

Active IDA LICUS countries are eligible for assistance for small and urgent activities not easily funded under regular IDA credit or grant operations. Consequently, challenges also arise with the use of the LICUS TF in such countries due to demands for support to stabilize transition situations in fragile sub-national areas (e.g. Mindanao, Caucasus) and to support new government reform initiatives (e.g. Guinea, Guinea-Bissau, Nepal).

93. The World Bank has also provided substantial support for individual countries emerging from serious conflict. It used IBRD surplus to support recovery and reconstruction efforts in Kosovo, Sudan, Timor-Leste and Liberia.

94. In conclusion, the World Bank's and the international community's efforts to assist fragile states have been significantly strengthened by the recent scaling up of trust fund support. MDTFs in particular play a useful and cost-effective role in channeling donor resources in ways that take advantage of the synergies that the World Bank can provide while also reducing the tax on scarce recipient capacity. Trust funds financed through IBRD surplus also play a useful and complementary role to IDA financing, by allowing for the rapid deployment of resources to support small scale efforts in countries in arrears, or in the early phases of re-engagement.

VI. CONCLUSION

95. Fragile states and situations are difficult environments most importantly for national reformers struggling to bring about peace, improved governance and protection of the population but also for the staff of the World Bank and other donor agencies who work to support them under difficult conditions. The risks of engagement in these contexts will not go away – these are environments where development programs will always be vulnerable to periodic setbacks. But the rewards of prudent engagement are worth the risk: these are also the environments where well-designed development assistance can really make a difference.

96. IDA focuses on its comparative advantage in different types of fragile situations by differentiating assistance strategies and its role to the direction and pace of governance change. Within this framework, IDA has a significant contribution to make: by building on its traditional strengths in economic governance, public finance management and service delivery to weak capacity environments; and by tailoring its financing assistance and technical expertise to work with other partners in support of peace-building goals. Division of labor between IDA and other donors will and should continue to be determined at the country level, taking into account country-specific priorities, capacities, and the contribution of other donors. In this regard, the World Bank's partnership with the UN in fragile states has strengthened significantly in recent years, and will be further bolstered by the adoption of a common recovery planning process and agreed fiduciary framework for collaboration in post-crisis situations.

97. Internally, the World Bank also faces many implementation challenges in making its new policy, procedural and organizational approaches a reality on the ground. Continued strong management attention, guidance and operational support to staff working in these difficult environments; adjusting approaches and analyzing lessons learned; and enhancing human resource systems are all central to full realization of IDA's strengths and ability to develop partnerships to assist this most vulnerable group of partner countries.

98. IDA's financial support to fragile states has also been differentiated. The majority of countries have been provided IDA allocations under the PBA system; a small number of post-conflict and re-engaging countries have benefited from exceptional levels of support for transitional periods; and countries which are in non-accrual have benefited from the LICUS and Post-Conflict Trust Funds. IDA's focus on achieving and maintaining debt sustainability has substantially benefited fragile states both through the HIPC/MDRI debt relief as well as through the provision of grants under IDA13 and IDA14. There is potential to smooth the transition for post-conflict and re-engaging countries and to improve transparency and disclosure of the PCPI indicators that underpin the exceptional allocations to better address their needs.