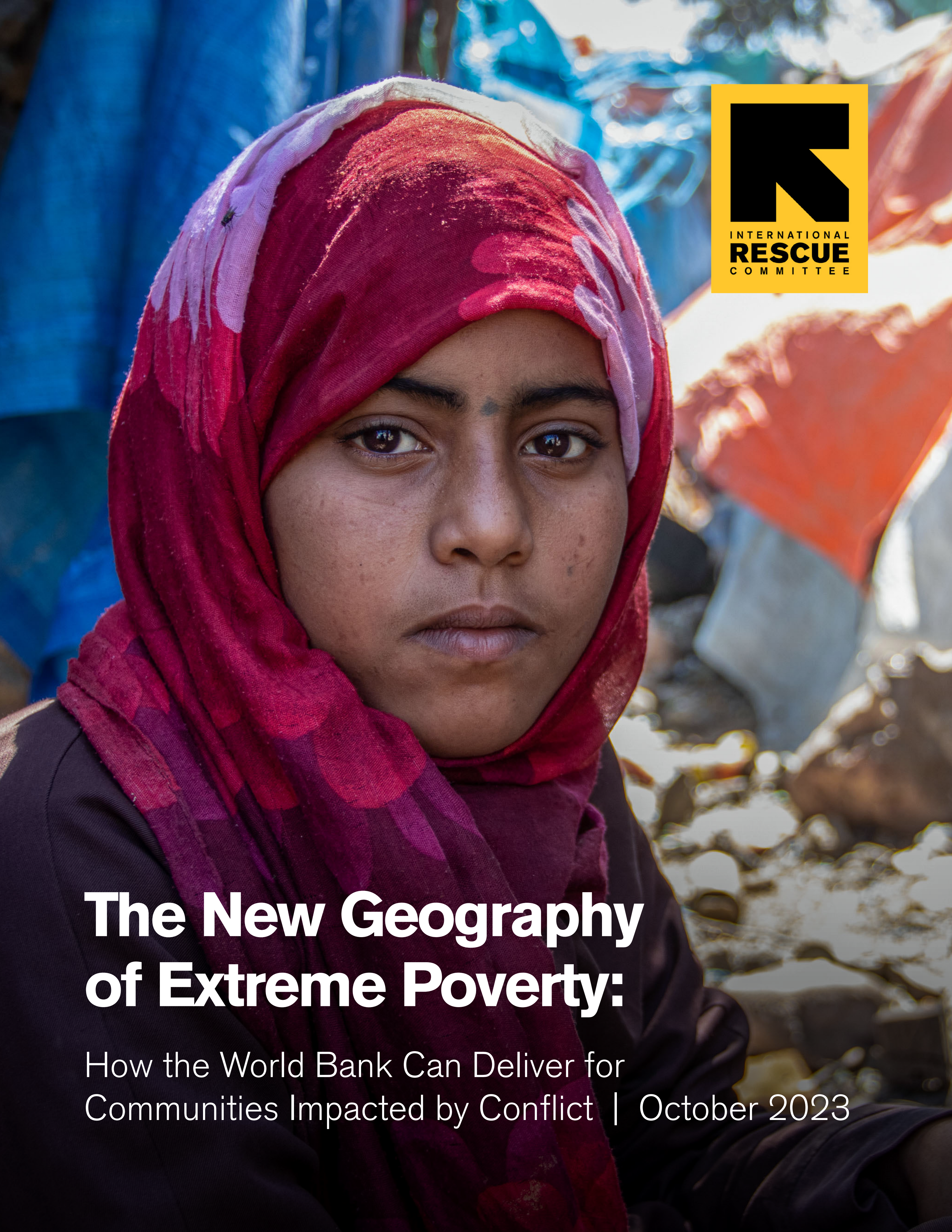

INTERNATIONAL RESCUE COMMITTEE

The New Geography of Extreme Poverty:

How the World Bank Can Deliver for Communities Impacted by Conflict | October 2023

LIST OF ACRONYMS

ARTF	Afghanistan Reconstruction Trust Fund
CRW+	Crisis Response Window Plus
CSO	Civil Society Organization
DRC	Democratic Republic of the Congo
EBRD	European Bank for Reconstruction and Development
FCS	Fragile and Conflict-Affected States
FCV	Fragility, Conflict and Violence
GBV	Gender-Based Violence
GPGs	Global Public Goods
HRP	Humanitarian Response Plan
IDA	International Development Association
IEG	Independent Experts Group
INGO	International Non-Governmental Organization
IRC	International Rescue Committee
LDC	Least Developed Country
LIC	Low-Income Country
MDB	Multilateral Development Bank
MIC	Middle-Income Country
NDCs	Nationally Determined Contributions
ND-Gain	Notre Dame Global Adaptation Initiative (ND-GAIN)
NGO	Non-Governmental Organization
ODA	Official Development Assistance
SDGs	Sustainable Development Goals
SPUR	Special Program for Ukraine and Moldova Recovery
UNICEF	United Nations Children's Fund
UNOPS	United Nations Office for Project Services
USD	U.S. Dollar
WPS	Women, Peace and Security
WRO	Women's Rights Organization
WLO	Women-Led Organization
U.N.	United Nations

Cover: Portrait of 11-year-old Na'aem who lives in southwest Yemen's Sahdah Camp with her parents and eight other siblings. Her family was forced to flee their home in western Yemen after conflict erupted around the country.

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EXECUTIVE SUMMARY

The World Bank's dual mission to end extreme poverty and promote shared prosperity in a livable planet is at risk. Over the last three decades, as the number of people living in extreme poverty[1] globally has dropped by more than half, it has increased by over 80% in countries defined by the U.N. as **Least Developed Countries (LDCs)** and by the World Bank as **conflict affected**.[2] These 13 conflict-affected LDCs (see box 1), representing the "new geography of extreme poverty," are home to almost a quarter of all the people living in extreme poverty globally today.[3] Meanwhile, the World Bank's own projections estimate that up to **two-thirds** of those living in extreme poverty globally will live in fragile and conflict-affected countries by 2030, the target year for the fulfillment of the Sustainable Development Goals (SDGs). Beset by protracted conflicts and a cycle of humanitarian crises, these countries are experiencing a "polycrisis," with the lingering effects of the COVID-19 pandemic, recurring climate shocks and the fallout from the war in Ukraine all combining to hold back progress toward the SDGs. Entire countries are at risk of being left behind. While the geography of extreme poverty is changing, the institutions and tools to tackle it have not kept pace. The World Bank and its International Development Association (IDA), with responsibility for the **world's poorest countries**, are not fully equipped to meet the challenges in these specific contexts.

The Bank's steps toward reform have been promising, but insufficient. The **Bank's 2020–2025 Strategy for Fragility, Conflict and Violence (FCV)** created more space for engagement in conflict-affected LDCs. But the approaches are still ad hoc. Project finance, design and delivery in conflict settings will look different from more stable development settings. It will require a different approach to risk and a broader set of partnerships beyond national governments, such as those tested by the Bank with the U.N. and NGOs in Yemen and South Sudan.[4] Without this, humanitarians are left to deliver essential services in place of stretched, under-resourced, or absent national governments. Humanitarians themselves are working with reduced Official Development Assistance (ODA) budgets and under-resourced Humanitarian Response Plans (HRPs) funded at an average of approximately 26% in the 13 conflict-affected LDCs.[5]

Beyond the FCV strategy, proposals for wider reform of the World Bank and other Multilateral Development Banks (MDBs) include the World Bank **Evolution Roadmap**, the **2022 Bridgetown Agenda for the Reform of the Global Financial Architecture** and the **Independent Experts Group (IEG)'s recommendations to the G20.** The recommended reforms are aimed at changing investment models and mobilizing additional resources for advancing "Global Public Goods" (GPGs) such as climate change adaptation and mitigation and pandemic preparedness, as well as ending extreme poverty. The proposed **Evolution Roadmap** is promising. It highlights an increased focus on fragility, conflict and violence as well as climate change—among other global challenges—as a precondition to effectively eradicate poverty. It also identifies operational reforms to deliver impact at scale including partnerships for delivery. Centering FCV countries and the importance of partnerships in the Evolution Roadmap is a welcome and important first step toward enhancing the World Bank's engagement in conflict-affected LDCs. Implementation now relies on models for delivery, partnerships and vital resourcing. Without swift action to resource and operationalize these reforms, there is a risk of divergence between the evolution of extreme poverty and the evolution of the institution charged with eradicating it. The latest **G20 declaration** did not assuage these concerns. G20 leaders explicitly referred to **an ambitious IDA21 replenishment** but did not commit to increasing contributions to IDA, or other reforms to maximize impacts in conflict-affected settings. Without fresh resources, the risk of a **myopic tradeoff** between action on climate change and poverty reduction in LDCs remains.

This brief assesses the World Bank's current approaches to project finance and delivery in conflict-affected LDCs. The analysis reveals that operational constraints lead to delays and suspensions of projects, while high security thresholds and access barriers prevent swathes of the country, and people living there, from receiving vital, Bank-sponsored services. These constraints help explain the gap in committed IDA finance that is actually disbursed between stable and FCV LDCs: commitments disbursed to non-fragile countries **increased by almost 100%** between 2007 and 2019 while disbursements to fragile countries lagged behind, increasing by only **44%** during the same period, despite skyrocketing needs.

> **"These constraints help explain the gap in committed IDA finance that is actually disbursed between stable and FCV LDCs: commitments disbursed to non-fragile countries increased by almost 100% between 2007 and 2019 while disbursements to fragile countries lagged behind, increasing by only 44% during the same period, despite skyrocketing needs."**

Ending extreme poverty through World Bank projects requires a **"people-first" strategy** that prioritizes communities living in conflict-affected LDCs. This will require accelerating disbursements to FCV countries, increasing accessible and available IDA finance, and improving uninterrupted project delivery in conflict-affected LDCs. Reaching these communities calls for a reassessment of risk—particularly security risks—and reimagining models for delivery beyond World Bank reliance on national governments. Where governments can deliver, they should be supported, but where they cannot in part or in full, the Bank should broaden its approach to delivery and crowd in a wider range of partners to provide additional capacity and allow more financing to flow where it is most needed.

RECOMMENDATIONS:

1. **Improve consistency and reach of World Bank projects and disbursements of IDA financing in conflict-affected LDCs through "people-first partnerships"**—drawing on the "partnership models" presented in this brief—to assess and navigate conflict-related risks and deliver projects to populations beyond the reach, capacity and/or control of the government.

2. **Ensure World Bank projects are designed with affected populations and marginalized communities,** with particular attention to increased partnership with locally led and women-led organizations, and with primary objectives to transform discriminatory gender hierarchies, norms and roles that disempower women.

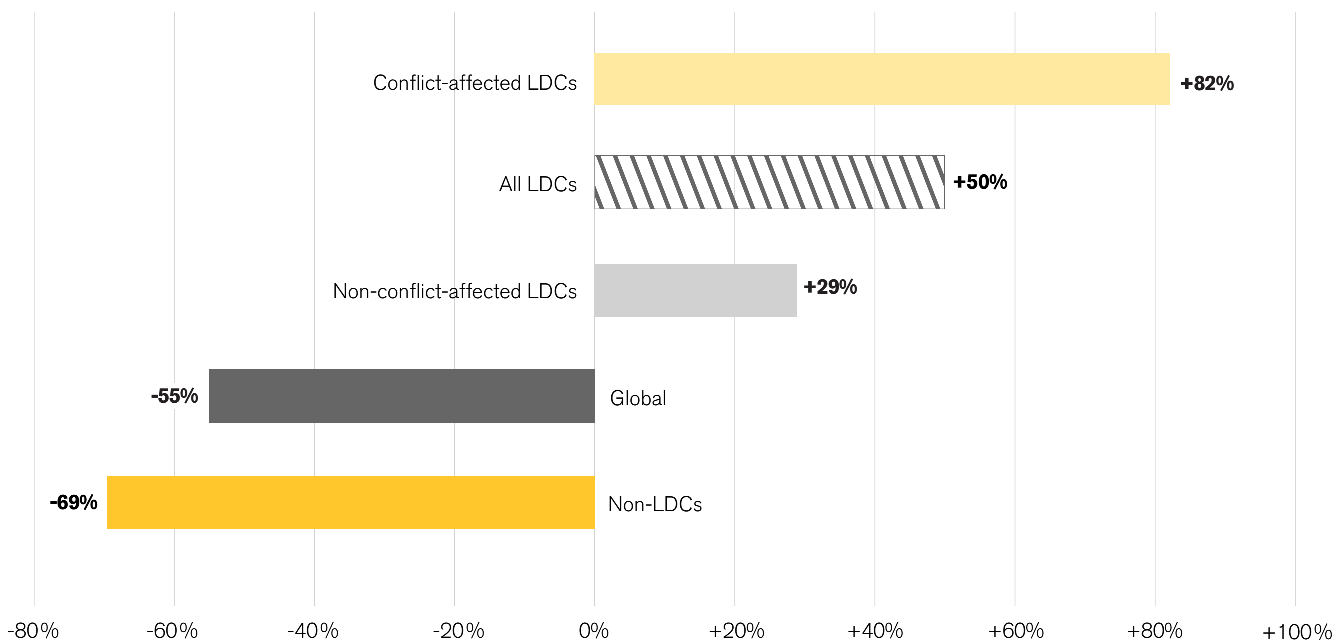
3. **To enable expanded partnerships and improve design of projects, as well as supporting the World Bank mission to end extreme poverty, donors should pledge additional resources to IDA20 for fiscal years 2024 and 2025,** and contribute to the **Crisis Facility** to meet the USD 12 billion target by December 2023, boosting IDA resources for countries impacted by the war in Ukraine. Donors should strive for an ambitious IDA21 replenishment while also **planning to triple IDA by 2030**, in line with the Independent Experts Group recommendations to the G20.

I. ASSESSING THE NEED

Conflict-affected Least Developed Countries as the new geography of extreme poverty

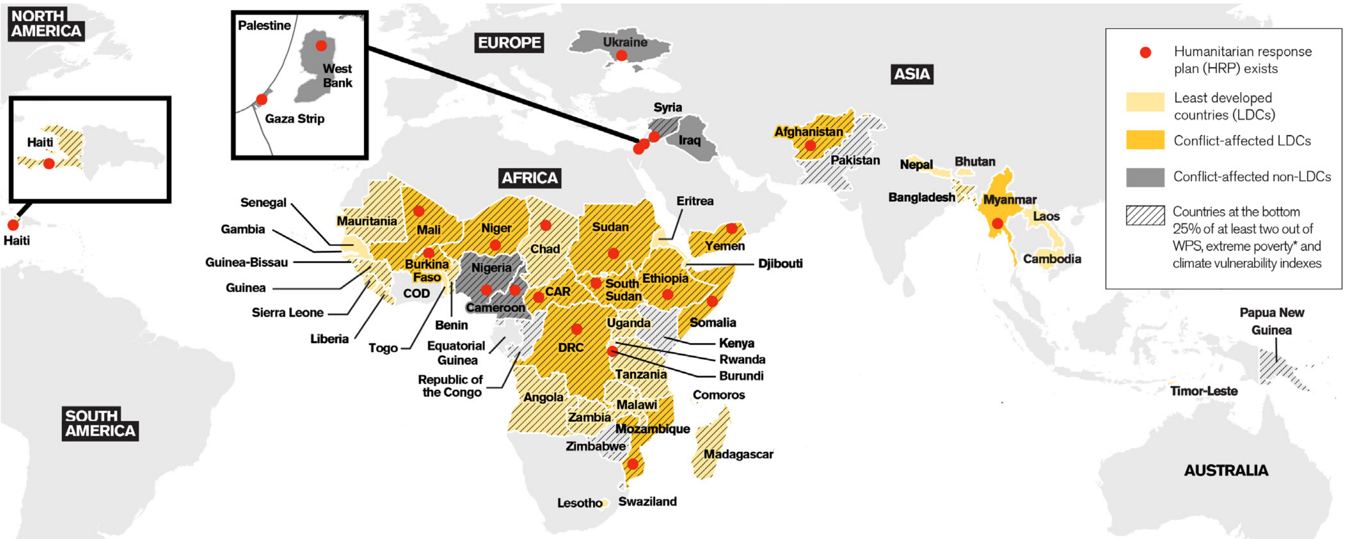
Fragile and conflict-affected countries are emerging as the epicenter not just of humanitarian need but extreme poverty. Globally, extreme poverty has dropped by more than half over the last three decades. But behind this laudable progress lurks a dangerous divergence between stable and fragile countries, especially conflict-affected LDCs, where during the same period, the number of people experiencing extreme poverty increased by 82% (see Chart 1).

CHART 1: Number of people in extreme poverty has been decreasing globally but increasing in conflict-affected LDCs between 1990-2022



There are 13 conflict-affected LDCs, where humanitarian needs continue to spike and development progress is under threat (see Map 1 and Box 1). These countries are already home to almost a quarter of people living in extreme poverty worldwide. Two in five people living in conflict-affected LDCs are experiencing extreme poverty, outstripping the other LDCs and non-LDCs[6] (see Chart 2). Most conflict-affected LDCs are also experiencing climate impacts such as drought and flooding, driving recurring shocks and escalating unmet needs.

MAP 1: Countries representing the "new geography of extreme poverty" are impacted by gender inequality and climate vulnerability



Data sources: Admin boundaries: OCHA; Climate vulnerability: ND-GAIN 2020; Conflict-affected countries: World Bank, FY24; Poverty: World Bank, 2011 to 2021; HRP: OCHA; Women Peace and Security: 2021 WPS Index; LDCs: UNCTAD

All country classifications and HRP information based upon data available in 2023.

*Extreme poverty data is missing from Bangladesh, Iraq, Mali, Myanmar, Palestine, Pakistan,Sudan, and Syria."

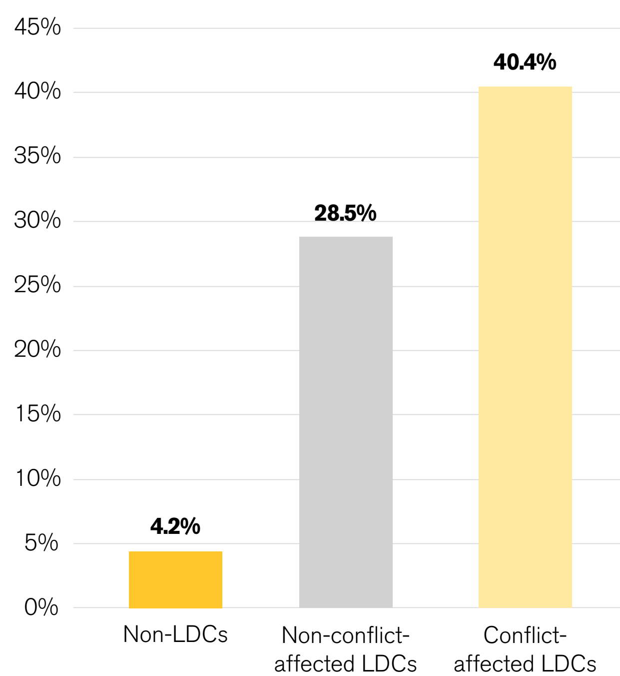
Map produced by Global Crisis Analysis team.
Contact **crisis.analysis@rescue.org** for mapping support.

Box 1: The "new geography of extreme poverty"

Thirteen countries defined by the U.N. as **Least Developed Countries (LDCs)** and by the World Bank as **conflict affected** (in fiscal year 2024) represent the new geography of extreme poverty: Afghanistan, Burkina Faso, Central African Republic, Democratic Republic of the Congo, Ethiopia, Mali, Mozambique, Myanmar, Niger, Somalia, South Sudan, Sudan and Yemen.

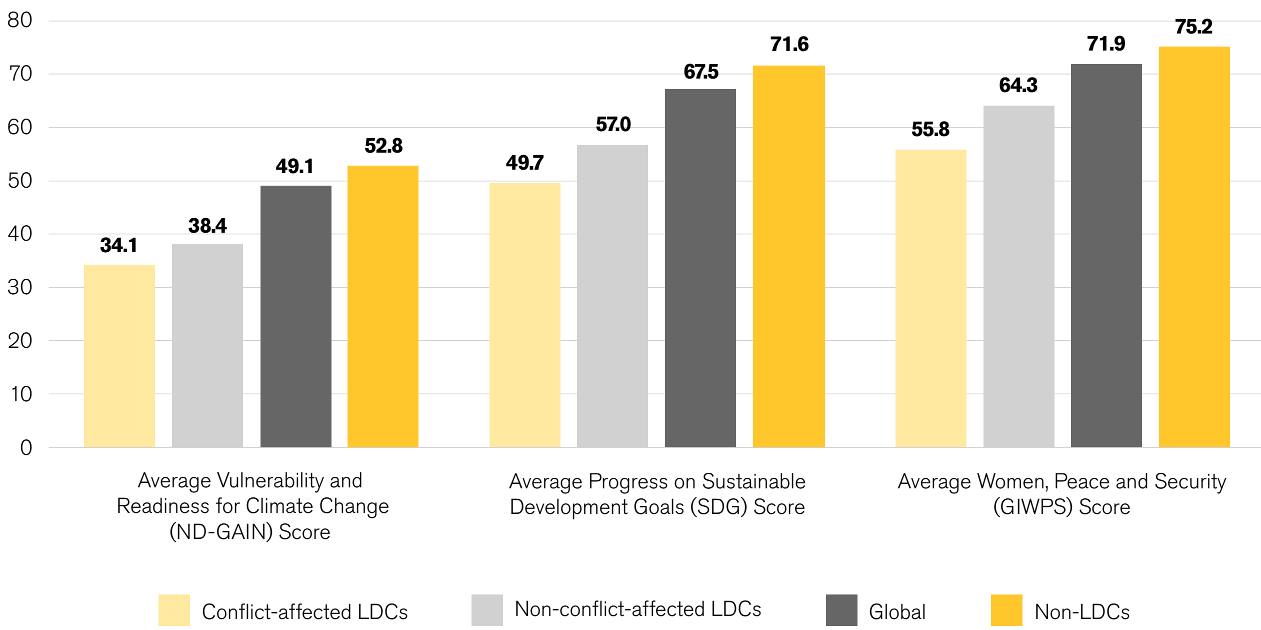
Countries at the intersection of extreme poverty and conflict are among those dominated by the effects of the "polycrisis," where climate change, fragility, conflict, worsening gender inequality, the lingering effects of the COVID-19 pandemic, economic downturns, rising inflation and a cost-of-living crisis are intertwined. These 13 countries are at the bottom 25% of at least two of the Women, Peace and Security (WPS), extreme poverty and climate vulnerability Indexes (see chart 3).

CHART 2: Average share of people living in extreme poverty within each country category (non-LDCs, all other LDCs, conflict-affected LDCs)



While SDG progress is slow globally, with **more than half the world off track** to meet the 2030 milestone, these conflict-affected countries are furthest behind, scoring an average of just **49.7 out of 100** (representing full SDG achievement), behind the global average of 67.2 (see Chart 3). Of the 10 countries that have made the least progress on achieving the SDGs, eight are conflict-affected LDCs.[7] The 13 LDCs are also the least prepared for climate change globally. On average, they score 34.1 over a maximum of 100 on the **ND-GAIN Index**—summarizing countries' vulnerability to climate change and other global challenges—while the global average is 49.1 (see Chart 3). Their average score is 55.8 on the 2021/2022 Women, Peace and Security Index, which measures women's inclusion, security and access to justice, with **eight** conflict-affected LDCs featuring among the bottom 20 performers. Gender inequality **compounds the impact** of conflict and fragility on women and girls, who face heightened risks of gender-based violence (GBV), are disproportionately impacted by limited health care, and face additional barriers to accessing education and economic empowerment.

CHART 3: ND-GAIN, SDG progress, and WPS average scores in conflict-affected LDCs, all other LDCs, and non-LDCs



a. Conflict-affected LDCs face a financing shortfall across the board

Needs and vulnerabilities are high and progress toward SDGs slow because conflict has eroded public services, constraining governments and inhibiting development and resiliency. However, humanitarians delivering these services in the absence of governments and development actors are also constrained by a reliance on short-term aid that is insufficient and declining.

In spite of needs growing in fragile and conflict-affected countries, funding across sectors—for humanitarian response, sustainable development and climate resilience—is shrinking or non-existent. Overall ODA flows in 2022 **fell by 4% compared to 2021**, totaling around USD 160 billion, very close to 2020 levels despite the reverberating impacts of the COVID pandemic and the war in Ukraine.

Above: Fulla Muqbel Mohammed Ahmed with her twin daughters Yusra and Yumna outside the house they rent at a settlement for displaced people in Yemen. Her family fled from their home in Taiz when conflict erupted in the region.

Bilateral ODA specifically to LDCs declined in real terms in 2022. Declines in aid levels are particularly concerning in the 13 conflict-affected LDCs, which are facing a cycle of underfunded humanitarian interventions: HRPs are only about 26% funded on average in these countries. What is more, these countries are bearing the brunt of climate change, while contributing the least to it. Of the 20 countries least prepared for climate change, seven are conflict-affected LDCs.[8] Yet, climate financing is not matching needs; of the 10 African conflict-affected LDCs, the annual climate finance gap is 88% to finance mitigation and adaptation according to their Nationally Determined Contributions (NDCs).[9]

With crises increasingly protracted and conflicts lasting years—on average nine years in the 13 countries of interest[10]—humanitarians are stepping in to deliver services in place of stretched or even absent governments. Even with additional funding, humanitarian responses struggle to address the wide scale and protracted needs. The bifurcation of humanitarian and development finance is therefore becoming less appropriate and financing responsive to a new geography of extreme poverty more urgent. The World Bank's increased involvement in conflict-affected LDCs could play a significant role in filling these financing gaps and better supporting medium- and long-term development outcomes in these countries.

II. ASSESSING THE STATUS QUO

Promising World Bank FCV strategy but reform proposals risk leaving conflict-affected LDCs behind

The World Bank's ability to deliver on its core mandate now hinges on its effectiveness in fragile and conflict-affected countries, where extreme poverty is increasingly concentrating. Simply importing tools and tactics from stable settings will not work. These contexts will require new approaches. IDA is central, given its mandate to operate in these settings. The World Bank has taken steps to increase its role in countries impacted by conflicts, via both increased resources and a dedicated strategy. But despite these expanded efforts, the Bank has faced difficulties maximizing the impact of its projects, particularly in the conflict-affected LDCs. At the same time, it is encouraging that the World Bank **Evolution Roadmap** has acknowledged the urgency to focus on fragility, conflict and violence as well as climate change—among other global challenges—as a precondition to effectively eradicate poverty, and to take operational steps to advance its impact in conflict-affected countries.

a. IDA Financing and the Fragility, Conflict and Violence (FCV) strategy

IDA is **the largest single source of development finance to the world's poorest countries** that have limited access to other sources of financing due to their high rates of debt and lack of creditworthiness. IDA offers grants and concessional financing. Over the past eight years, the 13 LDCs received USD 34 billion in grants and USD 28.5 billion in loans via IDA, with an average of approximately USD 3.8 billion as grants and USD 3.2 billion as loans per year.[11] Between 2020 and 2022, Bank donors allocated approximately USD 28.5 billion via IDA to LDCs impacted by fragility and conflict.[12]

IDA has the added advantage of being highly cost effective for donors. For every USD 1 donors provide, IDA leverages nearly USD 4 in lending; in the current IDA20 replenishment, donors committed USD 23.5 billion, with the goal of raising an envelope of **USD 93 billion**.

Between 2012 and 2022, the World Bank tripled the share of IDA financing reaching countries impacted by fragility, conflict and violence, with USD 30.3 billion committed to these countries under IDA19.[13] This was complemented by the first World Bank five-year FCV **strategy launched in 2020** to define a tailored approach in FCV countries, prevent and mitigate FCV risks and continue its engagement during conflicts. The Bank's FCV Strategy places a premium on partnerships, noting "partnerships are essential and must be the 'new normal' to effectively prevent conflict, build resilience and sustain peace." The strategy also emphasizes a need for a "coordinated approach" between "humanitarian, development, security, peacebuilding and private sector entities." Nonetheless, the Bank's partnership with NGOs and other non-government actors remains exceptional and far from mainstreamed, risking the sustainability of its own projects.

While welcome, the FCV strategy would benefit from faster and more dedicated implementation. This needs to be coupled with an increase in IDA financing for conflict-affected countries and reforms to the Bank's operational approaches in these settings to facilitate timely IDA disbursements and more widespread partnerships. This combination of financing *and* operational reforms, tailored to FCV countries, is urgently required to match the ambition of the FCV strategy.

b. MDB reforms offer limited options for conflict-affected LDCs

Alongside and going beyond the FCV strategy is a global MDB reform debate aimed at changing investment models and mobilizing additional resources for advancing Global Public Goods such as climate change adaptation and mitigation and pandemic preparedness, as well as ending extreme poverty. The reforms are driven by the World Bank's **Evolution Roadmap**, the **Independent Experts Group (IEG)'s recommendations to the G20 on Reforming the MDBs**, and the **2022 Bridgetown Agenda for the Reform of the Global Financial Architecture**.

The proposed reforms, while important, offer little benefit to LDCs, especially those experiencing conflict, and some risk disadvantaging them. For example, the Evolution Roadmap places strong emphasis on the role that the private sector can play in delivering development solutions. However, this will have limited impact in countries where conflict has severely disrupted economies and markets and eliminated credible opportunities for private investment. The Roadmap suggests including climate vulnerability as an eligibility criteria for IDA, which could expand MICs access to IDA with **Low-Income Countries (LICs) at risk of losing out**—including climate-vulnerable conflict-affected LDCs—if they are not prioritized and the IDA overall pot doesn't grow.

Above: Adiara Doumbia and her 20-month-old daughter in front of their home in Mali.

Similarly, the **IEG**'s report to the G20 emphasizes domestic resource mobilization and the private sector as key sources of additional finance—which will offer little in conflict-affected LDCs, at least in the short- to medium term. There is therefore a risk of reforms skewing already inadequate finance and attention away from LDCs. It is therefore encouraging that the World Bank's proposed Evolution Roadmap commits to taking steps to increase IDA resources and deepening partnerships with other organizations and civil society, while focusing on the needs of countries affected by fragility, conflict and violence.

III. ASSESSING THE CONSTRAINTS

Risk-averse, government-first approaches limit World Bank impact in conflict-affected LDCs

The World Bank has the potential to contribute to long-term development in conflict-affected LDCs. However, several key barriers remain. IDA allocation criteria, conservative approaches to security risks, and reliance on government partnerships disadvantage countries experiencing conflict.

a. IDA criteria skew resources away from conflict-affected LDCs

There are currently 75 countries that are eligible to receive zero- to low-interest loans and grants from IDA because they fall below the **annually updated threshold for relative poverty**. All 13 conflict-affected LDCs appear on this list. While they experience some of the highest levels of extreme poverty globally, the Bank's criteria for determining IDA allocations make it harder for conflict-affected LDCs to receive IDA support. In particular, the Bank has a **policy** of rewarding "good performers"—i.e., countries that have put in place policy and institutional frameworks that support sustainable growth and poverty reduction. However, the **criteria** to identify "good performers" favor strong state capacity, which tends to be undermined or weakened by conflict.[14] The **IDA FCV envelope** is designed to offer countries that are constrained an additional boost. Nevertheless continuous Bank support that is not interrupted by security risks could help strengthen performance over the long term.

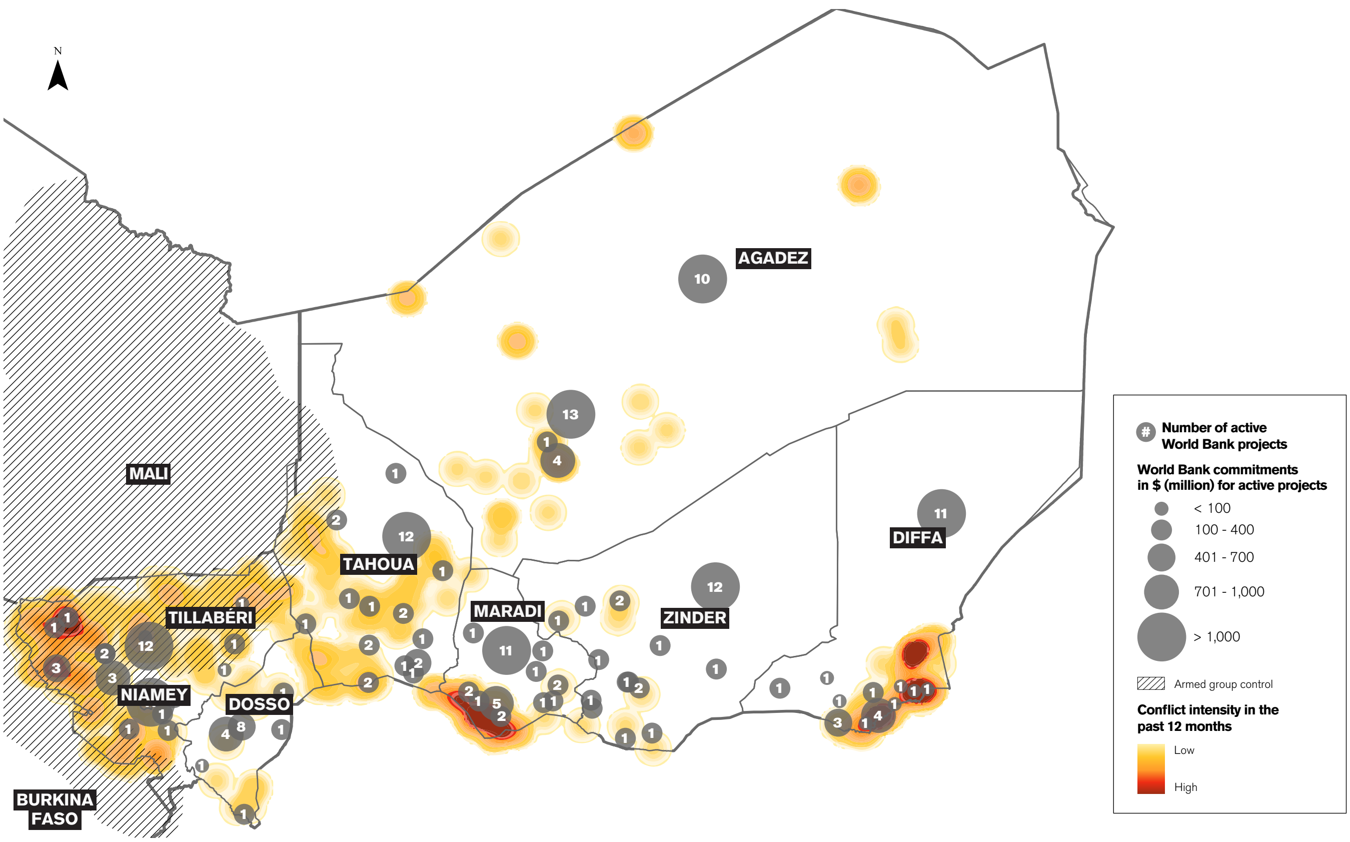
b. Risk aversion and reliance on national governments result in program restrictions, delays and suspensions

The World Bank's FCV **strategy** recognizes the need to increase its risk tolerance in FCV contexts. But in practice, its standards of procurement, financial management or environmental and social safeguards are the same in both FCV and non-FCV countries. This limits the Bank's flexibility to deliver in the very contexts where extreme poverty is most concentrated. Most significantly, the Bank's approach to financing and delivery depends on the national government's capacity, which is often stretched or even non-existent in conflict-affected countries. As long as the Bank orients around government partners, financing will flow to places where it is easiest to deliver, not where it is most needed.

The Bank's national government-focused approach to delivery and risk aversion has resulted in projects being geographically restricted, temporarily paused, or suspended due to armed conflict and insecurity in multiple countries. For example, the Bank restricted operations in Puntland, Somalia due to violence and insecurity during a **project** aimed at increasing access to water sources for over **35,000** people in agro-pastoral communities. Similarly, Bank contractors repeatedly paused a **project** to assist Afghan provinces with financial management due to fighting and armed group activity. In Myanmar, the Bank named armed conflict and insecurity as the reason for not collecting household data from seven states in Northern Shan and two townships in a Northern Rakhine data collection **project**.

Map 2 of Niger below shows that the Bank primarily implemented development projects in regions with limited conflict activity, where they are relatively easier to implement. Regions with higher levels of insecurity and violence are therefore left behind. But these regions often require more support than others due to the impact of conflict on essential infrastructure and service provision. IRC **research** shows that conflict has contributed to a weakened state capacity, a lack of preparedness toward climate change, and low levels of investment in development in Niger and other countries in the Central Sahel; heightened impacts of conflicts and the climate crisis are largely concentrated in the peripheral areas of the Central Sahel region characterized by widespread poverty and a lack of social services due to weak state presence and capacity.

MAP 2: World Bank projects in Niger have focused in areas away from the most active conflict (IRC elaboration of Niger map from World Bank Project mapping)



Data sources: Administrative boundaries - OCHA HDX, Conflict data (1 July 2022 to 30 June 2023) - ACLED, WB Projects- The World Bank

Map produced by Global Crisis Analysis team. Contact **crisis.analysis@rescue.org** for mapping support.

Where governments can deliver services, they should be supported; where they cannot fully, the Bank should reimagine the options for delivery and crowd in a wider range of partnerships to scale up capacity and reach. In exceptional circumstances, the Bank has maintained longer-term development projects in conflict contexts by working more closely with U.N. agencies and NGOs.[15] Being familiar with working in conflict and crisis countries, humanitarian organizations often have higher risk appetites, more appropriate tools for risk mitigation and greater adaptability as needs and conflicts shift. They are also equipped with skills needed to negotiate access with a range of actors, both state and non-state, taking conflict and insecurity into account.

Above: Halima is a mother of five children who was forced to move to a displacement camp in Somalia after severe drought and conflict took all of her cattle and ability to grow food on her farm.

c. IDA commitments and disbursements for conflict-affected LDCs: lower and potentially slower

High risk thresholds and a lack of conflict-sensitive approaches and partnerships limited to national governments have pushed more IDA funding toward stable settings and inhibited disbursements of already committed IDA funding in conflict settings. **While increased commitments in IDA financing to FCV countries are encouraging, disbursements to non-fragile countries have doubled between 2007 and 2019 while disbursements to fragile countries have lagged behind, increasing by only 44% despite skyrocketing needs.**

IDA disbursements must be accelerated to ensure IDA financing flows to where it is most needed. With the World Bank's own forecasts predicting up to **two-thirds** of people in extreme poverty will be living in fragile and conflict countries by 2030, it is vital that commitments and disbursements to these countries are prioritized.

IV. ASSESSING THE WAY FORWARD

World Bank reforms to improve financing and operational delivery in conflict-affected LDCs

Delays and suspensions of World Bank projects, as well as the lag in IDA disbursements to FCV countries, show that operational and financing improvements are urgently required. The FCV Strategy points to several initiatives to improve its engagement in these countries. However, improvements rely on a combination of a boost in IDA resources and specific operational reforms that can help assess, mitigate and overcome risks encountered in conflict contexts.

a. Tripling levels of IDA by 2030 and increasing contributions to IDA20 and IDA21

Additional resources to IDA are essential to meet the unprecedented needs in conflict-affected LDCs. The current IDA replenishment cycle, IDA20, was agreed in December 2021 when donors committed USD 23.5 billion to raise an envelope of **USD 93 billion** for use between 2022 and 2025. IDA20 aimed to secure approximately USD 31 billion per year. However, the spillover effects of the war in Ukraine, increasing interest rates and worsening debt distress in developing countries, coupled with the lingering effects of the pandemic and new climate shocks, have increased the demand for highly concessional and grant-based funding. This in turn has stretched IDA resources in fiscal year 2023[16] and reduced the IDA financing available for 2024 and 2025 by USD 10 billion compared to initial planning,[17] resulting in a shortfall in IDA, the so-called **"IDA cliff."** To avoid the cliff, donors would need to urgently allocate additional resources to IDA20 for the fiscal years 2024 and 2025.

To address the IDA finance shortfall, in May 2023, the World Bank's Board of Executive Directors recommended donors establish a **Crisis Facility** by December 2023. The Crisis Facility aims to unlock additional financing for IDA20 and includes two new special programs: the **Crisis Response Window Plus (CRW+),** to support IDA countries affected by the fallout of the war in Ukraine by complementing the IDA20 Crisis Response Window (CRW), and the **Special Program for Ukraine and Moldova Recovery (SPUR)**. The CRW+ priorities include sectors that are consistent with GPGs, including addressing climate change and food security. Donors would need to pledge adequate resources to both programs to ensure that countries impacted by the ripple effects of the war are not left behind and Ukraine is supported in its recovery and reconstruction efforts.

Looking further down the road, the urgency to address extreme poverty and advance GPGs in conflict-affected LDCs needs to drive donors' commitment to a more robust IDA21, during the next replenishment cycle running to December 2024. In its recent report to the G20, the IEG reiterated the importance of IDA as **"a major source of long-term cheap financing for LICs."** To support LICs with extremely limited access to concessional finance and grants, the IEG recommended a **"tripling of its level by 2030."** An increase in overall financing will be vital to ensure needs in all contexts can be met and ensure any broadened support for MICs does not come at the expense of LICs or FCV settings.

b. "People-centered partnerships": Overcoming conflict-related risks and challenges through diverse partnerships in delivery, risk assessment and mapping

A boost in IDA financing, while essential, is not enough. The World Bank's traditional approach of maintaining a low-risk appetite and primarily working with and through national governments does not always allow the Bank to reach vulnerable populations in conflict countries at scale. While it is important to build the long-term capacity of governments to deliver services and implement the Bank's projects in support of sustainable development, the Bank can simultaneously meet immediate, critical needs and ensure the continuity of essential services via extended partnerships with "non-sovereign actors" (see Box 2). These actors have several comparative advantages when governments aren't in a position to scale projects alone.

"Non-sovereign actors" offer comparative advantages that are responsive to conflict-specific challenges in some of the following ways:

- **International, national and local humanitarian organizations** are accustomed to navigating and overcoming access barriers, can help the Bank assess conflict risks and design conflict-sensitive programs, and, in cases of large humanitarian organizations, can implement sector-wide projects at scale where a government is unable to.
- **Technical organizations** such as financial institutions, project management organizations or humanitarian organizations can provide technical assistance to governments needing capacity support in order to implement projects, or provide sectoral expertise (for example in protection, WASH and other sectors). Partnering can avoid overextending the World Bank's resources.
- **Local governments and civil society** including WROs/WLOs can also help navigate and mitigate risks and provide unique perspectives on the development needs of populations, particularly marginalized groups.

BOX 2: Non-sovereign actors

"Non-sovereign actors" include national civil society organizations, including Women's Rights and Women-Led Organizations (WROs/WLOs), NGOs, INGOs, local authorities, U.N. agencies and financial institutions—among others—that can offer comparative advantages to ensure that the World Bank's projects are implemented despite violence or political shocks.

To benefit from comparative advantages offered by these partnerships in conflict countries, the Bank should map contexts where non-sovereign actors offer a route to deliver effective basic services and identify operational non-sovereign partners. Particular emphasis should be given to access to funding for and working with WROs and WLOs that may otherwise encounter barriers.

c. Partnership Models

Operationalizing the FCV Strategy's vision of partnerships as the "new normal" will require the Bank to embrace a "people-first strategy" encompassing a range of **partnership models** that offer the benefits and comparative advantages outlined above. Partnerships can range from consultations to ensure inclusive, context-sensitive delivery of a government-implemented project to full implementation of a project by a non-sovereign partner. The set of partnership models outlined here offer a spectrum to be responsive to the diversity of conflict-affected LDCs and their national governments, as well as the risks or challenges encountered. The nature of different conflict contexts, including the ability and willingness of governments to partner and the presence and expertise of non-sovereign actors, will have implications for how, when and with whom the Bank should work. These models can support the World Bank in developing the **Partnership Charter** proposed in the Evolution Roadmap that will articulate principles for establishing and working in partnerships with NGOs, CSOs and other actors.

Advisory Model: Strategic and systematic community engagement to inform the World Bank's project design and improve delivery

The World Bank rarely has a physical presence outside of capitals in conflict-affected LDCs or direct access to affected communities. As a result, it may have limited capacity to undertake assessments, or drive the process for community consultation to make informed decisions on program design. Meanwhile, governments in conflict-affected LDCs are often constrained, lacking capacity, policy and legislative instruments to ensure inclusive and sustainable community engagement. In contrast, non-sovereign actors with a long-term presence have established community relationships, access, knowledge and expertise to offer advice to the Bank on the needs of a population. In a handful of **cases**, World Bank projects have involved community consultations with affected populations that allowed the Bank to make more informed project plans.[18] Yet, there is a need for systematic community consultations, not a series of one-offs. Routinizing partnerships with NGOs in an advisory capacity, and in particular with local and community-based organizations with deep connections into affected populations, is key to identifying communities that may be left behind and to designing and implementing conflict-sensitive and context-appropriate programming.[19]

Above: A girl looks after goats in the Sigadhere IDP camp in the Somali region, Ethiopia.

For example, consulting with local WROs/WLOs to inform the design and implementation of World Bank projects is critical to enhancing gender equality and creating opportunities for accountability to affected populations. A standardized and formalized engagement with locally led civil society groups, WROs/WLOs and networks acting as advisory groups during project design, monitoring and evaluation would ensure projects are better informed by a contextual understanding of the barriers to inclusion. Consultations and increased partnerships with WROs/WLOs with expertise in gender analysis would support **gender-transformative approaches**[20] in addressing the gendered barriers to services.

Technical Support Model: Drawing on the expertise of non-sovereign partners to fill technical and knowledge gaps

Where government capacity is stretched or requires further support, non-sovereign partners can provide hands-on support directly to the implementing government. This would allow the World Bank to delegate specific technical support to an appropriate partner. Such technical support could include administrative capacity as well as support in specific sectors (such as protection, health, WASH). By partnering with non-sovereign actors that can offer technical guidance, the Bank could also maintain the objective of building the technical capacity development of government agencies.

Examples of such non-sovereign actors that can offer technical support include project management agencies, financial institutions and humanitarian organizations with service sector expertise. An exceptional case of this type of partnership was between the Bank and the Afghanistan Credit Guarantee Foundation (ACGF) in 2020 to support the Ministry of Finance in implementing a **project** aimed at increasing access to finance by local enterprises. Prior to the partnership, the project faced a six-month-delay due to staffing changes in Afghanistan's central bank and the Ministry of Finance. The Bank **acknowledged** that partnering with the ACGF significantly improved the efficiency of the project. Decisions were made more quickly, the government had the support it needed, and there were fewer implementation delays.

Similarly, in the **Somalia local governments capacity project**, the Bank contracted UNOPS to support local municipalities in managing a project to improve a public financial management system and strengthen government revenue mobilization.

Hybrid Implementation Model: Mixed implementation by both government and non-sovereign actors

Agreements to work with and through non-sovereign actors can allow the Bank to deliver projects in otherwise inaccessible areas where it does not have a physical presence. Humanitarian actors, both international and local, are neutral and independent and can either negotiate access to regions outside of government control or have already established access based on their historical presence and engagement with communities and non-state entities controlling the region. Humanitarian organizations have also typically developed their own risk assessments and methods to mitigate risk, taking conflict and insecurity into account. The Bank could consider hybrid implementation in two major ways:

- Governments contract out implementation responsibilities to local partners, NGOs and civil society. Even in places where the government has capacity and a willingness to support its entire population, a sudden crisis or a spike in needs may mean it requires surge support from other actors, such as extensive specialized expertise and training to improve program quality or community engagement support to ensure programs are inclusive and accessible. Good examples of contractual implementation are a **project** to improve access to health and nutrition services in Afghanistan and an infrastructure **project** in Somalia, where reviews showed that contracting out to NGOs improved the project's conflict sensitivity and service continuity, even in moments of high insecurity.

- The World Bank directly finances both government and non-government implementers that report back to the Bank, thereby building capacity and meeting country-wide needs. For example, by directly financing both the government and the ICRC and UNICEF to deliver health services in an ongoing 2021 **project** on COVID-19 related health care in South Sudan, the World Bank is able to build government capacity and ensure all needs are being met.

Direct Financing Model: Relying on non-sovereign actors to fully implement projects at scale

There are cases where the government has limited resources to manage a World Bank-financed project and any capacity building can likely take years, or, in other instances, the government is not recognized by the international community. In these cases, established humanitarian organizations that have expanded their presence and technical know-how can become alternative partners to the World Bank. The Bank can directly finance these organizations to implement basic needs projects, particularly those in health care, protection, education and cash transfers, at a country- or state-wide scale and prevent setbacks in the country's development agenda. This was done on an exceptional basis in a project to provide essential health care services in South Sudan in 2019, where the Bank **noted** that the government struggled to maintain its staffing and therefore delegated responsibilities to contracted NGOs in a related project. In the new project, the Bank—at the **consent** of the government—directly financed the ICRC and UNICEF to directly deliver health care packages in Upper Nile and Jonglei. Using this method allowed the Bank to surpass its initial aim of delivering health services to 300,000 people by **triple** that amount.

Direct financing is also a useful way for the Bank to safeguard development gains and basic service delivery during times of instability, disruptive political transitions and delayed elections. At times, political instability can also take the form of sudden changes in government—such as the coups in Myanmar and Niger, or the Taliban takeover of Afghanistan in 2021. In these contexts, overreliance on a government means that in the case of an immediate shift in power, the Bank can lose communication—which can delay implementation—or be forced to suspend a project.

Thinking outside of the government-centric model enabled the Bank to implement some projects in Afghanistan post-Taliban takeover. In August 2021, the World Bank temporarily paused projects delivered under the **Afghanistan Reconstruction Trust Fund (ARTF)**. This risked humanitarian consequences, including a suspension of health care services. At the consent of donors, the Bank eventually reprogrammed the delivery of projects under the ARTF to deliver off-budget support in five sectors (health, agriculture, education, livelihoods and civil society support) through WHO, UNICEF and WFP. Developing an innovative approach through partnering with U.N. agencies allowed the Bank and ARTF donors to continue the delivery of critical basic services nationwide without the need to directly engage with the new de facto authorities.

BOX 3: Partnership models addressing specific challenges in conflict-affected countries

CHALLENGE FACED IN CONFLICT SETTING	CORRESPONDING MODEL OF PARTNERSHIP
Constrained state capacity to implement at scale	Direct financing model; hybrid implementation model
Limited government or Bank access to regions of high insecurity or non-state armed group control	Hybrid implementation model; direct financing model
Limited access to and lack of systemic engagement with affected communities prevents inclusive programming and outcomes benefiting the most vulnerable and marginalized populations	Advisory model
Lack of technical knowledge to oversee and adapt operations and track the progress toward inclusive development	Technical model
Sudden changes in government	Hybrid implementation model; direct financing model
Lack of local contextual knowledge	Hybrid implementation model; advisory model

All of these "people-centered partnerships" rely on a straightforward process for implementation in order to be effective and responsive to a complex and changing environment. To ease mechanisms for partnering with and directly funding non-sovereign actors, the Bank would benefit from pre-selecting and streamlining the process for partnership agreements. Pre-selection process and criteria should facilitate the inclusion of WROs/WLOs and local NGOs. This could increase the speed and adaptability of Bank intervention in contexts where more partners are required. Formally recognizing these partnership models in the Evolution Roadmap would help institutionalize a partnership approach, establishing and building on the ad hoc approaches to partnerships tested to date.

V. CONCLUSION AND RECOMMENDATIONS

Failure to equip the World Bank to finance and deliver in the "new geography of extreme poverty" would severely compromise the Bank's mission. The World Bank and donors have a unique window of opportunity with the ongoing reform agenda and with new leadership in Ajay Banga, who is **committed** to "…a world free of poverty in a livable planet…" and attentive to the "...need for a greater appetite for risk." This calls for increased IDA resources flowing to the 13 conflict-affected LDCs and increased partnerships to assess and navigate risk.

RECOMMENDATIONS:

1. **Improve consistency and reach of World Bank projects and disbursements of IDA financing in conflict-affected LDCs through "people-first partnerships" to assess and navigate conflict-related risks and deliver projects to populations beyond the reach, capacity and/or control of the government by:**
    a. Enhancing risk appetite and tools for risk assessment and mitigation by drawing on the skills and experience of non-sovereign actors experienced in conflict settings. Partnering with a range of actors, both state and non-state, to negotiate access for project delivery, taking conflict and insecurity into account.
    b. Formally recognizing non-sovereign partnerships as part of the World Bank's operating model in the Evolution Roadmap to institutionalize this approach. Partnership models include advisory, technical, hybrid implementation and direct financing models.
    c. Undertaking a robust mapping exercise of contexts where non-sovereign actors offer a route to deliver effective basic services and identifying operational non-sovereign partners. Develop better tools for mapping risks at national, local and community levels to understand conflict and climate shocks and how these trends interact with the local political economy, societal fractures and conflict dynamics. The World Bank's country diagnostics (for example Country Climate & Development Reports and **Risk and Resilience Assessments**) that inform Country Partnership Frameworks would be useful vehicles for this.

2. **Ensure World Bank projects are designed with affected populations and marginalized communities, with particular attention to increased partnership with locally led and women-led organizations, and with key objectives to transform discriminatory gender hierarchies, norms and roles that disempower women.**
    a. Prioritizing investments in gender-transformative approaches that address barriers to services through increased use of gender analysis and gender markers of success informed by strategic partnerships with local WROs/WLOs and the wider humanitarian sector.
    b. Incentivize women's leadership and gender equality to ensure effective delivery of basic services without further entrenching negative gender hierarchies.

3. **To enable expanded partnerships and improve design of projects, as well as supporting the World Bank mission to end extreme poverty and advance GPGs, donors should pledge additional resources to IDA20 for fiscal years 2024 and 2025, and contribute to the Crisis Facility to meet the USD 12 billion target by December 2023, boosting IDA resources for countries impacted by the war in Ukraine. Donors should strive for an ambitious IDA21 replenishment while also planning to triple IDA by 2030, in line with IEG recommendations to the G20.**

ANNEX 1: WORLD BANK'S RESOURCE ALLOCATION CRITERIA CAN DISADVANTAGE CONFLICT-AFFECTED LDCs

A review of the **IDA Resource Allocation Index** yields the following conditions that the Bank favors when deciding on where to allocate investments.

Condition	Explanation of condition	Status of condition in conflict-affected LDCs
Unified government, territorial control and legitimacy	Governments need clear structures and control over their territories. They also need to be able to provide security.	Conflict settings often have weak and ineffective governments. Armed groups sometimes challenge government authority and occupy parts of the territory.
Ability to oversee and manage the national economy	Governments need to provide formal employment and social security, and oversee state bureaucracies.	Conflict settings often rely on informal economies, including illicit activities. State and non-state actors can be embedded in these structures.
Rule of law	The Bank seeks good governance practices, such as transparency, accountability and low corruption.	In conflict settings, governments may lack the willingness or capacity to uphold the rule of law.
Perform basic functions of government	Central government staff need to be able to implement policy and have technical expertise to enforce regulatory frameworks and maintain essential infrastructure and basic services.	In conflict settings, intra-governmental communication often breaks down and services are disrupted. Humanitarian organizations and some non-state armed groups sometimes fill the void. Where services exist, access constraints prevent populations from reaching service providers.
International legal requirements	The Bank must follow international sanctions and other international legal regimes.	Since conflict-affected countries are often subject to sanctions, the ability of the Bank to operate in these countries can be limited.

ENDNOTES

1 The World Bank defines the extreme poverty line as living below USD 2.15 per person per day. See: https://www.worldbank.org/en/news/factsheet/2022/05/02/fact-sheet-an-adjustment-to-global-poverty-lines#5.

2 Based on IRC analysis.

3 Based on IRC analysis.

4 In Yemen, the World Bank implemented the IDA-funded Emergency Crisis Response Project (ECRP) through non-sovereign actors (UNDP and UNICEF). See https://projects.worldbank.org/en/projects-operations/project-detail/P159053. For the World Bank's project in South Sudan, see section 4 of this brief.

5 IRC analysis of OCHA Financial Tracking Service (FTS) data: https://fts.unocha.org/home/2023/donors/view.

6 "Other LDCs" include fragility-affected LDCs as well as LDCs not affected by conflict and fragility. The "non-LDCs" group includes all countries that are not conflict-affected LDCs, according to IRC analysis based on U.N. classification of LDCs and World Bank classification of Fragile and Conflict-Affected States (FCS). The full list of LDCs (46) include: Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Djibouti, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, Lao People's Democratic Republic, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, São Tomé and Príncipe, Senegal, Sierra Leone, Solomon Islands, Somalia, South Sudan, Sudan, Timor-Leste, Togo, Tuvalu, Uganda, United Republic of Tanzania, Yemen, Zambia.

7 South Sudan, Central African Republic, Yemen, Somalia, Niger, Sudan, Democratic Republic of the Congo, Afghanistan.

8 Afghanistan, Democratic Republic of the Congo, Niger, Somalia, Yemen, Central African Republic, Sudan.

9 IRC's analysis based on the most recent Nationally Determined Contributions (NDCs) of these 10 countries submitted to UNFCCC and OECD DAC climate finance data for 2021.

10 Based on IRC analysis of UCDP data, available on request.

11 Data from the World Bank database: https://financesapp.worldbank.org/summaries/ibrd-ida/#ibrd-len/countries=AF/countries=BF/countries=CF/countries=ZR/countries=ET/years=2015/years=2023/financiers=ida/countries=ML/countries=MZ/countries=MM/countries=NE/countries=SO/countries=SS/countries=RY/.

12 IRC analysis of World Bank data based on selection of countries defined by the U.N. as LDCs and as FCS by the World Bank.

13 World Bank Group, Annual Report 2022, page 49. Accessible at: https://www.worldbank.org/en/about/annual-report#anchor-annual.

14 Annex 1 details the World Bank's resource allocation criteria that can disadvantage conflict-affected LDCs.

15 These include the Emergency Crisis Recovery Project in Yemen, the Provision of Essential Health Services Project in South Sudan, and projects delivered through the Afghanistan Reconstruction Trust Fund.

16 IDA fiscal year 2023 started on 1 July 2022 and ended on 30 June 2023.

17 Development Committee, Evolution of the World Bank Group – A Report to Governors (30 March 2023), page 22: https://www.devcommittee.org/content/dam/sites/devcommittee/doc/documents/mgr/Final_DC2023-0002%20evolution%20paper%20for%20DC%20website.pdf.

18 For example, in an urban development project in Somalia, the Bank noted that community consultations would have been even more beneficial had they been pre-empted in the project design rather than as an afterthought.

19 IRC and EBRD have developed a track record for the advisory model, whereby IRC is advising EBRD on a EUR 65M wastewater infrastructure investment for west Irbid, Jordan. IRC is involved in all steps of the community engagement plan and has ensured the work effectively includes Syrian refugee views. More details can be found here: https://www.weforum.org/reports/cultivating-investment-opportunities-in-fragile-contexts-catalysing-market-driven-solutions-to-strengthen-community-and-economy-resilience.

20 Gender transformative approaches not only attempt to respond to different power dynamics and needs based on gender, but also to transform those dynamics to be more equitable. See also Daigle, M. (2022) Gender, power and principles in humanitarian action. HPG report. London: ODI (https://odi.org/en/publications/gender-power-and-principles-in-humanitarian-action).

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