NEWS RELEASE

World Bank Group Contributes to Progress in Fragile and Conflict-Affected States, Challenges Remain

Nairobi, December 2, 2013 – An evaluation of International Development Association (IDA) countries finds that World Bank Group portfolio performance in low-income fragile and conflict-affected states (FCS) has improved since 2001.

The review, conducted by the Independent Evaluation Group (IEG) of the World Bank Group, takes stock of progress in the poorest FCS countries two years after the release of the *World Development Report 2011: Conflict, Security, and Development* (WDR). With the publication of the WDR and launch of the new World Bank Group strategy, the Bank Group has committed to bring a vigorous development focus to countries caught in the cycle of conflict, fragility, and violence.

The evaluation found positive results in building state capacity, where sustained Bank Group support in public financial management has been effective and the efficiency of revenue mobilization has improved. World Bank Group investments have also increased access to education and health services in FCS. Challenges remain in several areas, including inclusive growth and job creation; investment climate support and private sector development; civil service reform; and in tackling conflict-related effects on gender. The evaluation found little evidence of progress in addressing justice reforms and called for further clarity of the Bank Group's role in security and justice.

"The World Bank Group's efforts and results to date are commendable and moving in the right direction," said Caroline Heider, IEG's Director General. "This is clearly a work in progress, with several challenges and constraints identified by this evaluation that are yet to be overcome."

About 370 million people live in low-income FCS, which have higher poverty rates, lower growth rates, and weaker human development indicators than other low-income countries. The World Bank Group has identified support to FCS as a strategic priority, critical to achieving its twin goals of ending extreme poverty and boosting shared prosperity.

The evaluation focuses on low-income FCS eligible for support from IDA – the arm of the World Bank Group that offers concessional loans and grants to the world's poorest developing countries – from 2001 to 2012. As the benchmark for measuring results, Bank Group performance was evaluated in 33 FCS against that of 31 IDA-only countries that have never been on the FCS list. The 33 countries include 21 that have always been on the Bank Group's FCS list and 12 that were on the list for part of the review period.

"This evaluation is a helpful stocktaking and signals the measure of the World Bank Group's commitment to seeking solutions in these difficult working environments," said Kyle Peters, Vice President for Operational Policy and Country Services. “Scrutinizing our performance in fragile and conflict-affected states just two years after the WDR reinvigorated our efforts, holds our feet to the fire and helps us do better and better.”

The evaluation found that progress has been made in enhancing support to country teams and improving portfolio quality in FCS. To be more effective, Bank Group support for state-building needs to be sustained through careful sequencing, better use of political economy analysis, and prioritization of long-term reforms. This is best achieved by a mix of predictable, programmatic budget support, investment projects, and technical assistance to build country capacity and country ownership for reforms.

Promoting Inclusive Growth and Jobs

Growth and job creation have been slow and face challenges in FCS, according to the evaluation. This is because the sectors driving economic growth are not necessarily labor intensive, and in many cases growth has not been inclusive. The evaluation suggests that the Bank Group’s promotion of inclusive growth and jobs needs sequencing and prioritizing customized to FCS contexts.

“The Bank Group lacks a strategic and effective framework for inclusive growth and job creation in FCS,” said Anis Dani, the lead author of the evaluation. “Bank Group support for long-term jobs has focused on investment climate reforms, which are necessary but not sufficient for private sector development. Synergies across the Bank Group are lacking, and fragmented interventions reduce the potential effect on long-term employment generation.”

There is huge demand for infrastructure services, and a perception that the lack of infrastructure, especially in power and transport, remains a leading constraint to private sector development and for growth, the evaluation says. The telecommunications sector has attracted private sector investments early in conflict- affected countries, with catalytic support from the Bank Group’s two other arms – the International Finance Corporation and the Multilateral Investment Guarantee Agency – and is considered “transformational” due to its potential to spur growth, entrepreneurship, and service delivery.

“Over the past two years a specialized unit of the Bank has focused exclusively on work in FCS,” said Joel Hellman, director of this practice. “By demonstrating performance improvements in our FCS portfolio, this report encourages us that we can make a difference and increase our development impact. It also rightly challenges us with the scope of the work ahead.”

Lessons from Bank Group Experience in FCS

In addition to the findings and recommendations, a few key lessons emerged from the evaluation:

- Programs in which communities have direct involvement in development strategies have played an important role in providing local benefits and services in FCS. In the absence of attention to ensure the institutional and financial sustainability of community-driven programs, the viability of the community institutions and benefits will remain at risk.
- Mainstreaming of gender in country programs is feasible in FCS, but in countries where the conflict affects women disproportionately, deliberately targeted programs by the Bank Group can help to address the social and economic consequences of conflict.

- When the private sector adapts its product mix—as it has done with microfinance—to the social and institutional conditions in FCS, it can provide services relevant to the needs of those countries.
- Multi-donor trust funds are more than a source of finance in FCS and play a central role in donor coordination, policy dialogue, and institution building.

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ABOUT IEG:

The Independent Evaluation Group reports directly to the World Bank Group Boards of Executive Directors. The results of its evaluative findings are discussed by the Boards and its studies are carried out independently of Bank Group management.

To download the report and view World Bank Group management's response to the evaluation, visit: http://ieg.worldbankgroup.org/