

## ADB's Support to Fragile and Conflict-Affected Situations

*This special evaluation study assesses the support provided by ADB to countries in fragile and conflict-affected situations. It examines ADB's performance in assisting these countries, identifies key lessons learned, draws conclusions, and makes recommendations for ADB's future engagement in this area.*

*The study addresses four basic questions:*

- *Is ADB's approach in FCAS relevant?*
- *Has the approach been properly resourced?*
- *How have the countries that have exited the FCAS category performed compared to current FCAS countries?*
- *What are the general lessons learned from implementation experience?*

### QUICK LINKS

**ADB Support to Fragile and Conflict-Affected Situations**

[www.adb.org/Documents/SES/REG/SES-REG-2010-45/default.asp](http://www.adb.org/Documents/SES/REG/SES-REG-2010-45/default.asp)

**ADB Management Response**

[www.adb.org/Documents/Evaluation/Management-Response/SES/MR-SES-REG-2010-45.pdf](http://www.adb.org/Documents/Evaluation/Management-Response/SES/MR-SES-REG-2010-45.pdf)

**Chair's Summary of the Development Effectiveness Committee (DEC)**

[www.adb.org/BOD/dec/DEC-ChairSum-10Nov10-FCAS.pdf](http://www.adb.org/BOD/dec/DEC-ChairSum-10Nov10-FCAS.pdf)

The term "fragile and conflict-affected situations," (FCAS) has evolved over time. In 2001, the World Bank began referring to nations facing these kinds of conditions as "low-income countries under stress." ADB had employed the terms "weakly performing countries" and "fragile states" to describe developing member countries (DMCs) in similar circumstances. ADB now applies the phrases "fragile situations" or "fragile and conflict affected situations" because they focus on operational risks and conditions rather than on the country as a whole. ADB stressed that the classification is not intended to impair the DMC's status as a member of ADB; rather it is to draw attention to the challenges the DMC faces and to improve ADB's effectiveness in its assistance.

Over the period from 2007 to 2009, five countries exited FCAS status while four others entered FCAS status. ADB's current list of FCAS countries includes 10 DMCs in the Pacific – the Federated States of Micronesia, Kiribati, Palau, Papua New Guinea, the Republic of Marshall Islands, Nauru, Solomon Islands, Timor-Leste, Tuvalu, and Vanuatu, and one in the Central and West Asia region, Afghanistan. The Pacific DMCs are in the FCAS group due mainly to their fragile characteristics (i.e., remoteness, natural resource constraints, and small sizes of economies), while Afghanistan is included because it is deemed in post-conflict situation. As such, there are differences in the constraints they face and the solutions and considerations needed to address their respective path to development.

### Key Findings and Lessons

#### Is ADB's approach in fragile and conflict-affected situations relevant?

Overall, the ADB approach to FCAS countries was needed and ADB has provided substantial timely FCAS assistance, selecting and focusing on key areas needing attention, working with other partners, and providing increased presence on the ground. However, the approach can be fine-tuned by being more flexible in identifying FCAS based on the country context and applying a longer-term framework for capacity development. The characteristics of FCAS countries may also differ whether they are classified as FCAS due to the fragile characteristics or whether they have emerged from a conflict-affected situation. The study argues that while the approach of identifying FCAS can be more flexible based on country context, the principles used in ADB's approach to FCAS has been *relevant*.

#### Is ADB's approach to FCAS countries properly resourced?

ADB resource allocation to FCAS countries follows ADB policies on performance-based allocation (PBA) for Asian Development Fund (ADF) eligible countries. Country-specific resource allocation is based on country allocation shares. Since 2000, ADB has



From 1999 to 2000, roads and bridges in Solomon Islands were severely damaged as a result of ethnic tensions. In a remote island economy like Solomon Islands, such damage immediately impacts on people's livelihoods as access to markets and other basic services becomes difficult. ADB-financed Post-Conflict Emergency Rehabilitation Project resulted not only in the timely reconstruction of roads and bridges but also led to stronger cooperation between the government and donors.

approved 74 loan and grant operations amounting to \$3.9 billion and 204 technical assistance (TA) projects totaling \$161.2 million in the 11 current FCAS countries. Afghanistan and Papua New Guinea are the two biggest recipients overall, followed by Solomon Islands and Timor-Leste, which have received more TA than loans and grants. Afghanistan also receives resources from the ADF's special allocations.

By comparison, other development institutions appeared to have provided more resources to countries they consider to be experiencing fragility and the effects of conflict. The African Development Bank allocated additional resources on top of regular performance-based allocation for debt relief as well as a pool of grant resources for capacity development. The World Bank's International Development Association has doubled its commitments to fragile states in the past 9 years, in addition to allocating their trust fund resources.

### **How have the countries that have exited FCAS status performed compared with current FCAS countries?**

In terms of development outcomes, no clear demarcation exists between the exited and the current FCAS countries. Progress toward the Millennium Development Goals and other development indicators vary widely among the past and present FCAS countries and ADF-eligible DMCs in general. So do perceptions of good governance. Even allowing for the quality of data collected and the pitfalls of comparing perception surveys in economies of different sizes, there is no significant positive correlation between country performance assessment rankings and development outcome indicators. The "spectrum of weak performance and fragility" covers a wide range of DMCs and that these conditions will not easily disappear just because a country moves above an arbitrary cut-off score on a performance assessment such as the country performance assessment.

### **What are the lessons from general implementation performance?**

- Significant implementation adjustments are highly likely during project implementation, and efficiency has suffered as a result.
- In most exited FCAS countries, the technical aspects of infrastructure projects overall are doing well, problems center instead on building capacities and institutions and effecting policy reforms.
- Private sector partnership works with the right incentives.
- Sustainability and capacity development are key areas needing attention and pooling resources with development partners has been useful.
- Exited FCAS countries are performing slightly better than DMCs remaining in the FCAS category, the latter facing greater challenges in efficiency and achieving outcomes.

## **Feedback**

ADB Management noted that the study is timely as ADB is strengthening its engagement with FCAS countries and considering improvements for its future approach. Management agrees with the overall recommendations and emphasized the significant progress made by ADB in addressing some of the challenges to achieving aid effectiveness in FCAS.

The Chair's Summary of the Development Effectiveness Committee (DEC) expressed satisfaction that ADB has remained engaged with member countries confronted with fragile and/or conflict-affected situations. DEC members emphasized the need to distinguish between fragility arising from a situation of conflict and fragility arising from other reasons. DEC welcomed the assurance by Management that an FCAS handbook would be developed to provide greater clarity on relaxation of business process requirements and urged staff to implement the flexibility in FCAS countries without dispensing any key steps of business processes (such as on procurement and public finance management), with strong focus on fiduciary oversight.

## **Recommendations**

- *Classify FCAS countries at the Country Partnership Strategy preparation stage based not only on the country performance assessment (CPA) rating but also other fragility and/or conflict characteristics of the country, including those at subnational levels*
- *Develop a step by step plan for capacity development based on country context, CPA assessment and country diagnostics identified through a needs assessment*
- *Provide flexibility in the design of FCAS projects to accommodate implementation adjustments and build programmatic approaches*
- *Identify external and internal resource gaps for working in FCAS countries in consultation with donors and other development partners taking into consideration, the country classification, capacity development needs and pragmatic implementation approaches*

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