

Document:	<u>REPL.VIII/4/R.5</u>
Agenda:	<u>5(a)(iii)</u>
Date:	<u>1 October 2008</u>
Distribution:	<u>Public</u>
Original:	<u>English</u>

E



Enabling poor rural people
to overcome poverty

IFAD's role in fragile states

Consultation on the Eighth Replenishment of
IFAD's Resources — Fourth Session
Rome, 21-22 October 2008

For: **Review**

Note to Consultation members

This document is submitted for review by the Consultation on the Eighth Replenishment of IFAD Resources.

To make the best use of time available at Consultation sessions, members are invited to contact the following focal point with any technical questions about this document before the session:

Shyam Khadka

Senior Portfolio Manager
telephone: +39 06 5459 2388
e-mail: s.khadka@ifad.org

Queries regarding the dispatch of documentation for this session should be addressed to:

Deirdre McGrenra

Governing Bodies Officer
telephone: +39 06 5459 2374
e-mail: d.mcgrenra@ifad.org

Contents

Abbreviations and acronyms	ii
Executive summary	iii
I. The elements of fragility and the steps needed to tackle them	1
II. The increasing focus on the problems of fragile states	2
III. IFAD's support for fragile states	3
IV. The relevance of IFAD-supported country programmes	4
V. The effectiveness of IFAD-supported programmes	6
VI. IFAD's proposed approach for fragile states	8
VII. The way forward: key actions to strengthen IFAD's role in fragile states	13
Annexes	
I. IFAD's Member States with elements of fragility and weak performance	15
II. IFIs' proposed approaches and strategies for fragile states	16

Abbreviations and acronyms

COSOP	country strategic opportunities programme
CPM	country programme manager
FAO	Food and Agriculture Organization of the United Nations
IDA	International Development Association (World Bank group)
IFI	international financial institution
OECD	Organisation for Economic Co-operation and Development
PBAS	performance-based allocation system
WPCs	weakly performing countries

Executive summary

1. This paper has been prepared to provide representatives of Member States with an assessment of IFAD's operations in fragile states, outline a proposed approach with regard to fragile states, and seek the guidance of the Consultation on the Eighth Replenishment of IFAD's Resources on that approach. In doing so, the paper elaborates on the causes of fragility and the steps needed to tackle them, IFAD's current support to fragile states, and the relevance and effectiveness of this support.
2. While there is no internationally agreed upon definition of fragile states, broadly speaking they are characterized by poor governance, limited institutional capacity, weak policy frameworks and civil or border conflict. Fragile states are identified by international financial institutions (IFIs) as countries that perform weakly on institutional and policy assessments. These countries are home to 30 per cent of the world's poor people; there is therefore a growing consensus on their need for greater support in order to meet the Millennium Development Goals. Equally, the international development community is increasingly concerned about aid effectiveness in fragile states, a concern most recently expressed in the Accra Agenda for Action.
3. Rural poor people living in fragile states are especially vulnerable, as they lack the resources to contend with natural or other types of disasters. The social coping mechanisms necessary to provide a safety net are often absent, since social relations in many fragile states have been disrupted. IFAD has had significant involvement with fragile states: 40 of the 46 states identified as fragile by other IFIs are IFAD Member States. IFAD is active in 26 of these states, to which it commits US\$848 million or about a quarter of its current portfolio of US\$3.7 billion.
4. The IFAD Policy on Crisis Prevention and Recovery (2006) is directed at crisis-affected countries, a wide group that encompasses low-income countries under stress (LICUS) and conflict-affected countries. Broader in definition than fragile states, crisis-affected countries account for close to one third of IFAD's lending commitments. The policy provides an appropriate framework for operations in situations of fragility and its objectives are supported with additional resources over and above the normal performance-based allocation system (PBAS) allocation that can be made available to post-conflict countries.
5. IFAD's support usually covers a wide range of elements that characterize fragility: a clear focus on rural poverty, targeting of socially excluded groups, an emphasis on capacity-building for governance and institutions, operations in difficult security situations, assistance for private-sector development, and particular attention to natural resource management. While IFAD has enjoyed some success in its projects in fragile states, its interventions tend to be less effective than those in other countries. Several lessons need to be internalized to achieve impact more consistently. IFAD has to gain more in-depth country knowledge in fragile states in order to design more effective projects. Project objectives should be clear and straightforward since in most fragile states, the capacity to implement development projects is low. IFAD needs to be closely involved in the supervision process and to place greater emphasis on coordinating its actions with other donors. Governance at the national level should also be addressed. Finally, IFAD should ensure that the right instruments are being applied, and that they are used with flexibility.
6. IFAD's proposed approach for fragile states will be guided by the specific country context and sensitive to the vulnerability of the target group, adopting an inclusive development approach that takes account of gender issues and the needs of indigenous peoples. Each fragile state faces unique problems. Therefore, IFAD will pursue a more differentiated approach in its programme design and implementation, adapted to the individual situation of each fragile state. IFAD will pursue strategies for conflict prevention, an inclusive development agenda, and the empowerment of

rural women and men. National policy frameworks will be systematically addressed in programme design.

7. IFAD will work closely with other development partners and will facilitate knowledge transfer, especially in fragile states where a single donor's capacity is insufficient to address all aspects contributing to fragility. Cofinancing, wherever applicable, should be undertaken through harmonized procedures in order to avoid placing extra pressure on already stretched government resources.
8. An enhanced level of direct project supervision by IFAD will be used to improve the performance of its programmes in fragile states. Fragility will be one of the criteria used in selecting countries for new country presence initiatives. Some implications for administrative costs are envisaged, which will be met partly by reallocating resources and partly by net additional resources.
9. IFAD's work in fragile states is guided by its Crisis Prevention and Recovery Policy, and tailored to the needs of individual countries. In fragile states, IFAD's approach during the Eighth Replenishment period will be characterized by the following: (i) a flexible approach to programme and project design, with a strong focus on building the capacity of community and government institutions; (ii) a greater focus on the key issues of vulnerability and resilience, economic empowerment, gender, indigenous peoples, food security, land rights and natural resource management; (iii) greater simplicity in project objectives and activities, to take account of the limited capacity of many fragile states to manage and implement development projects; (iv) better analysis to underpin the design and implementation of programmes and projects, through expanded IFAD country presence and direct supervision; (v) attention to mitigating and responding to the risks of natural disasters and conflict, particularly local conflicts over access to natural resources; (vi) greater knowledge sharing, particularly with partners able to address more of the causes of fragility than IFAD alone can address; and (vii) cofinancing through harmonized procedures, where possible, in order to avoid increasing transaction costs to governments. These will be incorporated into relevant IFAD operational guidelines¹ in the course of 2009.

¹ Including those for COSOPs, project design and supervision, and QA and QE.

IFAD's role in fragile states

1. At the first session of the Consultation on the Eighth Replenishment of IFAD's Resources in February 2008, members requested that IFAD prepare a paper outlining its role in fragile states. Accordingly, the present paper reviews IFAD's current role in fragile states and outlines several changes to its present approach. Section I discusses the elements of fragility and the steps needed to tackle them; section II addresses the increasing global focus on the problems of fragile states; section III describes IFAD's support in fragile states; section IV deals with the relevance of IFAD-supported programmes; and section V, the effectiveness of this support. Finally, the paper outlines IFAD's proposed approach for fragile states (section VI) and draws together some brief conclusions (section VII).

I. The elements of fragility and the steps needed to tackle them

2. There is no internationally agreed upon definition of fragile states and the assignment of countries to this grouping differs among international financial institutions (IFIs). While fragile states have a number of common features, not all of these are present in all countries and circumstances in a given country can change over time. In addition to high rates of poverty, fragile states are characterized by limited institutional capacity and weak governance. These result in an inability to deliver crucial services – and development results – to the rural poor and to build their access to such services. This inability may also be rooted in weak policy frameworks and civil strife. Further factors of fragility are a limited role by civil society, low levels of competition in the private sector and ineffective natural resource management leading by to a high incidence of natural disasters.²
3. Development agencies vary in their use of criteria when identifying fragile states; these may include poor institutional performance, existence of conflict or post-conflict situations and large-scale failure in service delivery. At the World Bank, fragile states are low-income countries falling within the threshold of International Development Association (IDA) eligibility, and scoring 3.2 or lower on the country policy and institutional assessment (CPIA) index.³ The Asian Development Bank categorizes fragile states (which they term "weakly performing countries") as those ranked in the fourth or fifth quintiles of their country performance assessment (CPA) index for two of the most recent three years and considered to be in conflict or post-conflict situations. At the African Development Bank, countries with a CPIA rating below 3.0 and a country vulnerability index below 0.351 are considered fragile, a category that covers 25 states in Africa. The Department for International Development (DFID) (United Kingdom) defines as fragile those states where the government cannot or will not deliver core functions to the majority of its people. For the purposes of this paper, all countries currently categorized as fragile or weakly performing by any IFI are included in the list. These number 46 in all, of which 40 are members of IFAD (annex I). Importantly, the operational definitions adopted by IFIs for defining fragility are based on several criteria and thus do not limit the category of fragile states to conflict-affected countries.

² IFAD Policy on Crisis Prevention and Recovery (EB 2006/87/R.3/Rev.1), page ii.

³ The CPIA rates countries against a set of 16 criteria grouped in four clusters: (a) economic management; (b) structural policies; (c) policies for social inclusion and equity; and (d) public sector management and institutions.

4. The concept of fragile states is an amalgam of two separate country groupings: states in conflict or post-conflict situations and states with chronically poor performance in terms of achieving economic growth and creating effective institutions over a sustained period of time.⁴ But, from a development perspective, these are increasingly being viewed as two sides of the same coin.⁵ In addition, fragility moves along a continuum and the list of the countries identified as fragile changes over time. As a result, there is no internationally agreed list of fragile states.
5. Literature is growing on the challenge of supporting fragile states, but no consensus has as yet evolved on best practice. High priority has been given in many fragile states to institution-building, however views differ as to whether this should precede or accompany poverty reduction measures. Understandably, IFIs have focused their efforts on poverty reduction, arguing that without results on the ground it is difficult to maintain support for building institutions to serve the poor on a sustained basis. Approaches to poverty reduction also vary depending on the perceived comparative advantages of each aid agency or IFI. Among the more robust conclusions that can be drawn are:
 - (i) Interventions at the community level can make an important direct contribution to development as well as empower people at the grass-roots level and build a basis for democratic institutions.
 - (ii) Efforts to strengthen governance by creating transparent systems, greater performance incentives, and appropriate legislation and enforcement of anticorruption measures are indispensable to obtaining a positive impact from projects and programmes.
 - (iii) High priority is attached to the development of the NGO sector, at least in the short run, given the weak capacity of central government to deliver services. In the longer run, however, considering the potential decapitalization of the executing and coordinating capacity of the government, an appropriate balance needs to be sought between the activities undertaken by the government and the NGOs.

II. The increasing focus on the problems of fragile states

6. The growing consensus among the international community on the need to expand support and ensure aid effectiveness in fragile states was recently expressed in the Accra Agenda for Action. Nearly 30 per cent of the world's poor live in fragile states,⁶ and, in terms of education and health, these countries account for a similar proportion of deficits under the Millennium Development Goals: 30 per cent of children under 12 who do not attend school live in fragile states. As other countries progress, it becomes increasingly likely that the gulf in living standards between fragile states and the rest of the world will widen. Additionally, large sections of these populations are vulnerable to crises. Crises affect women and children disproportionately: 80 per cent of people displaced by crises are women and children. The number of women-headed households has increased following various crises in fragile states. Crises also disproportionately affect indigenous peoples. There is therefore a clear need for increased attention to the gender component and to targeting in fragile states.
7. While the importance of supporting fragile states is not in doubt, there continues to be considerable scepticism about the likely impact of such support, given the

⁴ It is sometimes argued that natural disasters are a major cause of fragility, yet the list of fragile states includes almost none of the countries defined by the World Bank as disaster "hot spots". Fragile states are more likely to be challenged by dependence on rainfed cultivation and an inability to manage effectively even relatively minor and predictable droughts or floods.

⁵ The World Bank recently decided to merge the two units dealing respectively with post-conflict countries and fragile states on the grounds of duplication of effort between the units.

⁶ Department for International Development (DFID), *Why We Need to Work More Effectively in Fragile States*, 2005.

challenges of working in poorly performing, often insecure environments with weak capacity. Despite this, there is increasing evidence that well-designed and carefully managed development programmes can prevent large segments of the vulnerable population from slipping into poverty and can also strengthen disrupted institutions. Equally, there is a growing concern that the costs of inaction could be very great indeed.

8. This concern has prompted the international development community to pay increasing attention over the past decade to finding ways to assist fragile states. All the IFIs have brought out policy papers on their approaches and proposals for enhanced assistance.⁷

III. IFAD's support for fragile states

9. Rural poor people in fragile states are especially vulnerable. They lack the resilience to deal with natural and other types of disasters and have limited savings to cope with crises. Given their limited influence they are often the last in line for both emergency and long-term assistance to rebuild after crises. While in some societies strong interpersonal coping mechanisms come into play whereby assistance is provided by communities or family members, in fragile states these links have decayed over time. When crises are widespread and frequent, few traditional coping mechanisms are left to support family members. Mechanisms for basic service delivery, social protection, market creation or employment generation have often been damaged or destroyed. As a result, efforts targeted at the rural poor assume very high priority in fragile states.
10. Given its mandate of addressing rural poverty, IFAD has been significantly involved with fragile states from the outset. Of the 46 countries identified as fragile or weakly performing states by various multilateral banks, 40 are members of IFAD (annex I),⁸ and IFAD is currently active in 26 of them. Of the remaining six, three are very small island states. No less than 18 of the fragile states supported by IFAD are in West Africa. Of the remainder, 11 are in Asia, 7 in Eastern and Southern Africa, 3 in Near East and North Africa and 1 (Haiti) in the Latin America and Caribbean region. These countries vary significantly in income terms, and over the medium and long term they tend to move in and out of the fragile states category.
11. To date, IFAD has approved US\$2.2 billion (22 per cent of the total) for 225 investment projects (29 per cent of the total) in these 40 countries. IFAD's portfolio in fragile states as of 30 June 2008 consists of 62 projects (out of a total portfolio of 225), representing a commitment of US\$848 million (out of a total of US\$3.7 billion). These countries have also received a higher proportion of grants for investment projects, including those approved under the Debt Sustainability Framework. Over time IFAD's engagement in fragile states has therefore been significant, in terms of both numbers of projects and resources committed.
12. IFAD's extensive experience of operating in these countries provided a major input to the development of the IFAD Policy on Crisis Prevention and Recovery (EB 2006/87/R.3/Rev.1). The policy is directed at crisis-affected countries, a wide group that encompasses low-income countries under stress and conflict-affected countries. Wider in definition than fragile states, close to one third of IFAD's lending

⁷ African Development Bank, *Proposals for Enhancing Bank Group Assistance to Fragile States in Africa*, December 2006; Asian Development Bank, *Achieving Development Effectiveness in Weakly Performing Countries*, 2007; and World Bank, *Engaging with Fragile States: An Independent Evaluation Group review of World Bank support to low-income countries under stress*, 2006.

⁸ The World Bank defines fragile states as low-income countries scoring 3.2 and below on the country policy and institutional assessment (CPIA) index. Of the 34 IDA countries falling into this category, 31 are Members of IFAD. The African Development Bank operationally defines fragile countries as those with a CPIA of less than 3.00 and country vulnerability index of less than 0.351. All 25 countries falling into this list are Members of IFAD. Using 2004-2006 country performance assessment data, the Asian Development Bank indicatively identified 11 weakly performing countries in its initial analyses, although it does not publish a list of weakly performing countries. Of these 11, seven are Members of IFAD. Of the non-member countries, three are island states with very small populations. Of the 34 countries identified by the World Bank, 31 are IFAD Members.

commitments are crisis-affected countries. The goals of the policy are: (a) mitigate the impact and manage the risks associated with natural disasters, violent conflict and state fragility; (b) reduce the impact of crises on the social, human and physical capital of the rural poor; and (c) enhance the rule of law, good governance and institutional capacity, especially in rural areas. In addition, through the policy and revisions made to the performance-based allocation system (PBAS) (EB 2005/85/R.3) post-conflict countries defined by IDA as eligible will receive a normal PBAS-generated allocation and, in addition, an amount of 30-100 per cent of their normal PBAS allocation. The crisis prevention policy is considered to provide an effective framework for operations in situations of fragility. The proposed approach for fragile states therefore takes this policy as its starting point.

IV. The relevance of IFAD-supported country programmes

13. IFAD's operational model provides substantial coverage for the various elements of fragility.
 - (i) **Rural poverty.** IFAD's experience in dealing with extreme and complex rural poverty problems enables it to design interventions for fragile states that can, if implemented effectively, make a real impact on rural poverty. IFAD's work in difficult non-fragile state environments such as north-east India and the Andean Highlands in Peru has produced satisfactory results and provides valuable models on which to build its operations in fragile states.
 - (ii) **Social exclusion.** IFAD is able to target socially excluded groups that are especially vulnerable to crises. IFAD's work on gender issues and with indigenous peoples and the support it has provided in this regard are highly relevant.
 - (iii) **Conflict.** In 2006, the Executive Board approved the IFAD Policy on Crisis Prevention and Recovery, which also provides guidance and a flexible framework for working in conflict-affected countries.
 - (iv) **Security.** On occasion, IFAD has been the only IFI active in difficult security situations, sometimes even when government officials were unable or unwilling to carry out activities (see box 1). IFAD often gears its activities towards insecure or "pre-conflict" areas where its interventions may help prevent further deterioration in security.
 - (v) **Governance.** IFAD is playing an increasing role in helping governments improve the efficiency of their public expenditure in rural areas, and has been particularly active in assisting local communities in strengthening grass-roots institutions and obtaining secure and enforceable land titles.
 - (vi) **Capacity-building.** This is a major focus of IFAD-supported programmes in fragile states. IFAD has made use of both its highly concessional loans and its grant capacity to support such activities.
 - (vii) **Empowerment** of individuals and organizations at the grass-roots level has been the most important area of support by IFAD in fragile states. Most of IFAD's loans in these situations are to help community organizations identify their plans and priorities, and decide how best to utilize and maintain the social and productive assets funded by IFAD loans.
 - (viii) **Support for private sector development.** IFAD-supported programmes generally include credit and microcredit components, usually through the private sector, as well as efforts to improve marketing channels for agricultural produce.
 - (ix) **Natural resource and disaster management.** IFAD generally factors into its project design the low priority given in fragile states to sustainable natural

resource management and disaster management, as a consequence of governments' scarce financial resources in these countries. Yet, land degradation, desertification and deforestation are not long-term issues for these countries but factors that will affect the income levels of the poor in a year or two.

- (x) **Climate change.** The pressure on natural resources will be exacerbated in fragile states as climate change alters established geoclimatic patterns and territories. The paper on climate change presented at this session of the Consultation commits IFAD to ensuring that climate change issues are mainstreamed into all its country-level activities, that those activities are consistently built upon an understanding of the potential effects of this phenomenon, nationally and locally, and that these are duly taken into account. IFAD's empowering and participatory approaches at the project level will enable its interventions in fragile states to include locally driven adaptation and mitigation processes.
 - (xi) **Land tenure security.** Secure access to productive land is critical to millions of poor people, often determining their vulnerability to hunger and poverty, their capacity for productive investment and their prospects of better livelihoods. Access to land also contributes to more equitable economic and social relations. It therefore plays a critical role in all the strategic areas of IFAD's interventions (IFAD Policy on Improving Access to Land and Tenure Security – EB 2008/94/R.2 and C.R.P.1). Improving the access of poor rural people to natural resources – land and water – is another key component of IFAD's strategic objectives (IFAD Strategic Framework 2007-2010). Land tenure security is greatly threatened in fragile states by situations of strife or stress and by institutional weaknesses. In some fragile states, the institutional stability needed to ensure property rights – especially land tenure – remains a concern. Typically, the landless comprise the poorest and most marginalized sections of society: the groups also most affected by the elements of fragility. Therefore in addition to pro-poor services and investment, IFAD operations should focus on securing and strengthening land tenure systems. This would enhance both the targeting and the effectiveness of interventions in fragile states.
14. The recent food price increase has rendered fragile states even more vulnerable. It poses the threat of unrest and political instability, particularly in institutionally fragile countries.⁹ Of the 40 fragile states in which IFAD has operations, 25 have been identified as vulnerable by the Food and Agriculture Organization of the United Nations (FAO) under its Initiative on Soaring Food Prices. As an immediate response to the increasing prices, IFAD announced, in April 2008, its readiness to reallocate up to US\$200 million from existing loans and grants to provide an immediate boost to agricultural production in the developing world. This is a strong indicator of the centrality of IFAD's mission in these countries, since IFAD is required under the Agreement Establishing IFAD (article 7, section 1(d)) to allocate its resources to increasing food production in developing countries and improving the nutritional level of the poorest groups in these countries. In this way IFAD gives priority to allocating resources to countries characterized by low food security and severe poverty in rural areas (per the Lending Policies and Criteria, paragraph 31(d)).

⁹ Secretary-General's High-Level Task Force on the Global Food Security Crisis, Comprehensive Framework for Action, July 2008 (draft document).

Box 1: IFAD projects in fragile states

The **Lowlands Agricultural Development Programme** in The Gambia is an example of a soundly designed programme based on lessons from previous experience. There is convincing evidence that food security has been enhanced through improved rice production under the programme. Women benefited particularly from the programme. This also led to improved rates of school enrolment for boys and girls and better health standards. Young people who had been unable to find work elsewhere returned to their home villages to start rice growing. There was considerable community mobilization for programme implementation.

The innovative design of the **Hills Leasehold Forestry and Forage Development Project** in Nepal introduced the concept of leasehold, which was new to Nepal, and promoted the direct transfer of land to the poor. The project has been quite effective in achieving the sustainable regeneration of degraded land in most areas.

During the **Rural Development Project in the Zanzan Region** in Côte d'Ivoire, the political conflict that flared up in 2002 led to long delays in implementation and made it impossible to carry out a mid-term review. As a consequence, it proved difficult to reorient the project. The agricultural development and rural access roads components were not completed and there was limited progress towards the main objective of improving the food security of the most vulnerable segments of the population. However, the project's work with women's credit groups, village water committees, and community development facilitators and monitors proved very effective.

V. The effectiveness of IFAD-supported programmes

15. Fragile states present major operational problems for donor and IFI programmes. The experience of IFIs in these countries has been mixed. Fifty per cent of World Bank projects in fragile states are evaluated as satisfactory in outcome as against well over 80 per cent for the portfolio as a whole. The World Bank has set the objective of increasing the figure for fragile states to 60 per cent.
16. IFAD has had some success in its support in fragile states. The crisis prevention policy identified a number of cases where IFAD's assistance has proved effective. The cross-section of closed projects in fragile states described in box 1 gives an overview of project outcomes in these countries, ranging from broadly positive in The Gambia, to mixed but positive in Nepal, to overall less than satisfactory, but with some positive achievements, in Côte d'Ivoire. IFAD addresses the needs of "aid orphans",¹⁰ i.e. states or regions within states, as well as neglected sectors and groups within societies, where few international actors are engaged and aid volumes are low. The most positive elements appear to relate to programmes that are implemented at the community level and that support strong participation, particularly of rural women.
17. A review of project completion and project evaluation reports yields a number of lessons for IFAD if it is to achieve satisfactory impact more consistently in these countries.
 - (i) More profound in-country knowledge is needed. IFAD staff are often thinly spread over these countries and without country presence IFAD may sometimes lack the depth of country knowledge needed to design effective programmes. Country knowledge is important everywhere, but particularly for project design in fragile states where IFAD cannot depend on well-trained and experienced local officials to make up for any shortfalls in its own understanding of the situation. Some fragile states need specific support to address factors such as poor governance and inadequate public expenditure management that could have an impact on projects. The rural poor are a heterogeneous group, therefore conflict or instability affects the diverse interest groups among them differently. IFAD needs to invest more in analytical work in fragile states, for instance, in conducting contextual studies

¹⁰ Organisation for Economic Co-operation and Development (OECD), Principles for good international engagement in fragile states and situations, April 2007.

and in documenting the knowledge generated by the projects and programmes it has funded.

- (ii) Project objectives and design in fragile states should be clearer and simpler. The evidence suggests that the drive to include multiple components with varying levels of relevance in a setting where implementation capacity is low may be a major cause of results falling short of objectives. Complexity is essentially the balancing of design with capacity to implement the design, and IFAD must work on these two aspects, ensuring that it is building up an effective team both inside and outside the government to support the achievement of the project objectives. Project objectives must also be realistic.
- (iii) Donor coordination needs careful examination in fragile states. Broad in-country coordination and information-sharing are of course indispensable, but sector-wide programme arrangements developed by donors usually require internal coordination among line ministries that may be very difficult in fragile states. This was the case in Eritrea where donors proposed a joint approach to rural development. The Government asked them not to pursue this, since it felt that the burden on internal coordination would be unmanageable, preferring donors to continue their links with particular ministries (in IFAD's case, with the Ministry of Agriculture). Donor cofinancing of IFAD projects needs to be harmonized: differing procedures and reporting requirements ultimately stretch limited government capacity and result in higher transaction costs for the borrowing country.
- (iv) IFAD needs to be more involved in supervision to help adapt and reshape projects and programmes during implementation. High risks are a given in fragile states and it is impossible (and inefficient) to build mitigation measures for all these risks into the ex ante project design. Until now, IFAD has subcontracted supervision and left project redesign to the mid-term review stage. Evidence suggests that this is not enough and that in fragile states a more hands-on approach is needed. A recent World Bank study indicates that projects in these countries require more intensive supervision than projects elsewhere. IFAD's recent decision to carry out its own supervision will mean more continuous involvement that – given IFAD's flexible approach to learning from project experience and adapting design accordingly – should lead to greater impact. Intensive supervision of projects in fragile states will however require additional resources.
- (v) Governance issues affecting IFAD's programmes must be tackled at the national level. National issues affecting project design also have an impact on the rural poor, and while IFAD may be able to work around such problems and still design effective projects, there may be key issues that cannot be addressed effectively without progress at the national level. IFAD needs to make a greater effort to identify these issues and start working with the World Bank, the regional banks, and other bilateral and multilateral donors to ensure that these issues are addressed. That said, there may be situations where the international community cannot influence governance issues; IFAD, however, with its focus on the poorest excluded groups and its relatively low profile, may be able to continue operating effectively and keep the door open for later re-engagement by donors (see box 2). This can be achieved by working with national stakeholders such as local communities, grass-roots organizations and NGOs, while at the same time engaging with other donors on governance at national level, paying particular attention not to undermine nation-building.
- (vi) IFAD must carefully evaluate whether it is matching the right instruments to specific situations and whether these instruments are being used flexibly in fragile states. At present, an undifferentiated approach is being used with respect to decisions regarding country programme managers (CPMs), country

presence, supervision, quality enhancement procedures, etc. The approach in fragile states should allow for the provision of additional technical assistance for programme development if needed, and be sufficiently flexible to adapt projects and programmes over time.

Box 2: IFAD's role in maintaining programmes in situations where other donors have withdrawn from active support: The examples of Burundi and Somalia.

Because of its mandate, and its ability to target excluded groups or highly vulnerable communities, the international community has recognized a value in IFAD's continuing to operate in some situations where many other donors suspended support. A case in point is IFAD's decision to maintain operations during the 12 years of violent conflict in **Burundi**. IFAD reoriented its programmes to respond to the specific demands of communities, and adjusted the focus of its operations to geographic areas in accordance with the changing security situation. There was a lively response from communities, which organized themselves to fill the vacuum left by the disruption of central government administration. When the situation eventually improved in 2005, IFAD was able to formulate a new project, building on the experience it had gained of effective community development in Burundi. It is also contributing to the design of governance reform in the country.

IFAD's ability to mount a programme in **Somalia** is due to the support of the Belgian Survival Fund. The North-western Integrated Community Development Programme is executed by the United Nations Office for Project Services, with resources channelled directly to selected villages. The programme is supervised annually by IFAD and was evaluated in 2006. The programme benefits 700,000 people with an average income of US\$167. The evaluation confirmed that the programme "had a positive impact on household food security, increasing agricultural production and accruing physical and financial assets, improving organizational skills, and reducing degradation of the natural environment." One striking indicator of success is the lowering of the rate of chronic malnutrition among children from 22.6 per cent in 1999 to 14 per cent in 2006. Comparable reductions were achieved in the incidence of chronic diseases. The evaluation was of the view that "sustained impact of the programme can be expected at the individual household level concerning the innovations adopted in farming practices, water management, health education and functional literacy." Sustainability remains an issue at the community level if IFAD were to withdraw, but the programme provides a good basis for scaling up and replication should an accepted governmental structure emerge in Somalia.

IFAD's ability to adapt and respond to changing country contexts and extreme conditions is also reflected in the **Haiti** country programme. IFAD-financed operations were maintained during years of difficult political context, allowing projects to continue their work with marginalized rural communities when many other donors froze their support following an embargo. This continuity has been essential in achieving sustainable results in terms of the resilience and capacity of rural grass-roots organizations. In the recent context of rising food prices, IFAD responded to a request by the Government of Haiti by making available US\$10 million from the ongoing programme to support the inclusion of small-scale producers in a local solution to the food crisis. Activities will include seed distribution and support for seed multiplication by farmers' organizations, which will bring about an immediate boost to agricultural production.

VI. IFAD's proposed approach for fragile states

18. The previous section shows that there is a long list of highly relevant approaches and activities informing the design of the projects that IFAD supports (paragraph 13). With its exclusive focus on agricultural and rural development, IFAD has a particularly relevant role to play in fragile states, where on average agriculture makes up 25.5 per cent of GDP,¹¹ and 63.5 per cent of the population is rural. In contrast, in non-fragile developing countries,¹² agriculture accounts for 13.3 per cent of total GDP and 47.3 per cent of the population is rural. These figures illustrate the need to invest additional resources in fragile states – where the majority of the population belongs to IFAD's target group – and to address the features that are specific to their fragile condition.

¹¹ See annex I for complete list. The data presented here come from the World Development Indicators 2007, World Bank. Indicators used are agricultural value added (per cent GDP) and total population (per cent of total).

¹² These include low-income countries, lower middle-income countries and upper middle-income countries, as defined by the World Bank.

19. IFAD's design needs to focus more carefully on:
- (i) The vulnerability of rural populations, in particular the problems of farmers dependent on rainfed agriculture in situations of frequent droughts or flooding. Grass-roots institutions should receive particular support to help them function more effectively.
 - (ii) Building grass-roots institutions and assisting borrowing countries in pursuing an inclusive development approach with the longer-term goal of empowering the rural poor. The empowerment process needs to be underpinned by an increase in the incomes of rural poor people to help them achieve food security. Increased employment opportunities are equally important, especially in engaging rural young people in productive activities.
 - (iii) Maintaining a consistent focus on gender and working extensively for the development of indigenous peoples.
 - (iv) Formulating policies for natural resource management that build on local livelihood systems and ensuring that these resources are used sustainably and in a way that avoids conflict (paragraph 13(ix)).¹³ Specific attention will be given to ensuring security of land tenure for the poor (paragraph 13(xi)). Policy frameworks in fragile states often work to the disadvantage of the agricultural and rural sectors and programme design should address the need for appropriate policy changes.
 - (v) Population growth and the associated pressure on land are often major sources of tension and conflict in fragile states, placing ethnic minorities and other vulnerable groups at grave risk. This is an area where IFAD needs to partner with appropriate agencies.
20. IFAD recognizes that the political security, economic and social spheres are interdependent and that failure in one leads to failure in others.¹⁴ As such, based on its mandate, policy framework and core competence, IFAD will continue to identify areas in which to work with partners within the United Nations and with other IFIs and bilateral agencies.
21. This is particularly imperative for fragile states, where no single donor can respond to the many development challenges they pose. To the extent possible, IFAD will participate along with other donors in jointly assessing the governance and capacity of the fragile states and of the causes of conflict, fragility and insecurity, while also engaging with development country authorities. Along with FAO and the World Food Programme (WFP), IFAD has increased joint action in a number of global and country-specific contexts.¹⁵ Given their different but highly complementary mandates, close collaboration among the three agencies is essential. Indeed, such collaboration is key to addressing the so-called "grey zone" between humanitarian assistance, rehabilitation and development.
22. Traditionally, humanitarian assistance addresses the immediate needs of a population affected by crises. Development cooperation instead aims at supporting strategies with a longer-term perspective. The grey zone can be seen as the point where these two processes meet. Because of their respective mandates, FAO, IFAD and WFP are in a particularly advantageous position to interact in the most

¹³ IFAD's experience shows that zoning of pastoral lands can cause conflict if farmers and non-herder groups are excluded. IFAD has therefore revised its approach to include all users (fishers, farmers, hunters) to avoid further conflict (Agro-pastoral action areas, Central African Republic).

¹⁴ OECD, Principles for good international engagement in fragile states, April 2007.

¹⁵ Collaboration among the three Rome-based United Nations agencies – IFAD collaboration with FAO and WFP (EB 2007/92/R.52/Rev.1). The paper reports that currently 12 per cent of global-level collaboration among the three agencies relates to emergency and recovery. This percentage rises to 56 per cent for regional-level collaboration and to 63 per cent for collaboration at the country level. This is in line with WFP's strategic objective to "restore and rebuild lives and livelihoods in post-conflict, post-disaster or transition situations" and also with the mission of FAO's Emergency Operations and Rehabilitation Division.

productive way throughout the various steps from humanitarian assistance to development. This comprehensive approach would respond to the recognized need for a multidimensional approach to crises. It will also produce greater results for the rural poor, whose livelihoods are particularly at risk in times of crisis: they may adopt desperate coping strategies if not adequately supported, jeopardizing their own future survival.¹⁶ IFAD will continue to build on existing collaboration and to explore with FAO and WFP opportunities for deepening collaboration where it already exists and for identifying new areas.

23. As can be seen from annex II, the common elements of the comprehensive strategies pursued by the other IFIs are: first, to expand their programmes and involvement in this group of countries; second, to enhance country presence substantially; third, to undertake a more hands-on and intensive approach in project preparation and implementation support; fourth, to increase significantly capacity-building efforts and the focus on governance; and fifth, to enhance coordination with other donors. IFAD needs to take account of these elements in formulating its approach to fragile states
24. While the relevance of IFAD's programmes in fragile states is not at issue, programme design needs to factor in the specific characteristics of individual countries and avoid an undifferentiated approach. In principle, the range of activities that IFAD covers as part of its regular strategy for low-income countries is of direct relevance to fragile states and does not need to be separately "packaged".
25. Rather than a global strategy for fragile states, what is needed is a flexible and differentiated approach, underpinned by adequate knowledge of how circumstances differ from country to country, and how conditions in a given country also change at different times. IFAD is well placed realize this, given its relative flexibility and emphasis on customizing assistance within a project approach.
26. Rural poverty in fragile states has specific characteristics for which IFAD will need to develop explicit approaches. IFAD needs to adapt the kinds of programmes and partnerships it supports in order to address the priority issues of vulnerability; economic empowerment, food security and social empowerment; land security; gender and indigenous people; natural resource management policies; and population growth (outlined in paragraph 20). These aspects will be covered explicitly in the country strategic opportunities programmes (COSOPs) for fragile states.
27. At the same time, programme design needs to reflect IFAD's comparative advantages. Two areas stand out. First, in line with its crisis prevention policy, IFAD will engage in conflict prevention by incorporating during country strategy and project formulation, measures to mitigate the risk of foreseeable crises, natural and otherwise, and their impact on the Fund's target population. An important factor to take into account is the cost-effectiveness of prevention when compared with the cost for the affected country and the international community of subsequent relief, protection and reconstruction if prevention fails. Prevention is also significant in view of the destabilizing effect of conflicts across borders and at the regional level. Second, IFAD will continue to emphasize "inclusive development" as per its policy on targeting and to build the capacity of IFAD's target population as individuals and strengthen community-level organizations to cope with shocks when they occur.

¹⁶ When faced with an unstable and insecure situation, rural people tend to modify livelihood strategies that have sound development potential. This is linked to the longer time frame needed for their implementation, which in a volatile situation may be no guarantee that the expected results will be achieved. Rural people often opt to implement survival strategies that compromise their future livelihood, especially in relation to the use and management of natural resources. In recent years, increasing attention has been paid to linking relief, rehabilitation and development (LRRD), on the assumption that without such targeted interventions, the risk of disaster will increase since destitute people will engage in destructive actions, such as logging forests to obtain firewood for household use and income. (See Christoplos, I., From linking relief, rehabilitation and development to linking risk to relief and development strategies, in Tsunami Recovery Assessment and Monitoring System [TRIAMS] Working Paper – Risk Reduction Indicators, 2006.)

28. Conflict-related literature draws a link between conflict prevention and inclusive development. Weak economies, unstable societies and poor communication, combined with exclusion, are generally defined as potential conflict-generating factors, while development, strong civil society and institution-building, together with the creation or strengthening of community relations are considered possible preventers of conflict.¹⁷ The experience IFAD has gained in conflict prevention through the promotion of rural development and social capital positions it to play an extremely positive role in fragile states.
29. The task now is to increase the effectiveness of IFAD's operations in fragile states. It is evident from the analysis of other IFI strategies that there is no magic formula to achieve this. Rather it will entail generating much greater knowledge about what works and what does not in these environments, and applying this knowledge carefully and consistently.
30. The following paragraphs describe the approach IFAD will adopt in fragile states.
31. To deepen country knowledge in fragile states, IFAD will pursue one or more of the following:
- (i) **Enhance its staffing.** Few fragile states benefit from the exclusive attention of a CPM: in most cases CPMs cover two or three fragile states, or sometimes a mix of fragile and non-fragile states. In addition, since the portfolio size is relatively smaller than average for fragile states, the CPMs assigned are generally less experienced than for other countries. This problem is shared by other IFIs (see annex II). Since fragile states per se lack adequate capacity and experience, IFAD needs to assign more experienced staff to these countries and staff need to allocate more time to supporting them. There is also a need to recognize the difficulty of working and achieving results in fragile states and reflect this when appraising staff performance.
 - (ii) **Institute programmes to share operational experience in fragile states.** IFAD will make greater investments in undertaking critical analytical work, capturing the knowledge generated by the projects and programmes it has funded, creating a community of practice on fragile states and conducting knowledge-sharing activities both internally and with partners.
 - (iii) **Move quickly to develop country presence in fragile states.** IFAD needs some form of country presence – whether through a CPM or a locally hired country presence officer – given the importance of donor coordination in fragile states and of learning from the experiences of other donors. The African Development Bank strategy cited earlier argues that country presence is indispensable in even the most marginalized fragile state. Recognizing this, under its Field Presence Pilot Programme IFAD established country presence offices in the Democratic Republic of the Congo, Haiti, Nigeria, Senegal and The Sudan. In other fragile states, CPMs have recognized the need for country presence and have explored such solutions as using a field officer from a neighbouring country (e.g. Burundi) or a locally hired part-time consultant on retainer (Angola). IFAD needs to include fragility as one of the selection criteria for country presence, if and when such presence is expanded.

¹⁷ Miall, H., Ramsbotham, O., and Woodhouse, T., Contemporary conflict resolution, Polity Press, 2001, United Kingdom.

32. To reduce the complexity of projects in fragile states, IFAD will undertake the following:
- (i) **Highlight the complexity issue in the quality enhancement/quality assurance processes.** Projects in fragile states are often too complex and ambitious for the capacity available in the country.¹⁸ This is a recurrent theme in the quality enhancement process.
 - (ii) **Re-examine capacity-building efforts in fragile states.** These need to be commensurate with project design. COSOPs for these countries need to zero in on this issue and, in particular, on whether enough is being done to build civil society and NGO capacity. IFAD needs also to acknowledge that its engagement in fragile states may need to be longer than in other partner countries, as it involves capacity-building of core institutions.¹⁹
 - (iii) **Ensure that cofinancing is undertaken through harmonized procedures.** The evidence suggests that in the absence of harmonization, cofinancing can impose a substantial burden on the borrower and result in high compliance costs.
33. In stepping up supervision efforts to allow for adaptation of projects to changing conditions, IFAD will pursue the following:
- (i) **Increase allocations for supervision in fragile states.** Projects in fragile states require greater supervision than those in non-fragile countries.
 - (ii) **Maintain flexibility.** Flexibility allows for learning-by-doing and for the programme to be adapted accordingly during implementation, including the reallocation of resources across activities and components.
 - (iii) **Address the security implications of the recent decision to carry out direct project supervision.** Many of IFAD's projects are located in difficult areas that require specially equipped vehicles and special security arrangements for access. IFAD needs to enter into formal arrangements with other agencies to tap into their on-the-ground security apparatus. These arrangements may imply increases in operating costs.
34. IFAD will enhance partnerships with other institutions to address issues of relevance to rural poverty reduction in fragile states. In line with its crisis prevention policy, IFAD does not engage in peacemaking or peace-enforcing operations. Neither does it engage in humanitarian operations directly, seeking rather to cooperate and coordinate with agencies involved in humanitarian assistance by supporting complementary initiatives that help bridge the gap between emergency relief and the restoration of the development process. Recognizing the political-security-development nexus, IFAD will work with other donors to assist in building state capacity and enhancing accountability and other governance-related issues. To this end, it will:
- (i) Require design documents and COSOPs in fragile states to be specific about the enabling governance environment that is needed for effective rural poverty reduction. IFAD needs to work with international, regional and national partners in the identification of the core governance problems that impact the rural poor. IFAD will work closely with the donor community in ensuring that these issues form part of the donor agenda in fragile states.

¹⁸ Independent evaluations have flagged the issue of most IFAD projects being overly ambitious, especially in terms of the numerous subsectors covered. While this affects the overall effectiveness of IFAD's portfolio, its impact is even greater in the fragile states where implementation capacity is low.

¹⁹ OECD, Principles for good international engagement in fragile states and situations, April 2007. The paper foresees that capacity development will normally require an engagement of at least ten years.

- (ii) Strengthen country institutions. This is especially important in fragile states, which are often characterized by weak governance and limited institutional capacity. In these states, it is important to strengthen non-state institutions such as farmers' organizations, NGOs, and other civil society institutions, which can provide service delivery and social protection for the rural poor and ensure their access to these services. It is crucial, however, that this is done by strengthening national and subnational governments, and not by marginalizing them. In other words, civil society organizations need to complement and reinforce state institutions. Particular emphasis will be placed on building the relationship between state and society, as per international best practice, by supporting the legitimacy and accountability of states, and by strengthening the capabilities of states to fulfil their core functions.²⁰ In line with the recently adopted Accra Agenda for Action, such capacity development support will be based on demand and will need to be coordinated among donors.
 - (iii) Seek to align its procedures, as part of its commitment to the Paris Declaration on Aid Effectiveness. Harmonization among donors and alignment with governmental systems are necessary to reduce the compliance cost of fragile states. Where the governance environment does not allow alignment with government-led initiatives, IFAD will harmonize with other national stakeholders in the partner country, with particular attention to facilitate the strengthening of existing local institutions whenever these are functioning. Again, country presence is likely to be needed to promote the necessary dialogue.
35. To use IFAD's instruments more flexibly and tailor them to the specific needs of fragile states, IFAD will pursue the following:
- (i) **Programmes will be adapted to the mix of constraints faced by fragile states.** In some countries, it is possible to work with government ministries and agencies and build their capacity to implement programmes, in others NGOs are a more realistic option in the short term and efforts need to be focused on these. IFAD will contextualize assistance to the extent possible.
 - (ii) **IFAD's internal processes will be tailored to cope with the special issues facing fragile states.**
36. As has been the experience in other IFIs, IFAD will need to devote additional resources to the fragile state programmes. The components of this are: enhanced staffing; provision of adequate country presence; and improved security arrangements. Larger allocations are also needed for supervision. While a portion of the necessary resources could be obtained by reallocating across country programmes, net additional resources may be required, especially for more intensive supervision in fragile states with relatively small portfolios and in the countries where new country presence initiatives are established.

VII. The way forward: key actions to strengthen IFAD's role in fragile states

37. Almost one third of the world's poor live in states defined as fragile by the World Bank or the regional development banks; these states are generally more rural and more dependent on agriculture than are non-fragile states. They are also the states in which the challenge of reducing poverty and meeting the MDGs (and hence, for development agencies, the challenge of spending resources effectively) is most daunting. Poor rural people in fragile states are especially vulnerable, lacking the resources to cope with natural and other types of disasters and, in many cases, the

²⁰ OECD, Principles for good international engagement in fragile states and situations, April 2007.

social coping mechanisms that provide a safety net. Approximately, one quarter of IFAD's resources are spent in these countries.

38. IFAD's work in fragile states is guided by its Crisis Prevention and Recovery Policy and tailored to the needs of individual countries. In fragile states, IFAD's approach during the Eighth Replenishment period will be characterized by the following:

- A flexible approach to programme and project design, with a strong focus on building the capacity of community and government institutions.
- A greater focus on the key issues of vulnerability and resilience, economic empowerment, gender, indigenous peoples, food security, land rights and natural resource management.
- Greater simplicity in project objectives and activities, to take account of the limited capacity of many fragile states to manage and implement development projects.
- Better analysis to underpin the design and implementation of programmes and projects, through expanded IFAD country presence and direct supervision.
- Attention to mitigating and responding to the risks of natural disasters and conflict, particularly local conflicts over access to natural resources.
- Greater knowledge sharing, particularly with partners able to address more of the causes of fragility than IFAD alone can address.
- Cofinancing through harmonized procedures, where possible, in order to avoid increasing transaction costs to governments.

39. The above will be incorporated into relevant IFAD operational guidelines²¹ in the course of 2009.

²¹ Including the guidelines for COSOPs, project design and supervision, and QA and QE

IFAD's Member States with elements of fragility and weak performance

Region	Country	Population (M) 2005	GNI/capita (current US\$) 2005	DSF status	HIPC status	HIPC date	IFAD HIPC Relief NPV US\$ M.	IFAD assistance since its inception Investment programmes				IFAD assistance for current portfolio Investment programmes							
								No. of projects	Loans US\$ M.	DSF and component grants US\$ M.	Total US\$ M.	No. of grants	US\$ M.	No. of projects	Loans US\$ M.	DSF and component grants US\$ M.	Total US\$ M.	No. of grants	US\$ M.
PA	Benin	8.4	510	Yellow	Completion	Mar-03	6.9	9	99.3	-	99.3	8	0.39	3	33.1	-	33.1	-	-
PA	Central African Republic	4.0	350	Red	Decision	Sep-07		6	35.7	-	35.7	1	0.07	-	-	-	-	-	-
PA	Chad	9.7	400	Red	Decision	May-01	1.8	5	53.4	1.1	54.5	8	1.00	3	36.8	1.1	37.9	1	0.1
PA	Congo	4.0	950	Red	Decision	Mar-06	0.1	5	37.6	-	37.6	4	0.49	2	20.3	-	20.3	2	0.4
PA	Côte d'Ivoire ^{1/}	18.2	870	Red	Pre-decision			7	66.7	-	66.7	3	0.16	1	11.2	-	11.2	-	-
PA	Democratic Republic of the Congo	57.5	120	Red	Decision	Jul-03	13.4	5	59.4	0.3	59.7	2	0.09	2	30.3	0.3	30.6	-	-
PA	Equatorial Guinea	0.5	..	Green				3	11.0	0.8	11.7	-	-	-	-	-	-	-	-
PA	Gambia (The)	1.5	290	Red	Completion	Dec-07	2.7	8	44.3	1.2	45.6	5	0.44	2	13.2	0.4	13.6	-	-
PA	Guinea	9.4	420	Red	Decision	Dec-00	7.5	12	131.4	10.0	141.4	14	11.13	4	50.7	10.0	50.7	3	10.3
PA	Guinea-Bissau	1.6	180	Red	Decision	Dec-00		3	11.5	6.7	18.2	2	4.73	1	-	4.7	4.7	1	4.7
PA	Liberia	3.3	130	Red	Decision	Dec-07		2	14.0	-	14.0	-	-	-	-	-	-	-	-
PA	Mali	13.5	380	Green	Completion	Mar-03	10.0	10	126.3	2.7	128.9	13	1.38	3	47.9	0.8	48.7	1	0.1
PA	Mauritania	3.1	580	Yellow	Completion	Jun-02	11.2	11	83.4	1.9	85.2	10	1.00	3	32.8	0.1	32.9	1	0.1
PA	Nigeria	131.5	560	Green				9	186.7	0.8	187.5	10	0.55	5	137.9	0.8	138.7	-	-
PA	Sao Tome and Principe	0.2	440	Red	Completion	Mar-07	2.8	5	17.6	-	17.6	3	0.09	1	10.0	-	10.0	-	-
PA	Senegal	11.7	700	Green	Completion	Apr-04	3.4	13	133.1	0.3	133.4	16	1.44	3	31.59	0.3	31.89	2	0.3
PA	Sierra Leone	5.5	220	Yellow	Completion	Dec-06	11.7	6	47.0	10.2	57.2	4	10.31	2	8.5	9.9	18.4	2	10.0
PA	Togo	6.1	350	Red	Pre-decision			5	40.9	-	40.9	4	0.12	-	-	-	-	-	-
PF	Angola	15.9	1 410	Green				4	36.1	-	36.1	6	0.65	1	8.2	-	8.2	3	0.4
PF	Burundi	7.5	100	Red	Decision	Aug-08	17.3	7	73.8	14.0	87.8	4	14.16	3	36.4	14.0	50.3	1	14.0
PF	Comoros	0.6	650	Red	Pre-decision			5	11.8	4.7	16.5	7	5.12	1	-	4.7	4.7	3	5.0
PF	Eritrea	4.4	170	Red	Pre-decision			3	34.9	0.3	35.3	2	0.16	2	22.2	0.3	22.6	2	0.2
PF	Seychelles	0.1	8 180	Green				1	1.1	-	1.1	-	-	-	-	-	-	-	-
PF	Zambia	11.7	500	Green	Completion	Apr-05	20.2	10	135.1	-	135.1	8	0.50	2	23.9	-	23.9	-	-
PF	Zimbabwe ^{1/}	13.0	350	Green				5	70.2	-	70.2	10	0.89	-	-	-	-	2	0.2
PI	Afghanistan	31.9	-	Red	Decision	Jul-07		-	-	-	-	-	-	-	-	-	-	-	0.0
PI	Cambodia	14.1	430	Yellow				5	38.8	9.6	48.3	6	9.75	3	25.5	9.6	35.0	1	9.5
PI	Kiribati	0.1	..	-				-	-	-	-	-	-	-	-	-	-	-	-
PI	Lao People's Democratic Republic	5.9	430	Red				10	74.8	1.4	76.2	6	0.26	3	33.7	0.7	34.4	1	-
PI	Myanmar	50.5	-	Red				-	-	-	-	-	-	-	-	-	-	-	0.1
PI	Nepal	27.1	270	Red	Pre-decision			12	124.2	6.7	130.9	9	0.95	3	30.4	5.6	36.0	2	0.5
PI	Papua New Guinea	5.9	-	Red				3	19.0	-	19.0	2	0.70	-	-	-	-	2	0.7
PI	Solomon Islands	0.5	620	Red				2	3.1	-	3.1	-	-	-	-	-	-	-	-
PI	Tajikistan	6.5	330	Red				-	-	-	-	-	-	-	-	-	-	-	-
PI	Timor Leste	1.0	600	Green				-	-	-	-	-	-	-	-	-	-	-	-
PI	Tonga	0.1	-	Red				3	6.3	-	6.3	-	-	-	-	-	-	-	-
PL	Haiti	8.5	450	Red	Decision	Nov-06		7	82.9	1.4	84.3	3	0.25	3	50.1	-	50.1	2	0.2
PN	Djibouti	0.8	1 010	Red				5	7.2	3.8	11.0	3	3.12	2	3.6	3.0	6.6	2	3.1
PN	Somalia	8.2	-	Red	Pre-decision			4	30.3	-	30.3	7	0.70	0	-	-	-	5	0.5
PN	Sudan	36.2	640	Red	Pre-decision			15	210.9	0.9	211.8	15	1.64	4	93.0	0.2	93.2	8	1.0
Total for fragile states		540.5	715					225	2159.8	78.8	2238.4	195	72.2	62	791.3	66.5	847.7	47	61.4
Total for IFAD		6085.5						770	9951.5	154.1	10105.6	1487	154.0	225	3598.2	120.2	3718.5	359	182
% fragile states to total		8.9						29	22	51	22	13	47	28	22	55	23	13	34

Note: Figures related to IFAD financing are as at 30 June 2008. Of the 40 countries listed, only 34 are identified as fragile by the World Bank. Of these, 31 are IFAD Members. The reduced list would exclude four countries (Benin, Equatorial Guinea, Mali and Senegal) from Western and Central Africa; two countries (Seychelles and Zambia) from Eastern and Southern Africa; and three countries (Kiribati, Nepal and Tajikistan) from Asia and the Pacific. These 31 countries have a population of 461 million. Since its inception, IFAD has approved US\$1.6 billion, for 167 investment projects. Of IFAD's current portfolio of 242 projects with approved financing of US\$3.7 billion, 48 projects with the financing level of US\$674 million have been approved for these countries.

IFIs' proposed approaches and strategies for fragile states

<i>World Bank (International Development Association 15 [IDA15])</i>	<i>Asian Development Bank (AsDB)/Asian Development Fund X (AsDF X)</i>	<i>African Development Bank (AfDB)/African Development Fund 11 (ADF 11)</i>
Overall approach		
IDA's approach builds on: (i) differential approaches based on country circumstances; (ii) strengthening of IDA's research and operational good practices work on fragile states; (iii) continued partnership with the United Nations and other donors; and (iv) better responses to fragile states by fine-tuning IDA's organizational, policy and procedural approaches.	AsDB's core approach emphasizes: (i) setting realistic objectives (given PBAS and small portfolios in fragile states) and developing selective, focused and inclusive programmes (given opposing constituencies) supporting a limited number of major reforms (relatively larger projects in small numbers, sector-wide approaches, "quick wins" and policy/institutional reforms; (ii) collaborating closely with its development partners to allow government to reduce compliance costs and duplications of efforts, and align definition of weakly performing countries (WPCs). AsDB does not publicly disclose list of WPCs. Differentiated modes of engagement and instruments based on specific country situations, including customized country partnership strategies with simplified documentation, use of project implementation units and expanded use of grants.	AfDB's fragile states framework, under its newly approved Fragile States Facility, is built on three key pillars: Pillar I – supplementary financing mechanism (beyond allocations derived from annual PBA process), for support to governance and capacity-building and the rehabilitation of basic infrastructure; Pillar II – integration between arrears clearance and enhanced operational support; and Pillar III – limited pool of additional resources for targeted support for capacity-building and knowledge management. The Bank's support in post-conflict/transition countries will focus on rehabilitation/reconstruction of basic infrastructure and governance/capacity-building, where its intervention is expected to generate the highest impact. Leadership in other critical areas, such as peace and security, will be left to other partners.
	Community involvement, to increase the role of intended beneficiaries.	
IDA's role is differentiated according to type of fragile situations: (i) in post-conflict/peace-building transition or in gradually improving scenarios; (ii) in prolonged crisis scenarios; and (iii) in deteriorating governance/rising conflict risk scenarios.	WPCs identified based on country performance assessment (CPA) rankings and conflict considerations. To be considered a WPC, a country would be either (i) ranked in the fourth or fifth quintiles during CPA exercises for two of the most recent three years, or (ii) considered to be in conflict or recovering from conflict and thus fragile. Engagement model distinguishes countries (i) in prolonged crisis or impasse; (ii) in post-crisis/conflict situation or socio-economic transition; (iii) with economic and social deterioration; and (iv) showing gradual economic and social improvement.	Approach is differentiated according to country specificities.
Division of labour is sought, recognizing the lead role played by the United Nations and other partners.		The Bank's role is to add value to the efforts of other international development partners. Division of labour among partners in country contexts is a key element of the Fragile States Facility. Donor coordination will be linked to a comprehensive and agreed reform agenda, which will be sequenced in relation to key priorities, each donor concentrating on areas where it has strength and where it could make an impact.
Emphasis is on organizational and institutional reforms.		State-building is a central objective.
Increased emphasis on staff guidance and lesson-sharing.		

<i>World Bank (International Development Association 15 [IDA15])</i>	<i>Asian Development Bank (AsDB)/Asian Development Fund X (AsDF X)</i>	<i>African Development Bank (AfDB)/African Development Fund 11 (ADF 11)</i>
Organizational/human resources reforms		
The World Bank's approach focuses on: (i) increased field presence, intensified supervision, more frequent physical and financial audits, and ex-post financial management and procurement reviews;	Resident missions as "eyes and ears".	Strengthening of internal capacity and field presence through more staff on the front line of operations. Strengthening the operation complexes and field offices through enhanced recruitment: country presence foreseen in fragile states coming out of crisis or conflict that are eligible for supplementary funding. Establishment of a few additional field offices. Field presence not envisaged in failed states or countries in severe conflict.
(ii) deployment of more experienced staff, capacity-building;		Where no field offices, second liaison officers to work with governments.
(iii) institutionalized back-up teams; and		
(iv) staff incentive schemes.	Evaluate and recognize staff performance.	Staffing policy prepared in 2007 to increase incentives for international staff posted to hardship areas, including fragile states.
Policy on rapid response in crises and emergencies approved in February 2007.		The existing Post-Conflict Country Facility will be incorporated into the newly approved Fragile States Facility.
Allocation of financial resources		
Bulk of IDA resources allocated through the PBAS. Ring-fenced exceptions introduced during recent replenishments to address specific needs of clearly identifiable subcategories of fragile states: (i) countries based on IDA's PBAS; (ii) countries receiving exceptional post-conflict allocations; (iii) countries receiving exceptional allocations upon re-engaging with the Bank after a prolonged period of inactivity but that do not qualify for post-conflict assistance; and (iv) countries not receiving IDA financing because they are in arrears on IDA repayments. IDA allocation targeted to low income (US\$1,025), capped for some countries.	Allocation to WPCs is based on annual PBAS. Possible establishment of a WPC trust fund to be discussed with prospective donors to augment resources for operations in WPCs.	The Strategy for Enhanced Engagement in Fragile States specifies that the Fragile State Facility should be legally autonomous (for flexibility) and should encompass all three financing vehicles. The Facility consists of: (i) an Enhanced Support Window, covering Pillars I and III; and (ii) an Arrears Clearance Window covering Pillar II and providing arrears clearance for countries eligible for support under the Facility.
Balancing performance with needs		
Exceptional allocation in post-conflict situations and changes in IDA15 (proportionate increase in allocations along with IDA replenishment, extension of phase-out from three to six years, etc.). Further four per cent of IDA resources allocated for post-conflict and re-engaging countries.		The total amount of resources allocated to the Fragile State Facility is equivalent to 7.5 per cent of total replenishment resources (pending final confirmation of replenishment figures and excluding technical gaps).
Re-engaging with IDA (IDA14: Central African Republic and Haiti) with some changes.		Arrears clearance possible for post-crisis and transition countries.
Grants introduced in IDA13 and IDA14, provided on the basis of countries' risk of debt distress. Grants for poorest countries.	Expanded use of grants (e.g. AsDF grants and multidonor trust funds).	Under Pillar III, with weak state institutions for delivery of critical services, non-state ("non-sovereign") entities, such as international procurement or auditing firms, may be the best or only avenue to address critical service gaps in fragile state situations through grants to non-state entities financing ("non-sovereigns") for service delivery.
Debt relief through cancellations under Multilateral Debt Relief Initiative.	Expanded use of grants for debt-stressed countries.	

<i>World Bank (International Development Association 15 [IDA15])</i>	<i>Asian Development Bank (AsDB)/Asian Development Fund X (AsDF X)</i>	<i>African Development Bank (AfDB)/African Development Fund 11 (ADF 11)</i>
State and Peace-building Fund. Resources channelled through World Bank-managed trust funds in some fragile states (Afghanistan, the Sudan). The bulk of contributions to trust funds aimed at fragile states has been channelled through recipient-executed trust funds. These can be linked explicitly to specific IDA operations, but they are increasingly being designed as free-standing funds, and can be single or multidonor in nature. The trust funds are flexible instruments that complement support provided through IDA.	Cofinance with bilateral partners a multilateral trust fund, an endowment fund to finance priority expenses.	Because it is legally autonomous, the Fragile States Unit can follow more flexible procedures, in particular for participation in joint trust funds and support for non- and sub-sovereigns. The Bank will engage its executive board in discussions on Bank participation in joint trust fund financing, such as Multi-Donor Trust Funds, involving pooling of funds by partners. This will provide an important new instrument for partnership in fragile situations.
Pre-arrears clearance grants from low-income countries under stress (LICUS) and donor-financed trust funds.	No proposal for countries in arrears.	Countries in arrears fall under Pillar II of the fragile states strategy: it is proposed that countries eligible for support under Pillar I also be eligible for access to the Arrears Clearance Window under Pillar II, provided they also (i) have respected the Bank Group's preferred credit status by servicing new maturities on all outstanding Bank Group loans or at least to the same relative level of the debt service paid to other IFIs; and (ii) are eligible for debt relief under the Heavily Indebted Poor Countries (HIPC) Debt Initiative, but not yet at the decision point. The Bank will ensure that its arrears programmes are tightly coordinated with the arrears clearance operations of other IFIs.
Fiduciary risk management – additional oversight and governance measures.		
Capacity-building support		
The Bank may provide rapid response to support establishment and/or preservation of human, institutional and/or social capital, and assisting with the crucial stages of building capacity for long-term reconstruction, disaster management and risk reduction.	Longer-term technical assistance to develop the capacities of institutions and organizations. Technical assistance can support transition, reconstruction institutions and core functions of government in post-conflict countries; strengthen policy reform and support service delivery in aid-dependent low-income countries. In line with the Paris Declaration on Aid Effectiveness, this new instrument will be implemented in partnership with both bilateral and multilateral institutions, including through cofinancing.	Capacity-building is one of the Bank's strategic priorities in fragile states, and activities related to it fall under Pillars I and III. Small grants to non-sovereigns for service delivery may be provided when no alternative exists.
Partnership-building		
Recognizes the lead role played by the United Nations and other partners, in line with the comparative advantages and core competencies of each such partner, and participates only in areas of its core economic and development competencies. Importance of a clearer understanding of the relative comparative strengths of IDA and the United Nations. Need to continue working with regional institutions in leading dialogue on conflict prevention and governance. Currently working in partnership with the United Nations, European Commission and other bilateral donors at the	AsDF operations will emphasize partnerships (including harmonization and alignment). In countries where operations have been suspended, AsDB will consider the use of a re-engagement note developed jointly by development partners to define broad objectives, interventions, and methods for working together.	The fragile states strategy is based on OECD-Development Assistance Committee principles. The Bank Group will enhance strategic partnership frameworks with other multilateral development banks, partner agencies and institutions working in fragile states, including the United Nations (United Nations Development Programme/Bureau for Crisis Prevention and Recovery, and the United Nations Children's Fund (UNICEF) in particular), the African Union and other regional organizations, with a clear division of responsibilities and coordination of labour. Ongoing enhancement of the Bank's partnership unit.

<i>World Bank (International Development Association 15 [IDA15])</i>	<i>Asian Development Bank (AsDB)/Asian Development Fund X (AsDF X)</i>	<i>African Development Bank (AfDB)/African Development Fund 11 (ADF 11)</i>
Organisation for Economic Co-operation and Development (OECD)/ Development Assistance Committee to revise the guidance for integrated post-conflict and recovery planning, aiming at greater coherence among political, security, development and humanitarian actors in fragile transitions. Commitment also to continue investing efforts in partnership at both policy and country levels.		
Working group on fragile or weakly performing states established in 2007 together with the heads of the multilateral development banks.		The Bank is a member of the MDB [multilateral development banks] Working Group on fragile states and weakly performing countries set up in March 2007.
Changes in the internal business processes		
Rapid response policy calls for streamlined and simplified ex-ante requirements, and provides for a different balance between ex-ante and ex-post controls and risk mitigation measures.	Relax expectation for country strategy and programmes. Relax some of AsDB's existing business processes; promote flexibility. Expanded project implementation units (despite Paris Agreement) where local capacities are insufficient to handle programme or project administration, in the interest of achieving "quick wins".	Guidelines for operationalizing the fragile states strategy were issued in 2008. The Bank programme of assistance will be differentiated to meet specific circumstances in each country and will be governed by a board-approved programming document in the form of a country dialogue paper, interim or full country strategy paper, joint assistance strategy or country briefs. Management and country teams will select the appropriate programming instruments to be used on country-specific circumstances. The Bank is currently undertaking internal institutional reforms to strengthen its performance in fragile states (see below).
Rapid response policy permits the World Bank to agree, at borrower's request, to alternative implementation arrangements that draw on other institutions' services for some core functions. Alternative implementation arrangements may include grants to any public or private entity operating in the affected territory as well as grants to United Nations agencies and programmes or other international or national agencies (including NGOs) active in the country. In such circumstances, alternative implementation arrangements will be limited to early recovery and used in operations that include capacity-building measures to enable a timely transfer of implementation responsibilities to the borrower.	Recognize or apply procedures of other institutions – work together and avoid delays.	Differentiated country strategies, ensuring tailor-made approaches in the way the Bank operates on the ground. Eligibility of countries will depend on the criteria set out under Pillars I, II and III. ^a

^a For Pillar I of Fragile States Facility, the Bank will apply a two-stage process in selecting the post-crisis and transition countries eligible for its supplemental operational support: (i) an assessment of key conditions of peace and security, and of key socio-economic needs indicators; (ii) assessment intended to capture a country's commitment to a sound programme to improve macroeconomic conditions and pursue debt policy, sound financial management practices and transparency of public accounts. For Pillar II, countries eligible under Pillar I will also be eligible for access to the Arrears Clearance Window under Pillar II. To be eligible, countries must also: (i) have respected the Bank Group's preferred credit status by servicing new maturities on all outstanding Bank Group loans or at least to the same relative level of the debt service paid to other IFIs; and (ii) be eligible for HIPC debt relief, but not yet at the decision point. The Bank will ensure that its arrears programmes are tightly coordinated with the arrears clearance operations of other IFIs. Pillar III provides dedicated resources through a set of targeted interventions and instruments, in particular for countries moving towards more fragility and for countries in conflict or crisis. These supplementary resources provide incremental support in areas that cannot be adequately addressed through traditional projects and instruments, such as (i) secondment for capacity-building, (ii) small grants to non-sovereigns for service delivery; and (iii) knowledge-building and dialogue.

<i>World Bank (International Development Association 15 [IDA15])</i>	<i>Asian Development Bank (AsDB)/Asian Development Fund X (AsDF X)</i>	<i>African Development Bank (AfDB)/African Development Fund 11 (ADF 11)</i>
Recognized fiduciary risks involved in working in emergency situations. Risk mitigation measures set by the policy on rapid response in crises and emergencies. Additional oversight and governance measures.	Accept lower returns and higher risks; recognized importance of partnerships, longer-term engagement and flexibility as key aspects of operations in WPCs.	Streamlined business processes (project development and review process), reducing internal processing delays and improving focus, quality-at-entry and performance monitorability. Strengthening focus on results. Restructuring of the procurement and financial management unit and revising of internal procedures ongoing in order to substantially improve oversight and quality control.
	Waive administration fees; establish requirement for separate project accounts; outsource counterpart staff to NGOs/local businesses, etc.; ensure flexibility in applying procurement rules.	Introduction of more flexible waivers on a case-by-case basis, allowing for up to 100 per cent Bank financing of operations for recurrent expenditures, taxes and local costs. Restructuring of the Procurement and Financial Management Unit and revising internal procedures to improve oversight and quality control, eliminating delays. Specific rapid-response procedures to speed up disbursement and procurement activities will be adopted, to be used on a case-by-case basis following Board approval.
	No separate monitoring, reporting and auditing requirements.	Implementation of the fragile states strategy will be monitored in the context of a results-based logical framework.
Internal organizational structure		
	WPCs Committee chaired by Director-General. Strategy and policy to provide direction and guidance to implement this approach.	Dedicated Fragile States Unit hosted by the Vice-Presidency Operations II. The Bank's fragile states strategy will be implemented by its operation complexes, regional departments and field offices. The role of the Fragile States Unit is to facilitate this implementation. Invigorating of the Bank's Partnership Unit for streamlining the quality of relationships with external partners.
What it does not do		
It does not finance relief, peacemaking or peacekeeping. It recognizes the lead role played by the United Nations and other partners in these areas and participates only in areas of its core economic and development competencies.		

Note: These approaches were proposed by the respective IFI's management to their replenishment consultation. Replenishment consultations, however, accepted the proposals only partially.

