The African Development Bank Group established the Fragile States Facility (FSF) and its implementation arm, the Fragile States Unit (OSFU), in March 2008 and July 2008 respectively, with the objective to effectively assist eligible fragile states to consolidate peace, stabilize economies and lay foundations for sustainable poverty-reduction and long-term economic growth.

The Fragile States Facility was designed to provide support to eligible regional member countries via three grant pillars: the Supplemental Support window for funding infrastructure, state capacity building and accountability (Pillar I), the Arrears Clearance window (Pillar II) and the Technical Assistance and Capacity Building window (Pillar III).

In July 2008, the Bank created the Fragile States Unit (OSFU) to operationalize the Bank’s Strategy for Enhanced Engagement in Fragile States. The main objective of the OSFU is to facilitate the Bank’s work in fragile states. It provides advisory support to the Bank’s regional and sector departments working in fragile states, implements the technical assistance and capacity building programs, and helps to implement the arrears clearance program.

Despite its relatively new creation, the FSF has made tangible achievements under all its three pillars. Since its inception, it has channeled supplemental financial resources to nine (9) fragile states under pillar I, cleared the arrears of two regional member states (Pillar II) and provided targeted technical assistance and institutional capacity building operations to sixteen (16) eligible fragile states under pillar III.

Social Infrastructure and Economic Reforms

The Supplementary resources have:

- Supported the implementation of poverty reduction support programs and the development of credible governance reforms and country financial management systems,
- Rehabilitated and reconstructed basic infrastructure, including energy and water supply and sanitation, and
- Revived the productive sectors of war-ravaged communities.

A sound education system strongly contributes to countries’ social and economic recovery.

Accompanying States Towards Sustainable Development
For example, the FSF is currently financing the following projects:

- The Lungi-Port Loko Road Upgrading project in Sierra Leone (UA 26.026 million)
- Poverty Reduction Programs in Liberia (UA 9 million)
- Economic Governance Reforms in Burundi (UA 12 million), Togo (UA 10 million) and Comoros (UA 2 million)
- Community Development Project in Central African Republic (UA 8 million)
- Health Project in Guinea Bissau (UA 6 million)
- Electricity Infrastructure Rehabilitation and Extension Project in the Democratic Republic of Congo (UA 60 million)

In total, UA 253.73 million have been committed or disbursed under pillar I.

Arrears Clearance and Debt Sustainability

The arrears clearance window has helped Côte d’Ivoire and Togo clear their arrears for the amount of UA 255.58 million (UA 241.01 million for Côte d’Ivoire and UA 14.57 million for Togo). These operations also enabled them to engage in the process of debt relief under the Heavily Indebted Poor Countries Initiative (HIPC) and the Multilateral Debt Relief Initiative (MDRI). UA 0.07 million were also used to settle some outstanding balances in Liberia’s arrears clearance program.

Technical Assistance and Capacity Building

The Fragile States Facility also provided targeted technical assistance and institutional capacity building to sixteen (16) fragile states, amounting to UA 39.36 million. The operations aimed at strengthening the beneficiaries’ human and institutional capacity in public administration, economic and financial management, support service delivery, particularly water supply and sanitation and the productive sectors, including the management of natural resources.

In 2009 the resource envelope of the FSF amounted to UA 647.80 million from UA 511.4 million in 2008, out of which UA 346.35 million were disbursed.

Promotion of Partnership Activities

The majority of FSF operations are closely coordinated with other donors’ interventions, including the World Bank, the International Monetary Fund (IMF), the United Nations Development Programme (UNDP) and other bilateral aid agencies. Furthermore, OSFU proactively contributes to the promotion of dialogue between donors and partner countries on issues of fragility and conflict.

The objectives of the dialogue are to provide a platform to share country-level peacebuilding and statebuilding experiences, and agree on good practices of delivering development assistance to fragile states. The Fragile States Unit participated in the Steering Group meeting of the International Dialogue on Peacebuilding and Statebuilding that was held in Dili, Timor Leste, in October 2009. Thus far, forty (40) donor governments, partner countries and international organizations have joined the International Dialogue on Peacebuilding and Statebuilding.

OSFU is a member of the Organisation for Economic Cooperation and Development-Development Assistance Committee (OECD-DAC) International Network on Conflict and Fragility (INCAF). Since the Accra High Level Forum in September 2008, the work of INCAF has been broadened to include work-streams examining a range of aid and development effectiveness issues in fragile and conflict-affected countries.

N. B.
1 Unit of Account (UA) = 1.52 United States Dollars
1 Unit of Account (UA) = 1.13 Euros
An Instrument for Consolidating Peace and Building States

1. Objectives

The Fragile States Facility (FSF) is an operationally autonomous entity within the African Development Bank (ADB) 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, stabilizing their economies, and laying the foundation for sustainable economic growth.

The FSF is a special initiative of the Board of Directors of the African Development Bank (ADB) and the African Development Fund (ADF). At the operational and financial levels, it is managed by an autonomous trust fund. The resources allocated under the Facility are grants.

The guiding principles of the Facility are as follows:

- Enable the Bank to respond with flexibility and rapidity to the emergency needs of fragile states
- Enhance Bank support to fragile states, most of which are going through difficult phases of socio-economic recovery
- Make resources available for a multi-year period to eligible fragile states with a high degree of transparency

Established in March 2008, the FSF is governed by two major documents, namely:

- The ADB Group Strategy for Enhanced Engagement in Fragile States, and
- The Operational Guidelines (rules and procedures) of the Fragile States Facility.

Approval of these documents in 2008 by the ADB and ADF Board of Directors shows the Bank’s commitment and the growing world consensus on the need to increase aid and its impact on development in fragile states.

The Bank Group strategy consists in making a distinction between support provided to post-conflict or transitional countries and ordinary development assistance to other countries.

2. Implementation

To operationalize the Facility, the Fragile States Unit (OSFU) was created in July 2008 with the following objectives:

- Provide resources and advisory services to regional and sector departments operating in fragile states
- Contribute to the implementation of arrears clearance programs
- Manage the Targeted Technical Support program for capacity building, and facilitate skills transfer
- Coordinate and align Bank operations in fragile states
- Facilitate the dissemination of information and knowledge on the Facility and fragile states

3. Sectors Financed

The Fragile States Facility supports eligible countries through three windows, namely Supplementation Support (Pillar I), Arrears Clearance (Pillar II) and Targeted Support (Pillar III).

1. Supplementation Support

The Supplemental Support Pillar seeks to provide eligible post-conflict or transitional countries with financing in addition to the ADF country allocation. These resources support governance, human and institutional capacity building, and the rehabilitation and reconstruction of basic infrastructure.

2. Arrears Clearance

The resources of this pillar contribute to clearing the arrears of eligible countries. The support helps to normalize their relations with the ADB Group and gives them the possibility of benefiting from debt relief under the Heavily Indebted Poor Countries Initiative (HIPC) and the Multilateral Debt Relief Initiative (MDRI). The budgetary space thus created helps to finance investments in priority sectors such as health, education, infrastructure and agriculture.

3. Targeted Support

Through the Targeted Support Pillar, fragile states receive support in terms of human and institutional capacity building and economic analyses to facilitate the preparation and management of development policies and programs. This support cannot be provided through the traditional instruments and programs of the Bank Group. The Targeted Support also offers technical assistance to countries by providing experienced experts and offering support in the form of services.

4. Fragile States

Following a joint evaluation in 2007-2008, the ADB and the World Bank determined which countries are fragile or affected by a conflict. These are countries that have a Country Policy and Institutional Assessment (CPIA) below or equivalent to 3.2. In addition, countries emerging from crisis or conflict, or those that have seen the presence on their territory of regional or United Nations peacekeeping operations or mediating operations during the past three years are also considered as fragile states.
Facility Eligibility Criteria

1. Criteria for Supplemental Support

To determine eligibility for the Supplemental Support, the Bank applies a series of criteria at two levels:

a) First-level criteria

Application of the first-level criteria consists in determining whether a potentially eligible country meets the key conditions laid down for consolidation of peace and security, and whether any damage to the economy results from conflict or a crisis environment. These conditions are:

- Commitment to consolidate peace and security
  - Signing of an agreement for global peace, crisis emergence or reconciliation recognized by the international community
  - Existence of a functional or transition government acceptable to stakeholders and the international community

- Unfulfilled social and economic needs
  - Adverse economic effects of conflict, characterized by Gross Domestic Product contraction by 10% or more since 1990
  - Very low level of human development, characterized by classification of the country in the last quintile of the United Nations Human Development Index

b) Second-level criteria

Countries meeting these first criteria are assessed at the second level. This stage seeks to determine their degree of commitment to continuing implementation of adequate programs for macroeconomic consolidation and structural reforms. This second level also assesses determination to increase transparency and responsibility in the management of debt and financial resources.

At this stage, the Bank evaluates the macroeconomic and structural reforms implemented to determine whether they contribute to:

- Strengthening the country’s growth prospects and debt management
- Boosting the country’s commitment to continued implementation of appropriate policies and practices relating to public finance management
- Restoring an environment conducive to entrepreneurship and private sector development, and
- Increasing transparency and empowerment of institutions responsible for public resource management

- Furnish evidence of their respect of the Bank Group’s status of preferred creditor. To that end, they should fully honor all further maturities for debt outstanding, or at least honor them to the same debt service level as for other international finance institutions, and
- Be eligible for debt relief under the Highly Indebted Poor Countries.

2. Criteria for Arrears Settlement

The countries eligible for Arrears Clearance are those with chronic arrears to the Bank. These countries are required to meet the two levels of Additional Support criteria and also:

- Marked socio-economic deterioration
- Conflict or prolonged crisis
- Emergence from conflict or a transition phase
- Gradual socio-economic recovery

3. Criteria for Targeted Support

To be eligible for Targeted Support, countries must show the following characteristics:
Mrs. Margaret Kilo (Head of the Fragile States Unit)

“Governance is the most pressing issue in dealing with fragile states”.

Fragile states have become a priority for development institutions, especially the African Development Bank. In March 2008 the Bank established a Fragile States Facility (FSF) as an institutional framework to deal in a comprehensive way with countries’ needs. For Mrs. Margaret Kilo, Head of the Fragile States Unit, performance in addressing the challenges facing fragile states is linked directly to government’s ownership of FSF-operations and its willingness to work closely with partners, including the Bank. Also, talking about governance, she said it is a challenging issue to tackle, requiring long-term commitments.

Interview

Since the Fragile States Facility was established by the Bank in 2008, what is the key lesson that has emerged from its interventions? There are several lessons that we have learnt in implementing the Facility’s programs, but the key emerging lesson is sheer diversity of fragile states, in terms of countries’ specific situations, needs, pace of recovery and progress. In this regard, the Bank’s experience attests that performance is closely linked to governments’ strong commitment and close partnership with the international community.

The African Development Bank moved from a Post-Conflict Country Facility to a Fragile States Facility. What was the reason for this change? The rationale behind this change was so the Bank could provide a broader approach on issues of fragility and improve its performance in support of fragile states. To this end, the new facility was established with the objective of increasing the level of resources to fragile states and providing greater institutional flexibility with specialized business policies and procedures. The change enabled the Bank to integrate enhanced support for fragile states into a single facility with the resources and instruments to deal effectively and responsively with countries’ needs. The new instrument has helped to provide sustained and differentiated support to fragile states and to adapt to each country’s context and conditions of fragility. As you know, fragility might be due to deteriorating governance, ill-managed post-conflict and political transitions, or a prolonged crisis.

Improve Performance in Operations

Among the numerous challenges fragile states face, what do you think is the most crucial one to tackle in order to get a country back on its feet faster? This is a difficult question because each country has its own realities. This said, I could mention governance as a pressing one since it is cross-cutting. Governance or the lack of it underlies the challenges in fragile states: collapse of the state institutions, mismanagement of natural resources, lack of access to basic social services, ethnic conflicts or violence, etc. All these problems tend to create or culminate in state fragility. Therefore, in a post-conflict or fragile context a lot of efforts and resources should be put in establishing or strengthening governance.

How do you explain that “fragility” or “fragile states” has come higher on top of the global development agenda? The main reason lies in the experience or lesson from this cate-
Category of countries where economic progress or development gains obtained after decades of hard work can be wiped out because of fragile situations. These situations include political instability due to civil war, ethnic violence, or external shocks such as drop in commodities prices. We could also mention the recent fuel, food, and financial crises or more generally, debt burden. So, the links between fragility and development are obvious. Based on that experience, institutions like the Bank realized that particular attention needs to be paid to fragility. This is the reason why the Bank has set up the Fragile States Facility to address the needs of eligible fragile states. Addressing the problems of fragile states remains high on the Bank’s agenda because the majority of fragile states are regional members of the Bank.

**Fragility is a Priority**

How is the Fragile States Unit partnering with other institutions?
The Bank has established effective partnerships at country and global levels with international organizations and aid agencies working in the sector. In some countries like Sierra Leone, Liberia or the Central African Republic, we are implementing joint country strategies with our sister institution, the World Bank. At the global level, we work with the OECD’s International Network of Conflict and Fragility (INCAF) to develop policy guidelines aimed at helping improve donor response to conflict and fragility. Also, the Bank is a member of the International Dialogue on Peacebuilding and Statebuilding and of the Multilateral Development Banks’ Working Group on Fragility and Conflict.

What is the way forward for the African Development Bank in dealing with fragile states?
Looking forward, the Bank will continue to deepen its engagement in countries, fine-tuning its approach based on lessons learnt so far. As the Bank President, Dr. Donald Kaberuka, said at the February 2010 African Development Fund – 12 (ADF-XII) Replenishment Consultations in Cape Town, South Africa, “The Bank will continue to support these countries in rebuilding fractured institutions, infrastructure rehabilitation, capacity, and arrears clearance”.

The Staff of the Fragile States Unit (OSFU)

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