Development Effectiveness Review 2012

FRAGILE STATES AND CONFLICT-AFFECTED COUNTRIES

Thematic review
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## Contents

Fragile states and conflict-affected countries in 7 numbers
Foreword
Executive summary
Introduction

**Level 1: Development in Africa’s fragile states**
- Patterns of conflict and fragility in Africa
- Definition of a fragile state
- Economic growth and poverty reduction
- Private-sector development and investment climate
- Gender and human development
- Infrastructure: sanitation, transport, energy and telecommunications
- Agriculture and food security
- Regional integration and trade
- Governance and transparency

**Level 2: How AfDB contributes to development in fragile states**
- Enhanced engagement in fragile states: the Fragile States Facility
- Microfinance and social sectors
- Education and health
- Water and sanitation, transport and energy
- Agriculture and food security
- Regional integration and trade
- Governance and capacity building

**Level 3: How well AfDB manages its operations in fragile states**
- Performance of our portfolio in fragile states
- Quality at entry of projects in fragile states
- Aid effectiveness in our fragile states portfolio
- Knowledge management
- Gender mainstreaming
- Climate change

**Level 4: How efficient AfDB is as an organisation in supporting fragile states**
- Decentralisation
- Partnership
- Human resources
- Information technology
- Business processes and practices

**Conclusion and outlook**
List of tables

Table 0 AfDB’s Results Measurement Framework 9
Table 1 Development in Africa’s fragile states (Level 1) 12
Table 2 How AfDB contributes to development in fragile states (Level 2) 22
Table 3 How well AfDB manages its operations in fragile states (Level 3) 32
Table 4 How efficient AfDB is as an organisation in supporting fragile states (Level 4) 38

List of charts

Figure 1.1 Spill over of conflicts in Central Africa 11
Figure 1.2 Growth is driven by political change and resources 14
Figure 1.3 Fragility is a key constraint to meeting the MDGs 15
Figure 1.4 Under-five child mortality 15
Figure 1.5 Road network in African fragile states 17
Figure 2.1 Stop-go aid: Volatility in selected fragile states 23
Figure 3.1 Portfolio performance 31
Figure 3.2 Quality at entry 32
Figure 3.3 Paris Declaration indicators 33
Figure 3.4 Knowledge management 34
Figure 3.5 Gender mainstreaming 34
Figure 3.6 Climate change 35
Figure 4.1 Strengthening AfDB’s ability to respond to fragile states’ needs 37
Figure 4.2 Decentralisation 38

List of boxes

Box I Independent evaluation of AfDB’s assistance to fragile states 3
Box II The Mo Ibrahim index of African Governance 5
Box 1.1 Defining fragility: the Country Policy and Institutional Assessment Index 13
Box 1.2 Job creation in Liberia 14
Box 1.3 Extractive industries: a notable governance challenge 18
Box 2.1 The Fragile States Facility 21
Box 2.2 Responding to the crisis in Côte d’Ivoire 24
Box 2.3 Raising HIV/AIDS awareness among the most vulnerable 25
Box 2.4 Aquaculture business in Zimbabwe 25
Box 2.5 The Heavily Indebted Poor Countries Initiative (HIPC) 26
Box 2.6 Zimbabwe: progress towards arrears clearance 27
Box 2.7 Promoting transparency in the extractive industries in Liberia 27
Box 3.1 The New Deal for Engagement in Fragile States 33
Box 3.2 Infrastructure and stability in Western Africa: the Sierra Leone case study 34
Box 4.1 Progress on implementing the 10 fragile states principles 38
Box 4.2 Developing a new approach for engagement in fragile states 39
Fragile states and conflict-affected countries\(^1\) in 7 numbers

17 is the number of fragile states receiving support from the Fragile States Facility between 2009 and 2011.

2.7 million is the number of people in fragile states benefiting from the Bank’s investments in microfinance and social services.

540 000 is the number of people in fragile states that have benefited from the Bank’s investments in agriculture and rural development.

5 million is the number of people in fragile states with an Internet connection.

$2.5 billion is the volume of support the Bank has provided to fragile states since 2008.

256 000 is the number of people in fragile states with access to improved health services as a result of our investments in hospitals and training.

10 is the number of fragile states in which the Bank has a permanent presence.

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1 This review looks at the Bank’s operations between 2009 and 2011 in 17 fragile states that have benefited from support from the Fragile States Facility, including Burundi, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Côte d’Ivoire, Djibouti, Guinea, Guinea-Bissau, Liberia, São Tomé and Príncipe, Sierra Leone, Somalia, Sudan, Togo and Zimbabwe. Mali is in transition to become eligible for support from the Fragile States Facility.
Building domestic revenue collection
The African Development Bank is helping fragile states strengthen their public financial management and modernise their tax administrations. It creates a virtuous circle, improving the state’s capacity to deliver services and the willingness of citizens to pay taxes.
The past decade has been one of the most dynamic periods of economic growth in Africa’s modern history. Africa is now the fastest growing region in the world, and there is every prospect that this will continue. Growth has brought new livelihood opportunities and made significant inroads into poverty. However, one major group of Africans has been denied the benefits of this growth.

More than 200 million Africans live in countries affected by conflict and instability. These fragile states face a daunting array of development challenges and poverty traps. Few are on track to achieve even a single Millennium Development Goal.

Africa’s fragile states between them hold a major share of Africa’s natural resource wealth. But weaknesses in policies and institutions mean that the benefits are not shared with the population at large. There is an urgent need to focus on inclusive growth, to ensure that as many people as possible have the opportunity to lift themselves out of poverty.

In recognition of this, the African Development Bank is committed to scaling up and strengthening its support to Africa’s fragile and conflict-affected countries. Over the past three years, the Bank approved 124 operations in fragile states, at a total value of nearly $2.5 billion. I am delighted to say that this work is already making a major difference.

Since 2008, with the development of our Strategy for Enhanced Engagement in Fragile States and our Fragile States Facility, we have begun not just to scale up our investments in fragile states, but also to tailor our operations to their specific needs. The Fragile States Facility provides additional resources and a more flexible rapid-response mechanism. It has enhanced the Bank’s capacity to help countries emerging from conflict and instability consolidate peace, stabilise their economies and lay a foundation for sustainable poverty reduction. It enables us to adapt our support to the diversity of challenges they face.

Fragile states present a complex and dynamic environment for development assistance. To engage effectively, we must constantly learn and adapt. We recognise that there is still much we can do to tailor our operations and our organisation to meet these challenges. A recent independent evaluation confirmed that some of our operations, such as arrears clearance through the Fragile States Facility, are working very effectively, helping post-conflict countries re-engage quickly with the international development community. However, we also agree with the evaluation’s finding that we have yet to achieve the necessary flexibility and speed in our general lending operations, and that we need to strengthen our programming and our internal organisation to be more effective.

This review explains our work in fragile states to our member countries, partners and other stakeholders in Africa and internationally. It describes our approach and our achievements to date in an accessible way. But it is also a management tool for us, helping us achieve our goal of continuous improvement.
Supporting the development of effective quality education programmes

Investing in the education sector is increasingly recognised as a key element in the recovery and development of fragile states. It is vital that we provide opportunities to those young people whose education has been disrupted by conflict and instability.
Executive summary

This report examines the operations of the African Development Bank (AfDB or Bank) in fragile and conflict-affected countries (fragile states) between 2009 and 2011. It is part of our Development Effectiveness Reviews series, written to enhance accountability and promote learning.

Around a third of African states, home to over 200 million people, can be classed as fragile. Historically, fragile states have received less aid, relative to their needs and absorptive capacity, than most developing countries. Some of them — the so-called ‘aid orphans’ — have suffered from serious, long-term neglect.

In recent years, AfDB has enhanced its capacity to help fragile states — especially those emerging from periods of conflict and political crisis — consolidate peace, stabilise their economies and lay the foundations for sustainable poverty reduction and long-term growth. In 2008, we adopted a new Strategy for Enhanced Engagement in Fragile States and created a Fragile States Facility to implement it. With these new instruments, we were able not just to scale up our investments in fragile states, but also to tailor our operations to their specific needs. Between 2008 and 2011, we provided around $2.5 billion through 124 operations in Africa’s fragile states.

Recognising both the importance and the difficulty of working effectively in fragile states, the Bank’s independent Evaluation Department commissioned an evaluation of the relevance, effectiveness, efficiency, impact and sustainability of these operations. The evaluation sheds useful light on the challenges involved in implementing the Strategy and offers valuable recommendations on how to overcome them (see Box I).

This report follows the structure of our Results Measurement Framework. **Level 1** looks at trends in conflict and fragility in Africa, and at the overall development performance of Africa’s fragile states as a group. **Level 2** presents the aggregate outputs of the Bank’s operations in fragile states, showing our contribution to meeting their development challenges. **Level 3** assesses how well we manage our portfolio of operations in fragile states, while **Level 4** describes our efforts to improve our own capacity as an organisation to operate in the challenging environments they present.

We recognise that applying the Results Measurement Framework...
Summary performance scorecard 2012

For Level 1, the performance of Africa’s fragile states is measured by comparing their progress to that of African countries as a whole; for Level 2, the Bank’s performance is measured by comparing expected and actual achievements for completed operations in fragile states; for Level 3 and 4, the Bank’s progress is measured against its progress in achieving its 2012 targets, as set out in the Bank Results Measurement Framework.

Executive summary

to our fragile states programmes does not necessarily capture all the specific challenges of operating in this difficult environment. We have recently undertaken a review of our Results Measurement Framework, which in the future will make it more applicable to different contexts.

Development in Africa’s fragile states
State fragility is a major constraint on Africa’s development. Four out of every five fragile states around the world are found in Africa. They face a daunting array of development obstacles and poverty traps. With 50% higher rates of malnutrition, 20% higher child mortality rates and 18% lower primary completion rates, they lag behind on almost all development indicators. No fragile state has yet achieved even a single Millennium Development Goal.

Conflict and poverty interact in complex ways. Countries can become trapped in cycles of conflict, in which weak governance and chronic underdevelopment are both a cause and a result of violence. The effects can spill out across national borders, creating regional instability. Where conflict has become a regional phenomenon, as in the Great Lakes region, it can be difficult for individual states to break out of the cycle of violence without progress at the regional level.

Fragility, food security and natural resource management are also closely interlinked. Competition over land and water can be both a key driver and consequence of conflict. More than other low-income countries in Africa, fragile states depend heavily on food imports and are vulnerable to price shocks. Building the agricultural sector and associated industries is essential to promoting growth and tackling poverty and food insecurity.
Africa’s fragile states face a major deficit in infrastructure and health facilities, as a result of years of neglect. At the end of 2011, only 58% of the population in Africa’s fragile states had access to an improved water source and only 26% to sanitation. These figures have improved only slightly in recent years. The effective delivery of basic health and education services, and utilities such as water and power, is a key test of the legitimacy for any government, and those in post-conflict countries.

Governance remains at the heart of the challenge facing fragile states. There is a strong commitment at the continental level to promoting legitimate and effective governance across Africa. The African Union and New Partnership for Africa’s Development have affirmed that political governance, peace and security, and development are interdependent and must be pursued jointly. Whatever their level of institutional capacity, countries with responsive and accountable political institutions are more likely to promote development.

As a group, fragile states have seen little movement on standard governance indicators in recent years. There are, however, a few bright points. According to the Mo Ibrahim index (see Box II), Africa’s fragile states have improved their ability to create sustainable economic opportunity and promote human development. Income levels are rising, from an average per capita income of $300 in 2005 to $333 in 2011. While this change is slower than in other low-income countries, it has had a noticeable effect on overall poverty, with the proportion of people living on less than $1.25 per day constantly declining.

Concerted efforts to resolve armed conflict, improve macroeconomic management and create a better business climate have helped drive this growth. Development of the private sector has in turn helped boost economic and social resilience and improve governance, reducing fragility.

Another positive development in Africa’s fragile states in recent years has been the establishment of the Extractive Industries Transparency Initiative (EITI), designed to combat conflict and corruption associated with the extraction of natural resources (see Box 1.3). With the help of AfDB, Liberia was the first African fragile state to become fully EITI compliant, followed by the Central African Republic. Five other fragile states — Sierra Leone, the Democratic Republic of Congo, Republic of the Congo, Chad and Côte d’Ivoire — are EITI candidate countries.

The spread of information and communications technology to rural and isolated areas can also play a significant role in building peace and security and increasing citizen confidence in the state. In recent years, the number of households in fragile states with a telephone connection has increased fivefold, due mainly to the rapid spread of mobile networks, while internet usage has increased, from 17 to 25 per 1000 people.

On the Global Competitiveness index, which ranks countries on a scale of 1–7, Africa’s fragile states achieved an average ranking of 3.1 in 2011, up from 2.7 in 2006. In view of this hopeful trend, there is an ever greater need to focus on inclusive growth to ensure that no country, region or person is left behind.

Over the past five years, the cost of starting up a business in fragile states has fallen by more than half, while the time required to open a business fell from 70 days in 2005 to just 44 in 2011.

How AfDB contributes to development in fragile states

Since 2008, with the development of the Strategy for Enhanced Engagement in Fragile States and the creation of the Fragile States Facility, AfDB has made a major commitment to helping fragile states consolidate peace, stabilise their economies and lay the foundations for sustainable poverty reduction and long-term growth.

The Fragile States Facility was established to channel additional development resources to Africa’s fragile states. It is a fast, simple and flexible mechanism designed to provide operational support through three windows:

1. The Supplemental Support Pillar provides additional financing to fragile states for governance, capacity building and the rehabilitation and reconstruction of basic infrastructure;

2. The Debt Arrears Clearance Pillar helps post-conflict countries clear their arrears, enabling them to normalise relations with international financial institutions and access debt relief; and

3. The Targeted Support Pillar provides expert advice and services for institutional development and capacity building to help fragile states prepare and manage development policies.

In 2008, the Bank has also created a Fragile States Unit to support the Bank’s work in fragile states. It provides advisory support
to regional and sector departments, manages the targeted support programme and helps implement the arrears clearance programme.

Despite its relative youth, the Fragile States Facility has made significant progress under all three of its pillars. Since its inception, it has channeled supplemental financial resources to nine fragile states, cleared the arrears of two regional member states (Togo and Côte d’Ivoire), and provided targeted technical assistance and capacity building support to sixteen countries.

These innovations have given fragile states considerably higher priority in the Bank’s resource allocation process. An additional 7% of Bank resources between 2008 and 2010 were channelled to fragile states through the Fragile States Facility, over and above their regular allocation, and 12% will be allocated in the coming years. Overall, between 2008 and 2011, we provided around $2.5 billion in support to Africa’s fragile states across 124 operations, with a particular focus on infrastructure and agriculture.

Countries emerging from protracted conflict face massive infrastructure deficits as a result of war damage and years of neglect. The Bank gives high priority — over 40% of its total lending — to infrastructure development. In fragile states, we aim to promote inclusive growth by linking rural areas to growth centres and by opening up national and regional markets and trade routes. We built over 850 km of feeder roads in fragile states, helping link agricultural producers to their markets.

Africa’s fragile states depend heavily on food imports and are vulnerable to increases in commodity prices and scarcities in essential resources. In protracted conflicts, disruption to agriculture can lead to widespread food insecurity and hunger, at great cost to the population.

AFDB helped increase agricultural productivity in fragile states by improving land use on more than 26 000 hectares. We also financed the construction or rehabilitation of more than 1100 rural markets and storage centres and the drilling or rehabilitation of 3000 boreholes. We provided training on agricultural technology and land-use practices to more than 6000 farmers, of whom 60% were women.

AFDB has also invested in health, education and other social services, with tangible benefits for communities: over 255 000 people in fragile states have now access to improved health services as a result of our investments in hospitals and training.

We have also supported financial inclusion through the provision of microfinance and related services. Along with training programmes to help people from poor communities, especially women, launch new businesses, these initiatives have helped create around 120 000 microenterprises, benefitting over 2.7 million people.

Improving governance remains central in our assistance to fragile states. Between 2009 and 2011, AFDB provided over $60 million in capacity-building grants to fragile states, with a range of positive results. In Liberia, for example, our support helped restore sound financial management by helping the Liberian government implement far-reaching legal and institutional reforms in debt management, budget process, public accounting, tax policy and revenue collection.

We also reacted swiftly to the restoration of the constitutional process in Côte d’Ivoire, providing around $160 million in emergency support. By helping rebuild the country’s capacity for economic governance and its core public services and infrastructure, we helped restore stability and protect the most vulnerable segments of the population.

**How well AfDB manages its operations in fragile states**

Fragile states offer challenging environments in which to deliver development. Close supervision of projects enables us quickly to identify and resolve any problem emerging during implementation. In recent years, we have significantly improved our level of supervision, and this will continue as we decentralise our operations. We monitor our performance through monitoring and evaluation systems at both project and corporate levels, supported by an independent Evaluation Department, to ensure continuous learning and accountability. We have a wide range of dedicate knowledge management processes.

The Bank has recently adopted a new policy on the cancellation of non-performing projects. Seventy percent of the resources from cancelled projects are now retained by the borrower country, with the balance returned to the Bank’s general resource pool. This creates incentives for regional member countries to restructure their portfolios by cancelling non-performing operations and reallocating

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3 The figure includes the regular Bank’s performance-based allocation resources.
the resources to more productive uses. For example, in Côte d’Ivoire, an unused portion of the Bank’s portfolio was cancelled, allowing $35 million to be reallocated to a 2011 budget support operation.

The volatile conditions in many fragile states must be taken into account in the design of our country strategies and our operations. To that end, AfDB has an active programme of research and analysis on the challenges facing fragile states. We ensure that lessons are captured and fed back into the design of future operations. In 2011, 100% of our projects in fragile states achieved timely Project Completion Reports.

In line with the Paris Declaration and its successor agreements, the Bank is making progress on aid effectiveness. We have improved the predictability of our disbursements and increased our use of country systems. There is room for improvement in ensuring that our support is recorded on national budgets — a particular challenge in fragile contexts. Against this background, we have been working with a group of fragile states and international partners to develop new approaches on aid effectiveness in fragile states, in accordance with a joint commitment made at the 2011 High-Level Forum on Aid Effectiveness in Busan, Korea. At Busan the Bank endorsed an agreement on a new global direction for engagement with fragile states, the New Deal for Engagement in Fragile States (see Box 3.1). We share the belief that a new development architecture and new ways of working, better tailored to the situation and challenges of fragile contexts, are necessary to build peaceful states and societies.

### How efficient AfDB is, as an organisation, in supporting fragile states

The Fragile States Facility is a relatively new instrument, and we need to make its procedures even simpler and more flexible, given capacity constraints in fragile states. We have already put in place a number of measures to improve the effectiveness of our assistance.

Decentralisation of staff and functions to the country level is key to helping us be more responsive in dynamic situations, and better equipped to coordinate with other donors and support country-led development processes. Between 2009 and 2011, we opened five new field offices in fragile states, giving us permanent representation in more than half of the countries supported by the Fragile States Facility. We also opened two new Regional Resource Centres, improving our coverage of the remaining fragile states.

Further work is needed, however, to make decentralisation work effectively. To this end, the Bank is working to equip key staff in field offices and regional and sector departments with the knowledge and skills they need to better support clients and operations in fragile states.

As the Bank moves forward with decentralisation, up-to-date and fully-functioning information and communications technology will be critical to ensuring that we are able to operate efficiently across our network of field offices. In recent years, we have introduced new equipment and renewed ageing systems, but there is still room for improvement to enhance efficiency and reduce downtime.

The Bank has also strengthened its participation in global and regional partnerships. Our operations in fragile states are coordinated with other donors, including the World Bank, the International Monetary Fund, the United Nations Development Programme and bilateral agencies. Our Fragile States Unit actively promotes dialogue between donors and partner countries on issues of fragility and conflict.

We continue to work with other international partners to undertake joint assessment and diagnostic studies and develop shared approaches to implementing reforms. For example, we worked with the World Bank, the European Commission and the International Monetary Fund to develop a Common Approach to Budgetary Aid in Situation of Fragility (2010–11), with the aim of improving shared analysis and developing joint approaches to budget support.

AfDB is an active member of the Organisation for Economic Co-operation’s (OECD) International Network on Conflict and Fragility (INCAF). Since the Accra High Level Forum in September 2008, INCAF’s work has been broadened to include work-streams on a wide range of aid and development effectiveness issues in fragile and conflict-affected countries.

### Looking forward

While we have achieved much in improving our support for fragile states, we fully concur with the recent independent evaluation that further improvements are needed, if we are to meet the ambitious goals articulated in our corporate strategy.

To this end, the Bank has established a High-Level Panel for Fragile States to lead the process of continuous improvement (see Box 4.2). The High-Level Panel will formulate recommendations, aligned with our forthcoming Long-Term Strategy 2013–2022, aimed at improving the allocation of resources to fragile states, and increasing the quality and impact of our support at country and regional levels.

The Bank’s Long-Term Strategy 2013–2022 include strong commitments to enhancing our engagement in fragile states, with more intensive efforts to build capable states that can deliver inclusive growth. Key priorities will be building capacity, providing basic infrastructure, generating employment and reducing insecurity.

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4 2011 saw the opening of four new field offices in Togo, Liberia, Central African Republic, and Burundi; the field office in Zimbabwe was opened in 2010, while the field office in South Sudan came into operation in 2012.
Improving the delivery of basic health services

In many of Africa’s fragile states, conflict and socioeconomic crises have taken a heavy toll on human development. Where lack of access to prevention and treatment has increased vulnerability to diseases, we support governments at central and local level to increase their focus on resumption of basic health services.
Introduction

The Development Effectiveness Review is a series of publications reviewing the African Development Bank’s (AfDB or Bank) contribution to Africa’s development results.

Beginning with the first Annual Development Effectiveness Review published in 2011 (ADER 2011), this series has promoted transparency and accountability to our member countries and stakeholders. It also helps us ensure that our operations are continually improving.

In 2012 we have published a series of reviews examining particular sections of the Bank’s portfolio, including governance, regional operations and the Bank’s country programme in Rwanda. The Development Effectiveness Review 2012 on fragile states and conflict-affected countries, looks at the Bank’s operations in fragile and conflict-affected countries (fragile states) between 2009 and 2011.

The structure of this review follows the four levels of our Results Measurement Framework (see Table 0). Level 1 assesses the overall development situation in Africa’s fragile states, looking at patterns of conflict and fragility and the progress that this group of countries is making on growth and development. Level 2 assesses how the Bank’s operations are contributing to progress in fragile states, summarising our strategy and approaches and presenting some of the key outputs and outcomes from our operations. Level 3 discusses the quality of the Bank’s portfolio in fragile states, and level 4 looks at our effectiveness as an organisation when working in fragile states. Data from the Results Measurement Framework are included throughout the report, together with simple traffic-light ratings that indicate our level of progress towards our goals.

Applying the Results Measurement Framework to our fragile states programmes generates some useful insights into the performance of this part of our portfolio. On their own, however, the standard indicators do not capture all the specific challenges of operating in this difficult environment. We have recently undertaken a review of our framework, which in the future will make it more applicable to different country contexts. For the purpose of this review, the data from our Results Measurement Framework are supplemented by analyses and descriptions of our individual operations, to show how we respond in practice to the challenges we encounter in fragile states.

The Development Effectiveness Review 2012 on fragile states and conflict-affected countries is intended to inform our partners and stakeholders in Africa and beyond about the Bank’s work in fragile states. In addition to making us more transparent and accountable to our stakeholders, this review is intended to be of considerable value as an internal management tool, as we strive to improve our operations in fragile states and fulfil our mandate as Africa’s premier development finance institution.

Table 0: AfDB’s Results Measurement Framework

| Level 1 | What development progress are Africa’s fragile states making? |
| Level 2 | How well is AfDB contributing to development in fragile states? |
| Level 3 | Is AfDB managing its operations in fragile states effectively? |
| Level 4 | How efficient AfDB is as an organisation in supporting fragile states? |
Agriculture is essential for sustainable human development in fragile states
As countries emerge from conflict, farmers and related businesses recover quickly, contributing to increased food security and providing job opportunities for the population.
Conflict and political fragility are among the most serious constraints on Africa’s development. As a group, fragile states have seen slower economic growth than other low-income countries and have made less progress in tackling chronic poverty. With a 50% higher rate of malnutrition, 20% higher child mortality and 18% lower primary-education completion rate, they lag behind on all the Millennium Development Goals.

Conflict and poverty are intertwined in complex ways. Countries and regions can become trapped in cycles of conflict and instability, in which weak governance and chronic underdevelopment are both a source and a result of violence. The effects of conflict fall hardest on the most vulnerable groups in society, including women and children. These groups are at greater risk of violence, exploitation, abuse, neglect, loss of livelihood and food insecurity.

This chapter is divided into two sections. The first looks briefly at trends in conflict and fragility in Africa and at the current definition of a fragile state, while the second assesses the overall development performance of Africa’s fragile states as a group, looking at recent progress against a range of development indicators.

**Patterns of conflict and fragility in Africa**

Africa remains one of the most conflict-ridden regions in the world, with the number of conflicts increasing in recent years, although they are of lesser intensity than in the past.

The most intractable conflicts have ill effects — including refugee movements and the proliferation of small arms — that spill over national borders, creating regional complexes of interconnected violence. There are two such complexes in Africa: one stretching from Nigeria across Chad and Sudan to the Horn of Africa, and the other in the Great Lakes region, covering the Democratic Republic of Congo, Uganda and the Central African Republic (see Figure 1.1). Within these complexes, it is very difficult for any one state to break the cycle of violence without a wider resolution at the regional level.

The Arab Spring, with revolutions and civil conflict in Tunisia, Egypt and Libya, has highlighted a new source of state fragility in Africa. Appearing suddenly in countries that seemed both politically stable and relatively prosperous, these North African conflicts showed that development itself may be a driver of conflict if it fails to provide economic opportunities for the majority of the population. The economic exclusion of young people — increasingly well-educated and linked to each other and the wider world through social media — poses clear political risks. The resulting upheavals have highlighted the importance of inclusive development in addressing the causes of conflict and fragility.

Elsewhere, climate change, land degradation and water scarcity are all important drivers of conflict, particularly in the Horn of Africa.

**Figure 1.1 Spill over of conflicts in Central Africa**

**Source:** Raleigh and others 2010; Raleigh 2010
Table 1: Development in Africa’s fragile states (Level 1)

This table summarises the development progress of Africa’s fragile states between 2005 and 2011. The indicators, which are from the Bank’s Results Measurement Framework, cover areas where the Bank provides support and advice: economic growth, regional integration, and so on.

For each indicator progress is measured as follows:
- **Progress is strong** — Indicator has made more progress than in other African countries;
- **Progress is slow** — Indicator has improved but less than in other African countries;
- **Progress has slipped** — Indicator is lower than baseline;
- **Data are not available to measure progress.**

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>AFRICAN FRAGILE STATES</th>
<th>ALL AFRICAN COUNTRIES</th>
</tr>
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<tbody>
<tr>
<td><strong>ECONOMIC GROWTH AND POVERTY REDUCTION</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP per capita (2000 constant USD)</td>
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<td>333(^*)</td>
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<tr>
<td>Population living below $1.25/day at PPP (%)</td>
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<td>53(^*)</td>
</tr>
<tr>
<td>Income inequality as reflected by the Gini Index (%)</td>
<td>..</td>
<td>50(^*)</td>
</tr>
<tr>
<td><strong>PRIVATE-SECTOR DEVELOPMENT AND INVESTMENT CLIMATE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global competitiveness index ranking(^1) (1 to 7)</td>
<td>2.7</td>
<td>3.1</td>
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<td>Cost of business start-up (% of GNI per capita)</td>
<td>328</td>
<td>145</td>
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<tr>
<td>Time required for business start-up (days)</td>
<td>70</td>
<td>44</td>
</tr>
<tr>
<td><strong>GENDER AND HUMAN DEVELOPMENT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under-five child mortality (per 1000 live births)</td>
<td>149</td>
<td>138(^*)</td>
</tr>
<tr>
<td>Maternal mortality (per 100 000 live births)</td>
<td>788</td>
<td>747(^*)</td>
</tr>
<tr>
<td>Ratio of girls to boys in primary and secondary school (%)</td>
<td>72</td>
<td>76(^*)</td>
</tr>
<tr>
<td>Primary school completion rate (%)</td>
<td>60</td>
<td>62(^*)</td>
</tr>
<tr>
<td>Employment-to-population gender ratio (index)</td>
<td>0.63</td>
<td>0.64(^*)</td>
</tr>
<tr>
<td><strong>INFRASTRUCTURE</strong></td>
<td></td>
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</tr>
<tr>
<td>Access to improved water source (% population)</td>
<td>57.7</td>
<td>57.9(^*)</td>
</tr>
<tr>
<td>Access to improved sanitation facilities (% population)</td>
<td>25.2</td>
<td>26.4(^*)</td>
</tr>
<tr>
<td>Fixed lines and mobile phone subscribers (per 1000)</td>
<td>67</td>
<td>351</td>
</tr>
<tr>
<td>Internet users (per 1000)</td>
<td>17</td>
<td>25</td>
</tr>
<tr>
<td><strong>AGRICULTURE AND FOOD SECURITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture, value added (% of GDP)</td>
<td>28.9</td>
<td>27.9(^*)</td>
</tr>
<tr>
<td>Staple crops yield index (2002 value = 100)</td>
<td>111</td>
<td>108(^*)</td>
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<tr>
<td>Fertiliser consumption (kilograms per hectare of arable land)</td>
<td>7.3</td>
<td>7.6(^*)</td>
</tr>
<tr>
<td><strong>REGIONAL INTEGRATION AND TRADE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Africa’s share of global trade (%)</td>
<td>0.26</td>
<td>0.33</td>
</tr>
<tr>
<td>Intra-African trade ($ billion)</td>
<td>9.3</td>
<td>20.4</td>
</tr>
<tr>
<td><strong>GOVERNANCE AND TRANSPARENCY</strong></td>
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<td></td>
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<tr>
<td>Worldwide Governance Indicators avg. Score (-2.5 to 2.5)</td>
<td>-1.20</td>
<td>-1.17(^*)</td>
</tr>
<tr>
<td>Mo Ibrahim Index (1 to 100)</td>
<td>36.9</td>
<td>38.8(^*)</td>
</tr>
<tr>
<td>Transparency international - Corruption index (1 to 10)</td>
<td>2.2</td>
<td>2.1(^*)</td>
</tr>
<tr>
<td><strong>ENVIRONMENT AND CLEAN ENERGY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Combustible renewable and waste (% of total energy)</td>
<td>79.2</td>
<td>78.5(^*)</td>
</tr>
</tbody>
</table>

\(^1\) 2006 is considered as a baseline year. Latest data available is for \(^*\) 2007, \(^*\) 2008, \(^\#\) 2009, \(^\#\) 2010.  

Notes: This review looks at the Bank’s operations between 2009 and 2011 in 17 countries that have benefited from support from the Fragile States Facility, including Burundi, Central African Republic, Chad, Comoros, Republic of Congo, Democratic Republic of Congo, Côte d’Ivoire, Djibouti, Guinea, Guinea-Bissau, Liberia, São Tomé and Príncipe, Sierra Leone, Somalia, Sudan, Togo and Zimbabwe. Results from Bank’s operations in South Sudan, which became an independent state in mid-2011, are reported as part of the Bank’s Sudan programme.

**Box 1.1 Defining fragility: the Country Policy and Institutional Assessment index**

**What is the CPIA Index?** The Country Policy and Institutional Assessment (CPIA) is a diagnostic tool initially created by the World Bank and then adapted by other multilateral development banks, including AfDB. It measures the extent to which a country’s policy and institutional framework supports sustainable growth and poverty reduction, and consequently how effectively the country is using its development resources.

**What criteria make up the CPIA Index and what do they measure?** The CPIA consists of 16 criteria grouped into four equally weighted clusters: Economic Management, Structural Policies, Policies for Social Inclusion and Equity, and Public Sector Management and Institutions. For each of these 16 criteria, countries are rated on a scale of 1 (low) to 6 (high). The scores depend on the absolute level of performance in a given year, rather than on changes in performance compared to the previous year. Ratings are given on the basis of actual policies and demonstrated performance, rather than on promises or intentions.

**When is a country considered “fragile”?** A fragile state is defined as having a harmonised CPIA rating of 3.2 or lower, or the presence of a UN and/or regional peace-keeping or peace-building mission during the past three years. While the CPIA index is not intended to measure fragility as such, it provides a useful proxy indicator for fragility, and a way of charting progress.

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**Definition of a fragile state**

Fragile situations became a central concern of the international development and security agenda in the 1990s. The last five years have been especially tumultuous, encompassing the 2008 food, fuel and financial crisis and its economic aftermath, and the Arab Spring, which began in 2011. These events have influenced the international debate on the nature, relevance and implications of fragility.

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 characterised by limited institutional capacity and weak governance. These result in an inability to deliver basic services — and development results — to the poor. Basic state functions can also be undermined by weak policy frameworks and civil strife. Further factors of fragility are limited political participation for citizens and civil society, low levels of competition in the private sector and ineffective natural resource management, leading to increased vulnerability to natural disasters.

AfDB identifies fragile states by reference to their relative performance on the harmonised Country Policy and Institutional Assessment (CPIA) index (see Box 1.1). The CPIA classification has served AfDB and other Multilateral Development Banks well since 2007, and has contributed in enhancing collaboration and coordination on operational issues, including arrears clearance.

We are in the process of reviewing our Strategy for Enhanced Engagement in fragile states in order to make it more effective and efficient in addressing fragility and conflict. The revision will take into account several issues, including the definition of fragility and eligibility for support from the Fragile States Facility with a view to ensure that countries showing significant characteristics of fragility and conflict but with a harmonised CPIA above the cut-off 3.2, such as Mali, are efficiently supported by the Bank.

This review looks at the 17 fragile states that between 2009 and 2011 benefited from support from the Fragile States Facility (see Box 2.1), including Burundi Central African Republic, Chad, Comoros, Republic of Congo, Democratic Republic of Congo, Côte d’Ivoire, Djibouti, Guinea, Guinea-Bissau, Liberia, São Tomé and Príncipe, Sierra Leone, Somalia, Sudan, Togo and Zimbabwe. As at the end of 2012, Mali is in transition to become eligible for support from the Fragile States Facility.

**Economic growth and poverty reduction**

The last decade has been the most dynamic period of economic growth in Africa’s modern history. In the late 1990s, the continent emerged from a long period of stagnation, achieving GDP growth of more than 6% per annum by the middle of last decade. While the global financial crisis was a setback, Africa rebounded relatively quickly and looks likely to remain one of the fastest-growing regions of the world.

Sustained, broad-based economic growth is essential for significant poverty reduction in low-income countries, particularly given the limited scope for income redistribution. But economic growth is not an end in itself. Rather, it creates jobs and economic opportunities for the population, while generating the resources for countries to invest in public services like health and education and other development goals. It has been estimated that a one percent rise in average household income results in a 1.2–7.0% decline in poverty rates.

As a group, however, Africa’s fragile states have been slow to benefit from this growth. Conflict and political instability remain among the most significant brakes on Africa’s development. Conflict discourages trade and investment, erodes institutional capacity and disrupts public services, leaving states trapped in poverty (see Figure 1.2).

Happily, there is some evidence that the situation is slowly improving. Across Africa’s fragile states, income levels are rising, from an average per capita income¹ of $300 in 2005 to $333 in 2011. While this is slower than in other low-income countries, it

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¹ A yellow bullet indicates that progress is slow — indicator has improved but less than in other African countries.
Level 1: Development in Africa’s fragile states

has had a noticeable effect on poverty, with the proportion of people living on less than $1.25 per day declining from 56% in 2005 to 53% in 2011.

Yet in African fragile states income inequality, as measured by the Gini index, has barely improved since 1980. People in these countries remain intensely vulnerable to harm of various kinds, from personal insecurity to loss of livelihood to the effects of global events, such as rising food prices (see Figure 1.3). In 2011 the Horn of Africa was hit hard by the combined effects of drought, rising international food prices and continuing conflict. The region has more than 12 million people in need of emergency humanitarian assistance. Thirty years after Amartya Sen pointed out that famines are first and foremost political failures, this human catastrophe shows the high cost that Africans continue to pay for conflict and instability and reminds us that there is an urgent need for concerted international efforts to break the cycle of violence and give Africa’s conflict-affected regions a chance to thrive.

Private-sector development and investment climate

As countries emerge from conflict or political crisis, expectations run high for a quick return to a normal social and economic life. This means first and foremost helping families return to their livelihoods, by providing jobs and business opportunities in the private sector. Investing in the private sector is also key to rebuilding legitimate states, because it generates the revenues needed to finance the resumption of public services.

The private sector offers good opportunities for higher-impact development support in fragile states. Promoting private-sector growth can provide a quick boost to building economic and social resilience and improving governance.

Across the continent, the business climate for private-sector development has improved in recent years. With its growing urban population, Africa is becoming an increasingly attractive climate for investment, with telecommunications, banking, retail and construction all surging ahead. African governments have helped strengthen the private sector with economic reforms designed to increase the ease of doing business (see Box 1.2). These reforms have also occurred in fragile states, where the average time required for starting a business decreased from 70 days in 2005 to 44 days in 2011 and the cost required for business start-up fell by more than half over the same period.

Employment and wealth creation are an urgent priority in conflict-affected countries, to generate social cohesion and political stability. To be effective in conflict situations, investments in private-sector employment should focus on microfinance, small and medium-sized enterprises and special economic zones. Many post-conflict countries have antiquated regulatory systems that urgently need reform to enable new businesses to emerge. Banks and financial institutions must be rebuilt, to give the private sector access to capital. And there is an urgent need to rebuild and develop basic infrastructure — power facilities, roads and ports — so that the private sector can operate.

African fragile states’ competitiveness has begun to improve, although from a low base. A key characteristic of African fragile states labour markets is the very high ratio of informal to formal
sector employment. While growth in the formal sector is essential over the long term, the informal sector often has greater capacity to absorb new entrants to the labour force, especially in economies with low formal output growth. Governments in fragile states often need to pursue a two-track approach, supporting increased productivity in the informal sector, while simultaneously improving the operating environment for formal enterprises.

Gender and human development

Conflict and political instability take a heavy toll on human development. They can cause public services to be degraded in quality and coverage, or to collapse altogether. Physical insecurity may prevent households from accessing basic services. In cases of protracted conflict, entire generations of children may miss out on schooling, while lack of access to health care and medicine can cause loss of human life on a scale that may far exceed direct casualties from armed conflict. As a period of conflict or political crisis comes to an end, the population expects a ‘peace dividend’ in terms of the restoration of security and justice and the quick re-establishment of basic social and health services. Meeting these needs as quickly as possible is essential for the state to regain its legitimacy and prevent renewed conflict.

In recent years, there has been a major focus on maternal and child health through the Millennium Development Goals. There has been, indeed, steady improvement in under-five child mortality in Africa’s fragile states, with a 7% decline in deaths from 149 per 1000 live births in 2005 to 138 in 2010. And in the last three years, the rate of decline has been faster in fragile states than in the rest of the continent (see Figure 1.4). There has also been progress on maternal health, with maternal mortality falling from 788 per 100 000 live births to 747, though the gain has been greater in non-fragile states.

Education is fundamental to recover from conflict and other crises. Not only does it provide children with the basic literacy and numeracy they need throughout their lives, but there is also evidence to suggest that the likelihood of successful peace-building increases with the level of education of the population.

The primary school completion rate in Africa’s fragile states has shown a slight improvement, from 60% in 2005 to 62% in 2009. However, there has been no measurable progress on improving gender equality. The primary and secondary enrolment rate for girls has improved, but still lags almost 20% behind that of boys. Women’s participation in the workplace is also well behind men’s. Girls and women often suffer disproportionately from the effects of conflict and fragility. Not only are they vulnerable to victimisation during armed conflict, but physical insecurity can keep women out of the workforce and girls out of education. Girls’ education also tends to be the first to be neglected during times of economic hardship. These problems are substantial across Africa’s low-income countries.

Girls and women, however, should not be viewed solely as victims of war. They assume the key role of ensuring family livelihood in the midst of chaos and destruction, and are particularly active in the peace movement at the grassroots level, cultivating peace within their communities. There is a growing understanding of the role of women in conflict resolution and the specific skills and abilities they bring to the decision-making process.

Infrastructure: sanitation, transport, energy and telecommunications

Years of conflict and neglect have left African fragile states’ infrastructure in dire condition. Today, these countries generate barely 20% of their energy needs and have few major roads linking their cities, trading towns and ports. Only 58% of the population has access to an improved water source, and 26% has access to improved sanitation facilities — figures that
have improved only slightly in recent years. It is estimated that poor infrastructure depresses productivity in Africa’s fragile states by about 40%.

Infrastructure is fundamental to rebuilding the socio-economic life of fragile states. Road rehabilitation is critical to both private-sector recovery and employment generation. It can aid communities in the short term by making use of local contractors and labour, and over the long term by facilitating access to markets. Infrastructure investment is also needed to reconnect fragile states with neighbouring countries and enable them to benefit from greater economic integration.

Across Africa, infrastructure development has contributed far more to promoting economic growth than any other development intervention. There is also growing evidence to suggest that the provision of basic infrastructure and services plays a significant role in sustaining peace, security, and citizen confidence in the state. Effective delivery of services like health and education and of utilities such as water and power is a key test of legitimacy for any government, and an opportunity for the leadership of a fragile state to establish their credibility. Conversely, where weak institutional capacity results in poor performance and disappointed expectations, it can undermine the reestablishment of peace and security.

Investments in clean energy have considerable potential for promoting growth and poverty reduction; nearly 80% of the energy consumed in fragile states now comes from renewable sources.

While the challenges are vast, there are some positive trends to report. Telecommunications has improved rapidly, with the number of households enjoying a telephone connection up from 67 per 1000 in 2005 to 351 per 1000 in 2010 — mainly because of the spread of mobile networks. Internet use has also increased significantly in recent years, from 17 to 25 per 1000 people. These figures indicate the potential of new technologies to reach remote populations.

Africa has more than half of the world’s clean-energy potential, and a significant share of this is located in fragile states. It is encouraging to see that some fragile states have begun to develop their comparative advantage in this area. For example, Liberia, supported by AfDB and other development partners, is boosting its energy infrastructure. Electrification in rural areas is administered through renewable and least-cost energy technologies and resources, including micro-hydro power plants, small biomass power plants, solar photovoltaic applications, and other mini-grid and stand-alone systems. However, environmental degradation and the pressures of climate change are placing an extra burden on Africa’s fragile states. The increasing frequency and intensity of extreme weather and the rate of decline in natural resources, particularly water, have become a source of poverty and conflict.

Agriculture and food security
Land and related resources, such as water and biodiversity are vital in Africa’s fragile states since they offer diversified livelihood opportunities and alternatives. Land also provides a sense of security in contexts where formal employment opportunities and access to resources are limited. Given its importance, access to and availability of land resources are critical to ensuring real and longlasting improvement in social, economic and political well-being, especially in vulnerable societies that are prone to instability and conflicts.

Africa’s fragile states possess significant endowments of arable land and labour, giving them a comparative advantage in agriculture and agribusiness. However, few have been able to fully harness this potential. Agriculture remains under-capitalised in African fragile states, with little mechanisation and scant use of yield-enhancing practices and technologies. The result is low productivity and value addition. It is estimated that as much as 80% of the population in fragile states lives mainly from subsistence agriculture and is vulnerable to food insecurity.

Conflict is both a cause and a result of food insecurity. It can erupt over control of productive assets, particularly land and water. Population growth, which puts pressure on natural resources, together with a more variable climate and greater food price volatility, increase the stress. Fragile states lack political institutions that are able to manage these pressures, making conflict and civil unrest more likely.

Fragile states depend heavily on food imports, making them vulnerable to increases in global commodity prices and scarcities in essential products. In protracted conflicts the disruption of agriculture can lead to widespread food insecurity and hunger, at great cost to the population. The Democratic Republic of Congo, Somalia and Sudan have all suffered acute food emergencies during the past decade. Most recently, famine in the Horn of Africa — with the effects of conflict compounded by severe drought and rising international food prices — has brought about a vast humanitarian crisis across four fragile and conflict-affected countries.

Food prices are higher now than at any time since 1984, and price spikes have deepened existing vulnerabilities. Most African fragile states that import a high proportion of their food but have limited fiscal flexibility are driven deeper into deficit. They risk social unrest if they are unable to use subsidies and price controls to shield their populations from inflation. Food shortages and seasonal variations in price can force families to sell productive

assets, withdraw children from school, forgo health care or simply live with hunger. Long-term solutions to food security hinge on substantial improvements in agricultural productivity. This requires first and foremost a return to stability, accompanied by substantial increases in investment in the sector.

But agriculture remains a neglected area in fragile states. Between 2005 and 2011, total agricultural added value decreased from 28.9% of GDP to 27.9%. Fertiliser consumption increased slightly from 7.3 to 7.6 kg per hectare, but the staple-crops yield index remained almost static.

Most fragile states have limited agro-processing capacity. Low agricultural output is made worse by large post-harvest losses, particularly for perishable commodities. In some fragile states, these losses can be as much as 35%–50% of total production for fruit and vegetables and 15%–25% for grains. The lack of agro-processing also limits the scope for value addition and employment creation. Yet this area is clearly ripe for investment. The convergence of strong demand for agricultural products with favourable supply conditions — particularly abundant arable land and labour — make agriculture and agri-business development a viable option in most fragile states.

Climate change is expected to place new stresses on traditional agricultural methods. Adapting to climate change will require a major investment of funds and global partnerships in science and technology, together with institutions capable of delivering support to millions of smallholders.

**Regional integration and trade**

Since the early years of Africa’s independence, regional integration has been recognised as essential to the continent’s development agenda. Africa’s fragmentation into 54 national economies, many of them small and landlocked, combined with its low population density and dependence on primary production, are major barriers to growth and poverty reduction. Africa’s leaders are committed to overcoming this fragmentation and creating the economies of scale they need to become internationally competitive. The regional integration agenda is particularly important in fragile states, where the small size of national markets makes it very difficult to establish competitive businesses.

A significant proportion of the road network in fragile states is unpaved, and few all-season roads are often neglectfully maintained (see Figure 1.5). Regional integration means building linkages between African countries, including improved infrastructure connections and the ‘soft’ infrastructure of institutions and harmonised regulations needed to promote the free flow of goods, services, people and finance. It requires both major investments and sustained political commitment.

To promote regional integration, Africa has developed a complex architecture of Regional Economic Communities, working towards an eventual Africa-wide economic community. Despite some important progress at the regional level, the overall results have been modest.

While trade between fragile states and their neighbours has increased from $9.3 billion in 2005 to $20.4 billion in 2011, they continue to be poorly integrated. Poor infrastructure is one major factor, with regional road networks often in dire condition. These countries also impose a range of non-tariff barriers, including complex and lengthy customs procedures and restrictive and poorly harmonised regulatory systems. Many of them restrict the movement of people across their borders.

One survey of the West African region found that, for every 100 km travelled, a truck driver could expect to pass through 2.3 checkpoints, suffer 24 minutes’ delay and make $7.90 in illegal payments, even with papers in order and a fully roadworthy truck.5

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4 A red bullet indicates that progress has slipped — Indicator is lower than baseline.

5 In the survey, checkpoints are defined as the average number of stops that drivers experience at points operated by a given uniformed service, excluding voluntary stops drivers make to eat or sleep. Delay times are defined as the total time drivers spend at a checkpoint, excluding voluntary time they spend to eat, rest or pray. Bribery is the sum of illegal payments drivers pay to uniformed service members; this sum does not include bribes paid by freight forwarders or other stakeholders. The survey covered the main trade corridors in the region: Tema-Ouagadougou, Ouagadougou-Bamako, Lomé-Ouagadougou, Bamako-Dakar, Abidjan-Ouagadougou and Abidjan-Bamako.
Box 1.3 Extractive industries: a notable governance challenge

Africa’s fragile states are well endowed with natural resources — rainforests, rivers, lakes and minerals. The ability to manage these natural resources and the revenues they generate is critical, as competition for control of them can be a major driver of conflict and political instability. Over the last 60 years, natural resources have been linked to between 40% and 60% of internal conflicts in any particular year. Trade in diamonds, timber and other natural resources has financed at least 18 conflicts since 1990, including in Sudan, the Democratic Republic of Congo, Liberia, Sierra Leone and Nigeria.

 Countries recovering from resource-related conflicts are more likely to relapse into conflict, and they relapse twice as quickly as countries recovering from other types of conflict. On the other hand, natural resources can be one of a country’s most critical assets for peace building. Typically, 80% of rural livelihoods depend directly on natural resources, and over 50% of the GDP in post-conflict countries comes from agriculture and resource-related industries. Likewise, between 50% and 80% of exports from post-conflict countries are based on natural resources. In several African post-conflict countries, reliance on resource-related exports has been overwhelming: in Algeria, Angola and Sudan, oil and gas made up more than 90% of exports, and in the aftermath of the civil war in Sierra Leone that ended in 2002, 96% of exports were diamonds.

The ‘resource curse’ can cause a sharp deterioration in standards of government. Corrupt deals between multinational companies and political leaders may mean that the public enjoys few, if any, benefits from the country’s natural resource wealth. The Extractive Industries Transparency Initiative is an international process designed to address this problem. It is a voluntary agreement between governments, the private sector and civil society designed to promote transparency in the relationships between companies and government and improve accountability in the management of revenues. It works through the full and timely disclosure of all payments by companies to governments, and of all revenues collected by the state.

The Regional Economic Communities are actively trying to promote the economic integration of fragile states, including by using some of their resources to help them meet the costs of participating in free-trade agreements or customs unions. For example, Burundi received $6.5 million in compensation for losses it incurred by adopting the East African Community’s Common External Tariff.

The proliferation of Regional Economic Communities is in itself a challenge, with 14 operating across Africa and at least two in each sub-region. Countries such as Burundi, Djibouti, the Democratic Republic of Congo, Eritrea and Sudan belong to three different regional blocs. The resulting ‘spaghetti bowl’ of overlapping memberships slows the pace of economic integration. The Tripartite Agreement among the Southern African Development Community, the East Africa Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA) aims to combat this by combining these three communities into a single economic space covering almost half of the continent.

Governance and transparency

The quality of a country’s institutions is a major factor not just in its rate of economic growth, but also in how inclusive that growth is likely to be. More effective and accountable states are better placed to mobilise the resources they need to tackle poverty and deliver development programmes and public services efficiently. Following a conflict, the rapid restoration of basic public services is a critical goal, providing a ‘peace dividend’ for the population that helps prevent the recurrence of conflict. This in turn requires the reestablishment of basic revenue-raising and budgeting capacities and a professional public administration, both of which pose significant challenges for fragile states. State-building is first and foremost a political challenge. Many post-conflict countries need to take special care that their new constitutional order and political institutions include former combatants and marginalised groups. Only then will they have good prospects for delivering stable and legitimate government.

There is strong commitment at the continental level to promoting democracy. The African Union and New Partnership for Africa’s Development (NEPAD) have affirmed that political governance, peace and security, and development are interdependent. Democratic elections are increasingly the norm across Africa, with 17 presidential elections held in 2011. Of 19 African countries that have held at least two successive elections, 12 have shown positive signs of democratic consolidation, such as improvements in voting processes and participation rates. However, it takes more than elections to produce democracy. Democratic norms are still weakly entrenched in many countries, and electoral violence remains a perennial risk. Despite some notable successes, overall measures of political voice and accountability, political participation and human rights have remained static in recent years.

On average, Africa performs poorly on standard governance indicators, scoring 30% lower than the Asian average and 60% lower than industrialised countries. Fragile states are particularly challenged, given the sheer scale and range of their institutional development needs. Everything is a high priority, and there is a limited window of time to show results.

Across the fragile states, the average Worldwide Governance Indicators score has shown no improvement over the past five
years (-1.2 in 2005, as in 2010). Fighting corruption remains one of Africa’s fragile states biggest challenges. The 2011 Transparency International’s Corruption Perception Index ranks the majority of these countries at less than 2 out of 10, indicating that corruption remains entrenched.

However, according to the Mo Ibrahim Index (see Box II), fragile states have on average improved their ability to create sustainable economic opportunity and promote human development.

Another positive development in Africa’s fragile states in recent years has been the establishment of the Extractive Industries Transparency Initiative (EITI), designed to combat conflict and corruption associated with the extraction of natural resources (see Box 1.3). With the help of AfDB, Liberia was the first African fragile state to become fully EITI compliant, followed by the Central African Republic. Five other fragile states — Sierra Leone, the Democratic Republic of Congo, Republic of the Congo, Chad and Côte d’Ivoire — are EITI candidate countries.
The African Development Bank provided almost $2.5 billion to fragile states between 2009 and 2011. To increase the transparency of its operations and better allocate its resources across the continent, the Bank is geo-coding its entire portfolio. This map plots the geographic location of the Bank’s operations in fragile states that were approved between 2009 and 2011. The map also shows AfDB’s funding for all operational activities in fragile states, including investments that cannot be pinned to a geographic location (e.g. general budget support, institutional capacity building and technical assistance).

1 Mali, that already receives regular support through the Bank’s performance-based allocation system, is in transition to become eligible for support from the Fragile States Facility.
Since 2008, with the development of the new Strategy for Enhanced Engagement in Fragile States and the creation of the Fragile States Facility, the Bank has been scaling up investments in fragile states and tailoring its operations to their specific needs. While our fragile states portfolio covers the full range of sectors and thematic areas found in other countries, we also offer additional capacity-building support with a strong focus on core governance functions, as well as assistance with arrears clearance.

In this chapter, we review the Bank’s contribution to development in Africa’s fragile states. We begin by introducing the Fragile States Facility and its operations. We then look at the Bank’s contribution to the different development challenges discussed in Chapter 1. Although development outcomes in fragile states are influenced by many factors beyond our control, the data tell a story of our increasingly important contribution to meeting some of Africa’s most pressing development challenges.

**Enhanced engagement in fragile states: the Fragile States Facility**

As a group, fragile states have received less aid than other countries, taking into account their low capacity to absorb funds (Governance and Social Development Resource Centre, 2005). Aid flows to fragile states are also twice as volatile as those to other states — not only because of the disruption to aid projects caused by conflict and instability, but also because of donor preferences for very short-term aid. In countries such as Burundi, Guinea-Bissau and the Central African Republic, disbursements may fluctuate by up to 50% from one year to the next (see Figure 2.1). This volatility imposes high costs on fragile states — estimated at around 2.5% of GDP (OECD 2010).

It was these facts that led AfDB to adopt in 2008 a new corporate Strategy for Enhanced Engagement in Fragile States, designed to support countries in their transition out of fragility and towards peace and stability. The key elements of the strategy are additional, dedicated resources through the Fragile States Facility (see Box 2.1), tailored programming and procedures for fragile states, and the creation of a special unit as the focal point for implementation.

**Box 2.1 The Fragile States Facility**

**What is the Fragile States Facility?** The Fragile States Facility was established in 2008 to channel additional development resources to Africa’s fragile states. It is an operationally autonomous entity within the African Development Bank Group. Its objective is to provide supplemental support so as to more effectively assist states emerging from conflict or crisis. It seeks to support eligible states in consolidating peace, stabilising their economies and laying the foundation for sustainable economic growth. At the operational and financial levels, it is managed by an autonomous trust fund. All of its support takes the form of grants.

**How does the Fragile States Facility work?** It provides operational support through three windows:

- The Supplemental Support Pillar (Pillar 1) provides additional financing to fragile states for governance, capacity building and the rehabilitation and reconstruction of basic infrastructure.
- The Debt Arrears Clearance Pillar (Pillar 2) assists post-conflict countries with clearing their arrears, enabling them to normalise relations with International Financial Institutions and access debt relief.
- The Targeted Support Pillar (Pillar 3) provides expert advice and services to fragile states to help them prepare and manage development policies.

**Which countries are eligible for Fragile States Facility support?** To be eligible for support from the Fragile States Facility, fragile states must have suffered extensive economic losses through conflict and governance weaknesses, and must fall in the bottom 20% of the UN’s Human Development Index. They must also be able to demonstrate that conditions now exist for consolidating peace and security — for example, through a peace agreement or the establishment of a transitional authority.
Table 2: How AfDB contributes to development in fragile states (Level 2)

This table presents the contribution the Bank is making to development through its operations in Africa’s fragile states. The Bank’s performance is measured by comparing expected and actual achievements for all operations that have been completed:

- Bank operations achieved 95% or more of what was expected at the beginning;
- Bank operations achieved 60%–94% of what was expected at the beginning;
- Bank operations achieved less than 60% of what was expected at the beginning;
- Data are not available to measure performance.

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>Expected</th>
<th>Delivered</th>
<th>Percentage delivered</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MICROFINANCE AND SOCIAL SECTORS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social facilities, community centres constructed and rehabilitated</td>
<td>518</td>
<td>569</td>
<td>110%</td>
</tr>
<tr>
<td>Microenterprises created</td>
<td>276742</td>
<td>119144</td>
<td>43%</td>
</tr>
<tr>
<td>Government/NGO staff trained in microfinance management</td>
<td>3121</td>
<td>3383</td>
<td>108%</td>
</tr>
<tr>
<td>Population benefiting from microfinance and social activities</td>
<td>2801098</td>
<td>2705034</td>
<td>97%</td>
</tr>
<tr>
<td>Women trained</td>
<td>23060</td>
<td>19115</td>
<td>83%</td>
</tr>
<tr>
<td><strong>EDUCATION</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Classrooms and educational support facilities constructed/rehabilitated</td>
<td>396</td>
<td>174</td>
<td>44%</td>
</tr>
<tr>
<td>Teachers and other educational staff recruited/trained</td>
<td>12342</td>
<td>12771</td>
<td>103%</td>
</tr>
<tr>
<td>Workshops/studies organised</td>
<td>5</td>
<td>5</td>
<td>100%</td>
</tr>
<tr>
<td><strong>HEALTH</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary and secondary health centres constructed or rehabilitated</td>
<td>12</td>
<td>12</td>
<td>100%</td>
</tr>
<tr>
<td>Health facilities equipped</td>
<td>43</td>
<td>43</td>
<td>100%</td>
</tr>
<tr>
<td>Health training and education sessions</td>
<td>1060</td>
<td>543</td>
<td>51%</td>
</tr>
<tr>
<td>People with access to better health services</td>
<td>365000</td>
<td>255500</td>
<td>70%</td>
</tr>
<tr>
<td><strong>WATER AND SANITATION</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Boreholes and wells drilled/rehabilitated and equipped</td>
<td>2223</td>
<td>2836</td>
<td>128%</td>
</tr>
<tr>
<td>Latrines constructed or rehabilitated</td>
<td>5200</td>
<td>6779</td>
<td>130%</td>
</tr>
<tr>
<td>Drinking water transmission and distribution pipes constructed</td>
<td>27</td>
<td>26</td>
<td>96%</td>
</tr>
<tr>
<td>Pumping stations and intake structures</td>
<td>16</td>
<td>10</td>
<td>63%</td>
</tr>
<tr>
<td>Drinking water capacity created (service reservoirs m³/day)</td>
<td>10000</td>
<td>10000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TRANSPORT</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Feeder roads constructed or rehabilitated</td>
<td>1768</td>
<td>853</td>
<td>48%</td>
</tr>
<tr>
<td>Executing agencies for transport implementation trained/equipped</td>
<td>224</td>
<td>112</td>
<td>50%</td>
</tr>
<tr>
<td>Staff trained/recruited for road maintenance</td>
<td>140</td>
<td>140</td>
<td>100%</td>
</tr>
<tr>
<td><strong>ENERGY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distribution sub-stations and transformers constructed or rehabilitated</td>
<td>26</td>
<td>48</td>
<td>185%</td>
</tr>
<tr>
<td>Length of transmission and distribution lines rehabilitated or installed</td>
<td>812</td>
<td>809</td>
<td>100%</td>
</tr>
<tr>
<td>People benefiting from new electricity connections</td>
<td>555000</td>
<td>570000</td>
<td>103%</td>
</tr>
<tr>
<td>Staff trained/recruited in the maintenance of energy facilities</td>
<td>28</td>
<td>40</td>
<td>143%</td>
</tr>
<tr>
<td><strong>AGRICULTURE AND FOOD SECURITY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural marketing and production facilities constructed or rehabilitated</td>
<td>1183</td>
<td>1155</td>
<td>98%</td>
</tr>
<tr>
<td>Land whose use has been improved: replanted, reforested, landscaped, etc.</td>
<td>33756</td>
<td>26063</td>
<td>77%</td>
</tr>
<tr>
<td>Heads of livestock provided/vaccinated</td>
<td>86073</td>
<td>86073</td>
<td>100%</td>
</tr>
<tr>
<td>Social facilities established or rehabilitated</td>
<td>112</td>
<td>85</td>
<td>76%</td>
</tr>
<tr>
<td>Rural population trained/recruited/using improved technology</td>
<td>5425</td>
<td>6161</td>
<td>114%</td>
</tr>
<tr>
<td>Total population benefited</td>
<td>402400</td>
<td>540128</td>
<td>134%</td>
</tr>
</tbody>
</table>
The establishment of the Facility has given fragile states significantly higher priority within the Bank’s resource-allocation process. Around $634 million was allocated to the Fragile States Facility under the 11th replenishment of the African Development Fund (2008–2010). In the 12th replenishment (2011–2013), this was doubled to $1.28 billion (with $98 million carried over from 11th replenishment). The Facility has also led to better relations and improved dialogue between the Bank and its conflict-affected member countries.

**Microfinance and social sectors**

Economic growth is essential for returning fragile states to peace and prosperity. But growth may be insufficient, or even create new social pressures and sources of conflict, if it excludes important sections of the population. The Bank therefore pursues an inclusive growth agenda, centred on creating jobs, building opportunities for small businesses and increasing access to microfinance. To create opportunities for those in rural areas, many of our investments are outside capital cities.

Between 2009 and 2011, we constructed or rehabilitated 570 community centres and social facilities. We channelled resources directly to local communities through social development funds and involved them in the planning. We ran training programmes to help poor people, especially women, launch new businesses. Along with other microfinance and social services, these programmes benefited over 2.7 million people and helped create nearly 120 000 microenterprises. For example, in Togo, we helped build the capacities of the private sector through skills training in starting and managing a business. We provided young Togolese graduates and entrepreneurs with training based on international best practices, enabling them to take their business projects to a higher level of development.

Some of our investments in improving the business climate in fragile states also support the regional integration agenda. For example, we helped Liberia and Côte d’Ivoire participate in the West African Economic and Monetary Union payments system, thereby improving their access to financial services. Many of Africa’s conflict-affected
countries are rich in natural resources and the extractives industries can generate growth and boost government revenues. However, they need to be well governed to avoid becoming a source of renewed conflict. We support countries to promote good resource governance, for example through participation in the Extractive Industries Transparency Initiative (see Box 1.3). With the help of AfDB, Liberia was the first African fragile state to become fully EITI compliant (see Box 2.7), followed by the Central African Republic. Five other fragile states — Sierra Leone, the Democratic Republic of Congo, Republic of the Congo, Chad and Côte d’Ivoire — are EITI candidate countries.

Over the past three years, 2.7 million people in Africa’s fragile states benefited from our investments in microfinance and social sector.

Education and health
One of the Bank’s priorities in countries emerging from conflict and political crisis is to mobilise funding for the rapid resumption of basic services. We have invested in health, education and other social services, with tangible benefits for communities: over 255,000 people in fragile states have now access to improved health services as a result of our investments in hospitals and training.

The impact of conflict often falls disproportionately on women and children. These groups therefore need to be a particular focus of programming in fragile states. Education can be one of the most effective ways to help fragile states break the cycle of violence. We therefore built 174 education support facilities and recruited and trained 12,771 teachers, between 2009 and 2011, with a particular focus on mathematics and science. In Guinea we provided training opportunities to 20,000 young women and girls whose schooling was interrupted by conflict.

We are developing a growing number of projects aimed at helping vulnerable groups, including women, children and refugee populations, recover from the impact of conflict. For example, in Côte d’Ivoire we are implementing an integrated approach to reduce the level of violence against women (see Box 2.2), and in Guinea, Liberia and Sierra Leone our HIV/AIDS programme is tackling some of the worst legacies of sexual violence during the conflicts (see Box 2.3).

Post-conflict countries have often suffered years of ‘brain drain’ caused by the flight of educated and skilled workers. We are working with them to improve higher education and skills training to meet the needs of the private sector. We have also been participating in the “Task Force on Youth Employment”, together with the United Nations Development Programme, the United Nations Economic Commission for Africa, the African Union and the World Bank. This is a continent-wide initiative, with a particular focus on fragile states. Through the Task Force, we have been providing analytical and technical support to a number of countries to develop youth employment strategies and related policy tools.

Water and sanitation, transport and energy
Countries emerging from protracted conflict face massive infrastructure deficits through the combined effect of war damage and years of neglect. For this reason, the Bank gives high priority — over 40% of its lending — to infrastructure development. AfDB aims to promote inclusive growth by correcting urban-rural imbalances and giving priority to fragile countries. Our infrastructure projects are designed to improve connectivity for poor and marginalised groups, while at the same time providing them with direct economic opportunities through local procurement of labour, inputs and services.

We support the opening up of national and regional markets and trade routes as a way of promoting growth. Between 2009 and 2011, we built or rehabilitated over 850 km of feeder roads, helping link agricultural production zones to their markets. We currently have 42 infrastructure projects in fragile states, with a total value of $1.36 billion, and five new projects worth a total of $260 million have been approved.

These investments drive employment. In Liberia for example, a new road between Fish Town and the port of Harper has reduced the travel time from about three days to just five hours. In addition,

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3 A yellow bullet indicates that the Bank operations achieved 60%-94% of what was expected at the beginning.
local communities living along the road, including many ex-combatants and women, have earned money through participating in construction and maintenance.

In Zimbabwe the Bank has played a leading role in the establishment of a Multi-Donor Trust Fund (“Zim-Fund”) which supports investments and rehabilitation in the water and sanitation and energy sectors. The Fund received $124 million from seven donor countries (Australia, Denmark, Germany, Norway, Sweden, Switzerland and the UK) and improved livelihoods of people by financing urgent projects to the total value of $65 million.

The Bank addresses fragile states’ growing energy needs in an environmentally friendly way. For example, our Rural Electrification Project in Guinea will deliver connections to 60 000 households, increasing the country’s rural electrification rate from 3% in 2009 to 15% by 2015, while also reducing the pollution caused by household diesel generators. Overall, between 2009 and 2011, we constructed and rehabilitated distribution substations and installed over 800 km of distribution lines; as a result approximately 570 000 people benefit from new electricity connections. These major investments are accompanied by a range of measures to strengthen the legal and institutional environment to make them more efficient and pro-poor in operation.

We also invest heavily in water and sanitation and work with governments to strengthen policies and institutional capacity. We constructed 26 km of piped drinking water facilities and 256 000 safe water points — enough to meet the daily needs of around half a million people. In the coming period, AfDB will focus on increasing community resilience to adverse climatic conditions and supporting reductions in water stress in fragile states.

**Agriculture and food security**

The rural poor in fragile states are among the most vulnerable people in Africa. They lack the resilience to deal with natural and other types of disaster and have limited savings to cope with crises. Given their social and political marginalisation, they are often the last in line for both emergency and long-term assistance to rebuild after crises. In many African societies, strong interpersonal bonds ensure that individuals in need are looked after by communities or family members. In fragile states, however, these links have often decayed as a result of conflict and population displacement. 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.

Many Africa’s fragile states are heavily dependent upon food imports, with most of the population engaged in subsistence agriculture. Food security and a sustainable agricultural sector are therefore cornerstones of successful peacebuilding. Food shortages can be both a driver and a consequence of conflict, so addressing food insecurity and price volatility is essential to break the cycle of conflict.

Through our operations in fragile states, we support a comprehensive approach to improving agricultural productivity and reconstructing and developing rural infrastructure, while supporting environmental sustainability (see Box 2.4). We invested around $42 million in eight years in the Democratic Republic of Congo to strengthen food security and reduce rural poverty through the stimulation of agricultural production. Our investments in seed production, agricultural processing, markets, warehouses, roads and water sources resulted in an improvement in the average income of farmers and women traders, up by 30 percent and 70 percent respectively, created 1134 permanent jobs and about two million days of work, and provided safe drinking water for around 12 500 households.
Overall, between 2009 and 2011 the Bank helped boost agricultural productivity by enabling improved land use on more than 26,000 hectares. We supported the construction or rehabilitation of around 1100 rural markets and storage centres and the drilling or repair of 3000 boreholes. We provided training in agriculture technology and land use to more than 6000 farmers, of whom 60% were women. Altogether, these activities benefited 540,000 people. Currently we have 37 agriculture projects in fragile states, to a total value of $500 million, and a further seven projects, worth $155 million, have been approved.

The Bank is Africa’s principal financer of regional projects, helping integrate regional markets and enable fragile states to benefit from economies of scale.

AFDB has been quick to respond to the humanitarian crisis in the Horn of Africa, joining an international operation to help people in need of emergency assistance. In South Sudan, we are conducting in-depth agricultural and infrastructure development studies to help the new government invest in sustainable development.

These studies are especially important in fragile states. We recognize that changes in land use and land access have been significant factors in a number of high-intensity conflicts in Africa. To this end we design our agriculture and rural development operations based on solid assessment of the political and economic context and risk management analysis.

Regional integration and trade
Regional integration has been a part of the Bank's Charter since its establishment in 1964, reflecting the high priority given by the continent's leaders to this goal. The Bank’s vision is of an empowered and prosperous continent, which is integrated regionally and with the global economy.

AFDB has invested significant time and resources into supporting regional integration initiatives throughout the continent. Currently, nearly a third of the Bank’s resources are directed to supporting regional integration, in recognition of its importance for long-term stability and growth. In 2010 alone, 15% of Bank-approved investments were in multinational transport, energy, water, and information and communication technology networks.

We invest in high-priced multinational operations aimed at stabilising sub-regions while strengthening the economic, social and political ties of the countries involved. For example, we helped Togo re-connect with other Western Africa countries by building regional roads link with Burkina Faso and Benin; we consolidated peace in the disputed Bakassi peninsula by completing an essential link on the Lagos-Mombasa Trans African Highway; the recently approved Côte d’Ivoire-Liberia-Sierra Leone-Guinea Electricity Interconnection Project will link these four fragile countries belonging to the Mano River Union, allowing them to benefit from cheaper energy and greater solidarity.

The regional integration agenda in Africa is driven by the New Partnership for Africa's Development (NEPAD) programme of the African Union, which prioritises selected pillars and fosters partnerships at the global, regional and national levels. AFDB is coordinating the Programme for Infrastructure Development in Africa, a joint initiative with the African Union and the NEPAD, which helps provide fragile states with the vision, policies, strategies and programmes needed for developing national and regional infrastructure.

The ‘soft’ infrastructure of common institutional and regulatory frameworks to encourage the free movement of goods, services, capital and labour is as important as the hard infrastructure of roads and ports. For this reason, the Bank is working with Africa’s Regional Economic Communities to dismantle trade barriers, harmonise trade and investment policies and build institutions to better manage regional markets.

AFDB provides capacity-building support to the International Conference on the Great Lakes and the Mano River Union, to strengthen their leadership of key regional integration programmes. We have forged strong partnerships with multilateral and bilateral partners to assist African countries to strengthen cooperation.

Box 2.5 The Heavily Indebted Poor Countries Initiative (HIPC)

What is the HIPC initiative?
The HIPC initiative provides debt relief and low-interest loans to cancel or reduce external debt repayments to sustainable levels. AFDB participates in the initiative by contributing to the HIPC Trust Fund and by applying HIPC Trust Fund Grants to provide relief to beneficiary countries on their debt obligations to the Bank.

Which countries are eligible to HIPC initiative?
To be considered for the initiative, countries must face an unsustainable debt burden which cannot be managed with traditional means. Assistance is conditional on the national governments of these countries meeting a range of economic management and performance targets. As of December 2011, the HIPC programme had identified 39 countries (33 of which are in Sub-Saharan Africa) as being potentially eligible to receive debt relief. Currently 13 fragile states benefit from the initiative, including Burundi, Chad, Central African Republic, Comoros, Côte d’Ivoire, DRC, Republic of Congo, Guinea, Guinea-Bissau, Liberia, São Tomé and Príncipe, Sierra Leone, and Togo. An additional three countries — Eritrea, Somalia and Sudan — are now eligible for the initiative and Zimbabwe could entry into the programme in 2013.
and deepen regional integration. We also help our member states participate in World Trade Organisation processes. We are supporting the regional payments system in West Africa and the integration of capital markets in Central Africa, through the harmonisation of legal frameworks.

We have conducted extensive research and statistical analysis on key topics related to regional integration and trade. With a view to improving alignment between national and regional development priorities, the Bank has developed a series of Regional Integration Strategy Papers for north, west, central, eastern and southern Africa. Paying close attention to the challenges facing fragile states, these reports set out the vision and objectives for our operations in each sub-region and set down criteria for prioritising regional investments.

**Governance and capacity building**

Poor governance in Africa’s fragile states is both a result and a source of conflict. Weak and non-transparent public financial management systems and a lack of accountability give rise to pervasive corruption and extensive leakage in public funds, severely undermining the state’s capacity to deliver basic social services and promote development.

Over the past three years, AfDB has supported fragile states to overcome governance weaknesses and re-engage with the international community. The Bank provides fragile states with general and sectoral budget support, creating a platform for dialogue on governance reform. Budget support funding is provided directly to the recipient government and spent through regular budgetary processes, to support national development priorities.

We have a crisis-response instrument to provide fast-disbursing loans or grants to mitigate the impact of shocks, including economic crises, political or social upheaval or natural disasters. It helps finance the fiscal deficit stemming from the crisis and enable the recipient government to protect its development and social programmes. There is usually limited scope for policy dialogue during the crisis period, but the instrument often helps pave the way for future policy initiatives.

Through the Fragile States Facility, we also help eligible countries clear their arrears and normalise their relations with the international community. The Bank helped Côte d’Ivoire and Togo clear arrears to the value of $373.9 million and $22.6 million, respectively. The resulting budgetary space enables finance investments in priority sectors such as health, education, infrastructure and agriculture.

**Box 2.6 Zimbabwe: progress towards arrears clearance**

Zimbabwe’s total external debt in 2011 was estimated at $8.8 billion or about 118% of GDP. More than two thirds of this was in arrears. Total arrears to international financial institutions stands at around $1.5 billion, of which $532.9 million owed to AfDB. With debt on this scale, debt service repayments are crippling and Zimbabwe has limited access to new development finance.

With the support of AfDB, Zimbabwe has embarked on a path of reform. In 2010, the country reached consensus on debt resolution with its creditors and published the Zimbabwe Accelerated Arrears Clearance, Debt and Development Strategy (ZAADDS), which provides a broad framework for a hybrid approach to debt relief. International sanctions are the key obstacle to debt relief for Zimbabwe. AfDB is working with the country, its main creditors and the international community to explore ways to lift the restrictive measures. In March 2012, the Bank hosted the Friends of Zimbabwe Roundtable, which aimed at deepening the dialogue between Zimbabwe and its creditors and assessing political and economic developments.

Measurable progress has already been made on improving fiscal management and management of human resources. If the current momentum is maintained, Zimbabwe could become eligible for debt relief and arrears clearance by the end of the next year.

**Box 2.7 Promoting transparency in the extractive industries in Liberia**

Liberia is very rich in natural resources, notably iron ore, diamonds and gold. All of these sectors suffered dramatically during the civil war. In 2010 Liberia made significant progress in reviving the mining sector. The mining sector’s contribution to growth has tripled, from 3.7% in 2011 to 10.4% in 2012, mainly due to an expansion of iron ore production.

With AfDB’s help, Liberia became the first African country and only the second in the world to achieve compliance with the EITI standards (see Box 1.3). The aim is to ensure that all payments between the Government of Liberia and oil, mining and logging companies are transparent. The Bank provided support for a communications and outreach programme, a stronger EITI secretariat and capacity-building for government, civil society and traditional leaders. Another $460,000 will be provided by the Bank’s Fragile States Facility over the next three years to sustain the process.

We also help fragile states access debt relief under the Multilateral Debt Relief Initiative and the Heavily Indebted Poor Countries Initiative (see Box 2.5). For example, the Bank provides capacity development support to Zimbabwe to design and implement the Zimbabwe Accelerated Arrears Clearance, Debt and Development Strategy (ZAADDS). At the beginning of 2012, we also hosted the Friends of Zimbabwe Roundtable in Tunis, aimed at deepening the dialogue between Zimbabwe and its creditors and assessing political and economic developments. Zimbabwe could become eligible for debt relief and arrears clearance by the end of the next year (see Box 2.6).
Through the Fragile States Facility, eligible countries may also receive support in the form of human and institutional capacity building and analytical support for policies and programmes. Between 2009 and 2011, we invested over $60 million in capacity-building grants to fragile states. These investments have brought about significant progress. The Democratic Republic of Congo, for example, has greatly improved its macroeconomic management, achieving annual growth rates of 6.3%; the country has improved its public financial management, fiscal discipline and budgetary credibility, and is using its development resources more effectively thanks to new monitoring and evaluation mechanisms.

In Liberia, the Bank’s support for public finance management has helped restore fiscal discipline and turn the budget into a more credible policy instrument. The Liberian government has implemented far-reaching legal and institutional reforms in debt management, the budget process, public accounting, and tax policy and revenue collection. Furthermore, with support from the Fragile States Facility, the Liberian Parliament approved a comprehensive Public Financial Management Act, a new Commercial Code and a revised Revenue Code.

In Sierra Leone, important progress has been made in implementing accountable and transparent public-finance management. We helped improve personnel management in the education sector, including by introducing payroll verification to eliminate ghost workers. This was an important milestone, leading to the creation of a multi-donor budget support programme for education.

We also actively support the Organisation for the Harmonisation of Business Law in Africa (OHADA), a system of business laws and implementing institutions adopted by sixteen West and Central African nations, aimed at improving the business climate and facilitating and encouraging both domestic and foreign investment in the member states. Recently the Democratic Republic of Congo, thanks to AfDB’s support, has finalised its accession process to OHADA. It is now the 17th African State in which OHADA law will be applicable. The effective application of OHADA law in the Democratic Republic of Congo is expected to bring significant immediate improvements to a number of fields of country’s business law that were often outdated, such as corporate law, security interests and recognition and enforcement of foreign arbitral awards.
Reconstruction and rehabilitation of infrastructure is a critical component for sustained development in fragile states. In the aftermath of conflict and destruction begins the massive task of rebuilding. Construction crews are hard at work completing the expansion of roads, schools and much needed hospitals.
Level 3: How well AfDB manages its operations in fragile states

Fragile states are a challenging environment in which to deliver development projects. To ensure that our operations are effective and reflect local needs, we keep our portfolio under close scrutiny and track our disbursement rates carefully. We also carry out regular consultations with a wide range of national stakeholders.

In addition, we monitor the commitments we made under the Paris Declaration on Aid Effectiveness and work to ensure that lessons learned inform the design of future operations.

Performance of our portfolio in fragile states
Fragile states are a challenging environment to operate in for many reasons, particularly weak administrative and financial management capacity. This calls for close supervision of project implementation.

We carefully track the number of projects flagged as problematic either because implementation is not progressing or because the project is unlikely to achieve its intended objectives. The proportion of operations formally supervised twice a year, 63%, is very close to the 2012 target (see figure 3.1). Between 2009 and 2011, the share of problem projects in fragile states dropped significantly, from 14% to just 7%. The proportion of operations eligible for cancellation also decreased, from 6% to 4%. Given the dynamic environment and the relative weakness in national capacity of fragile states, these are very encouraging figures, on a par with or even slightly better than the rest of the Bank’s portfolio.

A new policy adopted by the Bank on the cancellation of non-performing projects creates incentives for member countries to restructure their portfolios by cancelling non-performing operations and reallocating the resources to more productive uses. For example, in Côte d’Ivoire, an unused portion of the portfolio was cancelled, allowing $35 million to be reallocated to a 2011 budget support operation. Similarly, Togo cancelled non-performing loans and reallocated around $60 million to priority infrastructure projects.

We also track our rate of disbursement, to ensure that resources are being used efficiently. Our disbursement ratio in fragile states increased from 15% to 20% from 2009 to 2011, fully achieving the target. The average time elapsed between project approval and the first disbursement decreased significantly from 11.4 months in 2009 to 8 months in 2011, which is better than the average performance of the rest of the portfolio (13 months).

We significantly increased the level of supervision of our operations in fragile states, reducing the share of problem projects in fragile states by 50%.

We have also invested in improved structures and processes for the design, appraisal, management and monitoring of programme-based operations, including budget support. In recent years, we have demonstrated greater capacity to mobilise budget support rapidly in response to the 2008 global financial crisis and to events in Botswana, Tunisia and Côte d’Ivoire. These operations helped meet the urgent financial needs of our partner countries and provided a platform for advancing a longer-term reform agenda.

Figure 3.1 Portfolio performance

<table>
<thead>
<tr>
<th>2009 BASELINE</th>
<th>2012 TARGET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations formally supervised twice a year (%)</td>
<td>52</td>
</tr>
<tr>
<td>Problem projects in ongoing portfolio (%)</td>
<td>14</td>
</tr>
<tr>
<td>Disbursement ratio of ongoing portfolio (%)</td>
<td>15</td>
</tr>
<tr>
<td>Operations eligible for cancellation (%)</td>
<td>6</td>
</tr>
</tbody>
</table>

1 A green bullet indicates that good progress has been made, and we are on track to achieve our target.
### Table 3: How well AfDB manages its operations in fragile states (Level 3)

This table presents the Bank’s progress in achieving its 2012 targets for portfolio management:
- **Good progress has been made, and we are on track to achieve our target;**
- **Little progress has been made and we are at risk of not achieving our target;**
- **No progress has been made, or we have moved even further away from our target;**
- **Data are not available to measure performance.**

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>AFRICAN FRAGILE STATES</th>
<th>ADF COUNTRIES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PORTFOLIO PERFORMANCE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations formally supervised twice a year (%)</td>
<td>52 63 65 61 63 65</td>
<td></td>
</tr>
<tr>
<td>Problem projects in ongoing portfolio (%)</td>
<td>14 7 5 6 5</td>
<td></td>
</tr>
<tr>
<td>Disbursement ratio of ongoing portfolio (%)</td>
<td>15 20 20 18 18 20</td>
<td></td>
</tr>
<tr>
<td>Operations eligible for cancellation (%)</td>
<td>6 4 5 20 8 10</td>
<td></td>
</tr>
<tr>
<td><strong>QUALITY AT ENTRY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Budget support disbursed on schedule (%)</td>
<td>76 100 90 60 92 75</td>
<td></td>
</tr>
<tr>
<td>Time elapsed from approval to first disbursement (months)</td>
<td>11.4 8 11 13 13 11</td>
<td></td>
</tr>
<tr>
<td>Operations that disclose ESIAIs on time (%)</td>
<td>87 97 90 82 95 90</td>
<td></td>
</tr>
<tr>
<td>CSPs rated satisfactory (%)</td>
<td>.. 83 95 .. 92 95</td>
<td></td>
</tr>
<tr>
<td>Operations rated satisfactory1 (%)</td>
<td>59 86 95 78 93 95</td>
<td></td>
</tr>
<tr>
<td><strong>PARIS DECLARATION INDICATORS OF EFFECTIVE AID</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development resources recorded on budget (%)</td>
<td>55 26 85 57 70 85</td>
<td></td>
</tr>
<tr>
<td>Predictable disbursements (%)</td>
<td>7 33 80 54 61 80</td>
<td></td>
</tr>
<tr>
<td>Use of country systems (%)</td>
<td>7 25 53 39 50 53</td>
<td></td>
</tr>
<tr>
<td>Parallel project implementation units (number)</td>
<td>5 25 .. 113 38 ..</td>
<td></td>
</tr>
<tr>
<td><strong>KNOWLEDGE MANAGEMENT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exiting projects with a timely PCR (%)</td>
<td>83 100 95 92 92 95</td>
<td></td>
</tr>
<tr>
<td>PCRs rated satisfactory (%)</td>
<td>77 67 80 72 76 80</td>
<td></td>
</tr>
<tr>
<td>New ESW and related papers (number)</td>
<td>2 6 9 52 55 73</td>
<td></td>
</tr>
<tr>
<td><strong>GENDER MAINSTREAMING</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PCRs with gender-disaggregated data (%)</td>
<td>56 58 75 56 68 75</td>
<td></td>
</tr>
<tr>
<td>New projects with at least one gender indicator</td>
<td>59 71 70 61 75 70</td>
<td></td>
</tr>
<tr>
<td>New CSPs with at least one gender indicator (%)</td>
<td>.. 33 70 .. 42 70</td>
<td></td>
</tr>
<tr>
<td><strong>CLIMATE CHANGE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Climate-proofed projects (%)</td>
<td>0 60 15 0 60 15</td>
<td></td>
</tr>
</tbody>
</table>

.. = data not available; AfDB = African Development Bank; ADF = African Development Fund; CSP = Country Strategy Paper; ESIA = Environmental and Social Impact Assessment; ESW = economic and sector work; PCR = Project Completion Report.

1 Baseline is 2010

**Notes:** This review looks at Bank’s operations between 2009 and 2011 in 17 fragile states that have benefited from support from the Fragile States Facility, including: Burundi, Centrafrican Republic, Chad, Comoros, Republic of Congo, Democratic Republic of Congo, Côte d’Ivoire, Djibouti, Guinea, Guinea-Bissau, Liberia, São Tomé and Príncipe, Sierra Leone, Somalia, Sudan, Togo and Zimbabwe. Results from Bank’s operations in South Sudan which became an independent state in mid-2011 are reported as part of Bank’s Sudan programme. Government data for Paris Declaration indicators “Development resources recorded on budget” and “Predictable disbursements” could be collected for only 10 countries from the baseline group in 2011, with historical measures available from 2005.

**Source:** African Development Bank.

### Quality at entry of projects in fragile states

Quality at entry is a term we use to signify whether projects are technically sound and designed to maximise development impact. Quality at entry is particularly important in fragile states: our operations need to be extremely well designed to reflect the diversity and complexity of challenges, and flexible enough to respond to a dynamic environment.

In recent years, we have introduced a Readiness Review process to enhance the quality-at-entry of both public-sector operations...
and Country Strategy Papers (CSPs). This involves a desk review by our Quality Assurance and Results Department at two points: at the beginning of the design phase, when a Project Concept Note is prepared, and when the completed design is appraised. The Fragile States Unit is also paying increasing attention to the design of operations in fragile states, including by helping country teams improve the quality of Project Concept Notes and Appraisal Reports.

In 2011, the overall proportion of operations rated satisfactory in fragile states reached 86%, not far behind the Bank’s target of 95% and 83% of our CSPs were rated satisfactory. Investments in fragile states have proceeded more swiftly and effectively as a result of strengthened processes. The average time elapsed from project approval to first disbursement improved from 11.4 to 8 months over the year. In addition, 100% of our budget support was disbursed on schedule in 2011, compared to only 76% the previous year (see figure 3.2).

For projects likely to have a significant effect on the social and natural environment, we require our partner countries to prepare Environmental and Social Impact Assessments (ESIAs). Beneficiary communities and other stakeholders get the opportunity to provide input into project design through the ESIA process. ESIA summaries should be disclosed at the Bank’s Public Information Centre and on our website before the project is presented to the Board of Directors for approval. In 2011, 97% of our ESIAs were disclosed on time — above our target of 90%.

**Aid effectiveness in our fragile states portfolio**

AfDB is committed to following the principles of aid effectiveness set out in the 2005 Paris Declaration. The Bank has also endorsed the 2008 Accra Agenda for Action and adopted the Principles for Good International Engagement in Fragile States and Situations (see Box 4.1).

We use a number of the Paris Declaration indicators to track our performance. Since 2009, we have significantly improved the predictability of our disbursements, from only 7% in 2009 to 33% in 2011. We have also increased our use of country systems — that is, government systems for financial management and procurement — from 7% in 2009 to 25% in 2011 (see Figure 3.3). This rate of progress is greater than in other low-income African countries, although against a lower base. We have done less well at ensuring that our support is recorded in national budgets, with the rate decreasing to 26%. Similarly, the number of parallel project implementation units (PIUs) has increased from 5 to 25, when they should be decreasing. That said, it can be argued that there is a pragmatic need for PIUs in fragile states, where national capacity is low and country systems are less likely to meet the Bank’s high fiduciary standards. A first step towards strengthening local capacity and promoting accountability would be to look at ways to integrate PIUs so that they operate within country institutional and administrative structures.

Paris Declaration indictors need to be adapted to the particular circumstances of fragile states. Focusing mainly on the mechanics of aid delivery, they do not necessarily capture the real determinants of effective assistance in this more challenging environment. To this end, at the 2011 High-Level Forum on Aid Effectiveness in Busan, the Bank has endorsed a new global direction for engagement with fragile states, the New Deal for Engagement in Fragile States (see Box 3.1). The New Deal proposes key peacebuilding and statebuilding goals, focuses on new ways of engaging, and identifies commitments to build mutual trust and achieve better results in fragile states.

**Box 3.1 The New Deal for Engagement in Fragile States**

*The current ways of working in fragile states need serious improvement. Transitioning out of fragility is long, political work that requires country leadership and ownership. AfDB is committed to undertake the necessary actions and reforms to implement the “New Deal for Engagement in Fragile States”.*

◗ We agree to use the Peacebuilding and Statebuilding Goals (PSGs), as an important foundation to enable progress towards the MDGs to guide our work in fragile and conflict-affected states.

◗ We commit to FOCUS on new ways of engaging, to support inclusive country-led and country-owned transitions out of fragility.

◗ We commit to build mutual TRUST by providing aid and managing resources more effectively and aligning these resources for results. We will enhance transparency, risk management to use country systems, strengthen national capacities and timeliness of aid, improving the speed and predictability of funding to achieve better results.
Level 3: How well AfDB manages its operations in fragile states

Knowledge management

Delivering effective assistance in fragile states is a complex undertaking, and we must continuously expand our knowledge to ensure that we work effectively. We also need to draw from, as well as contribute to, the learning of our peer and partner organisations around the world.

The Project Completion Report (PCR) is one of the tools through which we capture lessons from completed operations. While the quality of our PCRs decreased slightly between 2009 and 2011, with 67% of PCRs rated as satisfactory in 2011 compared to 77% in 2009, the timeliness of PCRs completion increased, with 100% of existing projects with timely PCR in 2011, compared to 83% in 2009 (see Figure 3.4).

We continue to invest in generating new knowledge through an active programme of research and analysis, known as economic and sector work (ESW). Between 2009 and 2011, we have undertaken six new ESWs and related papers on topics including service delivery in fragile and conflict-affected countries, youth unemployment, and drivers of conflicts and fragility in Africa. These ESWs are expected to support the design and implementation of new and innovative programmes in fragile states. We also conducted a range of other analytical work, including a major study on the intersecting themes of infrastructure, fragility and regional integration (see Box 3.2).

Gender mainstreaming

Women are disproportionately affected by conflict and are often the direct targets of violence. They are also important actors in national reconciliation and peace-building and should be key stakeholders in efforts to overcome conflict and instability.

Our Gender Policy and action plans provide guidance on how to ensure women are included in our operations and their particular needs taken into account. We aim to include gender-specific goals in our projects and to disaggregate results to measure different impacts on women and men. In 2011, 58% of our PCRs contained gender disaggregated data, while 71% of new projects contained at least one gender indicator for measuring impact (see Figure 3.5).

We intend to introduce a gender dimension into our quality at entry for new projects in fragile states and will continue to build capacity and awareness of gender issues among our staff.

Climate change

Climate change is at least as pressing an issue in fragile states as it is for the rest of Africa. Africa’s fragile states are highly vulnerable to the impacts of climate change, and less able to cope with the disruption it will cause. We are working hard to unlock fragile states’ access to international climate finance, including through promotion of the new African Green Facility.

As Africa’s premier finance institution, the Bank must take climate change into account to ensure that our results are sustainable and that we do not cause unintended harm. To that end, we are progressively “climate-proofing” our portfolio in fragile states. This means protecting our investments from the negative impacts

Box 3.2 Infrastructure and stability in Western Africa: the Sierra Leone case study

In 2011, the Bank launched a series of studies on the interlinked themes of infrastructure, regional integration and fragility as they pertain to the four West African states of Guinea, Guinea-Bissau, Liberia and Sierra Leone.

Poor infrastructure is a major barrier to growth and reducing poverty across the continent. Despite nearly a decade of peace, Sierra Leone still faces a substantial infrastructure deficit. Yet there are a number of opportunities to reverse this situation, especially if regional considerations are included in the nation’s development strategy. The first report in the series, “Infrastructure and Growth in Sierra Leone,” examines the intersection of the three major themes — fragility, regional integration and the infrastructure gap — to offer recommendations on an infrastructure action plan for Sierra Leone.

By developing stronger knowledge through studies like these, AfDB aims to help countries embrace development strategies that tap the benefits of regional integration to address infrastructure gaps and deliver inclusive growth, thereby strengthening national unity and regional stability.

Figure 3.4 Knowledge management

<table>
<thead>
<tr>
<th></th>
<th>2009 BASELINE</th>
<th>2012 TARGET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exiting projects with a timely PCR (%)</td>
<td>83%</td>
<td>95%</td>
</tr>
<tr>
<td>PCRs rated satisfactory (%)</td>
<td>77%</td>
<td>80%</td>
</tr>
<tr>
<td>New ESW and related papers (number)</td>
<td>2</td>
<td>6</td>
</tr>
</tbody>
</table>

The Project Completion Report (PCR) is one of the tools through which we capture lessons from completed operations. While the quality of our PCRs decreased slightly between 2009 and 2011, with 67% of PCRs rated as satisfactory in 2011 compared to 77% in 2009, the timeliness of PCRs completion increased, with 100% of existing projects with timely PCR in 2011, compared to 83% in 2009 (see Figure 3.4).

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Figure 3.5 Gender mainstreaming

<table>
<thead>
<tr>
<th></th>
<th>2009 BASELINE</th>
<th>2012 TARGET</th>
</tr>
</thead>
<tbody>
<tr>
<td>PCRs with gender-disaggregated data (%)</td>
<td>56</td>
<td>75</td>
</tr>
<tr>
<td>New projects with at least one gender indicator (%)</td>
<td>59</td>
<td>70</td>
</tr>
</tbody>
</table>
of climate change, climate variability and extreme weather, and introducing measures to delay or reduce the harm caused by climate change. These measures include building the capacity of institutions and communities to absorb stress, and exploring new approaches, such as better natural resources management and drought-resistant crop varieties.

Under our 2009 Strategy for Climate Risk Management and Adaptation, climate proofing is now fully integrated into all stages of the project cycle, from planning and design through construction, operation and decommissioning, at each stage striking an appropriate balance between benefits and risk.

Climate proofing of new operations in fragile states is assessed regularly through our quality at entry process. In 2011, 60% of our projects in fragile states were climate-proofed, surpassing our target (see Figure 3.6).
Telecommunications infrastructure can transform fragile states’ economy

Even as fragile states struggle to restore basic services like water supply and electricity, they are finding innovative ways to improve access to information technology.
The final level of our Results Measurement Framework relates to how well we managed ourselves as an organisation. It contains a set of indicators on the Bank’s ability to work more effectively in fragile states. Through these indicators we measure our fitness for purpose, looking at areas such as decentralisation, human-resource management, business processes, and the effectiveness of our information technology in field offices.

**Decentralisation**
Decentralisation is a key priority for the Bank as an organisation, and particularly important in fragile states. Even more than in other countries, proximity to clients and responsiveness to their needs is critical to effective engagement in fragile states.

The Bank needs to be present in country to engage in regular dialogue and ensure constant supervision and support for our operations. By expanding our presence in fragile states, we expect to improve our portfolio management, bolster weak government capacity and promote better donor coordination and harmonisation. Joint approaches among donors are particularly important in fragile states and hard to do effectively without a permanent country presence.

Between 2009 and 2011, we established five new field offices in fragile states — Burundi, the Central African Republic, Liberia, Togo and Zimbabwe (see Figure 4.1) — bringing to 10 the total number of Bank offices in fragile states. This represents more than half of the countries supported by the Fragile States Facility (see Figure 4.2). And a new field office in South Sudan began operating in 2012.

As part of our decentralisation strategy, we are consolidating regional capacity by reorganising our regional offices. In 2011, we established two new Regional Resource Centres in Nairobi and Pretoria — and will establish more in the coming years — each of these centres is headed by a regional director.

1 A green bullet indicates that good progress has been made, and we are on track to achieve our target.
2 Burundi, Chad, Democratic Republic of Congo, Central African Republic, Liberia, Sierra Leone, Sudan, Togo, Zimbabwe, and Côte d’Ivoire (ROSA - Official Representation of the Bank’s Headquarters)
Level 4: How efficient AfDB is as an organisation in supporting fragile states

Effective engagement in fragile states requires collaborative work among different development actors, each bringing their own areas of expertise. The Bank is committed to practising and promoting concerted, harmonised and collaborative approaches.

AfDB is an active participant in the Organisation for Economic Co-operation and Development’s (OECD) International Network on Conflict and Fragility (INCAF), with a view to developing new approaches to results measurement and strengthening the use of evaluation in order to enhance the quality of conflict prevention and peacebuilding work. Recognising a need for better, tailored approaches to learning and accountability in conflict settings, AfDB is committed to work with development partners to undertake the necessary actions and reforms to implement the “New Deal for Engagement in Fragile States”, as agreed at the 2011 High Level Forum on Aid Effectiveness (see Box 3.1).

The Bank now has a presence in ten fragile states, strengthening its ability to respond to their individual needs.

Table 4: How efficient AfDB is as an organisation in supporting fragile states (Level 4)

This table presents the Bank’s progress in achieving its 2012 targets for organisational performance:

- Good progress has been made, and we are on track to achieve our target;
- Little progress has been made and we are at risk of not achieving our target;
- No progress has been made, or we have moved even further away from our target;
- Data are not available to measure performance.

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>Baseline 2009</th>
<th>Latest 2011</th>
<th>Target 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DECENTRALISATION</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Field offices in fragile states (number)</td>
<td>5</td>
<td>10</td>
<td>11</td>
</tr>
<tr>
<td>Projects task-managed from field offices in fragile states (%)</td>
<td>8</td>
<td>13</td>
<td>35</td>
</tr>
<tr>
<td><strong>HUMAN RESOURCES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff in field offices in fragile states (number)</td>
<td>..</td>
<td>95</td>
<td>107</td>
</tr>
<tr>
<td>Vacancy rate in field offices in fragile states (%)</td>
<td>..</td>
<td>11</td>
<td>8</td>
</tr>
<tr>
<td><strong>INFORMATION TECHNOLOGY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Downtime of Wide Area Network in field offices in fragile states (hours)</td>
<td>..</td>
<td>200</td>
<td>150</td>
</tr>
</tbody>
</table>

.. = data not available, AfDB = African Development Bank.

**Notes:** This review looks at looks at the Bank’s operations between 2009 and 2011 in 17 fragile states that have benefited from support from the Fragile States Facility, including Burundi, Central African Republic, Chad, Comoros, Republic of Congo, Democratic Republic of Congo, Côte d’Ivoire, Djibouti, Guinea, Guinea-Bissau, Liberia, Sao Tome and Principe, Sierra Leone, Somalia, Sudan, Togo and Zimbabwe. Results from the Bank’s operations in South Sudan, which became an independent state in mid-2011, are reported as part of Bank’s Sudan programme.

**Source:** African Development Bank.

**Figure 4.2 Decentralisation**

The Principles for Good International Engagement in Fragile States are: 1) Take context as the starting point; 2) Ensure all activities do no harm; 3) Focus on state building as the central objective; 4) Prioritise prevention; 5) Recognise the links between political, security and development objectives; 6) Promote non-discrimination as a basis for inclusive and stable societies; 7) Align with local priorities in different ways and in different contexts; 8) Agree on practical co-ordination mechanisms between international actors; 9) Act fast… but stay engaged long enough to give success a chance; and 10) Avoid pockets of exclusion (“aid orphans”).

According to the 2011 Monitoring Survey, conducted in 11 African fragile states, the Principles seem to have stimulated relatively limited change in international engagement at the country level. The findings of the monitoring survey challenge development partners to complement their focus on results, effectiveness and value for money with a focus on the field-level organisational and paradigm changes necessary for achieving better results.
We also recognise the need to undertake more systematically joint Political Economic Analysis with development partners to ensure that our interventions are appropriate and robust. AfDB will work to develop and use common frameworks for political economy analysis, conflict analysis and the assessment of statebuilding challenges.

Human resources
Our effectiveness in difficult operating environments depends crucially on our people and their knowledge and skills. We are working to equip our operational staff in field offices, regional centres and sector departments with the knowledge and skills they need to better support clients and operations in fragile states.

We need a wide pool of staff familiar with peace and conflict issues and the unique challenges of complex state-building processes. The mix of skills required includes conflict and political economy analysis, to tailor our operations to addressing the key drivers of conflict and political instability.

We are working hard to attract high-calibre development professionals across a wide range of specialist fields to work with us in fragile states. Currently we have 95 staff in field offices in fragile states with a vacancy rate at 11%, against a target of 8%, a significant result taking into account the establishment of new field offices in fragile states in the recent years. We need now to ensure that staff in field offices in fragile states can develop their skills and expertise, and we must offer them rewarding career paths with incentives for continuous improvement.

Information technology
As the Bank moves forward with decentralisation, our information and communications technology (ICT) is critical to ensuring we operate efficiently. In 2011 we invested in new equipment for field offices and also renewed ageing resources.

However, we recognise that we need to get better at resolving requests from field offices in fragile states. The downtime of the Wide Area Network in our field offices in fragile states is higher than the Bank average: in 2011 they experienced on average 200 hours of downtime, against the 2012 target of 150 hours a year. This result is not surprising given the settings where these offices are located, but should nonetheless be improved.

Business processes and practices
Over the past three years, a number of issues have emerged regarding the implementation of the Bank’s fragile states strategy. Drawing on experience and findings of the independent evaluation (see Box I), we established a High-Level Panel for Fragile States to review our current arrangements and update our operational frameworks for engaging in these countries (see Box 4.2).

Procurement is a particular challenge in fragile states because of their weaker national capacity. Across our portfolio, we are working to streamline our procurement processes, so as to reduce delays without compromising fiduciary standards. We will also explore the possibility of introducing new procurement practices in fragile states, such as direct negotiations and the use of shortlists of consultants developed by other development agencies.

Results measurement and reporting are critical to assessing the effectiveness of development programmes and ensuring that learning informs future programming choices. This is particularly true in fragile states. Although the techniques used in fragile states are not fundamentally different from those in more stable countries, we need to adapt and prioritise in the face of some of the unique challenges.

Several challenges and issues have emerged over the five-year period that the Bank has been implementing its current model for engaging fragile states. These challenges are well captured in the Independent Evaluation of the Assistance of the African Development Bank to Fragile States (see Box I). While noting several strengths in the current framework, including the effective implementation of the pillar I and II of the Fragile States Facility, the evaluation found a number of areas that require improvement.

To this end, the Bank has established a High-Level Panel for Fragile States to review the Bank’s current arrangements and formulate recommendations, aimed at improving allocation of resources to fragile states, increasing the quality and impact of Bank’s support to fragile states and enhancing the Bank’s engagement with fragile states at country and regional levels. The High-Level Panel for Fragile States is composed of eminent external leaders, assisted by a Bank-wide Task Force, including representatives from various regional and sector departments, as well as corporate complexes.

Over the past few years, we have introduced a number of measures to improve the quality of our procurement in fragile states.
AfDB helps fragile states become more investment-friendly
Once political stability is restored, we support fragile states to strengthen their public institutions in an effort to spur private sector growth and job creation.
Towards resilient states: the Bank’s engagement with fragile states

State fragility, in the form of political instability, armed conflict and weak economic governance, is one of the greatest challenges to Africa’s development and poverty reduction. Seventeen African states, home to more than 200 million people, are considered to be fragile. They face a daunting array of development challenges and poverty traps. Few of these fragile countries are on track to achieve even a single Millennium Development Goal. These countries are consistently under-aided, and their aid flows are twice as volatile as those to non-fragile states.

AfDB is committed to scaling up and strengthening its support to Africa’s fragile states. Since 2008, with the development of the new Strategy for Enhanced Engagement in Fragile States and the founding of the Fragile States Facility, the Bank has provided substantial support to a key group of fragile states. Between 2008 and 2011, the Bank provided around $2.5 billion for 124 operations in Africa’s fragile states, and the level of investment is set to increase over the coming years. The scale and flexibility of Bank support were central to helping some of the most vulnerable countries weather the financial crisis of 2008–2009.

As the independent evaluation of the Bank’s assistance to fragile states noted, the Fragile States Facility has proven effective in providing integrated financing, institutional capacity building and policy support for eligible fragile states. Through this rapid response mechanism, the Bank has channelled additional financial resources to nine fragile states, cleared the arrears of Togo and Côte d’Ivoire, and provided targeted technical assistance and institutional capacity building to sixteen fragile and conflict-affected countries.

AfDB has also moved forward with decentralisation in fragile states, recognising that proximity to clients and responsiveness to needs are particularly critical in ensuring effectiveness in these contexts. In 2011, the Bank established new country offices in Burundi, the Central African Republic, Liberia and Togo. We have now country offices in more than half of the countries currently supported by the Fragile States Facility. AfDB has become a key development partner for fragile states and will consolidate its leadership role in the coming decade.

Notwithstanding the progress that has been made, there is room for improvement. As the independent evaluation points out, the Bank will need to adopt a range of new approaches if it is to meet the ambitions articulated in the Fragile States Strategy. We will take concrete actions to improve operational effectiveness in fragile states, including by revisiting the concept and definition of fragility and the eligibility criteria for Fragile States Facility support. We will support an enhanced role for the Fragile States Unit by aligning resources and authorities more closely with responsibilities and accountabilities, and strengthening capacity through research and training.

As outlined in the forthcoming Long-Term Strategy 2013–2022, we will strengthen country programme design through more focused fragility assessments, and we will invest in improved capacity building and technical assistance. Where relevant we will use regional approaches and leverage partnerships to achieve Bank’s objectives.

Implementing these changes will enable us to provide fragile states with a more comprehensive package of support, in which finance is just one component. It will give us the flexibility to deliver support when and where it is needed.

We are inspired by and believe in a vision of a dynamic, diversified and competitive African economic zone in which extreme poverty is eliminated within peaceful, stable and vibrant societies. We believe there is every prospect for realising this vision within the next half century.
About this publication
This thematic Development Effectiveness Review 2012 is a report on the performance of the African Development Bank (AfDB) operations in fragile states and conflict-affected countries. It reviews development trends in the countries and explores how AfDB’s operations have contributed to development results over the past three years. It also looks at how effectively AfDB manages its operations and its own organisation in fragile states and conflict-affected countries.

About the African Development Bank Group
The AfDB Group is a multilateral development bank whose shareholders include 54 African countries and 27 non-African countries. The AfDB Group’s primary objective is to contribute to the sustainable economic development and social progress of its regional members, individually and jointly. It does this by financing a broad range of development projects and programmes through public-sector loans, including policy-based loans, private-sector loans, and equity investments; by providing technical assistance for institutional support projects and programmes; by making public and private capital investments; by assisting countries with development policies and plans; and by supplying emergency assistance.

African Development Bank
Temporary Relocation Agency
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