1. Evaluation Context and Main Findings

Evaluation Objectives and Coverage

Context. Fragility, conflict, and violence (FCV) are known to have significant adverse impacts on economic development and poverty levels. According to the 2011 World Development Report on Conflict, Security, and Development (2011 WDR), countries that experienced major violence over the period 1981 to 2005 had poverty rates 21 percentage points higher than those that did not experience significant violence. The Institute for Economics and Peace estimated the cost to the world economy of containing violence at $14.3 trillion in 2014, or almost 13.4 percent of global gross domestic product (GDP).[1]

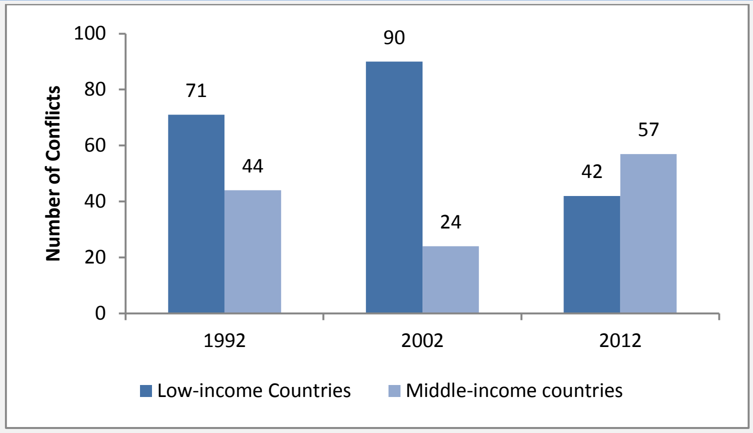
The United Nations Sustainable Development Goals (SDGs) recognize the importance to human development of peace and effective governance, and SDG 16 proposes to "promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels." This expansive goal implies that fragility is no longer seen as restricted to fragile states; in fact, fragility and violence affect nearly all states, and if all types of violence are included, in particular organized criminal violence, FCV can be seen as primarily a middle-income country (MIC) problem.

The development community has often linked fragility and violence with a country's lack of development progress. However, instances of organized violence in MICs have recently exceeded those in low-income countries, suggesting that it is no longer primarily a LIC problem (Figure 1.1). Today, violence or the imminent threat of violence affect development outcomes for almost 2 billion people, 37 percent of whom live in higher-MICs and 37 percent in lower-MICs, with the remaining 25 percent in LICs.[2]

The commitments made at the Fourth High Level Forum on Aid Effectiveness (Busan 2011) included the "New Deal for Engagement with Fragile States". Although the document refers specifically to FCS, some of the New Deal principles are equally applicable to MICs. In particular, the document noted that achieving any substantial progress is unlikely without country ownership, leadership and inclusive political dialogue. It also called on development partners to work more transparently and make real progress in pooling their efforts in support of country leadership, while also using aid to strengthen and use country systems as much as possible with a view of building state capacities.

The 2011 WDR was the first major piece of Bank Group analysis to highlight the potential for severe fragility and violence in parts of countries that are not classified as, or considered to be, fragile. Although the WDR focuses on the development problems posed by low-income "fragile states," much of its analysis and prescriptive advice is nonetheless applicable to MICs.

Figure 1.1. Incidence of Conflicts in 1992, 2002, and 2012



Source: The UCDP/PRIO Armed Conflict Dataset Version 4-2013; UCDP Non-State Conflict Dataset Version 2.5-2013; UCDP One-sided Violence Dataset Version 1.4-Decemer 2-013.
Note: The income group classifications applicable in 1992 and 2002 are used for data in corresponding years. The most recent classification (FY14) is used for 2012 data. Three types of incidences are included in the counting, including state-based conflicts, non-state conflicts, and one-sided violence. If the location of a conflict is across two/three countries, the incidence is recorded for all the countries involved.

The impacts of severe and widespread violence with destabilizing effects on a country are usually obvious and long-lasting. But violence that creates localized pockets of insecurity can also pose considerable local and national challenges. These situations may not always present an immediate threat to the overall stability of the country, but they do have far-reaching development consequences, harming the economy and resulting in loss of life, disability, and displacement.

Hence, helping country clients to address the challenges of organized violence is an important component of the World Bank Group Strategy (World Bank 2013) and will be essential to achieving its twin goals: to end poverty and promote shared prosperity.[3] However, MICs are typically reluctant to engage in dialogue on subregional conflicts, and the Bank Group, by virtue of its limited lending to these countries, has little leverage to push such engagement. Moreover, exiting from fragility and violence is complex and difficult to achieve and sustain. The 2011 WDR suggests that the high road to peace and prosperity is best approached through a consensual form of politics featuring inclusive political coalitions, credible signals of intent, and the development of accountable institutions. Desirable as this may be, it is the road less travelled in the early stabilization and recovery trajectories of low-income fragile states, where the historical record show that post-colonial stabilization in low-income countries was frequently achieved through judicious admixtures of authoritarian governance and economic patronage. It can indeed be argued that the 2011 WDR's exit narrative has greater applicability in MICs, with generally more advanced institutions and higher capacity supported by emerging middle classes. However, MIC governments tend to consider such internal political challenges as outside the remit of the World Bank.

In 2014 the Independent Evaluation Group (IEG) undertook an evaluation of Bank Group activities in LICs that were classified as fragile and conflict-affected (FCS).[4] Bank Group management has developed an implementation plan for the recommendations of that evaluation and implementation of the plan is underway. At the concept stage of that evaluation IEG agreed with management and the Board that it would be complemented by an evaluation of Bank Group activities in countries not classified as FCS. This evaluation fulfills that request.

Box 1.1. IEG Evaluation of Bank Group Assistance to Low-Income Fragile and Conflict-Affected States (2014): Main Findings and Recommendations

The evaluation examined the relevance and effectiveness of Bank Group country assistance strategies and assistance programs to 'fragile and conflict-affected states' (FCS) over the period 2001-2012. Operations in FCS are more resource intensive and require customized operational approaches. Reforms in the Bank's policies since 1997 led to enhanced financial and staff resources and greater managerial attention in FCS. As a result, portfolio performance in low-income FCS at the end of the review period was better than in low-income countries that were not FCS.

The evaluation found that the Bank has been most responsive to FCS in the immediate aftermath of violent conflict. However, classification of FCS is not based on political economy and violent conflict risks, and country assistance strategies often lack realism and tailoring to those risks. Gender issues are increasingly integrated in sector programs, but Bank assistance has paid insufficient attention to conflict-related violence against women and economic empowerment of women in FCS. CDD has been a useful vehicle for short-term assistance in FCS but needs institutions to ensure program sustainability. The Bank Group lacks a realistic framework for inclusive growth and jobs that is based on economic opportunities and constraints in FCS and effective coordination and synergies across Bank Group institutions.

To enhance the relevance and effectiveness of its assistance to FCS, the evaluation recommends that the Bank Group adjust its strategy, approach, and product mix by: developing a more suitable and accurate mechanism to classify FCS; tailoring country strategies to fragility and conflict contexts; providing support for state capacity building at national and subnational levels; enhancing the institutional sustainability of community development programs; addressing the effects of violence against women; developing a more realistic framework for inclusive growth and jobs; and adapting the business models, incentives, and systems of the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) to the needs of FCS.

Source: IEG 2014

Objectives. The main task of this evaluation is to identify lessons from experiences in coping with FCV situations in countries not on the FCS list and to better understand how the Bank Group can be effective in these situations. The cases of violence examined in this study have occurred in relatively affluent and stable countries with functioning systems of government. Thus, they ask questions of the widely accepted assumption still prevailing in non-FCS, that violent conflict is associated with a lack of development progress, and also of the prioritization of economic interventions that flow from such an assumption. The Bank Group and the development community as a whole are aware of this emerging challenge, as evident in their commitment to the SDGs, but a focused analysis of a wide set of cases of violent conflicts in otherwise non-fragile countries could help increase the robustness of the Bank Group strategies and approaches.

This report does not aim to define the nature, drivers, and political economy of violent conflict, but draws on existing research and experience. Breaking recurrent cycles of violent conflict requires time, patience, and the contributions of multiple actors. Particularly in the MICs, the Bank Group is often not the major player in these efforts, but it can nonetheless play an important role. This evaluation therefore focuses on the *contributions* that Bank Group activities have made to creating positive solutions through the relevance and effectiveness of its activities.

Coverage and typology. There is no defined and widely accepted list of "non-FCS countries experiencing or threatened by major forms of FCV situations." This evaluation therefore aimed to select a representative group of MICs, by using the following criteria: (a) prolonged and widely publicized episodes of organized violence, with significant levels of fatalities and costs to development progress; (b) presence of significant Bank Group programs, including work related to FCV; (c) different levels of income and institutional capability (IBRD, blend, and IDA); and (d) a reasonable cross-section of different global regions..

For the purposes of this evaluation, *four dominant drivers of organized violence* were selected. We do not intend to suggest that these were/are the *only* drivers present, nor that only *one* driver was present in each situation -- in fact most sustained outbreaks of organized violence are driven by multiple factors. The intermingling of factors can be seen in the typology presented below. The categorization we have used is principally to allow for a more nuanced appreciation of the appropriateness, and effectiveness, of the remedial measures attempted by the Bank Group. The four drivers selected are:

- **Subnational (local) violence with a regional or ethnic identity marker,** often involving prejudicial disputes over land and natural resources. A core issue animating *rebellion* in such instances is the reality of, or a perception of bias and injustice imposed by the State or by a more dominant identity group. The emotions stirred by such conflicts are often amplified when the ethnicity, geographical location, or religion of the affected group are easily defined or visible. This driver is a critical factor in violence in four cases in this report: the Philippines (Mindanao), Indonesia (Aceh), Uganda (the North), and Sri Lanka.

- **Organized crime/drug trade-related violence.** This is a dominant factor in Central and South America (represented by Colombia and Honduras in this report), where the expanding drug trade has fed an exponential growth in organized criminal gangs. The lawless violence thus created has been nurtured by perceptions of the illegitimacy of the state and its inability/unwillingness to address socioeconomic issues such as skewed land ownership and gross income inequality.
- **Systemic failures of governance and an overall erosion of state legitimacy:** Sustained failures of national and local governance, including widespread and visible corruption, have alienated broad swaths of the population from the "state project" and have encouraged forms of violence driven both by perceptions of unfairness as well as by opportunism in the face of ineffective state constraining mechanisms. This kind of violence is witnessed in cases that highlight problems in parts of Pakistan (Balochistan, Federally Administered Tribal Areas, and Khyber Pakhtunkhwa provinces), Nigeria (Delta) and Kyrgyz Republic (Fergana Valley).
- **Overwhelming pressure from external political shocks.** Some smaller middle-income countries can become inadvertent victims of a violent and unstable neighborhood that draws in forces beyond anything that individual governments can repel. Two such cases are reviewed: Lebanon and Jordan. Both are impacted by civil war in Syria and Iraq and the consequent influx of refugees, causing immense pressure on state systems and resources. The issue in these cases is not internal fragility *per se*, but rather the compounding effects of external pressure, and the impossibility of addressing the 'hosting' problem without significant external support.

Main Findings

This section summarizes the main findings of this report in a few broad cross-cutting areas: Bank Group strategic presence, instruments, sector engagement, and partnership modalities.

Bank Group strategic engagement and presence. The high incidence of violent conflicts in MICs with established institutions suggests that FCV is not primarily a low-income country problem and that impoverishment *per se* is only one driver of organized violence. Localized violence in relatively stable and economically successful countries poses particular challenges to Bank Group engagement. MICs have in general been less receptive than many LICs to Bank involvement, given their ability to 'contain' subnational violence, and to manage the fiscal consequences of such violence. This places a greater premium on Bank Group diplomatic skills, creativity, and appreciation of the local political economy in finding entry points that do not enervate political sensitivities. .

Involvement in attempting to mitigate violent conflict has required the Bank Group to trade away the benefits of demonstrating quick wins for the uncertain and sometimes costly process of addressing root cause issues, often from an oblique angle. It is often more attractive for the Bank Group to engage where it believes it can achieve visible impact (emergency response) than in situations where the problems are more intractable. At the same time, Bank Group emergency assistance, while important of itself, is unlikely to fundamentally alter the fragility profile of many, especially middle-income, countries, and its *strategic comparative advantage* remains in helping countries to tackle essential longer-term developmental challenges.

The Bank Group's *sustained strategic presence* in all types of FCV situations, reflected in project financing, analytical work, and direct dialogue with wide array of stakeholders in conflict-affected areas (including ahead of the peace settlement, during ongoing violence, and after settlement) has been shown to be of critical importance. This presence can help to develop contacts and build credibility among the parties to the conflicts, and can have important payoffs once there is a peace settlement. Strong partnerships with local communities are important to ensure that the entire community and region are vested in the success.

Maintaining a presence (even nominal) in former conflict zones may be necessary to help sustain peaceful development, while abrupt exit following the cessation of hostilities could be detrimental to sustained peace and post-conflict reconstruction, given the often weak institutional capacity in post-conflict situations and the high risk of resuming the conflict and violence.

Success in FCV situations requires excellent *knowledge of local conditions* as well as determination, commitment, and often plain courage on the part of Bank staff and local counterparts. In this context, continuity in *staffing policy* is very important, albeit not common in the cases observed. However, when it happened, the payoff was clear. For example, the transfer of many Bank staff who worked on conflict and violence issues in Aceh, Indonesia, to the Bank's Philippines country office resulted in the effective transfer of knowledge and expertise that benefited the program in Mindanao.

Most of the time, the main drivers of violent conflict go beyond the boundaries of single countries, and require much broader, *regional approaches*, including regional projects or joint analytic and advisory work across the relevant countries.

Bank Group instruments: An FCV environment can limit the choice of instruments available to the Bank Group. In such situations, flexibility of project design and ability of management at various levels (project and country) to take quick decisions is particularly important.

Often relatively *small and experimental operations* can be highly relevant, particularly during the periods of extreme violence. Such operations are able to generate significant amount of new knowledge, as well as allow to gradually scale up at more peaceful times, and replicate the positive experience elsewhere. At the same time, such operations are often reputationally (as well as operationally) risky, time-consuming, and costly to implement. Specialized grant programs to top-up operational budgets for small pilot programs in FCV situations could be a way of dealing with it.

In some situations finding *alternative financing instruments* has been a challenge for the Bank Group. Helping Lebanon and Jordan to cope with the Syrian refugee crisis is a recent vivid example. The most easily available option of IBRD loans was quickly exhausted (and not particularly embraced by the governments), while the alternative sources and mechanisms (IBRD surplus, trust funds) were a far cry from the needs. An important lesson from this experience is that the Bank Group needs to develop financial mechanisms or fast-response facilities to be used in similar situations, as well as use its global convening power more effectively.

Analytical and advisory work was relevant and generally of high quality, and often contributed to awareness and understanding of the issues and main challenges. Most of it was part of larger studies (often in partnership with donors), such as needs assessments, political economy analyses, and core economic diagnostics. These assessments helped to set the stage for subsequent reconstruction and development efforts and were widely used by the governments and the international community.

FCV-specific diagnostic work (fragility assessments, conflict filters) was generally useful and relevant, but not particularly common in non-FCS group of countries. Fragility assessments in particular are a useful tool, but there is no obligation for Bank staff to conduct them in non-FCS environments. Even when conducted, sharing them with client governments, or making them part of the broad country dialogue remains at the discretion of Bank management.

Public financial management (PFM) diagnostics—a clear area of Bank Group comparative advantage—appeared to have been deployed in an ad hoc manner to look into issues of fragility and violent conflict in the reviewed sample, whereas their potential is much higher. The Bank has both the mandate and the capacity to carry out reviews of fiscal decentralization and security sector budgeting and governance, and these core tools should be exploited more often than they have been.

One of the operational weaknesses observed across the board in many Bank projects in fragile and violent environments is the inadequate attention paid to the monitoring and evaluation (M&E) frameworks - a deficit which has undermined the assessment of results and diminished the learning potential. Despite efforts to account for FCV factors in project design and implementation, they were rarely captured in results. Only a third of observed programs recorded fragility-specific outcomes, and only a quarter of them had M&E systems specifically designed to track FCV issues.

Bank Group *definitions, measurement metrics, and policy application* along the full spectrum of countries experiencing fragility and violence remain somewhat inconsistent (more pronounced in the non-FCS group). The CPIA index, despite its usefulness as a gross measure of fragility has many deficiencies if used as the main tool for assessing specific kinds of fragility or forecasting the risk of violent conflict. Moreover, the low-income country cut-off excludes MICs, where much of today's violent conflict is occurring.

Sector engagement: Within the reviewed sample, *community-driven development* (CDD) was by far the most popular type of intervention employed by the Bank Group. While it did prove to be a useful entry point for the Bank Group into the conflict-affected areas and a convenient tool for facilitating participation of local stakeholders, its impact on improving social cohesion and reducing the risk of violent conflict should not be overestimated, given that these projects were not designed as fora for addressing the causes and consequences of violence. The broader lesson is that the success of CDD projects in conflict resolution or mitigation is highly context-specific, and that these projects give the Bank a placeholder—an opportunity to acquire the local knowledge necessary for more ambitious efforts at a later stage.

Creating opportunities for *private sector development*, generating employment and local entrepreneurial success can be important to making a peace settlement last. In this area, opportunities were sometimes missed due to the lack of coordination and communication between different parts of the Bank Group, including IFC and MIGA, as well as lack of flexibility of Bank Group instruments and inadequate staff incentives.

Support to the *education sector* can be important in dealing with issues of fragility, particularly as they pertain to psycho-social issues among children and providing safe spaces for integration and community cohesion to develop, countering radicalization, and dealing with the problem of "lost generations" in more protracted conflicts. The experience in Pakistan showed that even with small regional commitments and relatively high cost, implementation of nationwide education programs in fragile and violent environments, adjusted to local realities, can deliver important developmental outcomes and contribute to progress on conflict mitigation.

Partnerships. One of the comparative advantages of the Bank Group in FCV situations is its ability to play convening role and generate and disseminate knowledge. Bank Group engagement was most successful in situations of fragility and violence when it had catalytic impact—triggering scaling up and replication by the governments and other partners.

Partnership between the Bank Group and United Nations agencies was of particular importance in the FCV contexts. Yet, the evaluation found that it was not systematic and its frequency and effectiveness varied across the countries and themes. The main factors negatively affecting such partnerships are perceived high transaction costs, lack of strong staff incentives, incompatibility of the fiduciary and legal frameworks, and competition for influence and limited donor resources at the country level.

Multi-donor trust funds (MDTFs) are a vital strategic tool in conflict regions, and they require a diverse and specific skill set. This includes the ability to liaise and interact effectively with donors, effectively link MDTF projects to other projects in the Bank portfolio, establish, build, and maintain relations with regional governments in difficult circumstances, as well as the foresight to see how different project priorities can be made to serve with longer-term strategic planning.

Report Structure

This report consists of seven chapters. Chapter 1 lays out the context and structure of the report, and summarizes its main findings. Chapter 2 includes an overview of the Bank Group strategic approach and instruments. Chapters 3-6 assess Bank Group programs in response to four main drivers of FCV: subnational/ethnic violence, violence driven by crime and the drug trade, failure of governance and state legitimacy, and externally imposed fragility. Chapter 7 summarizes the main conclusions and recommendations.

The key outputs and building blocks of the evaluation are the case studies of Bank Group activities in selected countries, complemented by cross-cutting thematic reviews. These studies were based on IEG's own research as well as interviews with the main stakeholders and participants in the field and at Bank Group headquarters in Washington, DC. The evaluation covered 11 country cases (7 of which included field visits): Colombia, Honduras, Indonesia, Jordan, Kyrgyz Republic, Lebanon, Nigeria, Pakistan, Philippines, Sri Lanka, and Uganda. One of the main limitations was restricted access to some of the project sites and beneficiaries due to security concerns.

In these cases the team relied on secondary data and analyses. Another limitation was that due to time and budget constraints the study could only cover a relatively small sample of countries and situations, so the report is cautious to avoid over-attribution and hasty generalizations.