7. Conclusions and Recommendations

Conclusions

Bank Group strategic approach. The Bank Group understanding and discourse on conflict and violence has evolved over the years, reflecting the way that the Bank is gradually becoming more comfortable focusing on the assessment of the political economy of subnational and regional violence in MICs and developing analytical and operations instruments to address it. The 2011 WDR was a critical step in this direction, as it presented a broadly applicable and relevant analytical framework for engagement.

The incidence of violent conflicts in MICs with established institutions suggests that violence and conflicts are not primarily a low-income country problem and that impoverishment is not the sole driver of conflict and violence. Localized FCV situations in relatively stable and economically successful countries pose particular and sometimes unique challenges. MICs are less likely to feel obliged to engage on the sensitive political issues associated with subnational conflict, thus placing a greater premium on Bank Group diplomatic skills and appreciation of the *local political economy*.

Sustained engagement of the Bank Group in conflict areas ahead of peace settlements and during the ongoing violence has been critical. The experience, contacts, and credibility acquired in this process had important payoffs once there was peace. Concerns about security during the active phase of conflict often limited the Bank Group presence in the field to essential personnel, but the Bank staff were able to develop rapport and trust at the local level and effectively supervise projects. The courage and commitment of local counterparts and Bank staff were essential for success. Maintaining a presence (even nominal) in former conflict zones is essential to help sustain peaceful development. In some cases, the end of major violence led to rapid and complete withdrawal of the Bank, although the drivers of the original conflict and weak governance capacity were unchanged. In many instances, the problems have much deeper regional roots and the Bank needs to develop a more holistic view of these problems and their spill-over effects.

Involvement in the interest of mitigating conflict has required the Bank Group to trade off the benefits of demonstrating early wins against the costs of operating in a challenging environment. It often has been more attractive for the Bank Group to engage where it believes it can achieve strong impact (emergency response) than in situations where the problems are more intractable.

Bank Group emergency assistance is appropriate for short-term crises, but its *strategic comparative advantage* remains in helping countries to tackle longer-term developmental challenges. In some countries reviewed in this report, the Bank Group FCV-related strategy still falls short of dealing with the core drivers of violence—regional conflicts and governance—perhaps out of reluctance to compromise lending volumes.

Bank Group *definitions, measurement metrics, and policy application* are still somewhat inconsistent along the full spectrum of countries experiencing FCV (more pronounced in the non-FCS group). In this regard, the role of the new structural unit, the FCV CCSA—the focal point on FCV in the Bank Group, currently serving as a knowledge hub and advisory service provider—needs to be given considerable authority over policy matters. At the same time, the new unit needs to find a way to maintain a closer connection to operational work, which will maximize the impact of transfer of knowledge that sits within the CCSA.

The *CPIA index*, despite its usefulness on some aspects, has many deficiencies when used as the main tool for assessing fragility or forecasting the risk of societal breakdown. The low-income country cut-off excludes MICs, where much of today's FCV situations are occurring. A new multidimensional marker system would deliver much more nuanced results and would permit a degree of prediction that the current CPIA does not. At the same time, the new "flag and outcome" system will have a much diminished impact if it cannot be published, tracked, and discussed openly.

The *institutional and staff incentives* for engagement in conflict situations and risk-taking seem to be lagging behind the spirit of Bank Group's strategic approach to FCV, as reflected in various Bank documents, including the 2011 WDR. Continuity in Bank staffing policy across the countries experiencing FCV has not been observed frequently, but when it happened, the payoff was clear, resulting in effective transfer of knowledge and expertise.

Bank Group Instruments. The Bank's strategies were relatively fast to respond and adjust to FCV situations, particularly in emergencies, as demonstrated in strategy and analytical outputs, but the Bank's operational response was often constrained by the lack of choice in instruments at its disposal and depended to a large extent on donor financing and the presence of large MDTFs.

The *CDD model* was widely considered an appropriate tactic to establish presence in conflict areas, increase community involvement in programming, encourage community ownership of projects, and foster social cohesion. Projects with a CDD design were a useful point of entry for the Bank Group in conflict-affected areas, used also as a form of information-gathering and contextual learning, allowing the Bank to maintain a presence even when security conditions were highly unsettled. Early engagement was particularly relevant and useful for laying the foundation for post-conflict collaboration. These projects were seen as serving local communities rather than governments and ensured cooperation and security for Bank staff working on them. They were not, however, a forum for addressing the causes and consequences of violence. The broader lesson is that the success of CDD projects in conflict zones is highly context-specific, and that these projects give the Bank an opportunity to acquire the local knowledge necessary for more ambitious efforts to alter the political economy of the area.

Small pilots were useful for identifying working solutions to the most urgent needs and creating conditions for scaling up successful interventions. At the same time, they are often 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.

Investments in *education* can be important in dealing with issues of fragility, particularly as they pertain to psycho-social issues among children, providing safe spaces for integration and community cohesion to develop, and dealing with the problem of "lost generations" in more protracted conflicts. Implementation of nationwide education programs in conflict zones, adjusted to local realities, can deliver important developmental outcomes and contribute to progress on conflict mitigation.

Analytical and advisory work was relevant and high quality, and 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. However, the operational follow-up was uneven and depended on particular country circumstances. That was particularly true for ongoing conflicts and follow-up on diagnostic studies.

FCV-specific diagnostic work (fragility assessments, conflict filters) was generally useful and relevant, but not particularly common in non-FCS group of countries. The utility of fragility assessments in non-FCS environment is somewhat limited by the fact that they are not mandatory, and the decisions on their preparation and sharing with the client governments is at the discretion of the country teams. Experience with the conflict filter product differed from country to country. Nevertheless, application of a conflict filter to Bank projects could, with suitable customization, be useful in countries where ethnic or other divisions carry the potential for igniting violent conflict—although its role should not be overestimated.

PFM diagnostics used by the Bank in its programs in conflict-affected regions seem to have been deployed in an ad hoc manner, tailored to the country's circumstances. Some areas, such as policy advice on budgeting and governance arrangements in the security sector and fiscal decentralization in FCV situations, deserve more attention, especially since the Bank does have strong capacity for and experience with such analysis.

Bank Group engagement in supporting *private sector development* in FCV situations in non-FCS was limited. Bank (IBRD) PSD-related activities focused mainly on livelihoods, small infrastructure, and employment schemes, while IFC concentrated its efforts on post-conflict reconstruction. There were only a few examples of FCV-related Bank-IFC coordination at all stages—from conflict mitigation to post-conflict support.

In general, IFC's FCV-related strategy and corporate targeting focuses on the countries included in the FCS list, and its activities in situations of localized FCV in MICs were limited. In most cases reviewed by this evaluation, IFC has deployed standard instruments, with little adaptation or innovation. At the same time, where IFC was able to find a niche and identify clients, its contribution was relevant and effective. Business volumes and financial returns of projects remain key performance metrics in IFC. Advisory services are under pressure to link to IFC's investments, which makes it difficult to provide a stand-alone advisory service in an FCV context. There are few incentives for staff to undertake riskier and generally smaller projects in these countries.

MIGA's PRI can help facilitate foreign direct investment when a country faces FCV situations. MIGA products (WCD or NHSFO coverage) could benefit from information exchange with the FCV CCSA, particularly regarding the use of country-level fragility assessments.

Weak *M&E frameworks* undermined the assessment of results in many of the cases observed, and diminished the learning potential from the projects even when they were designed as pilots. Failure to properly record even the positive experience is an indicator of lack of incentives to maintain institutional memory. 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. Generally, more positive outcomes of FCV-related interventions (compared with the rest of the portfolio) point to the perception of risks to outcomes in conflict-affected regions to be exaggerated.

The Bank Group's focus was limited on *gender* issues in conflict-affected areas reviewed by this evaluation: few programs were designed or implemented taking into consideration gender disparities, and the little analytical work done was not translated into operations.

Partnerships. The Bank-United Nations institutional partnership was not systematic and its frequency and effectiveness varied across the countries and themes. The existing system did not encourage building such partnerships because of 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. The main reasons behind successful partnership initiatives were clear division of labor (easier cooperation with specialized United Nations agencies) and personal initiative and experience of the field staff (prior work experience in the other institution was always a plus). A more nuanced strategic and technical dialogue is needed to delineate respective roles and comparative advantages, and ensure a common understanding of key strategic issues that the two institutions can work on jointly. Clear guidance in this regard can significantly facilitate the work of the teams on the ground to avoid unnecessary competition and focus on effective collaboration.

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

Global thematic trust funds (such as the SPF and the Global Program of Forced Displacement) were helpful in supporting synergies in the FCV context, as the funding available through them allowed the flexibility and agility needed for partnering in post-crisis context. However, these funds are fragmented, which diminishes their impact, particularly in the MIC context. Since many FCV initiatives depend on trust fund financing, more strategic alignment of those funds would lead to less fragmentation, better targeting, and better results. Scaling up highly functional facilities, such as the SPF, would be essential, as their current use without much catalytic effect in MICs raises questions about efficiency, given the small size and high transaction costs.

Recommendations

This evaluation recommends the following:

BANK GROUP STRATEGIC APPROACH:

- Review the institutional setup and interaction of various Bank Group units dealing with FCV matters, to ensure that the FCV CCSA drives substantive thinking on strategy and policy in this area across the World Bank Group. This would also entail closer operational engagement of CCSA staff with and across the Bank Group members (including IFC and MIGA), and regional and thematic departments.
- Develop a new multidimensional publicly disclosed system of markers and flags for monitoring and measuring fragility, including in non-FCS countries. Linked to this, integrate fragility assessments as part of the SCD/CPF process to be applied systematically in countries where conflict and violence or externally imposed fragility constitute a significant impediment to attaining the strategic objectives of the World Bank Group.
- Scale up regional presence and outlook, including through regional projects and joint analytic and advisory work across relevant countries, and ensure Bank Group sustained presence in FCV-affected areas, monitoring the fragility profile of the countries/regions.

BANK GROUP ENGAGEMENT TOOLS:

- Develop new financial mechanisms or fast-response facilities to be used when outbreaks of violence or external threats jeopardize resilience in MICs. Improve strategic alignment and use of global FCV thematic trust funds, while boosting their agility. Options to consider include using these funds for co-financing small pilot programs in FCV-affected areas with potential of scaling-up.
- Within the new SCD/CPF model, develop a broader strategic approach to interventions in FCV-affected areas, expanding sector interventions beyond the CDD model, and improving coordination and information sharing within the Bank Group, with particular attention to private sector development activities (through a more customized approach to risk assessment, project mix, policies and procedures), public financial management (including fiscal decentralization and broader use of diagnostic tools), education, and gender (including integration of conflict-specific gender issues in project design and implementation). Strengthen M&E frameworks by including FCV-related outcome indicators.

PARTNERSHIPS:

- Develop institutional incentives for collaboration and strategic thematic guidance on partnering – particularly with the United Nations but also with other partners. Introduce systematic communication and staff exchange programs to increase the level of collaboration.