating training programmes in order to strengthen knowledge of what does and does not work in FCS and undertaking additional analytical work on job creation initiated in six FCS.
5. The impact of these changes has been significant. The revision of the resource allocation framework has led to IDA country allocations to FCS increasing by 50 per cent in IDA17 compared to previous replenishments. In addition FCS benefited from US\$307 million committed from the Crisis Response Window. Importantly the World Bank Group found that "the commitments to mainstream implementation modalities, enhance learning and increase financing to address fragility have resulted not only in a growing portfolio in IDA FCS, but also in an increase of the quality of that portfolio". However the group acknowledges that "over time, budget and staff resources have increased to meet the challenges of operating in FCS" and that they are working to ensure adequacy in staffing and budget: from 2007 to 2012 IDA estimates that projects in FCS received on average 9 per cent more for project preparation and 19 per cent more for supervision. A separate review of the performance of the Crisis Response Window (CRW),¹⁷ also as part of the midterm review of IDA17, found that the CRW has significantly strengthened IDA's ability to respond to natural disasters, and proposes an expansion of the eligibility criteria to include public health emergencies and epidemics (it already includes economic crises and natural disasters). The initial allocation of SDR 600 million was almost fully committed in the first year, providing support to eight disaster-hit countries.
6. The IDA17 midterm review highlighted a number of remaining challenges concerning engagement in FCS: (i) redefining situations of fragility, conflict and violence in a way that would help further direct IDA financing; (ii) incorporating lessons learned into operations, including for gender; (iii) ensuring the scaling up of interventions that work, and their sustainability; (iv) ensuring that staff working in FCS are up to the challenges; and (v) ensuring that the large increase in IDA financing to FCS continues to be matched by adequate budget and human resources - "recognizing the higher than normal costs and difficulties in operating in many FCS where instability is rampant".¹⁸ The World Bank also proposed additional revisions to the resource allocation system to ensure sufficient resources for small FCS, assessing the options on: (i) effectiveness in securing larger support to small FCS; (ii) preservation of the performance orientation of the turnaround allocation; and (iii) provision of required additional IDA resources.
7. African Development Bank. The African Development Bank (AfDB) Group has produced a Strategy for Addressing Fragility and Building Resilience in Africa 2014-2019 and operational guidelines for the implementation of the strategy and for the Transition Support Facility.¹⁹ The aim of the strategy is to maximize the AfDB's contribution to building resilient, stable and capable states. It provides a new definition of fragility as "a condition of elevated risk of institutional breakdown,

¹⁷ World Bank. 2015. Update on IDA's Crisis Response Window. IDA17 Midterm Review. November 2015.

¹⁸ World Bank. 2015. Strengthening Support to Fragile and Conflict-Affected States – Progress Report. IDA17 Midterm Review. November 2, 2015.

¹⁹ AfDB. 2015. Operational Guidelines for the Implementation of the Strategy for Addressing Fragility and Building Resilience in Africa and for the Transition Support Facility. Document number: ADF/BD/WP/2014/30/Rev.3/Approval

societal collapse, or violent conflict" and it recognizes the diversity of drivers of fragility, the higher level of risk and complexity in fragile situations, the existence of regional or subnational fragility, and the long-term commitment required to address the root causes. The strategy proposes an operational response that requires: (i) deep analysis of the factors driving fragility in specific contexts; (ii) an approach to operational engagement that is differentiated and tailored to specific fragile situations and targeted for high impact; (iii) support that addresses the drivers of fragility; (iv) a regional approach to regional problems; (v) broader and deeper partnerships to leverage the expertise (and resources) of other institutions; (vi) operational and procedural flexibility and the ability to adapt to rapidly changing circumstances; and (vii) nuanced risk management that can weigh the trade-offs among programmatic, contextual and institutional risks. The AfDB approach also focuses on staying engaged, particularly through effective partnerships and adapting its operational business model to work with the private sector and civil society.

8. With regard to classification of fragility, the AfDB has established a 3-level system that applies to all regional member countries and is updated annually in line with the Country Policy and Institutional Assessment (CPIA) cycle: category 1 are countries/regions where fragility is the dominant development challenge; category 2 are countries/regions where there is considerable risk of fragility; and category 3 are countries/regions where issues of fragility are of limited concern. The AfDB uses CPIA scores and the presence of peacekeeping or peacebuilding missions as its main criteria for classification, supplemented by qualitative fragility assessments; however it aims to develop a specific country resilience and fragility assessment tool.
9. The AfDB prioritizes three areas of focus that are particularly important for addressing fragility and building resilience: (i) strengthening state capacity and establishing effective institutions; (ii) promoting resilient societies through inclusive and equitable access to employment, basic services and shared benefits from natural resource endowments; and (iii) enhancing its leadership role in policy dialogue, partnerships and advocacy around issues of fragility.
10. The AfDB's Fragile States Facility, established in 2008, was renamed the Transition Support Facility. Its purpose is to provide additional funding and operational flexibility through which the AfDB can assist eligible member countries facing issues of fragility. Subject to specific eligibility criteria, it provides flexibility on policies concerning arrears, financing terms and procurement, and supplements PBAS allocations for country and regional programmes aimed at supporting transitions towards greater resilience.
11. Key common trends and approaches across the above partners include:
 - (i) Recognition of fragility as a major obstacle to inclusive and sustainable development.
 - (ii) A shift away from defining "fragile states" to defining "fragility", and recognition that fragility is a multidimensional concept that can apply at different geographic and administrative levels, regardless of country income levels.
 - (iii) Deeper analysis of fragility contexts, using fragility assessments to inform development of appropriate and context-specific interventions.
 - (iv) Identifying a particular subset of the most fragile situations that qualify for additional support, but applying the general principles of good engagement in fragile situations to all countries, in recognition of the fact that fragility comes in many forms and in many degrees of severity.
 - (v) Strong emphasis on partnerships and coordination to leverage the strengths and expertise of partners, and on strengthening internal expertise in addressing fragility.

- (vi) Adjustment of resource allocation frameworks to ensure a higher share of resources are allocated to fragile situations and establishment of flexible financing mechanisms to ensure financing is available to address crises and to take advantage of windows of opportunity for re-engagement.
- (vii) Establishment of differentiated approaches to engagement in fragile situations, with differentiated delivery models also with respect to implementing partners.
- (viii) Differentiated results management and performance expectations, while recognizing that project performance in fragile situations can exceed that of non-fragile situations given the appropriate support and the right tools, policies and procedures.

IFAD's harmonized list of fragile states 2015

1. This is IFAD's harmonized list of fragile states for 2015, as included in the Report on IFAD's Development Effectiveness (RIDE). It includes all fragile states identified by multilateral development banks and OECD. This table also provides information on the income category, borrowing terms, Rural Sector Performance (RSP) score, year of country presence approval (if any), and IOE fragility category as per the CLE on FCS.

Table 1
Harmonized list of fragile states

| Country | Income category ^a | Borrowing terms ^b | RSP score (2014-2015) ^c | Year of country presence approval ^d | IOE fragility category (2004-2013) ^e |
|--|------------------------------|------------------------------|------------------------------------|--|---|
| Asia and the Pacific | | | | | |
| Islamic Republic of Afghanistan | LIC | DSF | 3.69 | 2014 | Always |
| People's Republic of Bangladesh | Lower MIC | HC | 4.15 | 2011 | Partially |
| Republic of Kiribati | Lower MIC | DSF | 3.54 | | Partially |
| Democratic People's Republic of Korea | LIC | HC | n/a | | Partially |
| Republic of the Marshall Islands | Upper MIC | n/a | 3.14 | | Partially |
| Republic of the Union of Myanmar | Lower MIC | HC | 3.43 | 2014 | Always |
| Federal Democratic Republic of Nepal | LIC | HC | 4.11 | 2008 | Partially |
| Islamic Republic of Pakistan | Lower MIC | HC | 4.10 | 2008 | Partially |
| Solomon Islands | Lower MIC | DSF/HC | 3.06 | | Always |
| Democratic Socialist Republic of Sri Lanka | Lower MIC | Blend | 3.91 | 2008 | Partially |
| Democratic Republic of Timor-Leste | Lower MIC | n/a | 3.09 | | Always |
| Tuvalu | Upper MIC | n/a | 3.69 | | Partially |
| East and Southern Africa | | | | | |
| Republic of Angola | Upper MIC | Ordinary | 3.42 | | Always |
| Republic of Burundi | LIC | DSF | 3.49 | 2012 | Always |
| Union of the Comoros | LIC | DSF | 3.28 | | Always |
| Eritrea | LIC | HC | 3.65 | | Always |
| Federal Democratic Republic of Ethiopia | LIC | HC | 4.04 | 2004 | Partially |
| Republic of Kenya | Lower MIC | HC | 4.25 | 2008 | Partially |
| Republic of Madagascar | LIC | HC | 3.93 | 2008 | Never |
| Republic of Malawi | LIC | DSF/HC | 3.72 | 2011 | Partially |
| Republic of South Sudan | LIC | DSF | 2.44 | | Partially |
| Republic of Uganda | LIC | HC | 4.18 | 2008 | Partially |
| Republic of Zimbabwe | LIC | HC | 3.81 | | Always |
| Latin America and the Caribbean | | | | | |
| Republic of Haiti | LIC | DSF | 2.65 | 2004 | Always |
| Near East, North Africa and Europe | | | | | |
| Bosnia and Herzegovina | Upper MIC | Ordinary | 4.10 | | Partially |

| | | | | | |
|--|-----------|----------|-------------|------|-----------|
| Arab Republic of Egypt | Lower MIC | Ordinary | 4.75 | 2004 | Never |
| Republic of Iraq | Upper MIC | n/a | 3.73 | | Partially |
| Libya | Upper MIC | n/a | n/a | | Partially |
| Federal Republic of Somalia | LIC | HC | n/a | | Always |
| Republic of the Sudan | Lower MIC | DSF | n/a | 2003 | Always |
| Syrian Arab Republic | Lower MIC | Blend | 3.54 | | Partially |
| West Bank & Gaza | Lower MIC | n/a | n/a | | Always |
| Republic of Yemen | Lower MIC | DSF/HC | 3.92 | 2003 | Partially |
| West and Central Africa | | | | | |
| Burkina Faso | LIC | DSF/HC | 3.90 | 2008 | Never |
| Republic of Cameroon | Lower MIC | HC | 3.68 | 2009 | Partially |
| Central African Republic | LIC | DSF | 2.44 | | Always |
| Republic of Chad | LIC | DSF | 2.96 | 2014 | Always |
| Democratic Republic of the Congo | LIC | Blend | 3.08 | 2003 | Always |
| Republic of the Congo | Lower MIC | Blend | 3.52 | | Always |
| Republic of Côte d'Ivoire | Lower MIC | DSF/HC | 2.96 | 2014 | Always |
| Republic of Guinea | LIC | DSF/HC | 3.00 | 2008 | Always |
| Republic of Guinea Bissau | LIC | DSF/HC | 2.46 | | Always |
| Republic of Liberia | LIC | HC | 3.22 | 2014 | Always |
| Republic of Mali | LIC | DSF/HC | 3.91 | 2011 | Partially |
| Islamic Republic of Mauritania | Lower MIC | DSF | 3.65 | | Partially |
| Republic of the Niger | LIC | DSF/HC | 3.54 | 2011 | Partially |
| Federal Republic of Nigeria | Lower MIC | Blend | 3.62 | 2004 | Partially |
| Republic of Sierra Leone | LIC | DSF/HC | 3.66 | 2013 | Always |
| Togolese Republic | LIC | DSF/HC | 3.15 | | Always |
| Average RSP score - Fragile states | | | 3.33 | | |
| Average RSP score – All countries rated | | | 3.89 | | |

^a World Bank - Country and Lending Groups by Income (22 January 2016).

^b IFAD corporate records (22 January 2016).

^c IFAD corporate records.

^d IFAD Field Support Unit, Corporate Services Department.

^e This column refers to the grouping of countries in the CLE on FCS which identified countries included in IFAD's harmonized list of fragile states every year from 2004-2013 as "always fragile", for some years as "partially fragile" and never as "never fragile". Some of the countries included in the 2015 list were considered "never fragile" during this period.

Notes:

HC - highly concessional

DSF - Debt Sustainability Framework

LIC - lower-income country

MIC - middle-income country

Current status and overview of portfolio

1. Existing IFAD policy framework. The IFAD Policy for Crisis Prevention and Recovery²⁰ provided the current IFAD definition for fragility. To date, the classification of fragile states has been based on a harmonized list of fragile states drawing on the lists used by other IFIs and international organizations.²¹ The IFAD Guidelines for Disaster Early Recovery were developed in 2011 to outline how IFAD would engage in post-disaster scenarios (and the limitations of IFAD's model in these contexts).
2. Recent work on fragile situations. IFAD has already done much to strengthen its engagement in countries with fragile situations. The CLE noted significantly improved performance in projects in fragile situations among those closing since 2010, compared to those closing between 2004 and 2009. The CLE highlights IFAD's move to direct supervision and implementation support, and the establishment of country presence as key factors behind this improvement. Efforts to enhance IFAD's engagement were further accelerated during IFAD9 including:
 - (a) Intensified internal discussions and creation of opportunities for sharing of experiences and lessons learned among staff, for example the Near East, North Africa and Europe Division's (NEN) close-up event on project implementation in fragile situations, an event organized by the Latin America and the Caribbean Division sharing experiences of IFAD's operations in Haiti, an update on IFAD's performance in countries with fragile situations by PMD and the Strategy and Knowledge Department's extensive horizon scanning exercise regarding engagement in fragile situations;
 - (b) Additional focus on quality of design in fragile situations, and disaggregation of this result in the results measurement framework (RMF), shows that 94 per cent of projects designed in fragile situations during 2014-2015 were rated moderately satisfactory or better, outperforming projects in non-fragile situations;
 - (c) Since 2015, projects at risk have been officially provided with additional budget allocations for supervision and implementation support, a move that was welcomed by the Executive Board in December 2015;
 - (d) The continued roll out of IFAD's decentralization strategy placed an emphasis on fragile situations, with 26 of IFAD's 50 approved country offices located in countries on the 2015 harmonized list of fragile states, and significant investments were made in training and equipping ICOs and ICO staff in locations with security risks.
3. Overview of IFAD portfolio in states with fragile situations. Fragile states have received around 50 per cent of IFAD financing allocated through the PBAS during IFAD8, 9 and 10.

Table 1

Share of IFAD financing allocated to fragile states*
(Billions of United States dollars)

| Replenishment | Overall IFAD financing | Financing to fragile states | Percentage of financing to fragile states |
|------------------|------------------------|-----------------------------|---|
| IFAD8 (2010-12) | 2.7 | 1.22 | 45 |
| IFAD9 (2013-15) | 2.88 | 1.52 | 52 |
| IFAD10 (2016-18) | 3.04 | 1.36 | 45 |

* Figures for IFAD8 and IFAD9 are based on current financing figures available in the Grants and Investment Projects System (GRIPS). Figures for IFAD10 are based on the PBAS allocation.

²⁰ EB 2006/87/R.3/Rev.1: IFAD Policy on Crisis Prevention and Recovery, 2006.

²¹ World Bank, AfDB, Asian Development Bank and OECD.

4. With regard to the ongoing portfolio, 44 per cent of total financing, and 48 per cent of total projects are in countries with fragile situations, with ESA, NEN and WCA being particularly affected. It should be noted that the NEN region is unusual in IFAD in that a large share of the countries currently defined as fragile do not have access to borrowing under the PBAS system, due to arrears, non-state status and other reasons. In all other regions, IFAD is actively engaged in all countries with fragile situations through the regular PBAS-financed projects.
5. Both the self- and the independent evaluation processes reveal that the differences in project performance across fragile and non-fragile states are not extreme. The Annual Report on Results and Impact of IFAD Operations 2015 (ARRI) found that overall project achievement was moderately satisfactory or better in 70 per cent of fragile states compared to 84 per cent of non-fragile states. Other indicators did not display large differences. The ratings of project completion reports do not show significant differences for relevance, effectiveness, efficiency or overall project achievement, though they do indicate a significantly lower performance by government institutions in fragile states.

CLE findings on project performance in fragile situations

The CLE on FCS found that:

- (i) Performance in countries that have always been classified as fragile is lower than in countries that have moved in and out of fragility or were never classified as fragile.
- (ii) For projects closing since 2010, there have been significant improvements in countries that have always been fragile in overall project achievement and effectiveness, IFAD's performance as a partner, and rural poverty impact, compared to projects closing between 2004 and 2009. For some criteria the improvements since 2010 have actually been greatest in countries that have always been fragile.
- (iii) However for projects closing since 2010 in countries that have always been fragile, performance has been relatively poor in terms of operational efficiency, sustainability and the government's performance as a partner.
- (iv) Achievements in promoting gender equality and women's empowerment have not improved in countries that have always been fragile, whereas they have shown improvement in countries that are partially or never fragile.
- (v) Country-level performance on non-lending activities (knowledge management, partnership-building, policy dialogue), COSOP performance (in terms of relevance and effectiveness of the country strategy), and overall IFAD-government partnership in reducing rural poverty is consistently weaker in fragile states.

^a World Bank - Country and Lending Groups by Income (22 January 2016).

^b IFAD corporate records (22 January 2016).

^c IFAD corporate records.

^d IFAD Field Support Unit, Corporate Services Department.

^e This column refers to the grouping of countries in the CLE on FCS which identified countries included in IFAD's harmonized list of fragile states every year from 2004-2013 as "always fragile", for some years as "partially fragile" and never as "never fragile". Some of the countries included in the 2015 list were considered "never fragile" during this period.

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