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Investing in rural people

IFAD strategy for engagement in countries with fragile situations

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Executive Board — 119th Session
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Contents

Abbreviations and acronyms

CLE	corporate-level evaluation
COSOP	country strategic opportunities programme
DSF	Debt Sustainability Framework
ESA	East and Southern Africa Division
FCS	fragile and conflict-affected states
ICO	IFAD Country Office
IDA	International Development Association
IFI	international financial institution
M&E	monitoring and evaluation
MFS	most fragile situations
MIC	middle-income country
OECD	Organisation for Economic Co-operation and Development
PBAS	performance-based allocation system
SDG	Sustainable Development Goal

Executive summary

1. IFAD has a crucial role to play in fragile situations. The 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs) have clearly recognized that addressing fragility is one of the “six essential elements” required for delivering the SDGs. Development outcomes are consistently lower in fragile situations, and IFAD’s mandate of rural transformation is threatened by fragility. Following commitments made under the Consultations on the Ninth and Tenth Replenishments of IFAD’s Resources, and the corporate-level evaluation on fragility, IFAD presents this strategy for engagement in countries with fragile situations.

2. The strategy proposes an updated definition of fragility that is more relevant to IFAD’s mandate, and a new approach to classifying countries in order to identify the most fragile situations that warrant differentiated and flexible approaches.

3. The proposed new definition of fragility is as follows:

> "Fragility is a condition of high vulnerability to natural and man-made shocks, often associated with an elevated risk of violence and conflict. Weak governance structures along with low-capacity institutions are a common driver and consequence of fragile situations. Fragile situations typically provide a weaker enabling environment for inclusive and sustainable rural transformation and are characterized by protracted and/or periodic crises, often with implications for smallholder agriculture and food security.”

4. The strategy outlines the guiding principles for IFAD’s engagement in countries with fragile situations. These guiding principles are: (i) risk management and resilience; (ii) focus on root causes (within IFAD’s mandate and comparative advantage); (iii) gender mainstreaming and targeting; (iv) institution-building to promote trust and social cohesion; (v) flexible and responsive resources, instruments and approaches; (vi) strategic and complementary partnerships; and (vii) results measurement and learning.

5. The strategy contains organizational and operational approaches, based on the guiding principles, to enhance the resilience and effectiveness of IFAD operations in the most fragile situations. Also, options for mobilizing and allocating resources are presented.

6. Based on the approval of the strategy, IFAD will develop further guidelines and/or update existing ones, to implement the proposals contained in this strategy. All guidelines will be developed/updated by end-2017.

IFAD's strategy for engagement in countries with fragile situations

I. Introduction and background

1. Fragility plays a crucial role in determining global development outcomes. This is clear from both the progress made on the 2015 Millennium Development Goals (MDGs) and the forecasts for the 2030 Agenda for Sustainable Development (Agenda 2030) and Sustainable Development Goals (SDGs). With regard to the achievement of MDGs, fragile states[1] lag behind non-fragile states on all indicators, and by more than 50 per cent in most cases.[2] Looking ahead, Agenda 2030 has clearly recognized that addressing fragility is one of the "six essential elements" required for delivering the SDGs.[3] Countries currently defined as fragile are home to 43 per cent of people living on less than US$1.25 a day; and by 2030, poverty is likely to be even more concentrated in countries that are currently grappling with fragility. Crucially, not only does fragility impede the achievement of development goals, it also results in or aggravates periodic crises that can potentially undo decades of development progress.

2. The centrality of fragility in the global development agenda and the need to reduce the risk of disasters have been echoed by recent international initiatives such as the New Deal for Engagement in Fragile States, the Sendai Framework for Disaster Risk Reduction 2015-2030, the Stockholm Declaration on Addressing Fragility and Building Peace in a Changing World. At the 2016 World Humanitarian Summit, the importance of aligning humanitarian and development actions was emphasized, and it was recognised that "humanitarian assistance alone can neither adequately address nor sustainably reduce the needs" of the poor in fragile situations.

3. Fragility also plays a key role in rural development and food security as it can reduce institutional capacity, disrupt rural livelihoods, and increase volatility in food prices and food security.[4] Most of the countries with the lowest food security levels are also in a situation of fragility; many of these suffer from ongoing or recent conflicts.[5] Every year between 2009 and 2013, average food prices in fragile situations were higher than in non-fragile situations, while between 2014 and 2016, levels of undernourishment in the most fragile situations were almost double the average for developing countries.[6] Recent research conducted for the IFAD Rural Development Report 2016 indicates that countries suffering chronic fragility can become prematurely urbanized, as people leave rural areas affected by limited availability of basic services or rule of law to seek security and jobs in the cities. When this occurs without any significant underlying structural or rural transformation, it can result in high levels of food insecurity and in unsustainable patterns of urbanization leading to unemployment and unrest.

4. During the Consultations on the Ninth and Tenth Replenishments of IFAD's Resources (IFAD9 and IFAD10 respectively), IFAD made specific commitments to strengthen engagement in fragile situations. The IFAD Strategic Framework 2016-2025 also reflects the commitment to work in fragile situations and adopts

[1] Some international agencies and publications use the term "fragile states". IFAD will use the term "countries with fragile situations" as a more accurate representation.
[2] Organisation for Economic Co-operation and Development (OECD), *States of Fragility 2015: Meeting Post-2015 Ambitions*, (Paris: OECD Publishing, 2015).
[3] United Nations General Assembly, sixty-ninth session, *The road to dignity by 2030: ending poverty, transforming all lives and protecting the planet* (2014), www.un.org/ga/search/view_doc.asp?symbol=A/69/700&Lang=E.
[4] German Agency for International Cooperation (GIZ)/Institute of Development Studies (IDS), *How does state fragility affect rural development?* (2014).
[5] The International Food Policy Research Institute (IFPRI), *2015 Global Hunger Index: Armed Conflict and the Challenge of Hunger* (2015).
[6] Analysis based on figures from Food and Agriculture Organization of the United Nations, Statistics Division (FAOSTAT), July 2016.

resilience as a key theme. The recent corporate-level evaluation (CLE) on IFAD's engagement in fragile and conflict-affected situations recognized that IFAD has "a critical role to play" in fragile states. See appendix I for action taken on Management's commitments.

5. Based on the above, Management presents the IFAD strategy for engagement in countries with fragile situations to the Executive Board for approval. The strategy incorporates feedback received on "IFAD's approach to a strategy for engagement in countries with fragile situations", submitted to the Evaluation Committee and the Executive Board in April 2016 (EB 2016/117/R.2).

6. There is significant overlap between countries classified as middle-income countries (MICs) – especially lower MICs – and those with fragile situations. This reinforces the need for coherence in IFAD's approach to engagement in countries with fragile situations and in MICs. Successful delivery of tailored county programmes for maximum impact hinges on effective allocation of IFAD's finite resources according to country needs and performance (as covered by the performance-based allocation system [PBAS]), and deployment of appropriate levels of in-country support (under decentralization and related processes). This strategy is aligned with three other ongoing and interrelated processes: IFAD's engagement in MICs, IFAD's decentralization and the PBAS. IFAD Management will present a holistic document to the Executive Board session in December 2016 covering these interlinked strategies and reforms.

7. The strategy has benefited from a review of the latest practices of peer organizations, extensive internal consultations and IFAD's decades of experience in fragile situations. Section II provides a brief review of latest international practices in fragile situations. Details of the review are contained in appendix II, and IFAD case studies in appendix V. Section III presents the strategy, including: (a) the definition, classification and guiding principles underlying the strategy; (b) enhanced operational and organizational approaches; and (c) principles for mobilizing resources.

II. Review of partners' approaches to fragility

8. International financial institutions (IFIs) and the international community are moving away from compiling lists of "fragile states", towards understanding the condition of fragility based on deeper analysis and differentiated approaches to engagement. IFAD's new understanding focuses on fragile situations and recognizes fragility as a continuum of multiple dimensions with no clearly identifiable boundary between the fragile and the non-fragile. The focus on fragility rather than on states has allowed development and humanitarian communities to appreciate the regional (or even global) spillover effects. While multiple factors influence fragility, IFAD will focus on addressing the dimensions most relevant to IFAD's own mandate and comparative advantages, many of which are key drivers of fragility. Significantly, the recent Stockholm Declaration stated: "At the root of conflict and fragility lie injustice, human rights violations, inequality, exclusion, poverty, poor management of natural resources and the absence of inclusive political settlements and capable institutions"[emphasis added].

9. Alongside new understandings of fragility, development organizations are establishing enhanced resource allocations and flexible operational approaches. In the period of the International Development Association's fifteenth replenishment (IDA15), the World Bank increased financing to "fragile and conflict-affected states" (FCS) by 50 per cent, in addition to committing US$300 million through its Crisis Response Window. It was found that this resulted "not only in a growing portfolio in

IDA FCS … but also in an increase of the quality of that portfolio".[7] Building on the experience during IDA17, the World Bank Group has proposed doubling support to FCS for IDA18 from US$7.2 billion to US$14.4 billion. In the African Development Bank, the Transition Support Facility provides additional financing to a selected list of countries with fragile situations, with engagement based on deeper analysis, differentiated approaches, deeper partnerships, procedural flexibility and risk management (see appendix II for more details).

III. Strategy for engagement in countries with fragile situations

10. This strategy is based on the existing IFAD policy framework, building on the 2006 IFAD Policy for Crisis Prevention and Recovery and the 2011 IFAD Guidelines for Disaster Early Recovery.

A. IFAD-specific understanding of fragility and guiding principles

IFAD-specific understanding of fragility

11. Defining "fragility". Based on the refinements that other international financial institutions have introduced to their understanding of fragility and on IFAD's own analysis of rural dimensions of fragility, this strategy will replace IFAD's previous definition of fragile states[8] with an IFAD-specific understanding of fragility:

> "Fragility is a condition of high vulnerability to natural and man-made shocks, often associated with an elevated risk of violence and conflict. Weak governance structures along with low-capacity institutions are a common driver and consequence of fragile situations. Fragile situations typically provide a weaker enabling environment for inclusive and sustainable rural transformation and are characterized by protracted and/or periodic crises, often with implications for smallholder agriculture and food security."

This new definition also takes into account discussions on the approach paper presented to the 117th session of the Executive Board.

12. Classifying fragile situations. IFAD's previous methodology for classification of fragile states combined the lists of all fragile states identified by other IFIs and the OECD. This currently results in an unwieldy list of about 50 countries, covering half of IFAD's portfolio, which does not allow for the development of clearly differentiated approaches. Furthermore, as identified by the CLE on fragile situations, project performance is significantly lower only in a limited subset of the most fragile situations (MFS). Therefore IFAD has developed IFAD-relevant criteria to identify situations that warrant genuinely differentiated approaches.

13. The most fragile situations, for the purposes of this strategy, will include those identified by the following two indicators:

(a) Institutional capacity: Bottom quintile (20 per cent) of the IFAD rural sector performance (RSP) score; and

(b) Conflict: Countries affected by conflict (presence of United Nations/regional peacekeeping forces is used as an indicator, in line with IDA).

14. As recommended by the Board, the criteria are manageable and easy to monitor and adopt. Changes in the future might be introduced, based on new learning and global practices. Options to include a broader set of indicators, for example

[7] World Bank, "Strengthening Support to Fragile and Conflict-Affected States", *IDA17 Mid-Term Review 2015* (New York, 2015).

[8] See EB 2006/87/R.3/Rev.1: "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."

concerning vulnerability and exposure to natural disasters (see table 1) were considered, but were found to already display a high correlation with the above indicators.

15. This classification provides a narrower set of 31 countries (see appendix III for the complete MFS list)[9] which overlap significantly with the subset of "always fragile" countries identified in the CLE on fragile states as suffering notably weaker project performance. Countries with MFS also perform extremely poorly on a range of broader indicators (see table 1).

Table 1
Characteristics of most fragile situations

Indicator	*Source*	*Most fragile situations*
Prevalence of under-nourishment (percentage of population, 2014-2016)	FAOSTAT	24% prevalence in MFS countries (against global average of 10.8%)
Hunger	International Food Policy Research Institute's Global Hunger Index	8 of bottom 10 in list of MFS countries
Vulnerability and crisis risk	European Commission's Global Vulnerability and Crisis Assessment Index	Bottom 5 in MFS list
Conflict/instability (very high alert status)	Fund for Peace, Fragile States Index	100% in MFS list

Guiding principles

16. IFAD's work in the most fragile situations will be guided by the Strategic Framework, and by the principles of the International Dialogue on Peacebuilding and Statebuilding's 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. However whether in fragile or in non-fragile situations, IFAD's strategic vision and goal remain the same: inclusive and sustainable rural transformation.

17. The guiding principles for engaging in the most fragile situations are as below:[10]

(i) Risk management and resilience. IFAD's objective is to foster improved and more resilient livelihoods for rural people. In fragile situations, IFAD's focus on risk management and resilience will be further strengthened. Programme activities will enhance the resilience of target communities and enable them to manage risk and will be resilient to the effects of conflict and other shocks. Risk management will include targeted interventions to enhance financial management capacity. This focus will extend to IFAD and project staff and their security, with clear criteria for operational engagement or withdrawal. At an operational level, based on needs, a country risk register could be developed with risks and related mitigating actions.

(ii) Focus on root causes. IFAD will seek to further address the root causes of fragility within its mandate and areas of comparative advantage, and on the basis of a thorough analysis of the context (and with realism about resources available to address causes). As highlighted in the CLE on fragile situations, 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.

[9] Moving ahead, in line with the practices of partner organizations, some discretion on the part of Management would be exercised in classifying the most fragile situations (up to 3 countries), particularly in situations where there is a serious lack of data or there are highly context-specific drivers of fragility.

[10] Further details can be found in EB 2016/117/R.2.

(iii) Gender mainstreaming and targeting. People experience fragility differently and women, in particular, are more exposed to the consequences of fragility. Fragility enhances the risk of gender-based violence, crime and abuse. All IFAD-financed operations will include gender mainstreaming and targeting of youth and vulnerable groups as key components of addressing fragility. IFAD will partner with inclusive institutions (including representative community-based organizations) that can enhance state legitimacy, foster justice and security, and help to unlock women's potential.

(iv) Institution-building to promote trust and social cohesion. IFAD recognizes the central importance of legitimate, effective and accountable institutions in addressing fragility. IFAD operations and their pro-poor targeting approaches often contribute to building accountability and amplifying the voices of women and marginalized groups and their organizations. These include farmers' organizations, indigenous peoples' organizations, women's associations, water users' associations, and other community-level and government institutions. IFAD will work through such trust-building institutions in MFS.

(v) Flexible and responsive resources, instruments and approaches. IFAD will promote more flexible and responsive financing for IFAD's work in MFS, especially through mobilization of supplementary funds. Increased flexibility will be built into operational processes, including simplified design and procedures that recognize the challenges of working in such situations. Quality reviews should have a strong pragmatic focus and recognize the need to manage ambition and complexity. However, the quality of fiduciary management or social, environmental and climate safeguards will not be compromised.

(vi) Strategic and complementary partnerships. 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. IFAD's use of partnerships in fragile situations will be guided by the IFAD Partnership Strategy (2012). Partnerships with the Rome-based agencies (RBAs), IFIs and other international agencies will be prioritized, as will partnerships with other development partners with strong implementing capacity, such as trusted civil society organizations. The memorandum of understanding recently established between IFAD and the World Food Programme (WFP) in Sudan is an example of such a partnership. When feasible, IFAD could explore strategic partnerships with the private sector, in line with its Private-Sector Strategy. Partnerships with humanitarian agencies as well as civil society will be key to bridging the humanitarian-development gap.

(vii) Results measurement and learning. IFAD's work must have demonstrable impact, especially in fragile situations where engagement involves incurring higher levels of risk and often higher cost. The need to learn from IFAD's engagement is crucial not just for the organization but also as a public good. IFAD will explore options to develop monitoring and evaluation (M&E) processes and impact assessment methodologies that are simple and cost-effective yet capable of capturing coherent data on results. In fragile contexts, any outcome- or impact-level assessment will also include indicators on institutional development and women's empowerment, given the centrality of these issues to fragility.

B. Strengthening operational and organizational approaches

18. Partnerships will be key to the operational and organizational approaches adopted. New procedures/guidelines will outline IFAD's role in partnerships in fragile situations, including coordination and sequencing of activities/assessments with other agencies. In particular, partnerships with the RBAs will be leveraged (especially WFP, as it operates in volatile conditions).

19. Strengthened approaches will distinguish between conflict situations and contexts with institutional weaknesses. Conflict situations in countries with strong institutions may sometimes necessitate pauses in project activities (but this strategy proposes that certain conflict-resilient activities could be continued with local partners). For situations of institutional fragility, the focus will be on relevant design, long-term commitments and capacity development in line with the guiding principles. The widespread adoption of these approaches among MFS will be contingent on resources being raised through supplementary funds or on countries being willing to use their allocations to design activities that directly address fragility. Details of the operational approaches and security issues are included in annex I.

Strengthening operational approaches

20. IFAD will seek to strengthen fragility analysis, project design, and supervision and implementation support in fragile situations. Additional efforts will be made to leverage partnerships, and integrate these differentiated approaches directly into investment projects and regional and country grants.

21. The fragility assessments will be conducted within the broader exercise of country strategic opportunities programmes (COSOPs) and country strategy notes (CSNs). 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), strengthening institutional capacity and building the resilience of target groups.

22. Supervision and implementation support are of key importance in fragile situations from a risk management perspective, as they guide the application of flexible approaches. Supervision guidelines already assess key issues that affect project outcomes in MFS such as: (i) drivers and consequences of fragility; (ii) institutional capacity; and (iii) gender and targeting in fragile contexts. These will be highlighted and extra focus added in MFS projects. Furthermore, specific procedures will be developed for remote supervision (in areas where supervision activities are not feasible due to conflict, or for other access issues).

23. Programme design and subsequent supervision will also sharpen the focus on financial management (FM) risks, given the limited capacity in MFS. IFAD's financial management database reveals that MFS have a large share of high-risk projects. Careful assessments of public financial management systems in-country will continue to inform risk-based disbursement approaches adopted by IFAD. Overall, IFAD recognizes that standard institutions may not exist in all fragile situations. Customized approaches may be developed for fragility specificities (e.g. remote supervision procedures). Overall, while IFAD's FM approach is not currently tailored to fragility, this strategy provides the rationale for such customization. This will be pursued upon approval of the strategy and will include developing additional metrics besides the standard FM indicators in project status reports. Annex I includes further details of these operational approaches and security-related issues.

Strengthening IFAD's organizational approaches

24. IFAD proposes to strengthen its organizational resilience in fragile situations by addressing key corporate policies and processes with regard to country presence, security and human resource management.

25. Overall, with regard to decentralization and security, IFAD will endeavour to ensure that a high level of business continuity is maintained across the portfolio. This is particularly important in contexts where security or conflict may threaten programmes/projects. This may entail rethinking modalities for suspension due to conflict, including allowing for partial suspension with some resilient activities continuing.

26. The IFAD Field Security team plays a key role in managing security risks for staff and IFAD Country Offices in MFS. The team addresses security concerns for IFAD staff, consultants and other persons hired by IFAD under a non-staff contract, and IFAD assets. Security risk management principles are in place to ensure that all reasonable measures are taken by IFAD to guarantee the safety and security of its personnel and assets while ensuring timely project delivery. These principles also ensure that during periods of force majeure or crisis, assets are maintained to the extent possible, also to enhance readiness for re-engagement.

27. Overall, IFAD will identify the critical elements needed to deliver the most important services and address potential threats, in order to develop effective responses. Key activities include: training and assessments for staff security, effective participation in the Programme Criticality Framework,[11] and ensuring that security considerations are taken into account from project inception.

28. Human resource management and empowerment of staff (both international and local) play a key role in IFAD's organizational resilience. IFAD will assign specific resources to support staff members operating in fragile situations in preparing for their work environment and to facilitate their professional development. Capacity-building will cover project management, risk management (how to foresee, mitigate and plan for contextual risks impacting IFAD projects), budget management in fragile contexts, partnership-building (managing partnerships in a rapidly changing environment) and security training. Staff working in fragile situations will be coached in how to handle specific challenges. For all training activities, as per the decentralization framework, opportunities for ICOs will be prioritized.

29. Along with these elements, a comprehensive review of IFAD's duty of care for staff members working in such countries will be undertaken to ensure the appropriateness of IFAD's medical coverage schemes in extreme situations. The specific circumstances of local staff members should be considered, especially when situations could lead to suspension of operations.

30. IFAD will review the application of the performance management framework for staff working in fragile versus non-fragile situations, ensuring that objective-setting 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. Setting, monitoring and assessment of staff objectives will take account of the serious contextual challenges. Expertise gained from working in fragile situations will facilitate career development (e.g. such experience will be recognized in recruitment processes). Also, mobility will be ensured for international staff posted in MFS after a determined period.

31. Assignments of international staff members in countries with fragile situations will receive recognition, in view of the benefits that such experience brings to the institution. Incentives would be of a non-financial nature and would relate to staff well-being and career development.

[11] The Programme Criticality Framework is a United Nations system framework. Its purpose is to ensure that programme activities are balanced against security risks and determine the criticality level for specific IFAD activities within a given geographic location and time frame.

32. Operating in a context of flat administrative budgets, IFAD will be realistic about the scale of activities surrounding these new approaches as they will be financed with existing resources (and shifting resources will imply trade-offs in other activities). Management will strive to cover additional costs by building them into direct project costs, mobilizing supplementary funds, or making carry-forward requests. Priority would be given to resources for supervision and implementation support work, fragility assessments, watching briefs (maintaining some organizational presence and activities to assess opportunities and timing for re-engagement) in countries during periods of crisis, and enhanced security and training for staff in MFS.

C. Mobilizing resources for fragile situations

33. Fragility exacerbates rural poverty and hampers achievement of IFAD's overall objective of inclusive and sustainable rural transformation. However it has been demonstrated that the marginal effectiveness of aid is highest in periods that follow major conflicts and/or shifts in macroeconomic policies. Those periods constitute windows of opportunity to leverage aid resources to lock in peace dividends and break out of fragility.[12] The costs of not intervening to a greater extent have been clearly recognized by the international community. The Report to the Secretary-General by the High-Level Panel on Humanitarian Financing (2015) highlighted the risks of fragility spiralling in terms of both scale and geographical spread, and emphasized the need to intervene (also as a moral obligation of the international community).

34. Currently projects in fragile contexts account for about 45-50 per cent of total IFAD financing allocated through IFAD8, IFAD9 and IFAD10. These significant resources are allocated through a standard PBAS formula. Unlike other IFIs, IFAD does not set aside resources to enhance and differentiate its engagement in fragile situations.

35. Under this strategy, IFAD is committed to sharpening its focus on fragility when mobilizing, allocating and deploying additional resources. The PBAS Working Group will specifically consider the impact of changes in the PBAS calculations on allocations to MFS and will seek to ensure that the PBAS is more poverty-centred and responsive to MFS that demonstrate both demand and absorption capacity for increased resources. Initial simulations have shown that allocations to MFS are highly sensitive to adjustments in the weighting of poverty indicators in the PBAS. Fine-tuning of the PBAS will be undertaken by the PBAS Working Group and details will be presented to the Board in a separate document.

36. For countries with MFS that borrow on blend or ordinary terms, loan component grants allocated in accordance with the IFAD Policy for Grant Financing represent a source of funds that could be utilized specifically to address drivers of fragility, based on agreement with the borrower.

37. This strategy includes a particular focus on mobilizing supplementary financing for projects in fragile situations. Supplementary resources have the advantage that they can be allocated outside the PBAS and on grant terms, meaning that increased resources can be channelled to MFS without increasing the complexity of the PBAS formula. Supplementary funds can also be mobilized from a wide range of partners including multilateral organizations, and other funds and foundations. Demand and absorption capacity assessments will be the first step in any allocation of increased resources.

[12] According to the World Bank paper "Aid Allocation and Poverty Reduction" (1999), some of the largest positive deviations in terms of effectiveness of aid were in post-conflict countries. Similarly, in *The Role of Foreign Aid in Post-Conflict Countries* (University of Massachusetts Amherst, 2015), Léonce Ndikumana found that a capable state is critical to aid effectiveness in fragile situations and that aid that is sensitive to the conditions of fragility is particularly effective. The IDA17 Mid-Term Review 2015, "Strengthening Support to Fragile and Conflict-Affected States" (2015) found that effectiveness increased with enhanced support. The focus on enhancing support to FCS in IDA17 was followed up by further enhancements in IDA18.

38. Grants funded through supplementary financing can be linked to IFAD investment programmes, thereby integrating fragility within regular programming. In cases of institutional breakdown, where state institutions have negligible capacity and mandate, IFAD may work primarily through non-government actors to address the urgent needs of communities. These resources could also be used to work with partners (including civil society and non-government partners) in countries currently without access to the PBAS, to deliver development outcomes and prepare the country programme for eventual re-engagement.

39. All resource allocations will be accompanied by absorption capacity assessments. Recent evidence suggests that disbursement in fragile situations does not differ greatly from disbursement in non-fragile situations (Report on IFAD's Development Effectiveness, 2015). Ensuring appropriate project design and implementing arrangements is particularly important in fragile situations.

40. Resources would be used to help MFS address the root causes of fragility within IFAD's mandate. Activities could include: (i) capacity-building, policy engagement and addressing institutional breakdown, especially related to rural development; (ii) building institutions, trust and social cohesion through support to participatory representative organizations; (iii) addressing causes and consequences of fragility, including enhancing community-based natural resource management and governance to address or reduce the risk of conflict; (iv) addressing gender and targeting concerns and increasing opportunities for women, youth and marginalized groups; and (v) re-engagement with countries where fragility has caused suspension or prevented engagement through a regular PBAS-financed country programme. In cases of severely weakened institutional frameworks, IFAD could also work through non-government partners including the private sector and civil society to address urgent development needs.

IV. Recommendation

41. IFAD requests the Executive Board to approve the strategy for engagement in countries with fragile situations, and in particular the:

    (i) Updated definition of fragility and classification;

    (ii) Guiding principles;

    (iii) Proposals for strengthening IFAD's organizational and operational approaches; and

    (iv) Principle of additional resource provision for the most fragile situations where there is demand and proven absorptive capacity.

42. Based on the approval of this strategy, IFAD will also develop guidelines and/or update existing ones, to implement the proposals contained in this strategy. All guidelines will be updated or developed by end-2017.

Operational and security approaches

Strengthened operational approaches

1. IFAD will seek to strengthen fragility analysis, project design, and supervision and implementation support in fragile situations. Additional efforts will be made to leverage partnerships, and integrate these differentiated approaches directly into investment projects and regional and country grants.

2. Country strategic opportunities programmes (COSOPs) and country strategy notes (CSNs) will be the primary tools for integrating fragility assessments. The assessments will be undertaken for MFS country programmes, and will draw on assessments undertaken by development partners and by the governments themselves. The fragility assessments will cover all implications of fragility for rural development, with a specific focus on: (i) drivers and consequences of fragility, (ii) institutional capacity and (iii) gender and targeting in fragile contexts. For other countries, the extent of fragility analysis undertaken during COSOP/CSN preparation will be determined by the Country Programme Management Team (CPMT). Specific guidelines for undertaking fragility assessments will be prepared following approval of the new strategy. The 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.

3. 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), strengthening institutional capacity and building the resilience of target groups. Pipeline projects for implementation in fragile situations within less fragile countries (as identified by CPMTs) will be flagged for deeper analysis. Simplicity of activities could also entail working through a broader programme approach, instead of working through multiple projects.

4. To support these efforts, a series of knowledge products will be produced, providing guidance to country teams and quality reviewers. Lessons learned from IFAD experience indicate a need to focus on community-based activities, using local resources, flexible targeting strategies and locating project offices away from areas most likely to be affected by crises. Resilient delivery models enhance sustainability and help maintain implementation even during crisis periods. IFAD will incorporate learning from tools utilized by other IFIs, including on flexibility of implementation arrangements.[13] Non-lending support, including policy engagement, will also be provided.

5. Supervision and implementation support are of key importance in fragile situations from a risk management perspective, guiding the application of flexible approaches. They also present key opportunities to build trust with project teams, beneficiaries, partners and government officials. Supervision guidelines already assess key issues that affect project outcomes in MFS such as: (i) drivers and consequences of fragility; (ii) institutional capacity; and (iii) gender and targeting in fragile contexts. These will receive extra attention in MFS projects. Furthermore, specific procedures will be developed for remote supervision (in areas where supervision activities are not feasible due to conflict or other access issues).

6. Programme design and subsequent supervision will also strengthen the focus on financial management (FM) risks, given the limited capacities in MFS. While strong financial and operational support systems are necessary to enable IFAD to deliver the desired development interventions, experience indicates that

[13] For example, World Bank operational policies (OP) such as OP 2.30 Development Cooperation and Conflict, OP 8.00 Rapid Response to Crises and Emergencies and OP 10.00 Investment Project Financing.

development efforts in fragile situations are still characterized by underperformance. Contributing factors include: (i) lack of experience, skills, or focus of project and ministry personnel on finance and administrative issues; (ii) unavailability of experienced human resources; and (iii) a challenging environment with high cost of living, elevated risk of fraud and corruption, high level of security risk, and underdeveloped infrastructure such as transport, communication and banking.

7. An assessment undertaken through IFAD's financial management database reveals that MFS have a large share of high-risk projects (40 per cent at high-risk). A careful assessment of the prevailing public financial management systems in the country (integrated financial management information systems, treasury single accounts, supreme audit institutions, internal audit functions of the lead project agency, etc.) is already informing the risk-based disbursement approach followed by IFAD. When country systems do not meet IFAD's requirements, proper ring-fencing of IFAD-funded operations will be put in place to uphold the Fund's fiduciary responsibilities. Additional efforts will be made to ensure that project staff and stakeholders are familiar with IFAD and national anticorruption policies and whistle-blowing procedures. Proper contingency measures pertaining to counterpart financing (which is often a problem in these contexts) will be integrated into programme design. Furthermore, guidelines will reflect the issues around project-based procurement and the necessity to revisit prior review thresholds in some cases.

8. Standard FM institutions and mechanisms do not necessarily exist in fragile situations. Customized approaches may therefore be developed for fragility specificities (e.g. remote supervision procedures to supervise project activities in Ebola-affected areas). Overall, while IFAD's FM approach is not currently tailored to fragility, this strategy provides the rationale for such customization. This will be pursued upon approval of the strategy, including developing additional metrics besides the standard FM indicators used in project status reports.

Security

9. IFAD proposes to strengthen its organizational resilience in fragile situations by addressing key corporate policies and processes with regard to country presence, security and human resource management.

10. Decentralization and security 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. 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 and providing support in crucial areas such as procurement and financial management.

11. 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. In IFAD, the aim of such planning is to identify the most important services and the activities required to deliver them, the potential threats and their impact, in order to provide a framework for an effective response.

12. Staff security is a necessary condition for working effectively in fragile situations.[14] IFAD's Field Security Operations team plays a key role in managing security risks for staff and ICOs in MFS. The team addresses security concerns for IFAD staff, consultants and other persons hired by IFAD under a non-staff contract and assets. It has developed security risk management principles to ensure that all reasonable

[14] The United Kingdom's Department for International Development (DFID), "Working effectively in Conflict-affected and Fragile Situations", *A DFID practice paper* (March 2010).

measures are taken by IFAD to guarantee the safety and security of its personnel and assets while ensuring timely project delivery. These principles also ensure that during periods of force majeure or crisis, assets are maintained to the extent possible, also to enhance readiness for re-engagement. The strategy will initiate "watching brief" activities (maintaining some organizational presence and activities to assess the opportunities and timing for re-engagement in a country) in countries under suspension due to conflict.

13. With regard to countries with suspended portfolios due to conflict, this strategy also recommends reconsidering the criteria for portfolio suspension due to force majeure in fragile situations within the spirit of flexibility and commitment to re-engage. One option IFAD could consider is to move from a full suspension to a partial suspension of disbursements, allowing the financing of activities that do not require the acquisition of capital assets, were being implemented successfully before the suspension, and have been proven conflict-resilient and needed by IFAD target communities.

14. Field Security Operations in IFAD has established strong linkages with the United Nations Department of Safety and Security (UNDSS), ensuring regular information, daily security updates, threat assessments and ad hoc support as needed. This partnership (and its network with United Nations Country Teams) will be maintained/strengthened to ensure continued access to services and support functions.

15. Security training has been developed for all staff to raise security awareness, promote a security culture and security consciousness, improve security preparedness and create capacity to respond effectively to emerging threats.

16. IFAD will ensure that security dimensions are taken into account from project inception and that Field Security Operations are involved from the beginning to assess and analyse the risks, flag potential threats and recommend measures to ensure the safety and security of IFAD personnel and assets. Risk management will be considered an integral part of good programme and personnel management and will include IFAD participation in the United Nations-wide Programme Criticality[15] Assessments conducted at country level.

17. 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.

[15] The Programme Criticality Framework is a United Nations system framework. Its purpose is to ensure that programme activities can be balanced against security risks and determine the criticality level for specific IFAD activities within a given geographic location and time frame. Programme Criticality Assessments help determine which activities should continue based on the agreed level of acceptable risk. IFAD will contribute to the framework in all its countries of operation. This will be facilitated by programme staff: (i) preparing a programme assessment to be shared with Field Security Operations, in-country partners and UNDSS; and (ii) attending Programme Criticality and other relevant security training sessions.

IFAD Management Commitments

Table 1: IFAD9 and 10 commitments related to fragile states

Commitment	Responsibility	Update/Ongoing actions
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.	Overall: Programme Management Department (PMD) Implementation: PMD Directors	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. IFAD's approach to fragile states will be outlined in the strategy to be delivered in 2016. Incorporation in strategy: The strategy has clearly incorporated the principle of flexible and differentiated approaches to engaging in fragile situations. This includes the focus on institutional capacity, linkages with country presence and closer partnerships. Institution-strengthening is a guiding principle; IFAD will build on its comparative advantage of working with community institutions. Country presence strengthening and the updated decentralization strategy have fed into the strategy.
Enhance the quality of programme design and implementation support in fragile states by performing deeper analysis of the causes of fragility.	Overall: PMD Implementation: PMD Directors	Earlier update: An assessment of completed operations in fragile states was undertaken in 2013, and IOE's corporate-level evaluation 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. Incorporation in strategy: The strategy clearly proposes greater analysis of fragility (fragility assessments) across fragile situations in line with the recommendation. Fragility assessments will be conducted across the MFS countries, embedded in the COSOPs/ CSNs (or as an addendum in cases where a new COSOP is not planned). The fragility assessments will cover all implications of fragility for rural development, with a specific focus on: a. drivers and consequences of fragility, b. institutional capacity, and c. gender and targeting in fragile contexts.

Ensure simplicity of objectives and activities of projects in fragile states.	Overall: PMD Implementation: PMD Directors	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. 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 is reflected in the strategy.
Strengthen application of risk management in the context of programmes in fragile states, including for security of the workforce.	Overall: PMD Implementation: PMD Directors	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. Incorporation in strategy: Risk management is 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. FSU is leading work in this regard. Further, other forms of risk, including the risks around financial management will be addressed through activities proposed under the strategy (including the proposed administrative budget).
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	This strategy is now being submitted, as agreed with the Board, for the Evaluation Committee and the Executive Board. The strategy is aligned with recent international initiatives, including the New Deal, the Committee on World Food Security Agenda for Action and recent changes in IFIs and peer organizations.

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 strategy suggests a new definition, classification and outlines the principles for engagement.
Simpler approach to classification, specific to IFAD's mandate	A new mode of classification, building on IFAD's context and mandate is presented in the strategy. IFAD will discontinue use of IFI harmonized lists.
Strengthen fragility and context analysis in COSOPs	Fragility analysis will be included in COSOPs with the most fragile situations, as recommended in the strategy.
B. Project and programme design	
Need to identify necessity for engagement or disengagement	Resources for 'watching brief' activities have been recommended in the strategy: this will cover guidance for engagement or disengagement.
Simple objectives and design	These principles have been integrated into the guiding principles on addressing root causes and on flexibility and into measures to enhance operational resilience.
Institutional strengthening through working with local institutions	This has been addressed through the 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 has been proposed in the strategy, along with a differentiated budget.
Prioritize establishment of ICOs	The establishment of ICOs has been prioritized, with half of the currently approved ICOs in the most fragile situations. Figures provided in the strategy, and more details in the decentralization paper being presented to the EB in December 2016.
Strategic partnerships	Strategic partnerships are proposed as part of the guiding principle on partnerships.
D. Empowerment of staff	
Incentives and training needs	Providing flexibility and recognizing staff commitment to working in fragile contexts is part of the strategy. The proposed administrative budget will cover developing training covering the skills reviewed for working in fragile contexts. Non-monetary incentives have also been proposed.
E. Results measurement	
Plan and allocate resources more selectively	The strategy proposes selective application of tools to ensure that they are cost-effective, but capable of capturing coherent results data. A learning evaluation will also be conducted in a fragile context.
Outcomes related to fragility	Indicators relating to fragility and vulnerability will be developed under the implementation of the strategy.

*See main report for description of detailed responses and approaches.

Review of partners' evolving approaches to fragile situations

1. This appendix 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 middle-income countries, boost domestic revenues and reduce transaction costs of remittances is also stressed.

3. World Bank. Supporting fragile and conflict-affected states (FCS) is a priority for the World Bank Group[16]. The publication of the World Development Report 2011: Conflict, Security and Development provided the basis to initiate reforms to strengthen WBG 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 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 and peacebuilding initiatives, including supporting countries to implement programmes under the New Deal for Engagement in Fragile States;

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

(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. IDA 17: The impact of the changes under IDA 17 was significant. The revision of the resource allocation framework 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. IDA 18: Building on the experiences during IDA17, for the IDA18 replenishments, WBG has proposed doubling support to FCS from USD 7.2 billion to USD 14.4 billion. This increased financing has been mobilized through: a) additional resources to ’turn-around’ cases, b) changes to the PBA framework to increase the minimum allocation and increase the poverty criterion, c) other measures towards risk mitigation. In addition to the increased allocation, WB Management has proposed a USD 2 billion regional IDA window for refugees and host communities (similar to the Facility for Refugees, Migrants, Forced Displacement and Rural Stability/ FARMS initiative being developed in IFAD). In terms of operational approaches, WBG will

[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.

introduce fragility assessments in FCS, ensure operations in these contexts are informed by gender considerations, and adapt operational procedures for FCS including flexible financial management.

8. 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, 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.

9. 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.

10. 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.

11. 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. The support from the Facility is provided to a limited selected list of countries (similar to IFAD's proposed approach in the strategy). Some key elements of the approaches adopted under this support are: a. deeper analysis of the drivers of fragility, b. engagement that is differentiated and tailored to specific fragile situations, c. deeper partnerships, d. operational and procedural flexibility required to adapt to rapidly changing circumstances, e. risk management.

[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

12. 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 List of Most Fragile Situations

This is IFAD's list of countries with the most fragile situations for 2016, building on the methodology outlined in the Strategy.

Table 1: List of countries with most fragile situations

Region	Country[20]	RSP Score[21]	Income Category[22]	Borrowing Terms[23]	IFAD 10 PBAS Allocation	Year of ICO Approval[24]	IOE Fragility Category (2004-13) [25]
APR	Afghanistan	2.7	LIC	DSF	25 000 000	2014	Always
APR	D.P.R.K.	3.11	LIC	HC	1 000 000	2008	Partially
APR	Maldives	3.44	Upper MIC		-		Never
APR	Myanmar	3.43	Lower MIC	HC	40 158 853	2014	Always
APR	Papua New Guinea	3.3	Lower MIC	Blend	25 933 958		Partially
APR	Solomon Islands	3.06	Lower MIC		-		Always
ESA	Burundi	3.3	LIC	DSF	50 922 368		Always
ESA	South Sudan	2.44	LIC	DSF	7 034 553		Always
LAC	Haiti	2.65	LIC	DHC	12 080 408		Always
NEN	Bosnia &Herzegovina	4.1	Upper MIC	Ordinary	12 939 654	2009	Partially
NEN	Iraq	3,73	Upper MIC	Ordinary	6 020 804	2008	Partially
NEN	Lebanon	4.38	Upper MIC	Ordinary	4 755 006	2008	Never
NEN	Somalia	1.1	LIC		-		Always
NEN	Sudan	2.5	Lower MIC	DSF	34 558 879	2003	Always
NEN	Syria	3,54	Lower MIC		-		Partially

[20] Some countries with no active IFAD engagement over the last two Replenishment periods have not been included.
[21] Source: IFAD Corporate Records
[22] Source: World Bank - Country and Lending Groups by Income (2016)
[23] Source: IFAD Corporate Records (2016)
[24] Source: IFAD Field Support Unit, Corporate Services Department
[25] 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'.

NEN	Tajikistan	3.18	Lower MIC	HC	24 580 981		Partially
NEN	Uzbekistan	3.09	Lower MIC	Blend	39 218 334		
NEN	West Bank and Gaza		Lower MIC		-		Always
NEN	Yemen[26]	3.92	Lower MIC	DHC	32 113 980	2003	Partially
WCA	Central African Republic	2.44	LIC	DSF	10 513 114		Always
WCA	Chad	2.96	LIC	DSF	32 563 308	2004	Always
WCA	Congo DR	3.08	LIC	DHC	15 000 000	2008	Always
WCA	Côte d'Ivoire	2.96	Lower MIC	HC	18 727 469		Always
WCA	Guinea	3	LIC	DHC	30 519 498	2011	Always
WCA	Guinea Bissau	2.46	LIC	DHC	6 733 647	2004	Always
WCA	Liberia	3.22	LIC	HC	23 966 136		Always
WCA	Mali	3.91	LIC	DHC	31 141 588	2011	Partially
WCA	Niger (OECD)	3.54	LIC	DHC	59 840 268	2011	Partially
WCA	Sao Tome	3.41	Lower MIC	DSF	3 325 499		Partially
WCA	Sierra Leone	3.4	LIC	DHC	21 442 798	2013	Always
WCA	Togo	3.15	LIC	DHC	16 289 166		Always

HC: highly concessional
DSF: Debt Sustainability Framework
LIC: lower-income country
MIC: middle-income country
ESA: East and Southern Africa
WCA: West and Central Africa
NEN: Near East, North Africa and Europe

[26] Yemen added as an exceptional country affected by conflict: given the impact of the conflict on IFAD operations (not in list of countries with peace keeping operations).

Current status and overview of portfolio

1. Existing IFAD policy framework. The 2006 IFAD Policy for Crisis Prevention and Recovery[27] 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.[28] 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 NEN close-up event on project implementation in fragile situations, an event organized by the Latin America and the Caribbean Division (LAC) sharing experiences of IFAD's operations in Haiti, an update on IFAD's performance in countries with fragile situations by the PMD and SKD'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.

   (e) The Facility for Refugees, Migrants, Forced Displacement and Rural Stability, or FARMS, has been established to address the current global refugee crisis, with an initial focus on the NENA region. In terms of addressing the roots of the crisis, elements that lie within IFAD's comparative advantage will clearly be addressed through the operational and policy work undertaken by the Facility.

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.

[27] EB 2006/87/R.3/Rev.1: IFAD Policy on Crisis Prevention and Recovery, 2006.
[28] World Bank, African Development Bank, Asian Development Bank and OECD.

Table 1: Share of IFAD financing allocated to fragile states* (billions of USD)

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 GRIPS. Figures for IFAD10 are based on the PBAS allocation.

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. Most fragile situations: However, the numbers shift when we focus on only the smaller subset of the most fragile situations, the focus of this strategy. The MFS countries, defined while developing the strategy in 2016 and therefore relevant for IFAD 10, represents 18% of the IFAD financing (in terms of IFAD10 PBAS allocations) and 18% of current financing. In line with the CLE analysis (and the basis for the recommendations), the current MFS list also has clear differences compared to non-fragile situations with regard to development outcomes and performance.

Box 1. 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.

Case Studies – IFAD work in Fragile Situations

APR: Pilot project transforms lives in Afghanistan

1. Afghanistan is one of the poorest countries in the world, rocked by a series of conflicts that have continued for more than three decades.

2. A large proportion of the rural population is poor and vulnerable. Extremely poor women and men are unable to participate in conventional development activities as they are unskilled and asset-less. Many past projects focused on infrastructure, education or health services, with IFAD pioneering a focus on the rural smallholder.

3. In 2010 IFAD launched Targeting the Ultra Poor, a pilot project under the Rural Microfinance and Livestock Support Programme. Implemented by the Microfinance Investment Support Facility for Afghanistan (MISFA is a non-profit run by the Ministry of Finance)and its national partners, the project began in remote districts of Bamyan and Badakhshan provinces. It provided support to poor people, especially households headed by women, so they could raise poultry and small ruminants to increase their incomes and improve the health of their families. It also helped them gain access to healthcare, education and financial support. These activities were combined with literacy programmes targeting women and training on financial management and discipline (basic record keeping etc.).

4. The project exceeded all impact expectations and has become a transformative socio-economic movement. The latest annual outcome survey reported that 84% of HHs reported increased case income, and 99% of the beneficiaries indicated improvement in access to food. In addition, all beneficiaries reported improvements in the housing conditions. It reached more than 1,200 women-headed households over its five years of operation, helping them start small businesses and generate income for their families. An independent impact evaluation conducted in early 2016 revealed that most of 20 outcome indicators were fully achieved. At least 80 to 85 per cent of previously destitute women have linked up with registered savings and credit groups or formal financial institutions.

5. Qualitative indicators such as influence on development partners' poverty reduction activities, awareness of the scheme by communities and Government, and beneficiary feedback on the programme all implied highly positive outcomes. Most importantly, the scheme has proved to have a sustainable impact through the linkages achieved with formal sources of financing to ensure micro-enterprise growth. The World Bank and the Italian Development Cooperation have invested a further US$ 15 million and US$ 3.4 million respectively to scale up the project.

6. The success of the pilot project has attracted the attention of the Afghan government and partners alike. The World Bank and the Italian Development Cooperation have invested a further US$ 15 million and US$ 3.4 million respectively to scale up the project to disadvantaged locations in seven additional provinces. A new IFAD-financed programme – the Support to National Priority Programme 2 – is scaling up the project in three additional provinces (Balkh, Herat and Nangarhar).

ESA: IFAD stays the course through Burundi's ongoing conflicts

7. Burundi's development continues to be hampered by the fallout from decades of recurrent ethnic and political conflict. Between 1993 and 2005, the country's civil war claimed an estimated 300,000 lives, and more than 1 million people fled from their homes to live in refugee camps or in exile. In 2015, the country was again plunged into crisis as a result of contested outcomes of national elections.

8. Burundi's relations with development partners have deteriorated in the wake of the escalating violence and many donors have pulled their support. The long period of fighting in Burundi, one of the poorest countries in the world, has been extremely disruptive to agriculture, the main livelihood for nine out of ten Burundians.

9. Even during the decades of instability, IFAD has continued to implement programme and project activities. IFAD has developed a range of interventions, based on community accountability, to ensure the most vulnerable people, particularly women, can access project benefits.

10. IFAD invests in production and services initiated and managed by small-scale producers, including seed production, nurseries and rice-growing. Participants are also involved in formulating and monitoring rural development policies.

11. By continuing activities in the face of insecurity and within the constraints of an international embargo on Burundi, IFAD has helped communities maintain a sense of normalcy.

12. Today, IFAD is focused on how to manage resources, staff and risks in a country with prevailing security and political crises. IFAD adjusted its country programme management efforts to mitigate the negative impacts of the crisis and ensure effective programme delivery. Additional financing for existing projects or second phases was provided to allow project teams familiar with IFAD procedures to continue, as well as to avoid political interference. The Bank also increased the use of direct payments to suppliers, avoided contribution to basket funds, and monitored project accounts weekly.

13. IFAD's projects show impressive results. More than 60 per cent of households increased their incomes by at least 30 per cent. Food-insecure households fell from 86 per cent to 72 per cent. The number of underweight children under five decreased from 34 per cent to 15 percent, chronic malnutrition dropped from 54 per cent to 41 per cent and acute malnutrition from 7 per cent to 5 per cent. Nearly 9,780 permanent jobs, more than a third of which are occupied by women, and 108,000 temporary jobs were created.

LAC: Rebuilding rural lives after the 2010 Haiti earthquake

14. On January 12, 2010 a magnitude 7.0 earthquake struck Haiti about 15 kilometres southwest of the capital, Port-au-Prince. A United Nations report estimated that more than 222,000 people were killed and almost 2.3 million were left homeless. The Departments of West and Nippes (Southern Haiti) were most directly affected by the earthquake.

15. The earthquake caused severe damages to homes, potable water supplies, and infrastructure. There were significant losses of seeds, agricultural tools and livestock. Those who lost their homes migrated to unaffected areas of the country, increasing pressure on local food supplies and the need for employment and revenues for migrants.

16. IFAD identified three major challenges. First, in the most affected zones, major efforts were needed to reconstruct livelihoods and rebuild capacity for food production. Second, innovative solutions to tackle food security and employment had to be found in the areas not devastated directly but facing a significant inflow of migrants without previous experience in agricultural production. The third challenge was to ensure the right balance between short-term needs and longer-term development.

17. IFAD's immediate response began with a US$50 million debt relief programme. The Bank then launched the 18-month Post-Earthquake Support Programme for Food Security and Employment Generation in Affected Rural Areas. It was funded mainly through a US$ 2.0 million contribution from Sweden and an IFAD grant of US$ 0.5 million.

18. The programme focused on rehabilitating infrastructure, increasing food security and generating employment. Managed by the Inter-American Institute for Cooperation on Agriculture, it targeted approximately 12,000 households, 9,000 of which were resident families directly affected by the earthquake, and 3,000 migrant families.

19. The specific objectives of the programme were to boost food production, improve watershed management, build human and social capacity, and increase access to basic social assets and services. The programme created approximately 210,000 days of work, employing poor rural people to rehabilitate 14 community-managed irrigation systems, repair 12.5 kilometres of rural roads, and modernize aging agricultural systems, including irrigation pumps, mills and processing centres.

20. The programme also succeeded in empowering community and grassroots organizations. The Government of Haiti expressed its appreciation for IFAD's support. In a meeting in Rome in February 2012 the Haitian Minister of Agriculture said, "The project results are very encouraging, and it is an interesting model because the smallholder farmers participated in the decision-making."

NEN: In Peace or War, Intervention Helps: Syrian Case Study

21. According to recent data from the Office of the United Nations High Commissioner for Refugees (UNHCR), armed conflict in Syria has forced more than 11 million people from their homes, with more than 4 million seeking refuge in Egypt, Iraq, Jordan, Lebanon and Turkey. The sudden population increase – 23.5 per cent in Lebanon and nearly 10 per cent in Jordan – is straining these countries' already limited resources and their food security.

22. Apart from its severe humanitarian impact, the Syrian conflict has devastated infrastructure. Water supply systems, roads, farmlands, crops, fisheries and public health facilities have been destroyed. As a result, the provision of basic services and access to food and income-generating activities have been severely compromised for the remaining 11 million people who continue to live in their homes, on their farms, trying to maintain their livelihoods.

23. However, Syria is still producing 50 per cent of its own food needs. And even under challenging security conditions in highly fragile contexts, IFAD-supported projects have proved effective.

24. A good example from the field can be found in rural Syria. There, in the north eastern, central, coastal and southern provinces, microfinance revolving funds called sanadiq, or "savings boxes" were established by three IFAD-supported rural development projects. Interventions of the Idleb Rural Development Project (IRDP) (before violence broke out in that region), the North Eastern Region Rural Development Project (NERRDP) and the Integrated Livestock Development Project (ILDP) allowed farmers to bypass moneylenders, and gave entrepreneurs and others much easier access to microloans. By 2014, the projects had reached more than 24,250 beneficiaries, including 10,500 rural women, with a loan repayment rate of 100 per cent.

25. Today, many of the nearly 130 sanadiq are still operational, and small farmers and their families continue to benefit. The recent ILDP project succeeded in creating job opportunities and increasing food security, especially for families headed by rural women, gains that have not been undone by the conflict raging in much of the country.

26. IFAD's community-driven approach has been realized as a tool to increase stability and enhance resilience to conflict. Projects like the IRDP, NERRDP and ILDP demonstrate that, even in times of conflict, IFAD and its partners could play a major role in bridging the gap between humanitarian and sustainable development responses. This also shows that during conflict situations, there is a need to look for other modalities of support beyond the traditional ones – those involving flexible financing, particularly with non-state actors, with local or international NGOs, or with community organizations.

WCA: Promoting sustainability in a humanitarian crisis, Northern Mali

27. Shortly after the coup in Bamako in March 2012, Tuareg and AQIM rebels took control of the main cities in the north, leaving northern Mali cut off from the rest of the country. Thousands of people were forced to leave their homes to seek safety in the south or in neighbouring countries.

28. Staff of the two IFAD projects had to withdraw from the north to Bamako to address how to support IFAD funded operations, exploring ways to promote the sustainability of IFAD-funded infrastructures. With IFAD support, they worked with government representatives, financial and technical partners and other reliable partners operating in northern Mali to boost agricultural productivity for poor farmers in the region and contribute to better healthcare.

29. The plans included providing agricultural inputs such as fertilizers, seeds, fuel for pumps and tools to 19 irrigation perimeters constructed by IFAD projects along the Niger River in order to secure rice production and the sustainability of the irrigation perimeters. This was managed by the NGO Agronomes et Vétérinaires sans Frontières, in coordination with the Ministry of Agriculture, using small boats known as pinasses to deliver inputs directly to end-users. The process was well secured, avoiding the main roads where inputs could have been stolen, and benefited around 1,400 farmers and their families, i.e up to 7,000 beneficiaries.

30. Support was also provided to ensure that existing health centres were adequately stocked with essential medicines and medical supplies, as well as nutrition packages for children, in cooperation with the World Health Organization and a team of volunteer medical staff, and in coordination with the government. Working with local associations that were running the existing health centres, it is estimated that approximately 20,000 children, women and men in Timbuktu and Gao and a further 15,000 in the Kidal region were reached.

31. IFAD’s long-standing engagement and experience in the north of Mali allowed the Fund to participate actively both in this collective effort and in policy dialogue on how to combine humanitarian response to crisis with post-conflict recovery, an issue which is important for the future not only of Mali but of the whole Sahel region.