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Outline

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Fragile States: Taking Part in Africa's Inclusive Growth Take-Off

Basil Jones[1]

1 | Introduction

Fragility and conflict are among the greatest development challenges of our time. More effective and better coordinated efforts, tailored to each individual situation, must be made to assist countries affected by fragility and conflict, and countries in transition manage political, security, economic and environmental stresses that make them and their citizen vulnerable.

For the AfDB, state fragility matters because around a third of African countries, home to some 200 million people can be classified as fragile and are home to a growing share of Africa's poor that are susceptible to instability with potential consequences beyond their borders[2].

State fragility is a major constraint on Africa's development. Four out of every five fragile states around the world are found in Africa. For the past decade, Africa has exhibited strong economic growth, but this has not translated into a corresponding improvement in the lives of the majority of its peoples. Hence promoting inclusive growth is now a matter of urgency. The AfDB's Ten Year Strategy (TYS) 2013-2022, focuses on supporting African countries to achieve growth that is not only high, but growth that is diversified, broad based and inclusive.

Box 1 OECD Definition of Fragility

A fragile region or state has weak capacity to carry out basic governance functions, and lacks the ability to develop mutually constructive relations with society. Fragile states are also more vulnerable to internal and external shocks such as economic crises or natural disasters. More resilient states exhibit the capacity and legitimacy of governing a population and its territory. They can manage and adapt to changing social needs and expectations, shifts in elite and other political agreements, and growing institutional complexity. Fragility and resilience should be seen as shifting points along a spectrum.

Source: OECD 2013

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[2] 17 Regional Member Countries classified as fragile states- Burundi, Central Africa Republic, Comoros, Congo, Cote d'Ivoire, Democratic Republic of Congo, Djibouti, Guinea, Guinea Bissau, Liberia, Sao Tome and Principe, Sierra Leone, Somalia, Sudan, South Sudan, Togo and Zimbabwe.

As a group, fragile and conflict affected states have grown more slowly than other low income countries and have made less progress towards tackling chronic poverty, and persistent inequality remains a key challenge. The growth registered has not always led to more and better jobs or to increased income opportunities for a vast majority of the poor, particularly women and youth. In these countries, informal enterprise and informal employment is becoming the norm. Clearly in fragile states, economic growth alone does not guarantee that the poor and marginalized will participate and benefit from growth. Failure to have growth that is inclusive with an equitable distribution of income can pose a danger to social and political stability and the sustainability of the growth process itself.

The objective of this paper is twofold (i) to contribute to the on-going ADF-13 replenishment consultations and (ii) to provide wider dissemination of the New Deal for Engagement in fragile states.

The rest of this brief is organized as follows; Section 2 summarizes recent socio economic developments, section 3 is on the New Deal for engagement in fragile states, section 4 discuss the new Bank's proposals to engage differently and redefining fragility and section 5 makes some recommendations on how the Bank can better engage and strengthen fragile states and section 6 concludes the paper.

2 | Fragile States - the Story so Far

2.1 Growth Prospects of African Countries

Table 1 Growth by Structural Classification[3]

	2012	2013(p)	2014(p)
All Africa	6.6	4.8	5.3
ADF Countries	5.8	6.2	6.8
Non-ADF Countries	7.1	3.9	4.2
Fragile States	4.5	5.5	4.2
MICS	6.7	4.6	5.0
Factor Driven Countries	9.0	6.5	6.3
Investment Driven Count.	2.8	3.1	3.9

Source: AfDB 2013 Statistics Department and EDRE AFRIMOD projections.

Structural disaggregation of economic growth in Africa in 2012 showed variations in economic performance across the continent with fragile states registering low growth in 2012 (Table 1). Factor driven countries, including some fragile states performed better due to rising oil and higher commodity prices.

In 2013, some fragile states are now among the fastest growing economies in Africa (Table 2) and this is consistent with concept of "the catch-up effect" and post conflict rebound. Given that fragile states during periods of conflict lost ground in terms of economic growth, in some countries like Liberia GDP dropped by as much as 90% in 20 years, with peace and stability, they are now on the growth rebound. The recent high growth rates provide an opportunity for fragile states to make growth inclusive.

Table 2 Fragile States are among the 10 Fastest Growing African Economies

Country	2013/14	Country	2012/13
Libya	11.6	Libya	14.8
Sierra Leone	9.6	Niger	8.6
Chad	9.5	Ghana	8.0
Cote d'Ivoire	9.3	Liberia	8.0
DRC	8.8	Mozambique	7.7
Ghana	8.4	Angola	7.7
Mozambique	8.3	Ethiopia	7.3
Angola	8.0	Rwanda	7.3
Zambia	7.6	Cote d'Ivoire	7.1
Rwanda	7.2	Zambia	7.1

Source: African Economic Outlook 2013.

In fragile states, the inequality of opportunity that persists is "toxic' both for sociopolitical cohesion and for long term growth. Promoting more equitable development in fragile and conflict affected states has therefore emerged as a priority for the international community, especially as many fragile states are endowed with natural resource. The OECD 2013 analyzed 47 countries using the World Bank, African Development Bank and the Asian Development Bank harmonized list of fragile and post conflict countries for 2012. It showed that not all fragile states are low-income countries. In 2012, 21 countries were middle income fragile states, while 26 were low income fragile states. A decade ago most fragile states were low-income countries, so this represents a sea change.

Failure to adequately address poverty is increasingly a problem of fragility. Addressing fragility as a driver of poverty and instability requires a more robust understanding of fragility, its causes and dimensions. In particular it requires seeing fragility as a deeply political issue centered on the social contract between the state and society, and it requires greater understanding of the role of stress factors.

[3] Fragile states: countries with CPIA index of less than 3.2. Factor driven countries: countries with share of primary commodities in total export >75%. Investment driven/Emerging countries: countries with manufacturing exports in total exports at least half the level attained by East Asian countries.

2.2 Resource Flows to Fragile States

Historically, fragile states have received less aid, relative to their needs and absorptive capacity, than most developing countries. The low amount of development aid to fragile states is the result of perceived and potentially real and higher risks of investments and weak human capacity deficit in such situations. In addition aid allocation by institutions such as the Bank is based on institutional strength and capacity to commit and utilize resources such as country policy and institutional assessment score in which fragile states perform poorly. Aid volatility is often higher in fragile states than non-fragile states, and each of the fragile states has had at least one aid shock (a change of more than 15% of ODA per capita) in the past 10 years. Some of them — the so-called 'aid orphans or under aided countries' — have suffered from serious, long-term neglect[4].

Fragility is synonymous with low capacity and high aid dependency. In fragile states, official development assistance (ODA) is the biggest financial inflow, followed by remittances and foreign direct investment. In 2010, ODA to fragile states was USD50 billion, or 38% of total ODA, with half of all ODA in fragile states going to only seven "donor darlings"[5]. Using the Bank's classification of fragile states, 7 out of the 17 Regional Member Countries are among the top 20 most aid dependent economies (Table 3) and only 2 out of the 17 RMCs are in the top 10 Aid recipients (Table 4).

Table 3 The world's most aid-dependent countries and economies ODA-to-GDP ratio, 2000-10 average in %)

1	Liberia	72.4	11	Mozambique	25.7
2	Tuvalu	43.7	12	West Bank and Gaza	25.5
3	Micronesia	42.2	13	Sao Tome & Principe	24.8
4	Burundi	38.0	14	Iraq	22.8
5	Marshall Islands	37.0	15	Palau	22.6
6	Afghanistan	36.9	16	Guinea Bissau	22.3
7	Timor Leste	36.5	17	Eritrea	22.2
8	Solomon Islands	33.6	18	Malawi	21.1
9	Sierra Leone	31.4	19	Rwanda	19.9
10	Congo, Dem Rep	27.1	20	Haiti	17.1

Source: OECD 2013-WDI, available at: http://hdr.undp.org/en/statistics/data/

Aid to fragile states from Non-OECD countries like China and India is growing. These countries are increasing their aid budgets and will play an increasing role in fragile and conflict-affected states as part of a growing focus on least developed countries. China's foreign aid grew by 30% each year from 2004-2009 and in 2009 China pledged to provide USD10 billion in concessional loan to Africa between 2010 and 2012. India recently established the Development Partnership Administration as its own global aid agency with an estimated budget of USD15 billion to be disbursed between 2012 and 2017 (Taneja, 2012). The DPA's portfolio will be concentrated in fragile states, with USD7.5 billion to benefit African countries (OECD 2013).

Table 4 Top 10 recipients of official development assistance (ODA) (% of total ODA to fragile states)

Country	ODA Rank 2010	Percent of total ODA to FS 2010
Afghanistan	1	12.8%
Ethiopia	2	7.1%
Congo, DR	3	6.8%
Haiti	4	6.2%
Pakistan	5	6.1%
West Bank and Gaza	6	5.1%
Iraq	7	4.4%
Nigeria	8	4.1%
Sudan	9	4.1%
Uganda	10	3.5%
Total percent received by top 10 ODA recipients.		60.1%

Source:OECD 2013 www.oecd.org/dac/stats/idsonline.

2.3 Aid Prospects for Fragile States

ODA to fragile states can play a unique role in saving lives, bringing about structural change for poverty reduction and catalyzing non-aid flows. According to the OECD, the long term trend of ODA growth to fragile states and other low income African countries is at serious risk[6]. Development aid fell by 4% in real terms in 2012, following a 2% fall in 2011. This is also the first time since 1996-97 that aid has fallen in two successive years. The continuing global financial crisis and euro zone turmoil has led several donor governments to tighten their budgets, which had a direct impact on development aid.

[4] These are countries that receive less aid relative to others that appear otherwise comparable.
[5] Afghanistan, DRC, Ethiopia, Haiti, Pakistan, West Bank and Gaza, and Iraq, OECD 2013.
[6] Bilateral net ODA to the group of Least Developed Countries (LDCs) fell by -12.8% in real terms to about USD 26 billion in 2012.

Spain cut its aid budget – the sixth largest in Europe – by a third in 2010/11, while Greece cut an even larger share (40%) of its small aid budget. France also cut its aid budget by over 3.5% at the same time. Despite the overall drop in development budget, several partners are increasing their aid allocation and stepping up their engagement in these situations. It is critical to ensure that this assistance is adequate to the task, that it delivers results, and that it helps building on political opportunities for change.

2.4 Dependence on Minerals

Some fragile states are resource-rich creating both opportunities and challenges to development and stability. Case study evidence shows that natural resources have fuelled civil wars in Angola, Sierra Leone, DRC, and Liberia. In some of these countries, mismanagement of natural resources also aided state collapse that culminated in civil war. Sound management of natural resources therefore lies at the heart of building a viable and secure state in these countries. One in six fragile states depend on minerals or crude oil for 75% of their exports or more in 2010 (Table 5).

Table 5 One-in-six fragile states depend on mineral or oil for 75% of their exports or more (2010)

Mineral – dependent fragile states	Ratio of mineral exports to total merchandise exports (%)
Congo D.R	78.3
Guinea	65.2
Sierra Leone	54.3
Fuel dependent fragile states	**Ratio of fuel exports to total merchandise exports (%)**
Angola	98.6
Chad	90.8
Nigeria	90.5
Sudan	88.5
Congo, Republic	81.3

Source: Haglund, D. (2011), Blessing or Curse? The rise of mineral dependence among low income and middle low income countries, Oxford Policy Management, Oxford.

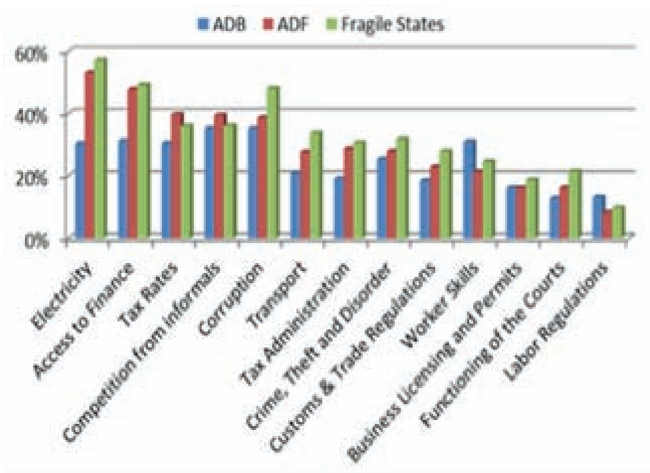
Natural resources represent large potential for jobs servicing the extractive sectors and generating domestic revenues. As a growing number of fragile states are discovering new resources, there is a need to establish globally transparent rules of engagement in the minerals sector to ensure that trade in mineral resources does not continue to fuel local conflict and that the resources from the mining sector are transparently allocated. The passage of the Dodd-Frank Act in the U.S. has set a high standard for transparency and other major economic powers like China should be encouraged to adopt similar procedures, which should not undermine their economic objectives but contribute significantly to improving global economic governance.

The Bank's African Legal Support Facility (ALSF) is providing legal advice and capacity building to African countries on complex commercial transactions and related sovereign transactions so that countries can enjoy full benefits from their extractive resources.

2.5 The Business Environment

Figure 1 Ranking the Business Environment

RANKING OF BUSINESS ENVIRONMENT CONSTRAINTS



Source: Foster and Briceno-Garmendia (2010).

One of the legacies of conflict and fragility includes a challenging business environment. Fragile states generally are categorized by very weak business environments that often restrict individual firm activities through several channels. In particular, the indirect costs of poor infrastructure, regulatory challenges (such as excessive licensing fees and bribes,), and low labor productivity can reduce profit margins and reduce incentives for business owners and prospective entrepreneurs. (Figure 1) shows the ranking of business environment constraints is more challenging in fragile states compared to ADF and ADB countries. One of the key concerns for governments in fragile states after security, and the provision of basic services is fostering entrepreneurship and employment. It is impossible for large numbers of people to be lifted out of poverty without sustained growth, and impossible to have sustained growth without a vibrant private sector.

There is significant room for increased private sector flows in fragile states as these do not represent a major source of finance for the group as a whole. This is to be expected given the depressing effect of fragility on the business climate. Countries recovering from conflict will need support to improve the business environment through regulatory reforms, strengthening small and medium size business and support institutions such as chamber of commerce, and rebuilding financial markets, banks and other financial institutions[7]. Foreign direct investment remains marginal in vast majority of fragile states and it is concentrated in resource rich countries. More work is needed on removing the bottlenecks to vigorous private sector investment in fragile states.

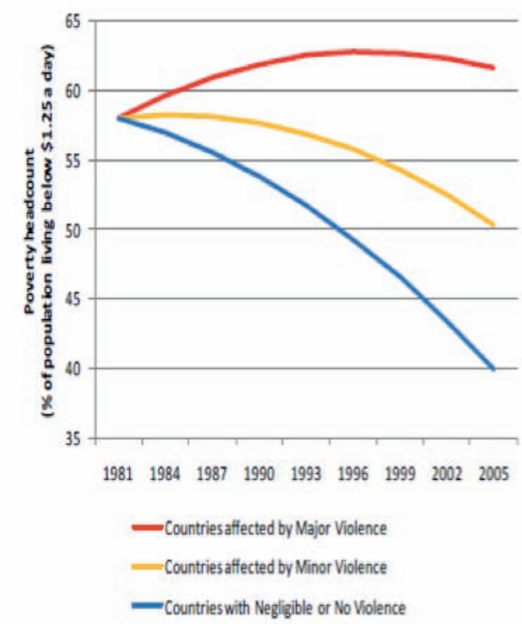
In the context of ADF resources for fragile states, the Bank is really constrained in providing private (non-sovereign) financing of projects in fragile states. The main reason for this is that the average risk ratings in these countries are very high. To avoid jeopardizing its AAA rating, the Bank can only finance a few private sector operations in fragile states even though non-sovereign lending by the Bank has grown tremendously over the past decade.

2.6 Violence Disrupts Development

Violent conflict is the main constraint to meeting the MDGs. Violence widens the poverty gap between countries affected by violence and those not experiencing violence. New poverty data show growing poverty gap between countries affected by violence and others. While poverty has been declining for much of the world, countries affected by violence and conflict are lagging behind. For every three years a country is affected by major violence (battle deaths or excess deaths from homicides equivalent to a major war), poverty reduction lags behind by 2.7 percentage points. (Figure 2).

Conflict in Africa has declined significantly from the high of 14 countries in conflict in 2000. However, tensions have escalated or resurfaced elsewhere. The Arab spring set several countries on a path of transition with inevitable instability in the short term. The collapse of the government of Mali in 2012 after two decades of political stability deemed exemplary at the time, revealed Mali's fragility and institutional weaknesses. Likewise the rebellion in the Central African Republic spotlights the substantial risk to political instability and tendency for recovering states to slip and slide back into conflict.

Figure 2 Violence widens poverty gap



Source: WDR 2011

2.7 Gender and Fragility

Women and girls in fragile states fare notably worse than their counterparts in non-fragile countries on many human development indicators. It is widely acknowledged that fragility most negatively affects the poorest and the most vulnerable groups in society including women and children. In general, policy response to fragility does not fully take gender into account, even though most of the characteristics of fragility have important gender dimensions. In 2009, the Bank integrated gender concerns into policies and programs that shape post-conflict societies[8]. The checklist provides practical guidance to Bank staff on how to mainstream gender issues into Bank's operations in Fragile States.

The year 2000 marked a turning point in international policy addressing gender in conflict and peace-building with the United Nations Security Council adoption of Resolution 1325 and

[7] IFC Conflict Affected States in Africa (CASA) Initiative.
[8] Checklist for gender mainstreaming into Bank funded programs/projects in fragile states (ADB/IF/2009/319; ADF/BD/IF/2009/290).

followed up with Resolution 1889 in 2009 concerning women, peace, and security. These Security Council Resolutions, call for increased participation of women in the maintenance and promotion of peace and security. Furthermore, they call for the prevention of sexual violence and the protection of women and girls from violence in conflict. In April 2013, G8 foreign ministers endorsed a declaration calling for urgent action to address a culture of impunity and to hold the perpetrators to account for acts of sexual violence in armed conflict.

In the context of fragile states, the relationship of women to the state is fundamentally different from that of men. Their relationship to the state is often mediated through family, community and religious and customary institutions. Women face a larger gap between their formal and substantive citizenship, as well as greater economic, social and cultural barriers in accessing their rights and participating in decision making. Moreover in many fragile state contexts, the domestic and personal issues of most concern to women (such as family law, inheritance, land access and security) are delegated to customary institutions or non-state actors making women unable to hold the state accountable for rights in these areas. All these factors mean that women face specific barriers in claiming their rights, in participating in governance and in holding the state accountable. Rebuilding fragile states opens up the possibilities for commitments to women's rights and to the promotion of gender equality to be confirmed in new governance arrangements (ERD, 2009).

Despite the growing awareness of gender and fragility, there are current gaps in knowledge about gender and power dynamics in the context of peace-building and reconstruction that impede new practices. Such gaps in knowledge can be addressed through new research including program evaluations, policy analyses, and country-specific case studies. Findings from such research could be applied to articulating improved policies and helping program designers to think outside the box on gender mainstreaming and support the kind of transformative change in conflict and post-conflict settings that would recognize and benefit from the full potential of all citizens.

2.8 Building Confidence and Institutional Transformation

A country's transition from a state of fragility to one of resilience involves a long process that may take 20 to 40 years. Country leadership, participation, and ownership in implementing reforms are crucial. Table 6 shows the time it takes to acquire threshold institutional capability for countries classified as "fragile" to achieve "good enough" governance on a series of indicators of state and institutional capability. Even under the most optimistic institutional transformation pathway, it takes countries more than a decade to reach a level of "good enough" governance. It took the 20 fastest reforming countries in the 20th century between 15 and 30 years—a generation—to raise their institutional performance from very fragile to more resilient levels. Specifically, it took 17 years on average to reduce military interference in politics and 27 years to reduce corruption and for rules-based controls against corruption to be institutionalized.

Table 6 Acquiring Threshold Institutional Capacity

Indicator	Years to threshold at pace of	
	Fastest 20 [9]	Fastest over the threshold
Bureaucratic quality (0-4)	20	12
Corruption (0-6)	27	14
Military in politics (0-6)	17	10
Government effectiveness	36	13
Control of corruption	27	16
Rule of law	41	17

Source: WDR (2011).

2.9 Infrastructure Deficit in Fragile States

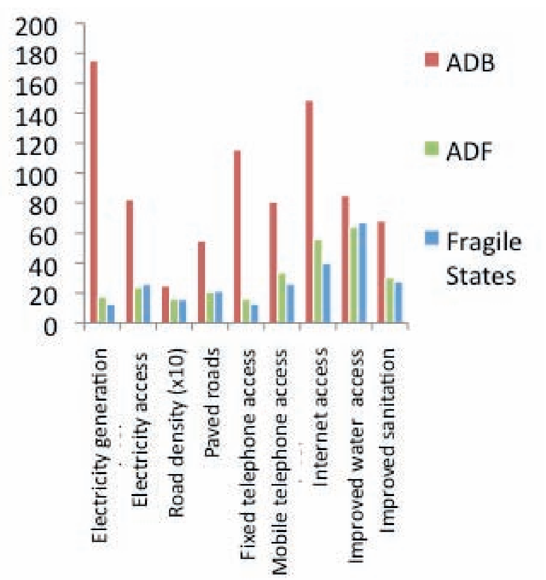
The quality of infrastructure is an enabling factor that drives inclusive growth and sustainable poverty reduction. Africa's fragile states face major infrastructure deficits especially rural infrastructure, as a result of years of destruction of infrastructure and property/assets (Figure 3). At the end of 2011, only 58% of the population in Africa's fragile states had access to improved water source and only 26% to sanitation.

Inadequate infrastructure in fragile states raises the cost of doing business and discourages domestic and foreign private investment. Poor rural infrastructure limits access of rural people to markets and basic services, and reduces opportunities for rural economic growth, employment opportunities and incomes. Poorly maintained feeder roads, for example, makes the transportation of perishable foods to high-value urban markets difficult. With good rural feeder roads, the income generated from selling farmers produce can be invested in

[9] The column "fastest 20" shows the average number of years the fastest 20 reformers have taken to reach the threshold and the second column shows the time it took the fastest country to achieve threshold indicator score.
[10] Electricity generation is measured in kilo watt hours per capita; road density in kilometers per 100 square kilometers of land; paved roads in percentage of total roads; electricity, improved water and improved sanitation access in population percentage; fixed telephone, mobile telephone and internet access in users per 1000 people.

health and education to improve the productivity in rural communities. Physical infrastructure deficiencies in the rural areas need to be addressed, not only to create economic opportunities for rural people in general, but also to make economic growth and development inclusive and ensure that the rural poor have better access to basic services that profoundly impact on their household welfare.

Figure 3 Variation in Infrastructur[10]



Source: Foster and Briceno-Garmendia (2010).

2.10 MDG Deficit in Fragile States

The Millennium Development Goals (MDGs) have been, and continue to be, a symbol of our common humanity and a declaration of the world's commitment to eradicating extreme poverty and hunger, combating disease, achieving gender equality and environmental sustainability, and extending hope and opportunity to billions across the world. Most of the MDG deficits are found in fragile states. Insecurity and violence, weak and illegitimate institutions and poverty are interlinked factors that create serious obstacles to peace, development and the attainment of the MDGs. In the fight against global poverty (MDG 1) and other MDGs, fragile states continue to lag behind. About 77% of school age children are not in primary school, 70% of infant deaths, 65% of people without access to safe water and 60% of undernourished people are in fragile states. Women and girls suffer disproportionately from the failure to achieve the MDGs in Sub-Saharan Africa where the number of women dying in early childhood and reproductive years is growing, and where girls continue to lag behind boys in school enrolment.

Some fragile states are making slow but steady progress on some of the Millennium Development Goals (MDGs). It should be noted however, that the MDGs make no direct reference to citizen security, justice and governance, yet these are some of the key expectations of people and root causes of conflict in fragile and conflict affected states. Delivering effective and timely international assistance to fragile states which generates results (for donors and partner countries) means it has to be aligned with peace-building and state-building objectives not just at the national level but also in a regional context.

A recent report on the Millennium Development Goals (MDGs) showed that eight (8) African countries - five of which are supported by the Bank's FSF - are among the 20 fragile states world-wide that have recently met one or more of the targets.[11] There are six (6) African countries among those that are on track to meet individual MDG targets ahead of the 2015 deadline. Guinea for example has already met MDG 1A (to halve extreme poverty or the number of people living on less than $1.25 a day) while Comoros is among six fragile states that have met the target on improved access to water (MDG 7C); Burundi, Chad and Republic of Congo are among nations that are on track to meet the target on gender parity in enrollment in school while Guinea, Guinea-Bissau and Sierra Leone are on track to achieve the target on improved access to water by 2015. Furthermore, the Bank and the international development community have provided massive debt relief to eligible fragile states in recent years, which has freed resources for them to carry out vital development activities for the benefit of their citizens.

For fragile states, the post-2015 development framework must seek to enhance social contract by promoting an integrated approach in four major areas not adequately treated in the MDGs; (i) inclusive economic growth; (ii) peace-building and state-building; (iii) climate change and environmental management and (iv) infrastructure.

[10] Electricity generation is measured in kilo watt hours per capita; road density in kilometers per 100 square kilometers of land; paved roads in percentage of total roads; electricity, improved water and improved sanitation access in population percentage; fixed telephone, mobile telephone and internet access in users per 1000 people.

[11] The World Bank Group. "Twenty fragile states make progress on Millennium Development Goals." News Release, May 1, 2013. Based on the 'Global Monitoring Report 2013: Monitoring the MDGs', The World Bank Group. <http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTDECPROSPECTS/0,,contentMDK:23391146~pagePK:64165401~piPK:64165026~theSitePK:476883,00.html

3 | The New Deal for Engagement in Fragile States

In order to make progress, fragile states require an approach that links security, political and development actions. Hence a clear set of international peace-building and state-building objectives is needed to lay the foundation for meeting the MDGs. Despite the significant investment and the commitments of the Paris Declaration and the Accra Agenda for Action, results and value for money in supporting fragile states have been modest. Transiting out of fragility is a long political process that requires strong country leadership and ownership.

The International Dialogue on Peace-building and State-building ("the Dialogue")[12], comprised of the g7+ group of 19 fragile and conflict affected countries, development partners, and international organizations, believe 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. Post conflict fragile states need to first end conflict, build their nations before trying to end poverty[13]. The g7+ group of fragile and post conflict countries seek to provide a fragile states perspective on fragility in order to work with development partners to improve the effectiveness of their development assistance.

Members of the International Dialogue have agreed on a "New Deal" for Engagement in Fragile States. In 2011, more than 40 countries and organizations, including AfDB, endorsed the New Deal for Engagement in Fragile States at the Fourth High Level Forum on Aid Effectiveness in Busan, Republic of Korea. The New Deal is anchored on peace-building and state-building goals and supports country-led development plans, outlining a set of commitments for effective collaboration to support transitions out of conflict and fragility[14].

The New Deal is the first aid architecture for fragile and conflict affected states and includes three interconnected pillars; the five peacebuilding goals[15], FOCUS – a new way of engaging and TRUST- a set of commitments by donors and recipient countries alike (Table 7).

Table 7 The "New Deal" for Engagement in Fragile States

Peace-building and State-building Goals	FOCUS	TRUST
Use the PEACEBUILDING & STATEBUILDING GOALS (PSGs) as the foundation for progress towards the Millennium Development Goals & as a guide for work in fragile and conflict-affected states	FOCUS on ways of engaging by supporting inclusive, country led transition out of fragility, based on five elements	TRUST is a new set of commitments to provide aid and manage reforms for better results
LEGITIMATE POLITICS – Foster inclusive political settlements and conflict resolution SECURITY – Establish and strengthen people's security JUSTICE – Address injustices and increase people's access to justice. ECONOMIC FOUNDATIONS – Generate employment and improve livelihoods REVENUE and SERVICE – Manage revenue and build capacity for accountable and fair service delivery	FRAGILITY ASSESSMENT of the causes and features of fragility which is country led, as the basis for one vision one plan ONE VISION & ONE PLAN which is country owned and led to address the PSGs & to transition out of fragility COMPACT to implement the one vision one plan and to guide partnership between all parties to achieve the PSGs USE the PSGs to monitor progress SUPPORT POLITICAL DIALOGUE & LEADERSHIP for effective peace-building and state-building	TRANSPARENCY in the use of domestic resources, enhanced at every level RISK this is jointly assessed and managed for better and greater investment in fragile states USE OF COUNTRY SYSTEMS building and delivering through them STRENGTHENING CAPACITIES of local institutions and actors to build peaceful states TIMELY AND PREDICTABLE AID through simplified, faster and better tailored mechanisms

Source: http://www.g7plus.org/new-deal-document/

[12] The International Dialogue on Peace-building and State-building was established in 2008 in Accra, in response to the need for a better and more focused effort to address the challenges of conflict and fragility.
[13] H.E. Emilia Pires, Minister of Finance, Timor-Leste and Chair of the g7+.
[14] www.busanhlf4.org paragraph 26 of the Busan Partnership for Effective Development Cooperation.
[15] These goals are fully aligned with the findings of the World Bank's 2011 World Development Report on Conflict, Security and Development. http://www.oecd.org/dataoecd/35/50/49151944.pdf - to access the New Deal.

The New Deal grew from a process of learning on international engagement in fragile states and offers a framework around which donors and partner government can collaborate. By endorsing the New Deal in 2011 more than 40 world leaders committed to develop strategic partnership agreements (compacts), to implement funding and operational approaches that are tailored to fragile situations, to take risk and enhance the use of country systems, and to deliver transparent, timely and reliable aid. Sustained political leadership and engagement by the top leadership of the development partners and at the head of state level in the fragile states is indispensable.

The New Deal will guide country led planning which will ultimately be defined by the unique context and challenges within an individual country. The initial progress and results achieved in the implementation of the New Deal in a number of self-nominated pilot countries give grounds for optimism and provide the basis for increased efforts. The fragility assessments in the Democratic Republic of Congo, Liberia, Sierra Leone and South Sudan and the new partnership on the New Deal between the Government of Somalia and development partners are good examples of progress in implementing the New Deal in Africa[16].

4 | The AfDB's New Approach of Engagement in Fragility

An independent evaluation of the AfDB's assistance to fragile states acknowledges that the Bank has made some progress and had a positive impact. However, it called for a "change in direction" to allow the AfDB's vision for its work in fragile states to be implemented in practice[17]. Fragility is costly for a country and its citizens, for neighboring countries and for the global community. Failure to engage differently and in an innovative manner is likely to entail major human, social, economic and security costs.

Significant progress has been made in implementing the Bank Group enhanced strategy in helping to build state resiliency in Africa since 2008, but challenges have also been encountered. Management took the opportunity of the ADF 13 Replenishment Negotiations to put forward for the ADF Deputies' consideration a number of issues and associated options toward a revised, more robust and potentially more effective Bank Group approach to engaging in fragile states. The revised strategy should be presented to the Boards in Q4 2013 and if approved, to be implemented from January 2014, at the beginning of the ADF 13 cycle. The areas to be improved upon are derived from Bank's experience and lessons learned from implementation and evaluation of its policies, strategies and instruments since 2008; the experiences of development partners; and emerging new knowledge and frameworks on engagement in fragile states.

In this regard the outcome of the AfDB's High Level Panel (HLP) on fragile states that was established in November 2012 and chaired by President Ellen Johnson-Sirleaf will help strengthen the Bank's revised operational strategy in fragile states. Some of the main issues to be revisited include the strategic and operational focus of Bank Group's engagement in fragile states; refining the concept and methodology of assessing fragility; improving the resource allocation framework, and reviewing the two-stage eligibility criteria to the fragile states facility supplemental support window; making country programming documents more fragility-focused; and, strengthening partnerships. Other issues include: improving the exit strategy from the FSF; addressing risk management and mitigation measures, which involve rethinking the risk tolerance, and preparing and implementing risk management framework at country level; and implementation mechanisms that can be applied in countries that have extremely weak capacity, such as Somalia and South Sudan.

5 | How can the AfDB Better Engage and Strengthen Fragile States?

Because fragile states have unique circumstances and challenges, traditional approaches may not always work. The AfDB clearly recognizes this and is articulating a new strategy to working more effectively with weakly performing members. This approach stresses better coordination with partners and institutions especially in areas such as security and justice areas where the AfDB lacks the expertise neither have the core competences. Some recommendations on how the AfDB can better engage and strengthen fragile states are:-

1. *Implement, Monitor, Evaluate, Refine Country Strategies.* The Bank should put its new approach into effect that should be implemented, monitored, evaluated and refined

[16] 3rd International Dialogue Global Meeting, Washington DC, April 2013.
[17] http://operationsevaluation.afdb.org/en/evaluations-publications/evaluation/an-independent-evaluation-of-african-development-bank-assistance-to-fragile-states-1999-2010-132/

along the way. This includes approaches to strengthen the foundations and building blocks of inclusive growth and green growth while prioritizing good governance and institution building in fragile states.

2. *Sharpen the Diagnostics, Understanding Underlying Connections.* Country Strategy Papers should be more fragility focused. Fragility and instability often stems from underlying social-cultural-political factors that are not always easy to see. Bank staff often misunderstands these underlying factors. Bank staff working in fragile states must possess more than just hard development economics skills. Social and political economy analysis and the key drivers of conflict analysis should be employed to see what's below the water line. Without sharper diagnostic capacity, it will be difficult to determine for example, a country's true commitment to reform. Diagnostics should be sharpened in order to have more effective and informed interventions altogether.

3. *Focus More Attention and Resources on Fragile States and Regions.* Many fragile states and their millions of citizens are simply left behind. They need more attention and resources.

In fragile states, business as usual is not an option. Fragile states require different approaches to development than those applied in better performing countries. In the average fragile state, ODA is the biggest financial inflow (USD 50 billion in 2010), followed by remittances and FDI. This situation shows how important ADF funds can be for fragile states given their limited access to other major sources of development finance. Moreover, well-targeted ADF resources could improve governance and institutional challenges such that returns to private investments are more likely to be used for development.

4. *Identify and Leverage Core Competencies.* Strengthening a fragile state often requires multiple interventions in governance, finance, security, infrastructure and so on. No one donor can do it all. The Bank should identify what its core competencies are and then pair up these competencies with those of other donors so as to create more integrated and complementary approaches. Leveraging and coordinating core competencies can help optimize donor assistance in fragile states.

5. *Prepare for a Long Haul. Inclusive growth in any nation typically requires a considerable amount of time.* This is true especially in the context of fragile states with many binding constraints to development. The Bank should be prepared to enter into longer-term partnership and engagements with its weakly performing member countries and in doing so, it must not unrealistically demand quick and immediate results. Modalities and time horizons for fragile states need to take a longer term view.

6. *Improve Effectiveness of Capacity Development.* Fragile states suffer from limited capacity at multiple levels: individual, organizational, sectoral, institutional and environmental. The Bank and fragile states themselves must therefore understand and consider capacity systems.

7. *Integrating Peace-building and State-building Goals in Programming Documents.* The Peace-building and State-building Goals (PSGs) set out in the Monrovia Roadmap (2011) and taken up by the New Deal for Fragile States (2011) are considered a helpful new input for identifying multiple dimensions of fragility. The indicators that are currently being developed to measure progress on PSGs should serve as a reference for the Bank to reflect on the specific challenges of fragile states in the ways it sets objectives, identifies interventions, manages risks and measures results in these contexts.

8. *Integrating Gender Issues into the Bank's Emerging Policy on State Fragility.* Overlooking fragility's different effects on men and women and missing opportunities for engaging women as agents of change may undermine strategies to address state fragility. Gender and fragility is a very new area of development policy. Development aid frameworks call for gender-sensitive policy, however, policy responses to fragility do not fully take gender into account, even though most of the characteristics of fragility have important gender dimensions. Rwanda shows how state-building in post conflict situations can address gender inequalities providing opportunities for women empowerment.

On policy dialogue, the AfDB can use its franchise value as an African institution and a trusted partner to deliver knowledge and policy advice on state fragility. As a pan-African institution, the AfDB has a unique role as the voice for Africa in the

[18] Burundi, CAR, Chad, Comoros, Cote d'Ivoire, DRC, Guinea, Guinea Bissau, Liberia, Sierra Leone, Somalia, South Sudan and Togo.

development community and needs to enhance its visibility on the global arena on fragility: 13 out of the 17 fragile RMCs are members of the g7+[18], yet the AfDB is not playing a leadership and agenda setting role in the g7+ to facilitate dialogue on urgent reforms to the way aid interventions are managed, designed and delivered. The revised strategy on fragile states proposes to strengthen strategic partnerships to enable the Bank focus on its comparative advantages while ensuring that development partners tackle other key aspects of building state resiliency. The stronger partnerships would be anchored in the framework of the New Deal for Engaging in Fragile States agreed at the 4th High Level Forum held in Busan in 2011.

6 | Conclusion

The Bank's effective response to fragility is long term and it is underpinned by a deep understanding of the needs and opportunities in different types of fragile and conflict affected states. The "Africanness" of the AfDB means that staffs have a deeper understanding of the socioeconomic challenges and a solid understanding of local context which if properly harnessed can be helpful in designing effective interventions informed by such understanding. Hence the Bank is better placed and can use its comparative advantage to come up with innovative and practical approaches to get the best value for money and make a real difference in addressing fragility and poverty in fragile states.

Inclusive economic growth in fragile states require policies and programs that are pro-jobs and pro-poor. It also requires investment in soft and hard infrastructure that facilitates private sector development, regional integration and global connectivity. It requires that fragile states receive a fair share and sustainable returns from their natural resources which will help finance the provision of basic services. Given the links between youth unemployment and conflict, skill development and job creation is imperative. With increasing urbanization, the shrinking of the formal economy and weakness of traditional coping mechanism, social protection policies and programs must be put in place.

In terms of its advisory services, the AfDB will need to make increasing use of Economic and Sector Work to fill critical knowledge gaps in its engagement in state fragility as well as leverage on the collective tacit knowledge of operations staff. More innovative, flexible and streamlined approaches to project processing and implementation relevant in situations of fragility should be institutionalized.

As the AfDB implements its new Ten Year Strategy (TYS) 2013-2022, efforts should be stepped up to implement policies and operational reforms so that the AfDB's strategy for engagement in fragile states is aligned with the New Deal. Efforts to manage risks, increase use of country systems with appropriate financial management in place, and to support the development of resilient capacities such as building and maintaining the core institutions of the state should be enhanced. Sustainable path out of conflict and fragility lies in the State's ability to develop and harness national capacities.

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