Context

The understanding of fragility and its impact on development outcomes has evolved considerably in recent years. There is a growing consensus that the challenges posed by fragility, conflict, and violence are widespread and not confined to lower income countries with weak capacity and poor governance. Fragility is not a synonym of ‘weak state’; fragility is about high risks of violence, conflicts, and instability. These risks very much concern middle-income countries (Box 1).

Increasingly, the Bank is responding in fragile contexts that are beyond the countries included in the ‘harmonized fragile states list’. In Lebanon and Jordan, the Bank works at mitigating the stresses due to the spillovers of the Syrian crisis. The Bank has played an important role in sub-national conflict situation in countries such as the Philippines. Vulnerability to transnational organized violence impacts states not currently classified as fragile such as Nigeria, Kenya and Cameroun. External shocks from unmitigated environmental risks threatens gains in countries that have recently graduated from the harmonized fragile-states list such as Guinea and Nepal, extremely high levels of violence are threatening development outcomes in Honduras, while Ukraine entered conflict.

Yet the current approach to defining fragile situations is too narrow, and fails to capture a substantial number of countries with risks of fragility, conflict and violence. These excluded countries, many of which are middle income and exhibit elements of fragility, thus currently have limited or no access to the resources on concessional terms that are available to lower-income and some conflict-affected countries. Updating of the operational definition of fragility is thus critically needed, to enhance the ability to identify fragile-conflict-and-violence-related risks early on, and to provide effective preventive and mitigating responses in all fragile situations whether present in low- or middle-income countries.

Defining Fragility

The evolving new view of fragility acknowledges that fragility (a) has multiple dimensions that are not limited to low income countries or state institutions; (b) potentially extends beyond national borders or manifests in pockets within national borders; and (c) is associated with patterns of risks that need to be identified and managed to be more effective at preventing negative outcomes such as violence, conflicts, and instability. Fragility results from the complex interplay of weak societal institutions confronted with internal and external stresses. Research reiterates the need to understand fragility not just as a characteristic of state institutions. While the lack of accountable and inclusive institutions constitutes one dimension of fragility, other dimensions may emanate from societal dynamics, e.g. the perception of injustice and unequal access to economic opportunities between groups, or concern the lack of security or exposure to shocks and disasters (Chart 1). Countries, therefore, may present very distinct patterns of fragility.

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1 This is a product of the Office of the Chief Economist for the Middle East and North Africa Region of the World Bank. It was prepared by Christina Wood. We are grateful to Nadia Piffaretti for helpful inputs and comments.
2 The WBG defines fragile situations as (i) IDA countries or territories that present a very weak policy and institutional framework, signified by a CPIA score below 3.2, or (ii) countries with the presence of a UN and/or regional peace-keeping or peace-building mission during the past three years. The WBG’s CPIA score is averaged with the CPIA of Regional Development Banks (African Development Bank and Asian Development Bank), to create a “Harmonized CPIA”, underpinning the “Harmonized List of Fragile Situations”.

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Box 1: MICs -- Half of the Countries and 1.5 Billion People in Fragility, Conflict or Violence Situations

This box expands the criteria underpinning the list of ‘Fragile and Conflict Affected Situations’ by lifting the low-income countries cut off and including additional markers of conflict and violence. The resulting data shows that while fragility is often associated with low-income countries (LICs), LICs only account for half of the countries where fragility, conflict, and high levels of violence affect development outcomes.

Overall, to various extents, fragility, conflict and violence impact the development outcomes of almost 2 billion people, the vast majority of which are living in Lower-MICs (38 percent) and Upper-MICs (37 percent) countries, and only 25 percent in low-income countries (Figure 1). From a world development perspective, therefore, addressing fragility in MICs is critically important.

Figure 1. Share of people in countries affected by fragility, by country income group.

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3 Lifting the low-income countries cut off allows for consideration of IBRD/Blend countries with weak policy and institutional frameworks. As additional conflict markers, the data includes countries with more than 25 battle-related or terrorism-related deaths. As violence marker, the data includes countries with levels of intentional homicides well above the WHO level of ‘epidemic of homicides’ (i.e. 25 per 100,000 population, rather than 10 per 100,000 population). Battle-Deaths and intentional homicides are also part of the suggested Post-2015 framework of Sustainable Development Goals (SDGs). Also included are countries with UN Department of Political Affairs (DPA) and Border missions.
Fragility can be present in territories within countries, while some drivers of fragility cross national boundaries – accordingly, referring to ‘fragile contexts’ or ‘fragile systems’\textsuperscript{4} may be more appropriate than referring to ‘fragile states’. Localized areas of fragility can exist within the boundaries of an otherwise high capacity country, as in some slums or illicit trade corridors in middle- and high-income countries. In turn, the disintegration of statehood into ethnic or sectarian units often cuts across existing national borders, as in Syria, Iraq, Algeria, or Mali. Dimensions of fragility can thus run through communities, influence outcomes at the national level, and connect to fragility drivers at the supranational or global level. The existence of supra-national drivers of fragility also shows why tackling fragility is increasingly seen as a regional or global ‘public good’\textsuperscript{5}. Fragility does not stop at the boundaries of one state, nor can stability simply be provided by the strongest country in the region. Addressing fragility therefore requires a concerted effort and according incentives at the regional and/or global level.

Fragility can be aggravated by the weight of internal and external stresses. Cross border insecurity manifests itself in the form of invasion, presence of foreign troops and non-state actors that operate across borders (rebels, criminal gangs, traffickers, transnational terrorists). In many situations, insecurity and violence are concentrated in border areas. Yet internal conflicts can be fueled by cross-border and international dynamics. Trafficking (drug and human trafficking, smuggling, financial flows, transnational crime, arms) plays an important role in increasing the risk of violence and conflict, especially when illicit revenues provide non-state groups to resources. Transnational corruption, led by corporate interests, materializes in illicit financial flows associated with corruption, trafficking and tax evasion. Fragility is increasingly interconnected with organized crime and transnational illicit markets, which are a buy-product of the ever strongly interconnected global economy.

Fragility in MICs relative to LICs

Fragile situations emerge due to different factors and respond to different ‘exacerbating factors’ at different points in time. Often, in lower income countries, overall weak state capacity and contestation over resources play a more fundamental role in driving fragility and increasing the risk of conflicts. In some of these countries, high demographic and poor management of environmental risks may also accentuate fragility stemming from climatic risks. By contrast, in middle income countries with higher


\textsuperscript{5} Regional public goods are of the type where “contributions of weaker members determine the quantity and the quality” (i.e. they are sensitive to the contribution of the weakest members), according to the typology presented in the World Development Report 2009 on Reshaping Economic Geography. As a result, regional public goods cannot simply be provided by a region’s strongest countries; implementation support in the weakest members is required. This illustrates the need for an appropriate set of regional-level incentives to tackle drivers of fragility.
state capacities, major risks of fragility may stem from weak social cohesion, weak relations between the state and society and/or weak economic foundations. MICs also face increased risk of internal violence, possibly linked to the pressures of unbalanced urbanization growth. Political exclusion, ethnic fractionalization, weak economic opportunities for a middle class and youth, regional conflict dynamics, and globalization, may interact to create an extremely high level of overall fragility in otherwise higher capacity societies. The risks faced by MICs are thus systemic.

**Fragility in middle income countries results in potentially higher adverse consequences.** Considering fragility in terms of a risk chain, with potential spillover effects and feedback loops (see the Appendix), fragile situations in MICs are in their nature very complex. The greater global interconnectedness of MICs generates fragile situations with potentially fasters and greater spillovers beyond borders to potentially wide swathes of territory. Furthermore the magnitude of the spillovers from fragility in MICs is higher and the pace of transmission more rapid, compared with fragility in LICs. MICs also face higher risk of tail events (rare, high-impact events or shocks) which yield global public bads, the resolution of which generate global public goods and merits collective intervention support.

**Due to its more complex nature, fragility in MICs is characterized by potentially substantial payoffs from prevention and mitigation interventions**. Regional approaches can and should be considered rather than solely country-specific ones. While management of risks is importance in all fragile situations, it’s of critical importance in MICs. A better understanding of the risk-chains would enhance the quality of advice on areas open for policy action for insurance and mitigation. Going beyond state-oriented actions is critical for MICs, such as to identify possible mitigation and insurance mechanisms that can be adopted by private sector and households. Fragility risks in MICs, notably risks of tail events, must be subject to an open policy dialogue and managed collectively using public goods and services.

**The possibility of leveraging increased ex-ante mechanisms instead of ex-post resources (such as humanitarian aid and other resources) may be limited in managing the effects of conflict,** limiting the possibility of reducing risk through increased preparedness. However, there are areas open for action on supporting mitigation, coping and recovery. The international community can draw on the following risk-sharing tools to help countries deal with the shock and spillovers from conflict:

a. Support for coping: timely ex-post support to mitigate sudden shortage of resources following a severe crisis.

b. Providing Insurance Mechanisms

c. Regional insurance: the international community can facilitate regional risk-pooling mechanisms.

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6 The 2014 World Development Report (WDR2014) highlights that investment in conflict prevention may be more cost effective than responding to a conflict event. Delayed response can be very costly, with the costs going beyond the national borders and with large pressures on neighboring countries, and risk and impact exceeding national capacity. Moreover, the tight interconnectedness of the world increases the risks of rapid spillovers. It is estimated that every dollar spent in conflict prevention could save the international community an average of 4 dollars (Collier and Hoeffler, 2004).
Appendix. Fragility Risk Framework - Core Elements

A fragile environment presents high risks of new or increased negative outcomes such as violence, conflict, societal upheaval, instability or systemic collapse of institutions and services. These outcomes can lead to situations such as humanitarian crisis, forced displacement and mass migrations.

Fragility risks results from an exposure to internal and external stresses of economic, environmental, social, security and political nature, and the capacity of institutions and society to manage or mitigate those stresses (Chart A1). Fragility outcomes in one country can, through spillovers, increase fragility risks in other countries (Chart A2).

Fragility risk chains comprises shocks, responses to fragility, and bad outcomes. Fragility can stem from both localized weaknesses, or from overall system breakdowns. Systemic weaknesses in handling stresses and providing a coherent ‘whole of a society’ resilient response to shocks represent policy and institutional country-level risk factors. Systems are fragile when they are susceptible to react to common challenges and shocks by entering a vicious cycle of self-reinforcing feedbacks, including spillovers to neighboring countries.

![Chart A1: Risk Chain Diagram](image)


Interventions upstream in the risk chain are the most cost-effective approach to improving resilience. Early identification of risk factors, including stresses, can allow making informed policy decisions and leverage development policies to reduce the risk of negative outcomes through reduction of exposure, mitigation, adaptation, and strengthening overall resilience. Besides well-adapted policies for recovery after negative outcomes, the Bank and other development actors can play an important role in reducing the risk of fragility (‘prevention’). Delayed response can be very costly, with the costs often extending beyond the national borders, with large pressures on neighboring countries, and risk and impact exceeding national capacity. The tight interconnectedness of the world increases the risks of rapid spillovers.

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### Chart A2: Implications of Fragility Risks

#### Understanding fragility risks (understand risk chains)

<table>
<thead>
<tr>
<th>Fragility Effect</th>
<th>Examples</th>
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| **Breaking point**  
High Stress beyond load-bearing | Demographic pressures on scarce resources  
(Like water and land) exogenous  
Social Fractures: Social stresses due to shocking inequalities and exclusions (endogenous)  
Displacement: socio-economic stresses on hosting communities (exogenous to the country) |
| **Positive Feed-backs**  
(domino effect I) | Conflict in Syria led to new conflict in Iraq |
| **” with Negative Spillovers”**  
(domino effect II) | Boko Haram crisis in Nigeria has many dimensions of spillovers. One crisis leads to multiple crisis |
| **Convex Effects**  
(domino effect III) | Bouazizi and the Arab Spring  
Ebola Virus Disease |

Source: FCV