WORKING DIFFERENTLY IN FRAGILE AND CONFLICT-AFFECTED SITUATIONS

The ADB Experience

Asian Development Bank
WORKING DIFFERENTLY IN FRAGILE AND CONFLICT-AFFECTED SITUATIONS

The ADB Experience

Asian Development Bank
## Contents

**Acknowledgments**  v  
**Abbreviations**  vii  
**Introduction**  1  

1. **What Is a Fragile and Conflict-Affected Situation?**  5  
   - Fragility and Conflict: Evolving Perspectives  5  
   - Fragile and Conflict-Affected Situations in Asia and the Pacific  7  
   - Fragility Continuum  12  

2. **Why Do We Need to Work Differently in Fragile and Conflict-Affected Situations?**  15  
   - Fragility Matters in Development  15  
   - Peace and Political Stability are Prerequisites to Economic Growth  16  
   - Knowledge of Local Context Is Essential to Aid Effectiveness  18  

3. **How Do We Approach Fragile and Conflict-Affected Situations?**  21  
   - Adopting the 2007 ADB Approach to Weakly Performing Countries  22  
   - Aligning with the New Deal for International Engagement in Fragile States  24  
   - Learning from the World Development Report  25  
   - Programmatic and Operational Lessons from Experience  26  

4. **How Do We Operate in Fragile and Conflict-Affected Situations?**  29  
   - Customizing Country Strategy Formulation  29  
   - Incorporating Flexibilities During Project Preparation  65  
   - Applying a Programmatic Approach in Project Implementation  90  

5. **Areas for Future Consideration**  119
## Appendixes

<table>
<thead>
<tr>
<th>Appendix</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Synopsis of Fragile Situation Guides from Other Multilateral Organizations</td>
<td>123</td>
</tr>
<tr>
<td>2</td>
<td>Countries Identified as Fragile and Conflict-Affected Situations, 2007–2011</td>
<td>127</td>
</tr>
<tr>
<td>3</td>
<td>Public Sector Reforms in the Pacific</td>
<td>128</td>
</tr>
<tr>
<td>4</td>
<td>OECD Principles for Fragile States and Situations</td>
<td>130</td>
</tr>
<tr>
<td>5</td>
<td>Peacebuilding Tool for Project Design, Implementation, and Monitoring</td>
<td>132</td>
</tr>
<tr>
<td>6</td>
<td>Technical Assistance Capacity Principles Checklist</td>
<td>140</td>
</tr>
<tr>
<td>7</td>
<td>Integrating Climate Change in Country Partnership Strategies</td>
<td>149</td>
</tr>
<tr>
<td>8</td>
<td>Engaging Civil Society Organizations</td>
<td>152</td>
</tr>
<tr>
<td>9</td>
<td>Examples of Some Gender Dimensions in Conflict-Affected States</td>
<td>156</td>
</tr>
<tr>
<td>10</td>
<td>Checklist for Developing a Participation Plan</td>
<td>158</td>
</tr>
<tr>
<td>11</td>
<td>Political Economy Checklist</td>
<td>159</td>
</tr>
<tr>
<td>12</td>
<td>Stages of a Policy Reform Process</td>
<td>160</td>
</tr>
<tr>
<td>13</td>
<td>Elements of Risk and Vulnerability</td>
<td>161</td>
</tr>
<tr>
<td>14</td>
<td>Tips on Capacity Assessment</td>
<td>162</td>
</tr>
</tbody>
</table>
Acknowledgments

This handbook is the result of a collective work initiated and led by Patrick Safran, focal point for fragile and conflict-affected situations (FCAS). Andrea Iffland, former director of Pacific Department (PARD) Urban, Social Development and Public Management Division (PAUS) and currently regional director of Pacific Liaison and Coordination Office, provided overall direction. Robert Guild, director of PARD Transport, Energy and Natural Resources Division, supervised the section on implementation. The handbook benefited from the tacit knowledge and experience of staff from Central Operations Services Office, Central and West Asia Department, Controller’s Department, East Asia Department, Independent Evaluation Department, Office of the President, PARD, Regional and Sustainable Development Department, South Asia Department, and Strategy and Policy Department. The draft was also posted on the Asian Development Bank (ADB) FCAS network website for consultation. Douglas Porter, lead author of several background papers to the World Development Report on Conflict, Security and Development reviewed and gave substantial inputs to the handbook.

Guidance and comments were provided by Directors General Juan Miranda, Robert Wihtol, and Xianbin Yao; Deputy Director General Ayumi Konishi; and PAUS Director Ikuko Matsumoto. Operational inputs were given by Rustam Abdukayumov, Hasib Ahmed, Mahfuzuddin Ahmed, Asad Aleem, Charles Andrews, Joven Balbosa, Stephen Blaik, Richard Bolt, Ronald Butiong, Laure Darcy, Oliver Domagas, Hayden Everett, Ganiga Ganiga, Anthony Gill, Cecile Gregory, Robert Guild, Yinguo Huang, Samantha Hung, Sharada Jnawali, Binita Shah Khadka, Allan Lee, Christopher MacCormac, Robert Mamonong, Hasan Masood, Thomas Minnich, Daisuke Mizusawa, Christopher Morris, Omana Nair, Kiyoshi Nakamitsu, Krishnadas Narayanan, Ian O’Donnell, Sean O’Sullivan, Maria Paniagua, Stephen Pollard, Arun Rana, Barry Reid, Robert Rinker, Peter Robertson, Delphine Roch, James Roop, Jason Rush, Paolo Spantigati, Rune Stroem, Suman Subba, Sakiko Tanaka, Laisiasa Tora, Emma Veve, and Nick Villaluz. John Austin and Cori Yap of the Pacific Infrastructure Advisory Center also gave inputs. Ireen Baylon, Therese Ng, and Cyrel San Gabriel provided research and design inputs, Cecil Caparas coordinated the publication process, and Stephen Banta and Eric Van Zant gave editorial inputs.
### Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
</tr>
<tr>
<td>ADF</td>
<td>Asian Development Fund</td>
</tr>
<tr>
<td>AIB</td>
<td>Afghanistan International Bank</td>
</tr>
<tr>
<td>AusAID</td>
<td>Australian Agency for International Development</td>
</tr>
<tr>
<td>CAREC</td>
<td>Central Asia Regional Economic Cooperation</td>
</tr>
<tr>
<td>COSO</td>
<td>Central Operations Services Office</td>
</tr>
<tr>
<td>DFID</td>
<td>Department for International Development of the United Kingdom</td>
</tr>
<tr>
<td>FATA</td>
<td>Federally Administered Tribal Areas</td>
</tr>
<tr>
<td>FCAS</td>
<td>fragile and conflict-affected situation</td>
</tr>
<tr>
<td>GAP</td>
<td>Gender Action Plan</td>
</tr>
<tr>
<td>IED</td>
<td>Independent Evaluation Department</td>
</tr>
<tr>
<td>MDG</td>
<td>Millennium Development Goal</td>
</tr>
<tr>
<td>MFF</td>
<td>multitranche financing facility</td>
</tr>
<tr>
<td>NGO</td>
<td>nongovernment organization</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>PARD</td>
<td>Pacific Department</td>
</tr>
<tr>
<td>PRIF</td>
<td>Pacific Region Infrastructure Facility</td>
</tr>
<tr>
<td>PSDI</td>
<td>Private Sector Development Initiative</td>
</tr>
</tbody>
</table>
Failure to engage in fragile and conflict-affected situations differently and in an innovative manner is likely to entail major human, social, economic, and security costs
Introduction

Developing Asia on the whole has enjoyed a couple of decades of high economic growth and significant transformation. In the midst of this growing wealth and prosperity, however, abject poverty remains in poor countries as well as in pockets of emerging middle income ones. Many poor people in Asia and the Pacific live in countries with weak governance, ineffective public administration and rule of law, and civil unrest. These countries have been referred to variously as weakly performing countries, fragile states, low-income countries under stress, and countries in fragile and conflict-affected situations (FCAS).

FCAS deserve special attention. Fragility is costly for a country and its citizens, for neighboring countries, and for the global community. From the view point of development assistance, policies, principles, and operational approaches that development agencies normally apply can be ineffective. They may even risk adding to the difficulties nations already face in establishing the effective and legitimate institutions and leadership needed to transit to stability and sustained development over the long term. Failure to engage in these situations differently and in an innovative manner is likely to entail major human, social, economic, and security costs. For these reasons, the Asian Development Bank (ADB) has reviewed its experience to identify ways to work effectively in such settings.

1 Through most of the handbook, the term “fragile and conflict-affected situations” is used. However, in some instances, the abbreviation “FCAS countries” is used for brevity and clarity. ADB’s definition of fragile and conflict-affected situation is discussed fully in Chapter 1.

2 ADB reported on its engagement in FCAS during the Asian Development Fund (ADF) midterm
This handbook answers requests from ADB staff for guidance on what constitutes “working differently.” It encourages new thinking and mainstreaming of innovative engagement in fragile situations. All this aims to enhance the effectiveness of ADB’s financing and advisory services in these countries. Thus, the handbook is structured around two main aims:

(i) To inform ADB staff of the issues they are likely to confront as they engage with fragile and conflict-affected situations, and to help ADB staff and other development practitioners to plan, design, and implement projects more effectively in fragile situations.

(ii) To draw on the experience of ADB and other agencies to suggest approaches to handle these issues better. ADB has considerable operational experience in small, isolated, and vulnerable countries; in much larger countries in transition from closed to market-led economies; and countries emerging from conflict. The handbook also captures lessons from other multilateral organizations, such as the World Bank (see Appendix 1 for guides by other multilateral organizations).

The handbook follows the framework provided by ADB’s Approach to Engaging with Weakly Performing Countries (or the ADB approach to fragile and conflict-affected situations) adopted in 2007. The framework aligns with the Fragile States Principles adopted by the Organisation for Economic Co-operation and Development (OECD).

The handbook contains five chapters. The first chapter gives a brief overview of WHAT defines the fragile and conflict-affected situations, summarizing the evolving perspectives and highlighting the relevance in the developing Asia and Pacific context. The second chapter reiterates the point of WHY we should engage in FCAS differently, reflecting the lessons learned, new initiatives, and latest researches. The subsequent two chapters detail a structured account of HOW to engage in FCAS differently at country level, and during project design and implementation, providing concrete illustrations from actual program and project cases. The final chapter discusses areas for further consideration.


In defining how to “work differently,” it is necessary to balance general guidance that can be applied across diverse situations with recognition that the specifics will vary according to the particular context. Indeed, every fragile situation calls for a unique response. Sometimes lessons from one context can be judiciously adapted and applied in another context, but innovative approaches are often needed.

The practical examples in the handbook are drawn from the collective tacit knowledge of ADB’s operational staff. These examples include innovative, flexible, streamlined, and simplified approaches to project processing and implementation relevant in fragile and conflict-affected situations. Several case studies also demonstrate ADB’s development work in fragile and conflict-affected countries, as well as countries not in fragile situations, that may be applicable.

This handbook does not introduce new policy or procedural requirements. Rather, it informs staff working with countries or regions in fragile situations about specific areas along the project cycle and in business processes that may need special consideration. It also highlights sensitive aspects of project preparation and implementation in the context of fragile and conflict-affected situations, including analysis of political economies. The handbook should therefore be read alongside the existing policies and procedural requirements of ADB’s business processes.5

---

What Is a Fragile and Conflict-Affected Situation?
Fragility reflects weakness in the state’s functional capacity to provide basic security within its territory, institutional capacity to provide for the basic social needs of its population, or political legitimacy to represent its citizens effectively at home and abroad

– Country Indicators for Foreign Policy
What Is a Fragile and Conflict-Affected Situation?

At least a quarter of the world’s people live in fragile and conflict-affected situations (FCAS)—affecting either an entire country or a region or area within a country—where the state is functionally and institutionally weak, is unable to effectively extend its authority, and political legitimacy is challenged by conflicting interests and values. Unsurprisingly, not a single, low-income country categorized as fragile or conflict-affected has been able to achieve even one Millennium Development Goal.6

FCAS typically refers to a country as a whole, and sometimes to a supra-national territory that has been destabilized, but in the Asia and Pacific region, it is more likely to be applicable to subnational territories within countries. ADB distinguishes among four types of FCAS in Asia and the Pacific: fragile situations, conflict-affected situations, transitional situations, and subnational fragile situations.

Fragility and Conflict: Evolving Perspectives

There is no internationally agreed definition of fragility. However, most development practitioners have adopted the OECD definition: “a state with weak capacity to carry out the basic state functions of governing a population and its territory, and that lacks the ability or political will to develop mutually constructive and reinforcing relations with society (footnote 4).” Whereas earlier definitions highlighted the state’s ineffectiveness in service delivery, research has put explicit focus on the state’s authority and legitimacy as the underlying factors for fragility.

---

and which determine political stability and the effective delivery of services.\(^7\) This has important implications for how donors engage with fragile or conflict-affected countries. For instance, strengthening the capacity or authority of institutions that lack legitimacy can add to instability and further weaken public confidence in government.

Fragility therefore reflects a mix of factors, including “instability, dysfunction, and illegitimacy that prevents the functioning of a state, its economy, and society.”\(^8\) As noted in the World Bank report, the Societal Dynamics of Fragility, fragility can “best be understood as a continuum: societies can experience extreme state failure and violent conflict at one end, and varying degrees of fragility at other points in the continuum.” States can “jump” to and from different points on the continuum, though not necessarily in a linear fashion (Figure 1).\(^9\)

ADB identifies fragile or conflict-affected countries as those of its developing member countries with weak governance, ineffective public administration and rule of law, and civil unrest (footnote 3). It distinguishes between fragility and conflict affected:

- Fragility reflects weakness in the state’s functional capacity to provide basic security within its territory, institutional capacity to provide for the basic social needs of its population, or political legitimacy to represent its citizens effectively at home and abroad.\(^10\)
- Conflict is a violent or nonviolent process in which two or more parties disagree about interests and values. Although it may provide an opportunity for change, if not managed correctly and peacefully, it can escalate into violence.\(^11\) Conflict can be a cause, symptom, or consequence of fragility; although some fragile situations are less associated with or dominated by conflict, as in the case of small Pacific island countries. However, a lack of state responsiveness may raise the risk of violence.

---


What Is a Fragile and Conflict-Affected Situation?

As noted above, a fragile and conflict-affected situation generally refers to a whole country; however, there are fragile situations in which subnational states have strong ethnic identities and autonomous governments pursuing their own agendas, with extreme variations in development performance and high levels of violent conflict.¹²

In a list updated annually, ADB identifies fragile and conflict-affected countries based on its developing member country ranking in the country performance assessment and on some conflict considerations. Developing member countries in the 4th or 5th quintiles of the country performance assessments for 2 of the most recent 3 years, and those in conflict or postconflict situations, are considered FCAS countries.¹³ In 2011, ADB listed 11 FCAS countries, nine of them fragile and in the Pacific: Kiribati, the Marshall Islands, the Federated States of Micronesia, Nauru, Palau, Papua New Guinea, Solomon Islands, Tuvalu, and Vanuatu. The remaining two FCAS countries, Afghanistan and Timor-Leste, are conflict-affected (Appendix 2).

---


Some countries in the region are no longer identified as fragile or conflict-affected and may therefore be classified as in a transitional situation. Nepal has come under this category since 2008. Such countries have left fragility or conflict behind, and their economies are exhibiting some capacity for self-sustained growth, in part because of improved governance and structural reforms. However, because they continue to display broad weaknesses in the institutional and human capacity needed to deliver essential public goods and services, the risk of relapsing into fragility remains. The four situations in Asia and the Pacific that ADB refers to as fragile and conflict-affected are discussed in details below.

**Fragile Situations**

The nine fragile countries in the Pacific are small and geographically isolated, often with scattered, low density populations and underdeveloped markets. Opportunities for economies of scale and scope, as well as human and financial resources and infrastructure, are limited and highly dependent on aid flows. Core state political, security, and service delivery functions are weak, unstable, and concentrated around urban areas. Countries in these fragile situations may also be particularly vulnerable to climate change and disasters.

Small size and long distances to major markets have a determining impact on the economic prospects of these fragile countries. Improving the environment to broaden now highly constrained opportunities for private sector development is therefore critical for economic growth. Indeed, it is essential for creating jobs for the growing number of unemployed youth. Scattered geography with few urban market centers and high factor costs are fundamental constraints on private sector development (footnote 14). Others include:

1. The pervasive state role in many aspects of the economy;
2. Inadequate access to finance;
3. Outdated and inadequate business laws and regulations;
4. Substandard and inadequate infrastructure; and
5. Lack of competition because of small market size, public or private sector monopolies, and ineffective regulation.

Fragile countries suffer weak public governance in part due to a difficulty in attracting and retaining needed expertise and an inability to build what the 2011 *World Development Report* terms “inclusive enough coalitions” that create incentives to invest trust, loyalty, and resources in public institutions. Capacity to perform core state functions—such as policy formulation, economic management,
public financial management and procurement, revenue generation, and civil service management—therefore remains limited and prospects highly uncertain.16 As a result, the state is unable to respond consistently and equitably to societal demands, increasing the risk of political instability and violence.17

Conflict-Affected Situations

Conflict-affected situations—conflict or post-conflict, national or subnational—are those in which significant social and economic disruptions lead to weak governance, extensive damage to infrastructure, and disruption of service provision. Governments affected by conflict may be democratic, transitional, or de facto.18 United Nations peacekeeping or peacebuilding missions may also be present. A conflict-affected situation is not the phase of emergency that immediately follows the end of a conflict, requiring emergency measures.19

Among countries ADB lists as conflict-affected, Afghanistan is currently considered the world's most dangerous country for women, while it is second only to the Republic of Chad in the UN ranking of countries with the highest child mortality.20 This reflects serious weaknesses in social, political, and security systems after 3 decades of civil unrest, political instability, and ineffective law and order. Although the country has made significant progress in reconstruction and development, it has been compromised by ongoing conflict and weak state institutions.

The security situation in Afghanistan makes it difficult to keep project preparation and implementation on track. Security issues also raise the cost of doing business—they contribute to higher-than-average project costs—in part because they reduce consultants’ and contractors’ interest in projects and limit competition, raising quality concerns. A lack of capacity in government agencies


Working Differently in Fragile and Conflict-Affected Situations

compounds the problem. Some of these challenges are addressed by outsourcing project preparation and implementation to design engineers and supervision consultants engaged through the multitranche financing facility (MFF). Contract modalities are also modified to attract high-quality contractors. These approaches yield results without compromising principles of governance, transparency, competition, or efficiency.

Timor-Leste, meanwhile, is on the way to recovery. The country’s oil wealth contributed to a dramatic fiscal expansion in the aftermath of the conflict in 2006, therefore boosting service delivery, cash transfers, and infrastructure spending to support its peacebuilding and statebuilding efforts. It still faces shortfalls in the availability of experienced and qualified government staff and the evolving mandates of some key agencies, which continue to constrain the delivery of basic services. Security problems have subsided, and state legitimacy and people’s engagement and trust are being built. The creation of an enabling environment for private sector-led economic growth is hampered by poor infrastructure connectivity as well as broad weaknesses in public sector management.

Both Afghanistan and Timor-Leste need investment in critical infrastructure and in developing human and institutional capacity. The growth of modern and competitive private sectors must be supported. Statebuilding and peacebuilding must be strengthened by developing rural livelihoods, empowering communities, improving community relations, and increasing public confidence in the system of government through mechanisms of accountability, transparency, and participation.

Transitional Situations

A country’s transition may take place over a generation—between 15 to 30 years. Transitional situations include countries exiting fragility conflict, or other significant social or political upheaval, and wherein economies may be growing. Typically, however, reform processes are constrained by weak state capacities or poor governance. Delivery of essential services remains inadequate. Some countries may no longer be identified as fragile or conflict-affected per se, but the fragility risk remains.

Social and economic exclusion and widening inequality are ongoing concerns in such countries. In Nepal, for example, the government must act quickly to deliver needed public services in rural and remote areas and preempt the deep frustration that can feed unrest and agitation by indigenous communities. Economic reform is needed even as the state struggles to effectively maintain peace and order amid a protracted and disruptive peacebuilding process.

Close attention is therefore required to the inclusiveness of economic growth. This is true in Vanuatu, for example, which has become one of the fastest-growing economies in the Pacific, driven primarily by deregulation in the airline industry, construction, and aid inflows. However, growth has been confined largely to urban enclaves, generating few jobs in rural areas, while as a Pacific country it remains highly vulnerable to disaster. Its remoteness, small market size, and limited absorptive capacity are key constraints to implementing external assistance.

Subnational Fragile Situations

While there have been no interstate wars in the region in the past decade, subnational fragile situations are a widespread problem in Asia, affecting nearly two-thirds of the countries in South and Southeast Asia. Whereas most of Asia is rapidly developing, fragile, subnational areas typically lag in key development indicators. Many of these regions have been afflicted by conflict for decades, leading to protracted cycles of underdevelopment, poor governance, and instability. These conditions often create an environment that stifles local economic growth, prevents integration into national and regional economies, and leads to deteriorating social services and a consistently high level of violent conflict. Countries with subnational fragile situations include Pakistan, the Philippines, and Sri Lanka.

The conflict in Khyber Pakhtunkhwa Province and the Federally Administered Tribal Areas (FATA) in early 2009 led to one of the worst security crises in Pakistan's history, displacing millions of people and severely disrupting lives, livelihoods, and the provision of public services. ADB and the World Bank, in coordination with the European Union, the UN, and the government, carried out a detailed post-conflict needs assessment in five districts of Khyber Pakhtunkhwa and FATA, where conflict had internally displaced more than 2 million people. The assessment formulated a framework and action plan to rehabilitate affected areas.

In the Philippines, conflict is concentrated in the Muslim-majority areas of central and southwestern Mindanao, where over 120,000 have been killed in fighting since the 1970s between the military, the armed wing of the Communist Party, the New People’s Army, and two Muslim separatist groups. Although religious differences have partly shaped the conflict, at its roots is a clash of interests in land and other natural resources, and identity issues emerging from the de facto second-class...
status of much of the Moro population (footnote 25). Many other lines of conflict also contribute to violence such as the terrorist acts of the Abu Sayyaf Group, and clan feuds, creating an atmosphere of fear, poverty, and social division. Though affected areas represent just a fraction of Mindanao, the entire island has suffered the adverse effects.26 ADB’s Mindanao operations have focused on increasing access to infrastructure in rural areas; promoting agrarian reforms and rural growth; improving human capital, particularly through investments in qualitative education; and supporting peace initiatives, capacity building, and governance.27

For nearly 3 decades, Sri Lanka faced several parallel and partly interlinked conflicts at different levels of magnitude, and different stages of violent/non-violent manifestation. Factors associated with the exacerbation of violent conflicts included the politicization of ethnicity; poverty; social status; and lack of access to political power, educational mobility, and economic opportunity. Smaller-scale, usually localized, conflicts also erupted in competition over resources.28 ADB undertakes a conflict risk assessment for all its projects in the conflict-affected areas, which has helped the organization to maintain project implementation during the conflict. ADB coordinates closely with its development partners on strategies for assessing and addressing Sri Lanka’s humanitarian and development needs, in line with the government’s national and provincial development plans and priorities.29

**Fragility Continuum**

As noted, the three types of fragile and conflict-affected situations—fragile situations, conflict-affected situations, and transitional situations—are not mutually exclusive or static. They are best considered on a dynamic continuum (Figure 1) extending from extreme fragility—in which states and societies are incapable of establishing peace and order or institutions to overcome internal or external stresses—to resilient, stable conditions in which citizens’ expectations of the state (such as to provide security or services) are balanced with the state’s expectations of citizens (for example, loyalty, trust, and taxation).

Few countries that have gone through conflict are truly postconflict. As the 2011 World Development Report made clear, every civil war since 2003 has been in a country with previous experience of civil war; although countries may succeed in dealing with one kind of conflict, such as violent political contests, they may

---


then face high levels of violent crime. It is therefore important to recognize that the progress along the continuum need not imply a linear process; societies typically move along the continuum as they respond to opportunities, threats, or shocks.\(^{30}\) Many are able to achieve the transition on a sustained basis, whereas others suffer the consequences of long-term decline in effective public authority.\(^{31}\)

---


Why Do We Need to Work Differently in Fragile and Conflict-Affected Situations?
Addressing the “weaker links” of economic growth could help boost the overall economy in Asia and the Pacific
Why Do We Need to Work Differently in Fragile and Conflict-Affected Situations?

The abnormal circumstances brought about by fragility and conflict require special attention. FCAS countries lag far behind in development as a result of political instability, weak governance, economic and geographic isolation, repeated cycles of violence, and vulnerability to climate change and disasters. For development aid to be effective, modes of engagement must be customized to the specific needs and local context of the affected country. Working differently in countries experiencing fragile or conflict-affected situations and helping them achieve and maintain peace and political stability are prerequisites to economic growth in these countries. From a broader perspective, addressing these “weaker links” of economic growth could help boost the overall economy in Asia and the Pacific.

Fragility Matters in Development

Despite international efforts to foster global peace and prosperity, in many countries, fragility and conflict persist, making this a primary development challenge and priority for the international development community. As a result of terrorism, violence, civil unrest, organized crime, and political instability, many countries in Asia and the Pacific suffer from weak institutional capacities and poor governance, economic and social disruption, and insecurity. Many are also vulnerable to climate change and disasters that cause extensive damage to infrastructure. These scenarios place these countries in fragile and conflict-affected situations.
While the share of official development assistance to FCAS countries doubled in the decade to 2009 to $46 billion, or 37% of total assistance,\(^{32}\) the repeated cycles of political instability and criminal violence, lagging growth, and stagnant human development indicators in these countries contrast sharply with rapid poverty reduction in many parts of the rest of the world.

In addition to the growing alarm about chronically poor economic and human indicators, the priority given to FCAS countries also reflects concern about recurring violent conflict and the performance of external development agencies in these situations. Weakly performing states are more likely to experience large-scale and violent civil conflict than other low-income countries.\(^{33}\) The problems of trafficking in arms, people, and drugs; corruption and the illicit flow of money; and other spillover effects of violence in one country also compromise the stability of neighboring countries and regions (footnote 6).

Development agencies now appreciate the ways in which badly coordinated and poorly designed and conceived interventions in fragile and conflict-affected situations can do harm\(^{34}\) by compounding stresses and tensions, changing the political dynamics of a country. As a result, they risk undermining the functional legitimacy of the state by disrupting the relationships of accountability between civil society and the government.\(^{35}\)

**Peace and Political Stability Are Prerequisites to Economic Growth**

ADB’s Asia 2050 study, published in 2011, postulates two scenarios for Asia’s growth trajectory: the Asian Century and the Middle Income Trap. The optimistic Asian Century scenario assumes that the 11 economies with a demonstrated record of sustained convergence to best global practice over the past 30 years or so continue this trend over the next 40 years and that some economies aspiring to modest growth will become convergers by 2020. In this scenario, Asia will take its place among the ranks of the affluent on par with those in Europe today; some 3 billion additional Asians will become affluent by 2050. The pessimistic Middle Income Trap scenario assumes that these fast-growing converging economies fall into that trap in the next 5–10 years, without any of the slow- or modest-growth aspiring economies improving their record.


Why Do We Need to Work Differently in Fragile and Conflict-Affected Situations?

The study recognizes conflict as one of the major factors that could jeopardize Asian growth. More conflicts are seen in Asia than elsewhere and their frequency has not declined (Figure 2). While devastating for individual countries or areas, these conflicts have not yet derailed economic development in Asia as a whole. But they serve as a reminder that stability and lack of violence cannot be taken for granted. Without peace and political stability, the necessary transport and infrastructure to integrate Asian economies will not be built. 36

![Figure 2: Armed Conflicts by Region, 1946–2010](https://www.pcr.uu.se/research/ucdp/charts_and_graphs/)

Moreover, a quantitative study by the International Monetary Fund is one of many that have traced the multiple channels through which political instability undermines economic growth. 37 Using a dataset of 169 countries during 1960–2004, the study demonstrated the harmful effects of political instability on total factor productivity growth and, to a lesser extent, by discouraging physical and human capital accumulation.

Similarly, the evidence in the 2011 World Development Report suggests that insecurity has now become the primary development challenge. It underscored the links between repeated cycles of political and criminal violence and economic

---


growth, human development, and environmental sustainability. The report’s central message is that providing citizens security, justice, and jobs through institutions that are effective, legitimate and inclusive is the key to breaking cycles of violence.

Creating such institutions and leadership is particularly difficult in fragile and conflict-affected situations. People are frequently reluctant to invest trust and loyalties or provide revenues or skills to public authorities. Institutional changes are often risky—dismantling patronage systems, devolving power, or creating effective supreme audit agencies result in winners and losers and therefore as much resistance as popular support. Moreover, institutional change takes time—even the fastest transitions from fragility and violent conflict have typically taken between 15 and 30 years.

After surveying the experience of countries able to successfully exit from conflict over the long term, the 2011 World Development Report found two distinctive patterns. First, leaders in successful transitions were able to restore confidence in collective action by credibly signaling to the population that their core concerns were being addressed. Core concerns will vary from country to country; they might be about security and public safety, about how officials are appointed, or how livelihoods are enabled or services delivered. These signals were a prelude to embarking on the more difficult challenge of institutional transformation in particular, institutions that deliver security, justice in public wealth distribution, and economic opportunities and jobs (footnote 6).

Knowledge of Local Context Is Essential to Aid Effectiveness

In view of the interrelationships among state stability, fragility, aid effectiveness, and development, ADB recognizes that to be effective its mode of engagement must be tailored to address both the specific needs of the affected countries and the drivers of conflict and fragility. Applying the same approaches to fragile and conflict-affected situations as used in better performing countries may not prove beneficial over the long term. Understanding the peculiarities and development dynamics of FCAS countries is a prerequisite to coherent and relevant development assistance. The need for a differentiated engagement is emphasized by the ADB Independent Evaluation Department’s assessment of ADB’s support to FCAS.38

---

The same holds true with the experience of the international community in a conflict-affected country. The 2011 World Development Report stresses that when development partners tried to improvise in a very complex and volatile setting, they were hampered by the lack of knowledge on sociopolitical realities, inadequate understanding of the culture, and the complicated internal political relationships that existed in the conflict-affected country. Transplanted best practices from other country experiences can undermine the search for tailored and context-specific, best-fit approaches, especially in fragile situations (footnote 6).

Moreover, greater attention on fragile and conflict-affected situations is not reflected in improved results. Much of the aid delivered in response to conflict or fragility does not address the drivers of conflict and institutional weakness, but deals only with the direct consequences, such as the decline in social services. As made clear by the 2011 World Development Report, development partners have paid insufficient attention to local context and relied instead on importing “best practices” and mimicking institutional forms from the developed world. They have poorly appreciated the political economy of reform and the kinds of political alignments needed between domestic stakeholders and external agencies to ensure that available resources, skills, trust, and loyalties are directed into durable institutional forms that adequately respond to public expectations of the basics—security, justice, and jobs. Rather than engaging over the long term—reflecting the generational commitment needed to transform institutions—they have focused on changes presumed to be achievable over short time spans. Such approaches have often foundered on political opposition, economic constraints, and the failure to align with the incentives of key actors or social norms that emerge outside the state, but that are central to how it is able to perform. The report concludes that rather than copying programs that have been used elsewhere, adapting their design to local context can ensure that they will deliver results within local political dynamics (footnote 6).
How Do We Approach Fragile and Conflict-Affected Situations?
ADB’s approach to fragile and conflict-affected situations embeds the guiding principles of flexibility, sustainability, and partnership.
DB’s 2007 Approach to Weakly Performing Countries embeds the guiding principles of flexibility, sustainability, and partnership, and is based on the pillars of (i) selectivity and focus, and (ii) strategic partnerships. The ADB Independent Evaluation Department (IED) special evaluation study concludes that ADB’s approach to fragile and conflict-affected situations is relevant, and a differentiated engagement is needed (footnote 38).

As a member of the Steering Group of the International Dialogue on Peacebuilding and Statebuilding, ADB’s engagement in fragile and conflict-affected situations is being aligned with the New Deal for International Engagement in Fragile States (New Deal). ADB’s approach is consistent with the actions highlighted by the New Deal, including providing timely, transparent, and predictable assistance; promoting the use of country systems; joint donor risk-mitigation strategies; and more effective capacity development. ADB’s policies and operational commitments are also consistent with the thrust and recommendations of the 2011 World Development Report. ADB continues to learn from the operational and programmatic experiences of development partners, including the World Bank, OECD Development Assistance Committee members, and the g7+ partners involved in the New Deal discussions.

Adopting the 2007 ADB Approach to Weakly Performing Countries

In 2007, the multilateral development banks committed to closer collaboration in fragile situations, while ADB adopted the 2007 Approach to Weakly Performing Countries (which it now refers to as fragile and conflict-affected situations or FCAS countries). ADB has a framework for identifying FCAS countries and planning and implementing appropriate interventions (footnote 3). The two pillars of the 2007 approach—as noted, selectivity and strategic partnerships—are consistent with the OECD Fragile States Principles. The approach also highlights the need for flexible institutional responses and modalities, working with non-state actors in civil society, adjusting staffing levels, and strengthening incentives to enhance staff motivation to work and locate in a FCAS country.

ADB’s classification of developing member countries as fragile or conflict-affected in no way impairs the country’s membership standing. Rather, the designation of weak performance or fragility is intended to draw attention to the challenges the country faces, and is therefore aimed at improving the effectiveness of ADB’s assistance in providing access to resources and support, and achieving development objectives.

ADB recognizes that working in FCAS countries involves a greater commitment of resources and time, and greater risk. FCAS countries require a significantly different and long-term engagement given apparently intractable problems for which a short-term response is insufficient.

Further, no single agency or actor can provide all the resources needed to address the challenges. Cooperative strategies among the main development partners are needed that pool and share each partner’s unique or specific human and financial resources to work toward common plans, goals, and results.

ADB recognizes a range of performance and fragility. A country may not be classified as fragile or conflicted-affected, but may nonetheless exhibit evidence of weak performance and fragility. Fragility may also manifest itself in the whole

---


41 In 2007, the multilateral development banks adopted a definition for fragile states and situations as follows: (i) an absolute cutoff point of an average Country Policy and Institutional Assessment country rating of 3.2 or less, or (ii) the presence of UN and regional peacekeeping or peacebuilding missions during the past 3 years. See Inter-American Development Bank. 2007. Development Banks Commit
country, or a specific area within the country. ADB acknowledges that weak performance and fragility do not disappear when a country designated as fragile or conflict-affected shows a small improvement in its scores on the country performance assessment that might move it off the annual list of identified FCAS countries.

ADB, therefore, encourages country teams working in such countries to consider the modalities, tools, and instruments appropriate for the context. A menu of available financing modalities allows ADB to operate more flexibly with fragile and conflict-affected situations. This is especially useful, since there is considerable variation among countries in political economy, development needs, capacity constraints, and reform orientation. It is important to determine, in any country or particular situation, which elements are most relevant.

**Lessons from the special evaluation study.** As noted, the IED assessment of ADB’s support to fragile and conflict-affected situations in 2007–2009 concluded that ADB’s approach to fragile and conflict-affected situations is relevant, but a differentiated engagement is needed (footnote 38). Its three key lessons are fully consistent with the recommendations of the 2011 World Development Report.

First, a programmatic approach to fragile and conflict-affected situations is appropriate to make project processing and implementation more efficient. Flexibility to deal with the unseen and responsiveness to adaptive learning should be the important elements of operations in FCAS countries, wherein significant adjustments during project implementation are likely to exist.

Second, relaxing business processes and procedures does not offer a sound solution to avoiding delays in project implementation, in that it can raise governance issues. A deeper understanding of the country contexts, the influence of political economy on programming counterparts and implementation, more astute and simpler project designs, and consistent and longer term commitment to working in the country are critical ingredients for efficiency and effectiveness.

Third, many projects in fragile and conflict-affected situations have been effective. Establishing temporary mechanisms has been critical to helping projects achieve intended outputs and outcomes. And some Pacific countries have realized


42 A programmatic approach is a coherent approach to planning and implementation at strategic, regulatory, budgetary, and operational levels. It may involve long-term and strategic arrangement of individual yet interlinked projects aimed at achieving large scale impacts. See S. Agrawala. 2009. Implementing Adaptation Towards a Programmatic Approach. OECD AIXG Seminar. 4-5 March; and Global Environment Facility. Adding Value and Promoting Higher Impact through the GEF’s Programmatic Approach.
benefits through pooling of funds and technical experience from regional programs (including the exchange of experiences among countries), and a reduction in transaction costs. Working with other partners and increasing presence on the ground are also essential for development effectiveness.

**Aligning with the New Deal for International Engagement in Fragile States**

Established in the Timor-Leste capital, Dili, in 2010, the group known as the g7+ has grown remarkably and is now viewed internationally as the most vocal and legitimate voice representing fragile states on the world stage. The g7+ members have reaffirmed a commitment to the Paris Declaration on Aid Effectiveness, the Principles for Good International Engagement in Fragile States and Situations, and the Accra Agenda for Action. The leaders gathered in Dili also noted that conflict and fragility pose major obstacles to achieving the Millennium Development Goals (MDGs) and identified peacebuilding and statebuilding goals as stepping stones to dealing with conflict and achieving MDG results. These goals include the following:

- Foster inclusive political settlements and processes, and inclusive political dialogue.
- Foster regional stability and co-operation.
- Establish and strengthen basic safety and security.
- Achieve peaceful resolution of conflicts and access to justice.
- Develop effective and accountable government institutions to facilitate service delivery.
- Create the foundations for inclusive economic development, including sustainable livelihoods, employment, and effective management of natural resources.
- Develop social capacities for reconciliation and peaceful coexistence.

Later, at the 4th High Level Forum on Aid Effectiveness held in Busan, Republic of Korea in November 2011, members of the International Dialogue on Peacebuilding and Statebuilding (including ADB) endorsed the New Deal for Engagement in Fragile States.

The New Deal commits the 19 members of the g7+ to five peacebuilding and state-building goals and a way of working toward them. It highlights several actions that are consistent with how ADB has been approaching fragile and conflict-affected situations, including providing more timely, transparent, and predictable benefits through pooling of funds and technical experience from regional programs (including the exchange of experiences among countries), and a reduction in transaction costs. Working with other partners and increasing presence on the ground are also essential for development effectiveness.

---

43 Among ADB’s developing member countries, Afghanistan, Papua New Guinea, Solomon Islands, and Timor-Leste are members of the g7+. Full list of members at www.g7plus.org/

44 ADB is a member of the Steering Group of the International Dialogue on Peacebuilding and Statebuilding. See International Dialogue on Peacebuilding and Statebuilding. Participating Countries and Organisations. www.oecd.org/document/56/0,3746,en_21571361_43407692_43413880_1_1_1,00.html
assistance; promoting the use of country systems; joint donor risk-mitigation strategies; and more effective capacity development.

The New Deal also includes commitments to re-evaluate formal compacts between donors and FCAS countries, more consistent support for country-led political processes, and the development of special tools to assess conditions of fragility. Rather than the dichotomy that categorizes countries as being “in” or “out” of fragility, the fragility assessment tool will place countries on a spectrum and identify the building blocks needed to kick-start and sustain economic and social development. Dialogue within countries and with international partners will therefore allow comparisons with past performance and monitoring of how capabilities are improving, instead of the more common practice of identifying failures and deficits, and the rather futile practice of comparing countries.

The g7+ members have reaffirmed their commitment to the MDGs and the protocols for aid harmonization and alignment promoted earlier under the auspices of the OECD DAC. The New Deal represents the first sustained and high profile effort by fragile and conflict-affected nations to collectively articulate their priorities in relation to peace and statebuilding and to find ways to address the stigmatization that often accompanies “failed” states.

As noted above, much of what the g7+ promotes is already standard practice for ADB in fragile and conflict-affected situations. ADB will also support other initiatives the g7+ promotes—for example, increasing the policy profile given to inclusive economic development, including sustainable livelihoods, employment, and effective management of natural resources. Similarly, joint risk assessments and special purpose fragility assessment methodologies could help ADB improve the match between country needs and circumstances and the technical and financial support it provides.

**Learning from the World Development Report**

The *World Development Report 2011: Conflict, Security, and Development* examined available data on patterns of global violence and made observations that are directly relevant to ADB’s developing member countries (footnote 6). First, the nature of violent conflict has changed in the 21st century: interstate and proxy “conventional” civil war violence (i.e. contests for state power) have declined since the Cold War ended in 1990 and new forms of violence have emerged.

These forms commingle and mutate, with “political and criminal” forms of violence increasingly hard to distinguish. Violence spills across frontiers with increasing ease and societies and countries at all income levels can be caught in repetitive cycles of complex violence that can take decades to overcome. Countries and subnational regions trapped in this way experience severe economic and social consequences, increasingly isolating them from the global economic mainstream.
The 2011 World Development Report identifies three main categories of “stress” factors that can lead to violence: security, political, and economic. It also distinguishes between internal and external stresses, underlining the importance of global pressures (such as the impact of price fluctuations on Pacific economies reliant on single commodities) and of the destabilizing effects of decisions made in powerful societies (such as the impact of the European and United States drug market on Afghanistan and Myanmar).

The report examines why some countries have been able to manage these stresses without persistent recourse to violence, while some have not—and finds the essential difference to be the ability of a society’s institutions to mediate conflict. As noted earlier, it can take a generation or more (15 to 30 years) of persistent effort to turn ineffective institutions into “legitimate” entities (legitimate for 2011 World Development Report purposes being defined as capable, inclusive, and accountable).

The findings and recommendations of the report validate ADB’s 2007 approach paper on Achieving Development Effectiveness in Weakly Performing Countries (footnote 3). In a supplementary paper, Operationalizing the 2011 World Development Report, the World Bank outlines six priority themes for implementing the report’s recommendations:

(i) focusing country assistance strategies more on fragility;
(ii) strengthening partnerships on development, security, and justice;
(iii) paying more attention to jobs and private sector development;
(iv) realigning results and risk management;
(v) reducing financing volatility; and
(vi) striving for global excellence for work in fragile and conflict-affected situations.

Since its 2007 approach paper, ADB has been implementing most of these recommendations.

Programmatic and Operational Lessons from Experience

ADB is learning lessons from counterparts in the World Bank, OECD DAC members, and the g7+ partners involved in the New Deal discussions.  


46 More detail on these points is found in Supporting Statebuilding in Situations of Conflict and Fragility: Policy Guidance (OECD 2011); Principles and Good Practice of Humanitarian Donorship (2003); Paris Declaration on Aid Effectiveness (2005); International Support to Post-Conflict Transition: Rethinking Policy, Changing Practice (OECD 2012); Principles for Good International Engagement in Fragile States and Situations (OECD 2007); World Development Report 2011 (World Bank (2011); and ADB. 2007. Achieving Development Effectiveness in Weakly Performing Countries: ADB’s Approach to Engaging with Weakly Performing Countries. Manila. (www.adb.org/documents/achieving-
First, it is crucial to appreciate the changing nature of violent conflict and fragility in the 21st century. Furthermore, it is important to recognize that the pace of economic and social change associated with globalization will generate conflict; while this will often have socially beneficial consequences, violence is likely to arise where institutions are unable to successfully mediate these conflicts.

Second, development agencies are increasingly conscious of the ways that development interventions—unless they are well tuned to knowledge of local context and political economy—can “do harm,” contributing to tensions in already fraught situations. This is likely to arise from public sector reforms (such as privatization of state-owned enterprises, or civil service reforms), from major infrastructure projects, or from community-level decentralization programs. As will be illustrated in the next chapter, this has required ADB to be alert to conflict and fragility in all aspects of policy, programming, and the project cycle.

Third, while complex and varied, successful transitions from fragility and conflict have involved donors providing increasingly integrated, specialized assistance for measures that improve the sense among citizens that security of the families and property is improving. It is also increasing the sense that public wealth is being fairly and equitably distributed through social and economic services, and that the economy is providing jobs and positive prospects in the longer term.

Critically important in this transition is that national leaders, backed by the international community where needed, can send credible signals of change that build public confidence and enable longer term institutional transformation. The object of this is to create institutions and leaders that are effective and capable of delivering on their responsibilities, are regarded by the public as legitimate and just, and are able to project their authority to all people and places in the nation.

Fourth, institutional change in support of situations of fragility and conflict requires ongoing changes in the operations of development agencies. It requires that donor countries and multilateral agencies act regionally and globally to deal with the external stresses that produce conflict—the transfers of illicit wealth, criminal activity, movement of arms, and plundered natural resources. It requires more effort on cross-border activities that integrate action on citizen security, justice, and jobs. And it requires more shared regional administrative and technical capacity to allow citizens and leaders in fragile and conflicted situations to develop capabilities they cannot achieve on their own.

ADB’s approach to fragile and conflict-affected situations continues to evolve while ADB learns from its own experiences and from the experiences of its development partners. The next chapter discusses how ADB has operationalized this approach.

How Do We Operate in Fragile and Conflict-Affected Situations?
ADB maintains the relevance of its approach in fragile and conflict-affected situations by understanding the local context, anchored on sound assessments
How Do We Operate in Fragile and Conflict-Affected Situations?

Depending on the country situation and based on the local context, ADB formulates its differentiated engagement by considering a range of approaches: from country partnership strategy, interim operational strategy, regional strategy, to a watching brief. ADB uses strategic partnerships with the private sector, civil society/nongovernment organizations (NGOs), and other development partners to inform and implement the country strategy. Partnerships are also deemed important in consultation and participatory approaches.

ADB maintains the relevance of its approach to fragile and conflict-affected situations by understanding the local context, anchored on sound assessments. ADB also adopts a gender-responsive approach to these situations by including a summary gender strategy in the country partnership strategy. And reflecting the fluid conditions in fragile and conflict-affected situations, flexibility is already built in during project design—in the preparation stage—to easily adjust to the necessary changes in scope during implementation. More programmatic approaches are also applied in project implementation to address security and inefficiency issues. Thus, this way to operate provides for judgment to take account of the complexities and heterogeneity of fragile and conflict-affected situations.

Customizing Country Strategy Formulation

Different Approaches for Different Situations

The ADB 2007 approach highlights the first of the Fragile States Principles that OECD countries adopted in 2007, which emphasizes the importance of recognizing
the constraints of a government’s capacity, political will, and legitimacy. There are also important differences among countries in their conflict experience and their governance trajectories that can mean the difference between gradual improvement, a prolonged impasse, or a deteriorating outlook.

Depending on the stage of conflict and fragility, the country strategy may be formulated as a country partnership strategy, an interim operational strategy, a regional strategy, or a watching brief.

**Country Partnership Strategy**

*What is the scope and purpose of the country partnership strategy?* A country partnership strategy provides a framework for ADB to engage with each developing member country. The strategy provides the opportunity to systematically examine the internal and external stresses that may underlie fragility and the drivers of conflict so as to provide a well-argued focus on priorities within a strategy for economic, social, and inclusive growth and development.

ADB prepares the country partnership strategy for FCAS countries together with all concerned parties to help the country systematically define the binding constraints to peace and state building. Formulation of such a strategy involves assessments—such as political economy analysis, fragility assessment, and conflict sensitivity analysis—to ensure the relevance of the planned development initiatives. A thorough, context-based country partnership strategy will provide the basis for a long-term, constraints-focused, and consistent fragile and conflict-affected situation development program that is implemented regardless of the turnover of management and staff in both the recipient government and development partner.

*Who should be involved?* Country partnership strategy formulation should be done in close partnership with the recipient government, and guided by that government’s own development plans and policies. However, where the government apparatus, development policies and institutions, and political support are all weak, as they tend to be in fragile and conflict-affected situations, then such strategy is likely to be better formulated and implemented more (efficiently) when nongovernment parties are also involved. These may include NGOs, religious
How Do We Operate in Fragile and Conflict-Affected Situations?

institutions, and the business community. These nongovernment entities are often involved in advocacy and delivery of public services in fragile and conflict-affected situations, where government policies, institutions, and delivery of services are weak.

**How can a country partnership strategy be best carried out in fragile and conflict-affected situations?** When carried out in a participatory way, the country partnership strategy can secure greater understanding of development concerns, more buy-in or ownership, and commitment to implementation. An informed and participatory assessment of the binding constraints to growth and development can identify the systemic problems—such as the weak core government functions that prevent better public and private sector operations, constrain inclusive growth, and eventually create social exclusion and conflict.47

In addition, analysis of the political economy helps identify vested interests and the potential winners and losers from any development strategy, program, or project. It can also help establish how consensus for change and difficult development decisions can be reached. Nevertheless, the feasibility and appropriateness of preparing a country partnership strategy in a fragile or conflict-affected situation should be considered (Box 1).

**Interim Operational Strategy**

An interim operational strategy may be needed in emergency fragile and conflict-affected situations where a full country partnership strategy is either absent, outdated, or inadequate to guide an emergency response and/or to resume activities. The interim operational strategy may be based on an earlier watching brief or on damage and needs assessment, where relevant. It provides critical policy recommendations and sets out ADB’s short- to medium-term plan for an emergency response (footnote 19).

The interim operational strategy identifies immediate priority assistance objectives and medium-term objectives. This may include (i) a proposed program of technical assistance and investments to meet stated objectives, (ii) a financing plan and ADB administrative budgetary requirements, and (iii) the identification of potential impediments to rapid disbursement. The strategy highlights exceptional measures that may be needed to undertake required assistance and includes an assessment of risks, entry and exit strategies, and contingency responses.

---

47 For example, in a fragile or conflict-affected situation, successful tertiary education is in part dependent on the output of secondary education, which in turn depends on good primary education. But good primary education depends not only on teaching, curriculum, facilities, and parenting, but also on the effective management and administration of the entire public service and on an unpolitcized, transparent, accountable, and otherwise well-governed public service, including a nonpolitical public service commission. Too often, children in countries in fragile or conflict-affected situations may be poorly educated because the public service is politicized or nepotistic.
When there is considerable uncertainty, as in a fragile or conflict-affected situation, an interim country partnership strategy with a time horizon shorter than the country’s strategic planning cycle or abbreviated business process may be considered (Box 2).48

Regional Strategy

A regional strategy involving partnerships among regional shareholders can be useful as a source of complementary technical, administrative, and financial
Box 2  Solomon Islands—Interim Country Partnership Strategy, 2009–2011

Solomon Islands, a large Melanesian island country, suffers high unemployment and underemployment (especially among youth) and rapid population growth, making poverty reduction difficult. ADB’s development experience in the country has been mixed. The arrival of the Regional Assistance Mission to Solomon Islands in July 2003 was instrumental in restoring law and order after recent conflict, rebuilding the state, and reengaging in meaningful development partnerships. However, weak government capacities alongside relatively low governance standards and political instability continue to pose formidable challenges.

Rebuilding the economy—which is essential to generate employment, income, and social consent—is extremely difficult in this fragile development setting. If the government does not carefully and forcefully address this issue, there is a risk that the gains made in the past few years could be lost.

ADB’s strategy for Solomon Islands seeks to reduce poverty by promoting equitable private-sector-led economic growth through improved transportation infrastructure and services and a stronger business enabling environment. Capacity development and the promotion of good governance are guiding priorities. The evolving economic crisis is limiting the government’s ability to engage in a meaningful medium-term partnership planning process. In March 2012, ADB’s Board of Directors endorsed the country partnership strategy for Solomon Islands, covering 2012–2016.


resources, and for expanding an effective market for weakly performing countries. Such partnerships can also help prevent the spillover onto neighboring countries of weakness from fragility or conflict in another country.

Regional cooperation and integration is one of ADB’s crosscutting strategic themes for poverty reduction. ADB’s regional cooperation and integration strategy has four pillars:

- Regional and subregional economic cooperation programs for cross-border infrastructure and related software,
- Trade and investment cooperation and integration,
- Monetary and financial cooperation and integration, and
- Cooperation in regional public goods.

These aim to help reduce poverty through regional collective action that leads to greater physical connectivity; the expansion of trade and investment; the development of financial systems and macroeconomic and financial stability; and improved environmental, health, and social conditions.50

ADB’s focus on regional cooperation is demonstrated strongly in its support to the Central Asia Regional Economic Cooperation (CAREC) Program, a partnership including Afghanistan and nine other countries across the region,51 and supported by six multilateral institutions. CAREC helps Central Asia and its neighbors reduce poverty and realize their significant potential by promoting regional cooperation in transport, trade facilitation, trade policy, and energy (Box 3).

A regional strategy may also take the place of a country partnership strategy in FCAS country. Box 1 presents an example of this, with ADB’s Pacific Approach 2010–2014 recommended to serve as the country partnership strategy for some of the Pacific countries. ADB’s approach to assisting the Pacific, simply called the Pacific Approach, addresses common challenges and opportunities in the region, and identifies where and how regional approaches and common guidelines can be used to improve the effectiveness of development assistance. It was developed in coordination with Pacific governments and in consultation with civil society (footnote 15).

A regional strategy can also enhance connectivity and strengthen sense of community at both the national and regional levels. Again, in the Pacific, regionalism has been evolving slowly in response to developing circumstances. Today, regionalism is led by the Pacific Plan, which is the long-term plan of the Pacific countries reflecting the development aspirations of countries in the region, the common problems and opportunities they face, and the benefits that regional solutions can offer (footnote 15).

Watching Brief
A watching brief may be maintained in a whole country or region within a country in a fragile or conflict-affected situation where the ADB portfolio is inactive. Inactivity may be due to factors such as arrears in loan repayments, lack of security, or an extreme lack of governance. Watching briefs help maintain ADB’s knowledge base and awareness of social and economic trends in such situations, especially when conflict is ongoing and prevents ADB from continued assistance or other business as usual.


51 The 10 CAREC partner countries are: Afghanistan, Azerbaijan, People’s Republic of China, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan. The six multilateral institutions include the Asian Development Bank, the European Bank for Reconstruction and Development, the International Monetary Fund, the Islamic Development Bank, the United Nations Development Programme, and the World Bank. The CAREC institutions—Ministerial Conference, Senior Officials’ Meeting, and sector committees—were established in 2001.
How Do We Operate in Fragile and Conflict-Affected Situations?

Watching briefs also allow the maintenance of constructive engagement with a country or region from which ADB might otherwise have been absent. Such briefs are typically implemented through a third party, such as an NGO or a UN partner agency already on the ground. With the information these briefs provide, ADB can respond quickly when conditions are ripe for emergency intervention or for the resumption of normal activities (footnote 19).

Using Assessment Tools to Better Understand the Local Context

In fragile and conflict-affected situations, the organization and management of government and state, society, and economy are all weak and underdeveloped. Development interventions in these situations are likely to require much more sensitive and flexible design and management than usual. The extremely difficult development environment will also, often, have to temper performance

---

Box 3  Promoting Regional Power Trade and Transmission for Energy Security, Economic Development, and Poverty Reduction

Afghanistan needs more power to promote economic recovery and stability. Energy consumption is just 1 million British thermal units per capita, a fraction of Pakistan’s 12 million, India’s 14 million, and the People’s Republic of China’s 35 million, pointing to energy insecurity. And only 30% of the population is connected to the public power supply, more than two-thirds of them urban residents.

Following the completion in 2008 of an ADB-assisted project to transmit power from Uzbekistan into Afghanistan, providing energy to 2.5 million residents of Kabul, the follow-on ADB-financed Regional Power Transmission Interconnection Project (Afghanistan and Tajikistan) began in July 2011 to serve centers in northeastern Afghanistan.

The project covers the construction of transmission lines linking Tajik hydropower stations to the Afghan border town of Sherkhan Bandar, then continuing to Kunduz, Baghlan and Pul-e-Khumri. This line will supply major electricity demand centers, importing some 300 megawatts of clean and cheap hydropower surplus annually from Tajikistan.

The net economic benefits of this regional cooperation project are estimated at about $114.1 million, 47% to Afghanistan and 53% to Tajikistan.

expectations. Assessment tools are therefore essential to understand the FCAS setting and to effectively formulate appropriate operational strategies and assistance program development. These assessment tools can be

(i) political economy analysis of how to best facilitate change and development decision making;
(ii) postcrisis needs assessment, which involves exploring the means to reinforce government finances—at least in the medium to long term—and the use of specialist trust funds;
(iii) a conflict-sensitive approach using the peacebuilding tool to assess the key factors that may lead to social conflict;
(iv) capacity development assessment, paying attention to the capacity of government to undertake core government functions, and the potential to outsource the delivery of public services either nationally or regionally;
(v) private sector assessment looking out for an environment for private-sector-led development;
(vi) social assessment employing consultative and participatory approaches to secure support for development activities and to determine the nature and extent of poverty with special consideration to the displaced, marginalized, and vulnerable;
(vii) conflict and disaster risk assessment taking into account the nature of conflict and disaster risks in fragile and conflict-affected settings; and
(viii) climate risk assessment, which involves identifying the risks associated with the consequences of climate variability or climate change.

Political Economy Analysis

Political economy analysis involves understanding the politics and institutions that influence economic and social development. Policy changes and development initiatives involve various stakeholders who can influence the path and outcomes of development. Reform and development involve politics because it requires collective choices in an environment characterized by different and sometimes conflicting perceptions and interests. Policy reforms and development initiatives are also conditioned by institutions that initiate, design, implement, and sustain efforts; these are incentivized or constrained in how they perform by how various interest groups exercise power.

---

52 As defined in ADB’s Pacific Approach 2010–2014, these functions are (i) policy formulation, (ii) economic management, (iii) public financial management and procurement, (iv) revenue generation, and (v) civil service administration.

Political economy analysis can be carried out at the country level, sector level, and policy or project level. Several approaches and tools can be used to inform development strategies at the country or sector level, or in relation to a particular development problem. Political economy analysis, therefore, helps development workers understand how incentives, institutions, and ideas shape political action and development outcomes in the countries where they work. This can be very useful when thinking about the feasibility of policy reform and institutional change, the contribution that ADB and other development partners can realistically make, and the risks involved.

Political economy analysis at the country level looks at the ways in which alliances and contests among powerful actors impact on stability and order, growth, and equity. The challenges facing good governance are particularly acute in fragile and conflict-affected situations, while those responsible for surmounting them often lack the necessary experience and resources. Political leaders in these situations may face the challenges of vague and shifting leadership expectations, multiple and significant priorities, a lack of shared perspectives, weak state-society relations, and a mistrustful and myopic culture.

A study of the political economy of accountability in Timor-Leste provides one example of such analysis at the country level. The study examines the social, economic, political, and governance context of Timor-Leste and suggests that it is conducive to state capture and systemic grand and petty corruption.

Sector analysis presents an opportunity to update the understanding of domestic institutional arrangements and the political and policy development process, assess the time and resources needed to effect change and develop capacity, and minimize efficiency losses. One study of the water supply and sanitation sector in Viet Nam provides an example: the study is part of a broader project of the Department for International Development of the United Kingdom (DFID)—Analysing the Governance and Political Economy of Water and Sanitation Service Delivery. The study aims to develop the utility of political economy analysis

---

for the water supply and sanitation sector, with a focus on improving the operational impact of DFID (and other donor) country programming.58

Political economy analysis can also be conducted for a particular policy or development issue, or problem of strategic importance to a developing member country. This type of analysis puts ADB in a much stronger and more credible position to engage with countries in policy dialogue, especially in areas of policy reform and change, which may be critical, but sensitive.

At the policy level, ADB’s special evaluation study on the effectiveness of its support for public sector reforms in the Pacific provides an example of a political economy analysis. The study considers how reform processes and political economy factors have influenced the reform agenda, design, and results of ADB’s support, and recommends ways to improve ADB’s support for Pacific developing member country reforms and development. The evaluation addresses three key questions:

(i) Was ADB support relevant to Pacific developing member country needs?
(ii) Was ADB’s approach to supporting reforms in the Pacific and use of the program loan modality and technical assistance effective?
(iii) How can ADB improve its support to Pacific countries for reforms? (see Appendix 3)

The role of political economy is important in a country’s growth and development, because vested interests may prevent change in favor of public interest and may maintain fragility and even create and sustain conflict. Such interests can be even more pronounced in fragile and conflict-affected situations. Understanding the economic, political, social, and cultural characteristics of a society and the interactions between them can be essential for development partners in the design, local acceptance, and implementation of reforms (Box 4).

Political economy analysis allows interventions to start from the local context. While each country has a unique political economy, this can vary substantially within a country, particularly for those in a fragile subnational situation. It is therefore essential for international actors to understand the specific context in each country and for each project, and to

develop a shared view of the required strategic response. This is the first of the Fragile States Principles adopted in 2007 by ministers of OECD (Appendix 4). Sound political economy analysis goes beyond quantitative indicators of conflict, governance, or institutional strength. It is needed to adapt international responses to country and regional context, thus avoiding blueprint approaches (footnote 4).

For development partners to maximize the quality and impact of their assistance, they must gain a “real world” sense of what is possible. It is only then that they can more feasibly engage, particularly in FCAS countries. This is where a problem-driven, dynamic, and actionable political economy analysis can

(i) contribute to deeper understanding of political context and how it affects pro-poor development assistance;

(ii) lead to more politically astute—and therefore more realistic and effective—country partnership strategies and related programming, including the selection of lending and nonlending modalities, through the identification of pragmatic solutions to challenges;

(iii) support scenario planning and risk management by helping identify critical factors apt to drive or obstruct positive change;

(iv) broaden the scope for quality dialogue among and engagement by clients, audiences, and partners around key political challenges and opportunities, for example, at country, sector or thematic, and policy or project levels;

Box 4 Governance Reform in the Public Sector in Pacific Island Countries—Understanding How Culture Matters

International aid agencies have emphasized governance reform in Pacific island countries for more than a decade. Nevertheless, there is little evidence that governance reform programs have improved public sector operations in most of these countries.

Past reviews of governance reform programs by international aid agencies have stressed the importance of understanding local culture, but there has been a failure to follow up with research into Pacific culture, especially political culture.

Current Pacific political culture shares many of the same values that were in place prior to contact with European societies. Three Pacific political values are identified: distribution, transparency, and competition. Working with these values, rather than against them, could lead to better design of international aid efforts in the Pacific.

(v) foster coherence across joint goals through a common analysis of the underlying political and economic processes shaping development; and
(vi) build coalitions for innovative or “good enough” change.59

Political economy analysis has often been viewed as primarily concerned with identifying obstacles and constraints. However, increasingly, it is being used to identify opportunities for leveraging policy change and supporting reform. By better understanding the political constraints that ADB developing member countries face, ADB can work more effectively with partner countries to identify reforms in key priority sectors that have a greater likelihood to work; sustainable reform is about achieving the possible, as distinct from a preoccupation with the “theoretically optimal.” In this way, analysis can help foster country ownership and contribute to improved prioritization and sequencing of reform efforts.

Postcrisis Needs Assessment

Postcrisis needs assessments are multilateral exercises undertaken by United Nations Development Group, European Commission, World Bank, and regional development banks in collaboration with national governments and with the cooperation of funding countries.60 National and international actors increasingly use postcrisis needs assessments as an entry point for conceptualizing, negotiating, and financing a common shared strategy for recovery and development in fragile, postconflict settings (Box 5). They include both the assessment of needs and the national prioritization and costing of needs in an accompanying transitional results matrix.

A Conflict-Sensitive Approach

A conflict-sensitive approach is designed to help manage risks that may lead to social conflict. It includes the application of a peacebuilding tool involving an assessment of the key factors that may cause conflict: (i) sources and root causes of conflict, including their links and synergies; (ii) the actors involved in potential conflicts, including interests, potential spoilers, their capacities for violence and peace, and the incentives required to promote peace; and (iii) the dynamics needed for conflict to arise, such as the triggers for violence, local capacities for peaceful and

59 O. Serrat. 2011. Political Economy Analysis for Development Effectiveness. Knowledge Solutions. September (107). Manila: ADB. (www.adb.org/publications/political-economy-analysis-development-effectiveness); This material also provides cases on how a political economy perspective might add value to development work by changing the way it is conducted.

How Do We Operate in Fragile and Conflict-Affected Situations?

Box 5 Postcrisis Needs Assessment in Northwestern Pakistan

In Northwestern Pakistan, the Federally Administered Tribal Areas (FATA) and Khyber-Pakhtunkhwa Province have suffered decades of poor governance, regional instability, marginalization, inequity, and underdevelopment.

To address these challenges, ADB, the European Union, the United Nations, and the World Bank, jointly with the governments of Khyber-Pakhtunkhwa and FATA and at the request of the Government of Pakistan—conducted a postcrisis needs assessment, which is an overarching peacebuilding strategy.

The postcrisis needs assessment aimed to (i) develop a shared understanding of the crisis-inducing factors, (ii) build consensus on the corresponding strategies for sustainable crisis recovery, and (iii) contribute toward ongoing national peacebuilding efforts.

The assessment held extensive consultations with local, provincial, and national stakeholders to identify the drivers of crisis to be translated into strategic objectives:

(i) building responsiveness and effectiveness of the state to restore citizen trust,
(ii) stimulating employment and livelihood opportunities,
(iii) ensuring delivery of basic services, and
(iv) countering radicalization and fostering reconciliation.

Assessments of peacebuilding opportunities, led mainly by ADB and the World Bank, focused on governance, the rule of law, agricultural and natural resources, nonfarm economic development, education, infrastructure (energy, transport, and water supply and sanitation), health, social protection, and strategic communications.

The peacebuilding strategy has been a first step in the government’s concerted efforts to bring peace to the people of FATA and Khyber-Pakhtunkhwa. It cannot resolve all issues in the short term. However, the strategy balances the need for tangible evidence of change in the short term with sound approaches to create an environment where sustainable peace—with mutual trust and hope—and long-term development can take root.

Successful implementation of the postcrisis needs assessment requires endorsement by all stakeholders, commitment to budgetary reallocation and external support, establishment of an oversight and implementation institutional structure, and sustained effort for peacebuilding.

Source: Fragile and Conflict-Affected Situation Team, ADB.

constructive conflict management, and likely future scenarios. Analysis may be undertaken at the local, national, regional, and international levels. ADB has been successfully adopting a conflict-sensitive approach using the peacebuilding tool (Appendix 5).

Implementation of this approach entails continuous and constant monitoring of the evolving country situation, including comprehensive reviews timed to coincide with the main milestones of ongoing peace processes, and flexibility in operations to allow for timely adjustment of assistance programs. Support for public financial and expenditure management may mitigate the fiduciary risks associated with a possible deterioration of the political situation.

DFID has recognized the strength of such an approach.\textsuperscript{62} In a fragile situation that is not conflict affected, a “fragility filter” could similarly be developed and customized to minimize the risks of social tension.

\textbf{Capacity Development Assessment}

Many more capacity development challenges remain in countries in fragile and conflict-affected situations than in other developing countries. Capacity development in these situations may impose the challenges of insufficient and inadequately qualified staff, inefficient and ineffective rules and procedures, inappropriate organizational structures and lack of support systems, and poor management.\textsuperscript{63}

The IED 2008 special evaluation study of the effectiveness of ADB’s capacity development assistance provides guidance for assessing capacity development needs and preparing capacity development strategies.\textsuperscript{64}

According to the Pacific capacity development study and subsequent assessments of Pacific countries’ capacities, although the shortage of individual skills and weak organizational systems are significant constraints to capacity development, inter-organizational and broader institutional systemic concerns tend to be much more constraining.\textsuperscript{65} Another special evaluation study on ADB’s support to fragile and conflict-affected situations in 2010 recommends the development of a step-by-step plan for capacity development based on country context, country performance assessment, and country diagnostics identified through a needs assessment (footnote 38).


One of the key conclusions of the Pacific capacity development study was that where the core functions of government are weak—as they have been in many Pacific countries—the delivery of basic public services, such as education and health, has also been weak. The technical assistance Capacity Principles Checklist guides the formulation of capacity development technical assistance in the Pacific. The checklist covers the potential for outsourcing, strengthening core government functions, design and monitoring framework, exit strategy and duration, demand for assistance, dimensions of capacity development, consultation and participation, dissemination of findings, and change management (Appendix 6).

**Private Sector Assessment**

ADB-funded private sector assessments have firmly established the need to improve the administrative, legal, and operating environment for private sector development in countries experiencing fragile and conflict-affected situations in the Pacific. ADB carried out eight private sector assessments (of which four were updates) for selected Pacific developing member countries within the period of the Pacific Strategy 2005–2009.

The Private Sector Development Initiative, cofinanced by the Government of Australia and managed out of ADB’s Pacific Liaison Coordination Office in Sydney, provides support for the country partnership strategies of the Pacific FCAS countries, such as for addressing the need to strengthen the environment for business. This analysis is most often prepared in the form of a private sector assessment.

Private sector assessments are drafted in a highly consultative manner, with extensive in-country fact finding based on discussions with private sector representatives, civil society, and the government—in addition to analytical work based on available economic and fiscal data. An initial draft of the assessment is then distributed for comment from these stakeholders before a final draft is published.

The assessments help facilitate detailed policy dialogue with key economic ministers. In the Pacific, ADB’s private sector assessments are widely regarded and used as policy tools to guide reforms in support of private sector development. In Tonga, for example, the Prime Minister publicly launched the 2008 private sector assessment and referred to it in subsequent speeches as a blueprint for private sector development. The assessment has been requested by the new government for the same purpose.

---

Social Assessment: The Poor, Displaced, Marginalized, and Vulnerable

Fragility and conflict have greater impact on those most vulnerable—poor, displaced, and marginalized people. Social assessment involves consultation with individuals and groups likely to be directly affected by a project and likely to affect project design and implementation. This type of analysis may include assessment of (i) groups expected to benefit from and use services provided by the project, (ii) the needs of the groups, (iii) their demands, (iv) their absorptive capacity, (v) gender issues, and (vi) possible adverse effects on vulnerable groups (and the need for measures to mitigate or compensate those adversely affected).67

Social assessment can also help development partners identify assistance delivery approaches that can harness the capacity and political support of vulnerable groups. ADB, DFID, and the World Bank employed this approach in 2008 in Nepal. The sought views included what the country's priorities were, how development partners could help address them, and how plans could be implemented in a manner that effectively supported Nepal (Box 6).

In preparing for and undertaking the social assessment, it is critical that (i) the selection of vulnerable groups encompasses all social and political positions, (ii) consultations are conducted by someone who has the respect and trust of each vulnerable group, (iii) special consideration is given to ensure both males and females can discuss issues freely, (iv) there is follow-up to explain how the inputs of the vulnerable groups were incorporated into the final design, and (v) support is sought within the broader community for the project.

The project design should also detail how and what role vulnerable and marginal groups should have during implementation. Timeliness of implementation and sustainability of the outputs are often tied with the ownership and commitment of the vulnerable and marginalized groups who are the project beneficiaries or the project-affected people. Participation in steering committees and community forums during implementation, as well as work schemes within project implementation can enhance ownership and commitment.

Conflict and Disaster Risk Assessment

Conflict and disaster management approaches are correlated. While the trigger, scope, duration, and necessary actions might differ, most large-scale emergencies generally result in widespread physical damage, death, disability, and

---

How Do We Operate in Fragile and Conflict-Affected Situations?

To update their assistance plans for Nepal, ADB, Department for International Development of the United Kingdom (DFID), and the World Bank in late 2008 held joint consultations with stakeholders to seek views on what people thought Nepal’s priorities were and how development partners should help address them.

In early 2010, following the approval of their new plans, the three agencies undertook another round of joint consultations to brief stakeholders on how their suggestions were incorporated and to seek further views on how those plans could be implemented in a manner that effectively supports Nepal.

Consultations in the cities Nepalgunj, Pokhara, Biratnagar, and Kathmandu brought together more than 350 stakeholders from political parties, constituent assembly members, community groups, the private sector, nongovernment organizations, the youth, women and excluded groups, donors, and government agencies representing 48 of Nepal’s 75 districts.

The key consultation question was “How can ADB, DFID, and the World Bank effectively support the Government of Nepal through the implementation of their plans, given the many challenges that Nepal faces?” The question was answered in myriad ways by different stakeholders. Yet, everyone agreed on one central issue—peace must go hand in hand with development. The process concluded in April 2010, with a meeting of secretaries of the Government of Nepal, hosted and chaired by the chief secretary.

Source: Fragile and Conflict-Affected Situation Team, ADB.

Climate Risk Assessment

Climate change is likely to compound the burdens on countries in fragile or conflict-affected situations as they strive for speedy recovery and development. The institutional capacity of such countries to address these and other development concerns is extremely limited. They are almost always in geologically or climatically

unstable areas; have weak governance structures to build or maintain social and physical resiliency measures; and are in areas where education and wealth are low, presenting few options to adapt at the household level. To address these weaknesses, ADB works in countries in fragile or conflict-affected situations to:

(i) promote climate-resilient development through support to country-driven climate change adaptation programs, prioritizing the least developed countries and addressing threats to highly vulnerable segments of society; and

(ii) strengthen policies, governance, and capacities by using ADB’s development policy and poverty reduction dialogue as well as targeted policy and institutional interventions to support this process at the regional, national, and local levels.

### Table 1 Generic Approaches to Conflict

<table>
<thead>
<tr>
<th>Phase</th>
<th>Actions</th>
<th>Instruments</th>
</tr>
</thead>
</table>
| Before | - Build institutional capacity for prevention through good governance  
- Conduct conflict and vulnerability analyses  
- Develop instruments of prevention  
- Promote stakeholder participation in program development  
- Position for rapid response | - Development loans with prevention components  
- Technical cooperation with focus on prevention  
- Policy-making lending |
| During | - Humanitarian assistance  
- Bridge relief to development  
- Provide incentives and sanctions for peace  
- Conflict impact assessment, damage and needs assessment, capacity (institutional) assessment | - Watching briefs  
- Transitional support strategy  
- Emergency assistance loan |
| After | - Restoration and developing capacity of critical state institutions  
- Rehabilitation of critical infrastructure  
- Demobilization and reintegration of ex-combatants  
- Return and reintegration of displaced persons  
- Create and support new livelihoods  
- Reconstruction investments | - Portfolio restructuring and reallocation  
- Reconstruction loans  
- Technical cooperation for reconstruction and transformation |

Appendix 7 provides examples of how ADB has integrated climate change into country partnership strategies in countries in fragile and conflict-affected situations. Following are some of the readily available modalities and ongoing work that may be used to address climate change priority areas in these situations:

(i) **Mobilizing and innovating to meet financing needs.** ADB helps mobilize and channel public or concessional funds to its developing member countries to facilitate the flow of private capital into climate-resilient investments. The global carbon market is expected to expand further, and ADB will continue and deepen its leadership in helping countries gain access to these resources. The increased availability of grant and concessional financing is particularly important for FCAS countries, since they are the ones that are likely to suffer most from climate impacts. They need financial support to climate-proof existing infrastructure and to enhance the climate resilience of future development programs.

(ii) **Generating and disseminating knowledge.** Strong technical assistance programs in the sectors most affected by climate change will be used as platforms for developing and disseminating knowledge about effective responses to the challenge. The knowledge base for addressing climate impacts needs to be improved dramatically through concerted efforts with partners at the regional and national levels. This can be done by generating and making available downscaled climate models and vulnerability assessments as critical public goods, and by compiling and disseminating information on best practices for climate adaptation in vulnerable sectors and places.

(iii) **Cultivating and fostering partnerships.** ADB’s continued working relationships with international and bilateral partners, government, the private sector, and civil society can help expand its capacities and outreach in achieving its climate change objectives. Both mitigation and adaptation programs will function best if stakeholders, especially intended beneficiaries, are closely involved in the entire program cycle—from identification through design, implementation, and monitoring and evaluation.

### Leveraging Strategic Partnerships

Ideally, the preparation of a medium-term development strategy should be led by a government with technical support from its development partners. But because many FCAS countries lack the systems, internal coordination, and human resources to lead this process, development partners are often relied upon to both lead and facilitate the preparation of the country’s development strategy.69

---

In fragile and conflict-affected situations, how to go about implementing change is often more important than the tangible outcomes of the strategy. A range of diagnostic and assessment tools is available to assist development partners in understanding the political economy in the FCAS country or region and to inform strategy development. A good medium-term development strategy with country ownership and participation is not enough to drive change. Strategic partnerships between development partners can facilitate a strong and unified presence within the FCAS country, leverage real policy debate, and improve performance in implementing the country’s development strategy.

In reality, it has been challenging for most development partners to coordinate their programs in some developing countries, specifically to harmonize procurement, consulting services, and business processes. Nonetheless, coordination and harmonization have been easier to achieve in urgent response to crises such as disasters and conflict. Major development partners’ programs have also been coordinated and harmonized when they have agreed to one partner taking the lead in support of government initiatives. There is also opportunity for good cooperation in upstream analysis, joint assessment, and shared strategies. Practical initiatives can include joint aid offices, an agreed division of labor among funding agencies, delegated cooperation arrangements, multidonor trust funds, and common reporting and financial requirements.70

Partnerships are also important elements of stakeholder consultation and participation. Different participatory processes can be employed in fragile and conflict-affected situations,71 and the process chosen needs to suit a country’s situation. The method used may include information gathering, or sharing and consultation using tools such as stakeholder analysis and participatory assessment.

Key actors involve the ADB review or country team, government officials, and key country stakeholders such as the private sector, civil society groups, and representatives from major political parties or interest groups if consensus building is of particular importance. Stakeholder consultation and participation tend to work better when focused on discrete development issues, sectors, or projects.

And sustaining the process also relies on participation leading to

---

70 Examples of such cooperation include (i) when the World Bank took the lead in coordinating assistance to postconflict Timor-Leste; (ii) ADB and Australian Agency for International Development joint Pacific Island Economic Reports; and (iii) ADB and World Bank sharing country policy and institutional assessments.

action—stakeholders soon tire of just talk. Participatory country strategy formulation\textsuperscript{72} has been adopted in the Marshall Islands and Nauru (Box 7).

**Private Sector**

Beyond providing jobs and generating income, the private sector can contribute in other ways to peacebuilding, relief, and reconstruction. It can ease the burden on the government and help lend legitimacy to the state, deliver tangible dividends to a wider population through investments that create jobs and provide basic and new services, introduce innovative approaches to development, and generate tax revenues for reconstruction efforts.\textsuperscript{73}

---

**Box 7  Preparing Nauru’s National Sustainable Development Strategy Using Participatory Approaches**

In 2005, ADB and the Australian Agency for International Development (AusAID) assisted the Government of Nauru in preparing its first national development plan, the National Sustainable Development Strategy. ADB and AusAID’s technical assistance operation contributed to the development of local capacity in participatory methods to engage many stakeholders. The process included a component that also sought to develop participatory leadership capacity. The government led the participatory processes, which covered a large portion of Nauru’s population and included all districts. This led to the country’s first national development conference.

The project illustrates how effective engagement and authentic participation can be more than the contribution of one’s thoughts and ideas to a plan. It can be an educational experience that is both empowering and transformational—creating new capabilities and expectations through participation in development decisions.


However, the private sector faces the direct impacts of conflict and fragility, such as difficulties in accessing finance and dealing with the government. Business people may find it even harder to import or export products; and conflict can either interrupt or put a halt to normal operations. Private sector development in fragile and conflict-affected situations therefore requires special policies and instruments.

The full suite of ADB financing modalities—such as loans, grants, direct private sector investment, and credit enhancement tools—can and have been used in fragile and conflict-affected situations. ADB’s Pacific Private Sector Development Initiative (PSDI), which began in 2006 with financial support from Australia, has proven to be a particularly effective technical assistance delivery model to assist the Pacific countries in encouraging private-sector-led, sustainable economic growth. Three factors explain the PSDI’s success in fragile Pacific countries:

(i) All interventions are demand driven and based on joint sound analytical work to diagnose issues and prioritize reform actions with the governments.

(ii) PSDI is multiyear, allowing full implementation of policy reforms.

(iii) The PSDI facility has a core team of consultants who can mobilize and demobilize as political support for reform evolves.

Many of PSDI’s interventions have been quickly mobilized, and often there have been periods of demobilization before reforms are fully implemented—reflecting changing conditions on the ground. PSDI’s ability to flexibly respond to these opportunities enhances both its impact and cost effectiveness.

PSDI focuses on three core areas of intervention: state-owned enterprise reform and public–private partnerships, commercial law reform, and access to finance. On state-owned enterprise reforms, PSDI is working in some fragile states (the Marshall Islands, Papua New Guinea, Solomon Islands, and Vanuatu) with varying levels of success.

In countries with fragile political coalitions, governments may not be able to counteract vested interests that seek to maintain public monopolies and refuse minimum standards of public disclosure. This has been the case most recently in Vanuatu and historically in Solomon Islands.

In Solomon Islands, however, there is now a good opportunity to pursue reforms in state-owned enterprises with the support of the current government (Box 8). In the Marshall Islands, weak public sector capacity has constrained progress; and in Papua New Guinea, the next phase of state-owned enterprise reform requires a consensus within the government on certain framing policy positions, which will ultimately affect the winding back of public monopolies and improve standards of public disclosure.

In the areas of access to finance and commercial law reform, PSDI has engaged with the Government of Samoa to introduce collateral reform, a priority identified in the 2008 private sector assessment, but one which the government did not
How Do We Operate in Fragile and Conflict-Affected Situations?

feel ready to undertake until 2011. Since then, there has been rapid progress in preparing this new legislation and associated registry; and the government has requested the implementation of an electronic registry of companies. These reforms aim to enhance abilities among creditors to secure loans against movable property and to facilitate company registration. Sustained engagement and policy dialogue, combined with the ability to respond quickly to requests for assistance, have made these reforms possible.

In Timor-Leste, ADB’s operational emphasis is on easing the transition from an economy led by the public sector to one led by the private sector (Box 9).

In Afghanistan, ADB has directly invested in the private sector and has helped attract other foreign investors in infrastructure and finance sector projects important to the country. ADB financed the expansion of the first privately owned mobile telecommunications provider in the country, for example. Success was attributed to the use of innovative leveraging partnerships among private entities and the adoption of successful business models from other emerging markets to the unique

Box 8 A Successful Privatization in Solomon Islands

In early 2007, the Government of Solomon Islands decided to privatize Sasape Marina Ltd., a government-owned slipway based in Tulagi used for boat repair and maintenance. Lack of investment and mismanagement had steadily undermined the company’s financial and operating position over the years, leaving both of the company’s slipways inoperable by the end of 2007.

The minister of finance championed the company’s privatization as the best way to secure needed investment and ensure its long-term survival. The Private Sector Development Initiative (PSDI) was enlisted to help prepare the transaction, but a change of government in late 2007 sidelined the privatization process.

After the new government indicated that the transaction should proceed, in 2009, the PSDI quickly reengaged by reconfirming the government’s endorsement of the sales plan and preparing bid documents. The transaction was successfully completed in 2010 and now serves as an important precedent for the ongoing privatization program.

The current finance minister, who also championed the privatization of Sasape Marina Ltd. in early 2007, demonstrated that loss-incurring state-owned enterprises can be successfully privatized and can attract significant private sector investment.

A key lesson to be drawn from this transaction is the importance of flexibility in technical assistance supporting politically sensitive reforms such as privatization. Traditional standalone technical assistance could not have seen this transaction through, but the PSDI did so very cost effectively.

needs of Afghanistan. ADB was also instrumental in investing in the first private sector commercial bank post-Taliban in 2004. The bank today is the largest and most profitable commercial bank in the country, and often held up as an example of how to run and manage a bank in an extremely challenging environment and market (Box 10).

**Civil Society Organizations and Nongovernment Organizations**

There is ample evidence of the virtues of close engagement between donors, local NGOs, and the private sector through all aspects of donor engagements, including in formulating reform policies and strategies, and the design, implementation and evaluation of program interventions (footnote30).

In fragile and conflict-affected situations, the formal institutions of the state—parliament, the executive, and the civil service—are seldom the only significant authority that a population regards as legitimate. A mix of formal and informal institutions that intermediate between the state and society is likely to hold authority. Civil society organizations differ in size, interest area, and function, but can be described broadly as organizations distinct from the government and the

---

**Box 9  Long-Term Commitment to Results Expanded Microfinance in Timor-Leste**

The Institute for Microfinance in Timor-Leste—established in late 2001 with external funding under an ADB microfinance project to provide financial and other services to the poor—has become the country’s largest locally owned financial institution. From only three branches in 2004, it has expanded its network, covering all 13 districts of the country by August 2011.

The institution, which puts an emphasis on rural areas and women, increased lending from $1.0 million in 2004 to $6.5 million by mid-2010, with a cumulative total of 40,417 loans disbursed and 34% of total value lent to women.

The institute, which in July 2011 became the country’s first locally owned commercial bank—the Commercial Bank of Timor-Leste—provides an important channel into rural areas for finance and government cash payments. It has low nonperforming loans, is profitable, financially sustainable, and has lifted its loan ceiling from $5,000 to $100,000. It will also continue providing microfinance products.

ADB support has also helped the bank prepare and implement a new business plan for the strengthening of the institution’s systems and capacity, including staff training.

How Do We Operate in Fragile and Conflict-Affected Situations?

Box 10  ADB and Private Sector Development in Afghanistan

Telecom Development Company of Afghanistan

The Telecom Development Company of Afghanistan (Roshan) became the country’s first privately owned mobile telecommunications provider, extending voice and data services to more than 5 million subscribers with the help of three rounds of financing totaling $130 million from ADB.

Roshan offers products and services uniquely tailored to client needs, including accessibility for women and rural populations, such as women-only public call centers that provide the first-ever access to communication and internet services in an environment of ongoing gender segregation. The company also provides innovative data services such as M-paisa for mobile money transfer, and TradeNet, which informs farmers of market prices through text messaging. Through its affiliation with the Aga Khan Development Network, Roshan has also pioneered the use of telemedicine in Afghanistan, allowing local doctors to access medical expertise from top medical centers in the region.

Roshan is part of the Vodafone Partner Markets Program, which currently has equity interests in 31 countries across five continents and about 40 partner networks worldwide. This strategic partnership has enabled Roshan to better serve its customers by providing exclusive access to a wider range of products and services. Roshan customers can enjoy improved voice and data roaming in countries where Vodafone is active, and Vodafone will use Roshan’s state-of-the-art network to offer its customers roaming service while in Afghanistan.

Afghanistan International Bank

Despite the challenging environment and the nascent nature of the finance sector, the Afghanistan International Bank (AIB), after 7 years of operations, is today considered a professionally managed bank that is independent, transparent, and compliant with local and international standards.

In May 2004, ADB approved a $2.6 million equity investment in exchange for a 25% stake in AIB, the high-risk investment aimed at establishing an exemplary institution and promoting private sector finance in the postconflict country. The investment was driven by ADB’s vision of establishing the first post-Taliban private commercial bank in the country alongside a group of reputable Afghan business people with extensive contacts within and beyond the region.

AIB is now regarded as the best training ground for young graduates who want to pursue banking as a career, equipping them with skills that will ensure a livelihood for themselves and their families. The bank employs over 350 Afghans, 20% of them women, with an average age of 23.

It is expected to achieve a return on assets of 1.6% (a run rate of 1.9%) and a return on equity of 17.9% (actual first 5 months results were 21.3%). Its tier 1 capital ratio as of the end of 2010 was 23%.  

continued on next page
private sector that operate around shared interests, purposes, and values (see Appendix 8 for types of civil society organizations)

Different civil society organizations suit different functions in ADB and operations in its developing member countries. The representation (in ADB) of civil society organizations with local expertise, language skills, and independence from government interests is important. When links are weak, these organizations can build bridges between people and communities and also among governments, development institutions, and aid agencies. International NGOs, large national NGOs, labor unions, and umbrella organizations can connect their constituents with national governments, and many have existing relations. Smaller NGOs and community-based organizations are more likely to connect at the local and regional levels.

ADB recognizes that civil society organizations have a vital role to play in fragile and conflict-affected situations, particularly in:

(i) enabling government-citizen engagement in strategy development,
(ii) facilitating community-driven development,
(iii) advocating good governance,
(iv) supporting conflict-sensitive and peacebuilding program development,
(v) participating in institutional capacity development and assessment, and
(vi) delivering social services directly in areas where government capacities remain weak.

Civil society organizations in Vanuatu and Papua New Guinea are helping to determine how to improve engagement and the delivery of core government services.

The role of civil society organizations in mitigating the impact of crisis. Civil society organizations are involved in this area in the Pacific countries. ADB is
working with selected Pacific developing member countries (the Cook Islands, the Marshall Islands, Samoa, Solomon Islands, and Tonga) to assess and mitigate the impact of global economic crises and disasters. The initiative aims to strengthen social protection policies, pilot social protection programs, and build capacity in civil society organizations to partner more effectively with government to implement programs targeting the most vulnerable. The key components of this initiative involving the civil society organizations include:

(i) **Consultations to inform program design.** ADB will conduct consultations at the national and local levels with international and local NGOs, civil society organizations, and target communities to better understand the nature of the recent economic crisis and disasters and to inform program design. The Asia Pacific Sustainable Development Organization, a Japanese NGO, will serve as advisor during this process.

(ii) **Capacity development for partnership.** ADB will conduct a rapid capacity assessment of local NGOs and churches working with vulnerable populations to more effectively target capacity development measures and to promote partnership between civil society organizations and government agencies. Necessary regulations will be recommended to ensure effective and accountable partnerships among government, civil society, and the private sector.

(iii) **Pilot programs for direct social service provision.** NGOs, religious institutions, and existing social service providers (such as schools and health facilities) will be contracted to help pilot social service programs targeting vulnerable groups, including unemployed youth, women, low-income households, and people with disabilities. The project will include “cash-for-work” and a conditional cash transfer program. Women’s groups and other civil society organizations in each targeted community, alongside community committees, will monitor beneficiaries’ compliance with conditions. Community-based organizations will also undertake small-scale rehabilitation projects for schools, health facilities, and rural roads used for the work programs in the affected areas.

**Leveraging civil society organization partnerships to minimize conflict.** In Nepal, civil society organizations are seen as key players in conflict-sensitive and peacebuilding approaches. In line with the Paris Declaration on Aid Effectiveness, ADB, DFID, and the World Bank held several joint consultations with stakeholders to seek their views on Nepal’s priorities to inform and align the agencies’ assistance plans. Consultations in cities of Nepalgunj, Pokhara, Biratnagar, and Kathmandu included more than 350 stakeholders from political parties, donors, government agencies, the private sector, and a range of community organizations, including NGOs, youth, women, and other disadvantaged groups.

In 2009, as a result of this participatory process, ADB approved the new Country Partnership Strategy 2010–2012 for Nepal, which identifies engaging with civil society as one of six thematic priorities. The strategy was prepared at a time when the country was at the height of political conflict. Based on this experience, the new strategy mandates that social and conflict-sensitive analysis accompany the development of new projects to minimize conflict and to maximize community and civil society participation in project implementation to overcome political barriers.

Under Nepal’s refocused country partnership strategy, ADB will expand efforts to partner with civil society organizations and develop their capacities. Specifically, ADB will pilot approaches to strengthen community-based service delivery networks (such as in water supply and other municipal services) and NGO monitoring and evaluation efforts (such as social audits) to ensure that the views of women, socially excluded peoples, and other disadvantaged groups are considered in policy, program, and project decisions.

The role of civil society organizations in the formulation and review of development strategies. During the preparation of Country Partnership Strategy 2010–2012 for Nepal, gender and social exclusion assessment was carried out to identify the situation and issues in general and in sectors that are relevant to the Nepal Resident Mission portfolio, based on secondary information.

Along with assessment of gender and social exclusion issues in education, health, governance, and legal rights related to gender-based violence, an in-depth study was conducted for three major sectors—agriculture, rural infrastructure, and water supply and sanitation. ADB, DFID, and the World Bank carried out the three sector-specific studies.

Consultations and interviews with relevant government agencies, including NGOs and women’s organizations at various levels, were conducted to collect information and recommendations to develop the gender and social inclusion roadmap of the country partnership strategy. A gender equity and social inclusion roadmap, with clear objectives and areas of intervention, was included in the strategy.

For the next country partnership strategy, the Nepal Resident Mission is planning a gender and social exclusion study in nontraditional sectors of ADB assistance—where gender has not been well addressed—to identify the gaps and find potential areas for future interventions. The sectors could be energy, transport, and urban development. Box 11

Carefully choosing the lead civil society organization to conduct these consultations can be an effective tool to obtain community views and perspectives on development constraints and objectives without the need for the country team to participate.
Box 11  Consulting Civil Society Organizations to Assess Nepal’s Country Partnership Strategy


The consultations assessed on-the-ground realities and gathered perceptions from local stakeholders on the strategy’s underlying assumptions, particularly in light of the changes in Nepal’s political situation since the country partnership strategy was formulated in 2004. The review consultations also enabled ADB to inform stakeholders on country partnership strategy progress and to get their views on the continued relevance of its strategic thrusts.

The specific needs of Nepal’s regions differed, but the issues discussed were similar. According to the participants, most of the development needs identified during the 2003 regional consultations had been encompassed in ADB priorities and in the four strategic pillars the country partnership strategy adopted.

A total of 148 representatives from 55 of Nepal’s 75 districts joined the consultations. Civil society participants included freed bonded laborers; members of the dalit community; and individuals from other marginalized groups, women’s groups, and NGOs. ADB project staff from executing agencies at the central and district levels contributed to the discussions, along with the representatives of Nepal’s political parties, former elected members of the local government, central and district government officials, professionals, academicians, media, and private sector representatives. Officials from the National Planning Commission and the Ministry of Finance participated actively.

The publication Voices from the Field – On the Road to Inclusion summarizes key discussions and feedback from the local level consultations.a

Source: Fragile and Conflict-Affected Situation Team, ADB.

discusses how civil society organizations were consulted to assess Nepal’s country partnership strategy.

The team should identify key civil society organizations in sectors and regions targeted by the country partnership strategy, and ensure that civil society organizations from crosscutting themes are included, such as women’s and environment groups. Carefully choosing the lead civil society organization to conduct these consultations can be an effective tool to obtain community views and perspectives on development constraints and objectives without the need for the country team to participate. Bringing in outsiders for these consultations can risk distorting the discussion and its findings. This is because language, culture, and a tendency to confirm others’ expectations can limit open and honest dialogue between peers. A good local civil society organization can identify the right groups
to talk with, report the findings accurately and honestly, and avoid the possible distorting impacts of including outsiders.

**Development Partners**

In working in fragile and conflict-affected situations, establishing strategic partnerships with other development partners or aid agencies is premised on one of the OECD’s Fragile States Principles, which is to agree on practical coordination mechanisms between international actors (footnote 4).

While the importance of partnerships is by now well recognized in development work, they have special relevance for assistance to ADB’s weakly performing developing member countries. First, aid coordination is vital to ensuring a focused approach that does not stretch already weak capacities to the limit. Second, where misgovernance and/or conflicts are serious obstacles to better performance, the nature of required assistance could be one that ADB cannot address without the appropriate partners (footnote 49). It is also critical to ensure that development partner assistance is aligned with the country’s national development plans and strategies, closely coordinated to avoid duplication and reduce burdening counterpart agencies, and focused on results (Box 12).

ADB strongly supports efforts to improve aid coordination, and has been involved in several key initiatives—such as the Pacific Region Infrastructure Facility (PRIF) (Box 13)—to ensure the coordination of its assistance programs with those of other development partners. Other examples include the quadrilateral meetings among ADB, the Australian Agency for International Development, the New Zealand Aid Programme, the World Bank, and the Pacific Financial Technical Assistance Centre of the International Monetary Fund; new partnerships with the Pacific Islands Forum Secretariat and Secretariat of the Pacific Community; and commitment to the Paris Declaration principles (footnote 15).

One particular initiative in ADB’s Pacific developing member countries is the establishment of joint ADB and World Bank development coordination offices in Samoa, Solomon Islands, Tonga, and Vanuatu. These bring both ADB and the World Bank closer to the country context of the fragile and conflict-affected situations in the Pacific (Box 14).

Poor economies of scale is a major challenge for fragile developing countries. Pacific Islands Forum leaders have long recognized that this challenge could be addressed by sharing scarce resources and aligning policies to strengthen national capacities. During the 2009 Pacific Islands Forum, they agreed on an initiative called the Cairns Compact on Strengthening Development Coordination in the Pacific.

The Cairns Compact sets out actions designed to improve the coordination and use of development resources in the Pacific, in line with international best practice as expressed in the Paris Declaration on Aid Effectiveness and Accra Agenda for Action. It is based on principles that recognize the development
How Do We Operate in Fragile and Conflict-Affected Situations?

Box 12 Coordinating Aid to Help Kiribati Tackle Urban Problems

Health officials report that, on average, there are 2 or 3 outbreaks of acute diarrheal disease in Kiribati’s South Tarawa every year, which is directly linked to inadequate sanitation and poor hygiene. At the same time, Kiribati’s infant mortality rate, at 46 per 1,000 live births, is among the highest in the world, which can be partly attributed to infantile diarrhea, according to the United Nations Children’s Fund’s (UNICEF) 2008 profile of the country.

Almost 50% of Kiribati’s 103,000 people live in South Tarawa. The environment, public health, and other essential services, including water and sanitation, on its urban atolls are under stress due to high population density and growth. a

In 2010, the Government of Kiribati requested assistance from the ADB-financed Pacific Infrastructure Advisory Center to assist in formulating a comprehensive and coordinated approach to achieve urgently required improvements in the water and sanitation sector in South Tarawa. The center’s assistance resulted in the preparation of the South Tarawa Program for Water, Sanitation and Solid Waste Management. The program provides a coordinated government-led approach to improve service levels; sustainability; and performance in the water supply, sanitation, and solid waste subsectors, so as to improve the livelihood and welfare of people in South Tarawa.

The program has resulted in a high degree of coordination of aid agencies in water supply, sanitation, and solid waste in South Tarawa. Development partners providing assistance to implement the program include ADB (sanitation), the Government of New Zealand (solid waste, water supply, and sanitation in Betio and Bairiki), and the World Bank (water resources and water supply). The Government of Australia is providing substantial grant cofinancing for all program development partner activities.


Source: Fragile and Conflict-Affected Situation Team, ADB.

needs of the Pacific, and reflects the shared commitment of Pacific Islands Forum countries and their partners, including ADB, to improving development outcomes in the region.

The Cairns Compact is a response to forum leaders’ concerns that the Pacific region remains off-track to achieving the Millennium Development Goals (MDGs) by 2015. It aims to accelerate progress on the MDGs by strengthening the forum countries’ leadership of their own development agendas, and encouraging development partners to work more effectively together. Key features of the compact include:
Sizable investment commitments under the Pacific Region Infrastructure Facility (PRIF), a partnership among five development agencies and the Pacific developing countries, are likely to impose significant implementation challenges on the countries concerned, calling for creative strategies for dealing with the capacity constraints.

It is estimated that in combination, partners to the PRIF—including ADB, the Australian Agency for International Development, the European Commission and the European Investment Bank, the New Zealand Aid Programme, the World Bank, and the developing Pacific island countries—will commit about $1.6 billion to new infrastructure investments over the period ending 2017.

This level of investment will put a particular strain on the capacity of countries in the region to lead and coordinate funding agencies in new investment activities. If a developing country fails to show leadership, then the aid agencies tend to fill the vacuum. This situation is less than ideal, as it typically leads to a loss of cooperation among development partners, duplication of effort, rivalry over priority projects, or partners simply walking away in frustration.

The PRIF partners, acutely aware of the challenges facing Pacific island countries, have therefore developed several strategies for dealing with capacity constraints. The first is to put developing countries in the driver’s seat and support them in setting their development agenda.

This objective has been partly facilitated through the establishment of the Pacific Infrastructure Advisory Center, a technical advisory arm of the PRIF that provides independent advice and support to developing countries. Much of its work is of a strategic nature and focused on helping countries develop national infrastructure plans based on country development strategies.

The planning process also identifies the infrastructure projects countries need most, including identifying the resources and financing needs to implement the plan. An extension of this work is the development of an activity schedule that lists all projects being undertaken by the development partners across the Pacific. This helps monitor new investments and allows quick identification of gaps or opportunities for future support to particular countries or subsectors.


(i) peer reviews of forum countries’ national development plans,
(ii) country reporting on national development plans,
(iii) development partners reporting on coordination and aid effectiveness,
(iv) reporting on progress toward the MDGs,
(v) high-level dialogue with the private sector,
(vi) a road map to strengthen public financial management systems, and
(vii) improving forum countries’ development data.
How Do We Operate in Fragile and Conflict-Affected Situations?

Box 14  Vanuatu Liaison Office Extends Pacific Partnerships

ADB reaffirmed its commitment to working alongside its development partners to boost aid effectiveness in small, vulnerable states with the opening of a joint liaison office with the World Bank Group in Vanuatu. It assigned a local development coordinator to support the Government of Vanuatu in implementing its national development strategy through activities outlined in its country partnership strategy with ADB.

Since 2004, ADB has significantly expanded its operations and presence in the Pacific region, establishing offices in the Republic of Fiji, Papua New Guinea, Timor-Leste, and Australia (Sydney).

ADB also works with the World Bank in Samoa, Solomon Islands, Tonga, and Vanuatu. The partnerships have allowed ADB to align its programs with those of developing member countries and development partners in the region, where it now has a field presence in seven of the 14 Pacific developing member countries.

ADB and the World Bank are long-term development partners of Vanuatu, which joined both organizations in 1981. ADB has maintained a long and active presence in Vanuatu, providing a range of development assistance in the form of loans, grants, and technical assistance.


These activities aim to promote best development practice in the region and to better direct all available resources—from national budgets and from partners—to agreed national priorities. The Pacific Islands Forum Secretariat has the primary responsibility for implementing the Cairns Compact. It is working with forum member countries, development partners, including ADB, regional organizations, and a range of other stakeholders to make progress in this work.

Adopting Gender-Responsive Approaches

Women and girls in fragile and conflict-affected situations fare notably worse on many human development indicators than their peers in other developing member countries. They are more likely to die during childbirth, have fewer income earning opportunities, and lower access to education.

The average maternal mortality rate for FCAS countries was 1,202 per 100,000 live births in 2009, which includes Afghanistan, with a rate of 1,458 per 100,000 live births. The primary education gender parity ratio for FCAS countries is only 0.65, and just 0.39 at the secondary level.75

---

75 Data sourced from ADB’s Strategy and Policy Department.
Women in these situations also have less access to income earning opportunities, hindering their economic empowerment. For example, based on the latest data, only 18.4% of women in Afghanistan and 38.5% in Kiribati are in non-agriculture wage employment (an MDG 3 indicator). In addition, four Pacific FCAS countries are the only ones in Asia and the Pacific region with no women elected in parliament. Many countries in fragile or conflict-affected situations are also highly vulnerable to food insecurity, environmental degradation, and reliance on imported food products at rising prices. These combined factors perpetuate and exacerbate female vulnerability. For these reasons, greater efforts are needed to empower women with the skills, resources, and decision-making power to adapt to increasing environmental fragility and key to building the resilience and viability of countries in fragile and conflict-affected situations.

A gender-sensitive approach is essential for conflict prevention and resolution in countries that are emerging from conflict or at risk of conflict, such as Afghanistan, which is considered the most dangerous country in the world for women. Global studies have estimated that about 80% of displaced persons are women and girls, who have special concerns stemming from lack of shelter, food security, and access to reproductive health services; the incidence of rape and sexual abuse; relocation stress; and strains from changing gender roles and family separation. Women also tend to be marginalized from formal conflict resolution and peace decision-making processes, despite their key roles during conflict and in restoring peace. In some instances, they have been active combatants. For example, women comprised three of ten Central Committee members of the Liberation Tigers of Tamil Eelam.

United Nations Security Council Resolution 1325 on Women, Peace and Security, passed in 2000, has critical implications for the protection of women during conflict and for

Ideally, the gender strategy should be informed by a more in-depth country gender assessment, which comprehensively analyzes prevailing gender issues and informs how the government, ADB, and other stakeholders can support the advancement of gender equality and women’s empowerment.

---

76 Federated States of Micronesia, Nauru, Solomon Islands, and Tuvalu
the participation of women and civil society in conflict prevention, resolution, and reconstruction (Box 15). It explicitly recognizes that women experience conflict differently than men, and that women’s participation in peace and postconflict reconstruction processes is essential in program interventions in conflict and postconflict situations. Resolution 1325 should be used as a framework to inform development partner efforts during peacebuilding and reconstruction and ensure that particular attention is directed toward understanding and improving the status and position of women. See Appendix 9 on the examples of some gender dimensions in conflict-affected states.

Because the country partnership strategy sets out the framework for ADB’s assistance to a country, gender mainstreaming should be systematically addressed in its main text, sector roadmaps, and results frameworks. Each country partnership strategy should also include a summary gender strategy, which specifies how ADB intends to address gender issues, the sectors for which a gender focus is required, and specific actions to strategically achieve positive gender equality outcomes. Ideally, the gender strategy should be informed by a more in-depth country gender assessment, which comprehensively analyzes prevailing gender issues and informs how the government, ADB, and other stakeholders can support the advancement of gender equality and women’s empowerment. Given entrenched gender inequalities that persist in fragile and conflict-affected contexts, it is imperative that the country partnership strategy explicitly respond to the realities of unequal gender relations by

(i) identifying and supporting the implementation of national gender policy commitments;
(ii) collecting and analyzing sex-disaggregated data at national and sectoral levels;

Box 15  Women at the Frontlines for Peace

History shows that whenever there is conflict, women mobilize for peace and the welfare of their families and communities. For example, during conflict in the island of Bougainville in Papua New Guinea and also in Solomon Islands, women ignored personal risk by crossing conflict lines to successfully convince their sons and husbands to surrender their weapons.

The Pacific regional women’s media network on United Nations Security Council Resolution 1325 on Women, Peace and Security, coordinated by femLINK Pacific, focuses on engagement with national governments and at the regional intergovernmental level, such as through the Pacific Island Forum Regional Security Committee process, so as to bring the voices of women at the grassroots level to influence regional policy on gender, peace, and security. www.adb.org/publications/handle-care-impact-stories-fragile-situations

Source: Fragile and Conflict-Affected Situation Team, ADB.
(iii) targeting investment in education, health, governance, and greater rule of law to better respond to women’s human development and personal security needs;
(iv) earmarking investment in gender focused projects/programs and indicating gender mainstreaming pipeline projects in country operations business plans;
(v) proactively seeking women’s leadership and participation in decision-making forums (Box 16 discusses how women in Nepal were involved and mobilized in decision-making processes);
(vi) partnership and collaboration with key development partners on the gender agenda;
(vii) ensuring alignment with and support for UN Security Council Resolution 1325 (and UN Security Council Resolution 1820 on sexual violence)—

Box 16  Nepal Transition to Peace Initiative and Women Peace Building Network

In 2006, a decade-long, armed conflict in Nepal ended with the signing of the Comprehensive Peace Agreement. However, women’s participation at the formal negotiating table was not ensured at the dialogue process or in the agreement itself.

There are two initiatives under Nepal’s peace process—Track 1 involving the bureaucracy and political parties and Track 2 involving women’s NGOs and groups. The missing element was the link between the two tracks. Hence Track 1.5, the Nepal Transition to Peace Initiative, began in 2005 to allow informal dialogue between seven major political parties and civil society representatives before making formal decisions. Multiple stakeholders, including international partners, supported the initiative. The Ministry of Peace and Reconstruction acted as the executing agency liaising between the political parties.

The initiative helped draft the Comprehensive Peace Agreement and propose how cantonment of combatants would be managed, and envisaged the setting up of peace structures such as local peace committees.

It also supported the creation of Women Peace Building Network made up of 11 large associations, mostly with development background and widespread membership in Nepal. This network creates links between tracks 1, 1.5, and 2, and links the leaders with peace forums. In addition to organizing rallies to demand greater women’s participation in the peace process, they have held several rounds of discussions with the prime minister and the Ministry of Peace and Reconstruction to ensure women’s participation in state structures. They also approached the Election Commission on the selection of 26 women to be nominated to the Constituent Assembly. At a community level, the network has sought to raise awareness of UN Security Council Resolution 1325.

which all developing member countries and other actors are obliged to fully implement in conflict-affected situations—such as through strengthening the capacity of relevant sectors to address gender-based violence;

(viii) conducting gender conflict analysis particular to any given conflict context, to inform design of projects/programs that equally address the needs of both women and men during and after conflict; and

(ix) supporting greater access to comprehensive health information and services during times of conflict and recovery, including reproductive health and HIV/AIDS prevention.

Incorporating Flexibilities During Project Preparation

Project designs in fragile and conflict-affected situations have at times struggled to balance the need to allow sufficient time for thorough project preparation with the need to respond quickly to urgent needs. In some cases, the preparation of detailed designs has been fast-tracked to facilitate construction or project implementation. This often results in poor arrangements for implementation. In some cases, complex environmental or socioeconomic assessments, including economic and financial analysis, were not strictly followed. This hampers the longer-term assessment of economic costs and benefits. Designs have also suffered from over ambition and institutional weaknesses. Flexibility therefore needs to be built into project designs because the fluid conditions in fragile and conflict-affected situations often necessitate changes in scope during implementation (footnote 38).

Investment Financing

Project Loan/Grant Financing

Traditional project loan/grant financing is often the appropriate modality for investment assistance in fragile and conflict-affected situations. When government capacity for planning is weak and sector plans are poorly developed or non-existent, project preparatory assistance can be used to prepare country and sector assessments and determine specific investments to alleviate binding development constraints. It is often necessary to prepare projects that can achieve rapid start-up, which a standard design can facilitate through advance procurement action and clearly specified components. Careful attention to thorough due diligence, as described in the following section, is essential to prepare projects that can be effectively implemented in the typically uncertain environment and uneven counterpart support in fragile or conflict-affected situations.

Projects should incorporate sufficient implementation assistance to ensure that the final design, procurement, and supervision are adequately supported and not subject to undue delays caused by weak implementation capacity. Depending on
the existing institutional arrangements, it may be necessary to create new project management units, but these should be integrated into the structure of executing agencies to the greatest extent possible. It is also often necessary to provide substantial assistance for capacity development, so that executing agency staff are progressively able to take on greater responsibility from external consultants.

**Sector Loan/Grant Financing**

Sector loan/grant financing can provide a great deal of flexibility to respond to rapidly evolving country situations in cases where sector priorities are clear and government capacity for planning is adequate (or can be supplemented) to guide subproject selection and appraisal. It should be recognized that the time to implement a sector project can be longer than that for traditional project financing due to the need to complete and approve subproject feasibility studies while implementation is ongoing.

To meet ADB’s policy on sector financing criteria that need to be satisfied include (i) a well-developed sector development plan, (ii) institutional capacity to implement the plan, and (iii) appropriate sector policies that can be improved if needed. If these criteria are not met adequately, technical assistance may be provided for project preparation, sector analysis, and capacity development before or together with the provision of a sector loan. One way of doing so is to program hybrid technical by conducting a combination of project preparation, capacity development, and policy advice prior to project approval. This process can be done either once or in series. Involving executing agency counterparts in the complete project cycle in this way can be highly effective at preparing a cadre of experienced project staff, but it is expensive and time consuming. Sufficient time and resources and adequate counterpart support to implement such an arrangement are essential.

**Additional Financing**

In view of the risks involved in implementing a major project in a fragile or conflict-affected situation, it is best to start small, learn from experience, and build on successes. To get more out of a good project, ADB’s additional financing policy allows scaling up and modifying projects that are performing well—without any restrictions being imposed on the amount, duration, and number of provisions. Scaling up may include additional geographical areas, increasing project beneficiaries, replicating outside the original locations, or meeting greater than anticipated demand and absorptive capacity of existing beneficiaries. Modifications may include accommodating changing circumstances, reflecting project implementation conditions, incorporating experience gained and lessons learned, or responding to innovations.

---

While additional financing is primarily for expanding and deepening projects that are performing well, there are still times when ADB needs to provide additional financing for projects facing cost overruns or financing gaps. The policy recognizes that cost overruns may occur for some projects. Without providing timely additional financing, the project benefits would be forgone in some cases while project costs have already been incurred. For example, missing the last few miles of a road or the final part of a bridge may render such infrastructure a liability rather than an asset. However, the policy requires that teams clearly analyze the reasons for cost overruns and financing gaps, and address the risks that have caused cost overruns.

For projects that face cost overruns and are not performing well, the additional financing policy requires a stricter review and quality assurance process to avoid throwing good money after bad. It is important to note that cost overruns do not necessarily equate to poor project performance.81

**Multitranche Financing Facility**

ADB’s multitranche financing facility (MFF) offers a flexible financing modality that supports a country’s medium- to long-term investment programs in an efficient and cost-effective manner. Its more flexible financing and long-term support to fragile countries mean it can be an appropriate financing instrument in fragile and conflict-affected situations.

The MFF provides programmatic assistance by aligning the provision of financing with project readiness and the long-term needs of the client. It also facilitates long-term partnerships between ADB and its clients. The facility also provides opportunities for constructive dialogue on physical investments as well as nonphysical (thematic and sector) interventions, and provides critical mass, predictability, and continuity to the client.82 Design, procurement, and safeguards work should be done under the first tranche of the facility, while the second tranche should cover civil works contracts, including engineering, procurement, and construction management. Using an MFF in a fragile or conflict-affected situation will require a narrowing of

---


the scope and scale of the project, and perhaps greater flexibility for changes in scope in subsequent tranches, while retaining ADB’s long-term commitment.

However, there is another view that this facility may not always be a suitable financing instrument, especially when the sector is not well understood and when the executing agency’s capacity is weak or very limited. In such case, appropriateness of MFF should be carefully assessed. While the MFF does offer long-term engagement and flexibility, it should require a clear sector strategy/roadmap underpinned by policy framework and investment plans, and strong executing agency capacity.

Using the additional financing policy may be a better approach. It offers similar benefits of long-term partnership and flexibility for changes, but through a stand-alone, simply designed project. With proper planning, provision for capacity development and preparation of future phases can be included in the first project.

**Program Financing**

*Policy-Based Financing*

ADB’s policy-based financing provides a flexible means to support critical policy and structural and institutional reforms, and even to sustain political appetite during difficult times and despite changes in government. ADB experience shows that country-specific policy actions—reached after wide consultation with the public sector, development partners, the private sector, civil society, and academia—promote greater country ownership and leadership. In fragile states, emphasis on formulating actions using partner countries’ own institutions and systems supports aid effectiveness, as does developing programs with a simple scope focused on addressing key constraints and bottlenecks.

The clear risk posed by program support is the quality of the budgets being supported. Even when program funds have been tagged by governments for a particular use, the fungibility of funds means, in effect, that the whole of the budget is being supported. Programs therefore work well when they are embedded within a long-term, sequenced reform process; when they are inclusive of efforts to strengthen policies, systems, and processes for fiscal management; and when they “reward” demonstrations of prudent economic management. By linking the program to ongoing sectors of ADB focus—such as improvements in fiscal management—existing country relationships can be strengthened and policy messages made more consistent. Entering into programs with other partners can act to promote a consistent policy message and ensure that support is provided more efficiently, systematically, and effectively.

---

In 2011, reforms were made to ADB’s policy-based financing—refining (i) ADB’s approach to both budget support provided with medium-term structural reforms, and (ii) crisis response in short-term balance-of-payments support and budget support for fiscal stimulus.84

Trust Funds

Public trust funds have been created in the Pacific: in Kiribati, the Marshall Islands, the Federated States of Micronesia, Nauru, Palau, and Tuvalu to strengthen limited revenues in their public sectors. With strong governance structure and with core public funds appropriately managed, monitored, and audited, these trust funds can form an important component of overall public funds. The Tuvalu Trust Fund is considered a model (Box 17).

Box 17  Tuvalu Trust Fund

The Tuvalu Trust Fund was established in 1987 by international treaty, with initial capitalization provided by the governments of Australia, the Republic of Korea, Japan, New Zealand, Tuvalu, the United Kingdom, as well as the European Union.

The Tuvalu Trust Fund is known for its strong governance structure, consisting of a board, an independent advisory committee, and professional investment management and monitoring agencies. Until recent years, it was also known for its very conservative management, maintaining the fund at a real per capita value. The fund has increased in total capital value from A$27.1 million at inception to A$114.2 million as of March 2011; contributions have been economically significant at around 20% of annual budget revenues.

Source: Fragile and Conflict-Affected Situation Team, ADB.

Pacific public trust funds have been established by Pacific country governments and governments of development partners, with the latter providing either initial capital and/or technical assistance. Public trust funds have been established for public purposes by enacting legislation.

The Tuvalu Trust Fund was created by international treaty. While fund ownership has commonly been vested in the host Pacific governments, development partners have continued to provide operational oversight as trustees, in most cases in the form of representation to either trust funds’ boards or committees. This development partner oversight has been gradually withdrawn in the case of Tuvalu.

On the other hand, Kiribati’s Revenue Equalization Reserve Fund was initially capitalized using tax revenue from phosphate mining, and has been managed since inception by a government committee, without foreign government direction.

Invested in international markets, daily funds are managed by professional investment managers, with some funds employing professional monitors. All funds are audited. The Tuvalu Trust Fund created an Advisory Committee of Tuvaluan and international economists to calculate fund drawdown and to advise on the use of fund drawdowns.

The net earnings (post management costs and reinvestment to maintain real capital value) from these trust funds not only bolster other public revenues, but can help secure or regularize the flow of public funds and diversify public funds investment, thereby reducing the risks of public funds management. While trust fund annual earnings vary according to the growth of the global economy over the decades that these funds have operated, they are largely considered to have been a very valuable public investment.

There are, however, some potential concerns with regard to the use of public trust funds. One of these is over-reliance on trust fund revenues—discouraging other public revenue generation as well as preventing an improvement in the environment for further private-sector-led domestic growth. The drawdown on some public trust funds may also have been excessive in recent years, partly in response to the global economic crisis, thereby undermining their sustainability.

For FCAS countries in transition, the International Network on Conflict and Fragility points out that the choice of aid instruments should be grounded in the aid effectiveness agenda and driven by commitment to deliver rapid and sustainable results; and that a mix of aid instruments should be context specific and designed based on principles of coordination and harmonization, institutional transformation, speed and flexibility, and scope for risk management. In particular, rapid response mechanisms are important to facilitate sustainable support.

According to the network, the key elements of a successful rapid response include (i) removing administrative hurdles in institutions that administer and manage funds and instruments; (ii) ensuring that these institutions secure appropriate personnel and expertise in a timely manner; (iii) recognizing that the operation of funds and instruments will require serious and prolonged commitment and predictable funding; and (iv) ensuring that unearmarked funding is made.

---

85 The aid effectiveness agenda refers to a set of international initiatives and agreements that underline the importance of harmonizing aid activities: the Paris Declaration on Aid Effectiveness, the Accra Agenda for Action, and the OECD-DAC Principles for Good International Engagement in Fragile States.
available in a timely manner or that agencies can make commitments against pledges to initiate operations.86

In Afghanistan, the Afghan Interim Authority Fund was set up as a flexible mechanism for quick resource mobilization and initial institution building, supporting the recurrent expenditure of the Afghan Interim Authority. The Afghanistan Reconstruction Trust Fund was also established in the context of a temporary National Development Strategy (Box 18).

**Technical Assistance Including Project Design Facility**

Through its technical assistance operations, ADB assists its developing member countries in identifying, formulating, and implementing projects; improving the

---

**Box 18 Sequencing—The Afghan Interim Authority Fund and the Afghanistan Reconstruction Trust Fund**

The United Nations Development Programme (UNDP) in 2002 established and managed the Afghan Interim Authority Fund for 6 months as a flexible mechanism for quick resource mobilization and initial institution building, supporting the recurrent expenditure of the Afghan Interim Authority. During this time, the Afghanistan Reconstruction Trust Fund was established in the context of a temporary National Development Strategy (OECD 2010).

From January to July 2002, salary payrolls were reestablished for all 32 provinces of Afghanistan; salary payment control systems were installed; finance staff was trained, including in ICT-related skills; and emergency repairs were completed for 30 ministerial offices of the Afghan Interim Authority.

The Afghan Interim Authority Fund further supported the commissions created under the Bonn Agreement, including the Emergency Loya Jirga—the traditional grand council, which it fully funded—that endorsed the Transitional Administration led by President. Support included conference planning and management, the rehabilitation of the Kabul Polytechnic where the Loya Jirga took place and transportation of regional delegates to Kabul.

In accordance with the exit strategy devised for the Afghan Interim Authority Fund prior to its establishment, the fund ceased operations after the successful conclusion of the Loya Jirga and the installation of the Transitional Administration.

The Afghanistan Reconstruction Trust Fund took over budgetary support for the Transitional Administration, and was jointly prepared and managed by the World Bank, Asian Development Bank, Islamic Development Bank, United Nations Assistance Mission for Afghanistan, and UNDP; it was administered by the World Bank. Given the limitations to the World Bank’s mandate, a Law and Order Trust Fund was also established to finance police salaries, among others.


---

institutional capabilities of governments and executing agencies; formulating development strategies; promoting the transfer of technology; and fostering regional cooperation.

Technical assistance has provided substantial and significant support for applied research, providing policy advice and developing capacity in FCAS countries. For example, applied research has led to the production of more than 100 knowledge products on FCAS countries in the Pacific over the past 16 years. These products in turn have helped ADB to formulate more effective, relevant, and sustainable development interventions, including policy advice.

ADB undertook a major study of capacity development in Pacific FCAS countries from 2007 to 2008. The study was based on case studies of the relatively successful development of capacity in the region. The major findings confirmed the importance of understanding the political economy, or how power and authority affects economic choices in a society (footnote 64). In part, this led to ADB’s subsequent study of political economy in the Pacific. Other important findings reveal that

(i) international assistance has held too narrow a definition or understanding of capacity, and this has curtailed effectiveness;
(ii) beyond understanding the political economy, success comes from a solid understanding of context;
(iii) where core government functions are weak, delivery of all public services is weak, and outsourcing some public service delivery is possible;
(iv) from experience, good governance underpins the development of capacity; and
(v) successful capacity development often comes from extensive consultation and participation with the aim of reaching consensus.

The capacity development study led to the formulation of the technical assistance Capacity Principles Checklist (Appendix 6) to guide ADB in formulating future technical assistance. The checklist covers

(i) the potential for outsourcing;
(ii) strengthening core government functions;
(iii) formulating the design and monitoring framework;
(iv) exit strategy and duration;
(v) the demand for the assistance;
(vi) noting the dimensions of capacity development, consultation, and participation; and
(vii) dissemination of findings and change management.

**Project Design Facility.** ADB’s project design facility supports project preparation, particularly detailed engineering designs, through advances to clients. These advances are to be provided from the ADB-wide facility and are envisaged to be refinanced by ensuing ordinary capital resources or Asian Development
Fund loans. The proposed project design facility is intended to provide quick-disbursing resources for project formulation; detailed engineering design; and broader project and program preparatory work (such as feasibility studies and due diligence, safeguard, and pre-implementation work), including those for policy-based financing, if requested by the client.

**Project/Program Development and Due Diligence**

**Reconnaissance Mission**

The reconnaissance mission is a critical and sensitive key step for agreeing on the project concept and due diligence requirements. During the reconnaissance mission, the specific requirements for staff, staff consultants, or technical assistance are identified and detailed. In fragile and conflict-affected countries and regions, in particular, business as usual and normal operations may not be relevant or effective due to very challenging local conditions and/or when country performance deteriorates.

Inadequate planning is one of the main reasons that a project may fail. Planning for project implementation starts during the early stages of the project cycle, project preparation, and appraisal. During the early stages of project preparation in fragile and conflict-affected situations, special attention to business processes is therefore a required preventive measure for avoiding pitfalls and risks of doing harm (Figure 3).

![Figure 3 Special Attention Needed During Project Preparation in FCAS Countries](image)

**Special attention to:**
- Political economy and security
- Capacity assessment and development
- Communication strategy
- Procurement plan and consulting services
- Disbursement arrangements and financing plan

FCAS = fragile and conflict-affected situation.
Source: Fragile and Conflict-Affected Situation Team, ADB.
In addition, effective teamwork among headquarters, sector divisions, and resident missions should be pursued by establishing clear accountabilities (footnote 63). The resident mission provides the primary operational interface between ADB and the host country and strives to maximize the efficiency, effectiveness, and impact of ADB operations there.

In fragile and conflict-affected situations, a staff member of the resident mission (or subregional and/or liaison office) with knowledge of the local context is an important team player to better understand the political economy of such a challenging environment.

**Stakeholder Participation**

It should be well understood that stakeholder participation in the design and implementation of technical assistance activities and projects improves ownership and outcomes. This is even more pertinent in fragile and conflict-affected situations. In small, fragile communities, any project has impact on almost everyone. Where the nation’s state and systems of government are emerging, it is the community that drives the demand for improved services, performance, transparency, and accountability. Its participation in the design and implementation of ADB support is paramount to effectiveness. The community can be a very effective driver of change.

This is recognized in ADB’s technical assistance on Strengthening Public Sector Performance in the Federated States of Micronesia, which was designed and is being implemented to reflect these lessons. During public consultations in the design phase, citizens confirmed that they felt alienated by their governments. Despite the political will to meet public expectations and the hard work by some public servants, there were very few mechanisms for the public to engage with their state governments, obtain information on public sector performance, and effectively hold government officials accountable for their performance.

The technical assistance was designed to harness community pressure to create a performance-oriented public sector culture. The technical assistance includes a rolling design to ensure close consultation and public participation in ongoing design and implementation, as well as responsiveness to political and attitudinal changes with respect to these sensitive matters. The technical assistance focuses on good governance in the state legislatures, adherence to public sector regulations through more accountable management practices, and raising community awareness of and engagement with public sector performance.

Getting the range, structure, and approach to stakeholder participation right is key to the effectiveness of the process and the value of consultations. In identifying the project’s stakeholders, it is important to note that there are two types—those who act on behalf of the stakeholders involved (such as NGOs or religious institutions) and the stakeholders involved (such as women or children).

The Rural Primary Health Services Delivery Project in Papua New Guinea harnessed the participation of male and female community representatives,
community leaders, health facility staff, provincial and district health staff, other provincial officials, and church health secretaries. They were consulted on behalf of the target rural population, specifically women and children, to ascertain health-related behaviors, issues that affect rural communities’ use of health services, and ideas about community health posts.

The peacebuilding tool, piloted in Nepal, involved the participation of individuals, local authorities, citizens, business community, political parties, NGOs, networks, and associations. Focused group discussions or meetings with these stakeholders have been useful in filling in the peacebuilding tool matrix. The tool is used to identify potential project risks linked to social conflicts and develop adequate mitigation measures (Appendix 5).

Where a project directly impacts on the community, they can be a great advocate for change and an implementation agent, but their participation needs to begin early in the concept preparation. The formulation of the Japan Fund for Poverty Reduction grant to Nepal for the project—Support for Targeted and Sustainable Development Programs for Highly Marginalized Groups—provides an example of how stakeholder consultations can contribute to the project design (Box 19).

Stakeholders can also be effective at stalling progress and implementation if they are left feeling marginalized. ADB’s guidelines on community participation and consultation provide an excellent and comprehensive guide on increasing stakeholder participation.87

Civil Society Organizations and Nongovernment Organizations

Civil society organizations sometimes have deep understanding of local development issues and first-hand experience of problems on the ground. They can usefully contribute to project design and implementation. International nongovernment organizations (NGOs) draw on international experience and best practice, while national NGOs and community-based organizations offer local perspectives. Professional associations provide specialized technical expertise in their area. Participation plans are based on stakeholder analyses that guide the choice of groups to engage (Appendix 10). Development then occurs with the stakeholders themselves. This may involve an initial workshop to outline participation in project design and further meetings to develop plans for implementation. This process can combine with wider stakeholder consultation in project design.

In the Kyrgyz Republic, as a case in point, ADB is working with several civil society organizations to help pilot an integrated approach to improving access to quality education for children with special needs. The Association of Parents

The project concept of the Japan Fund for Poverty Reduction (JFPR) grant to Nepal was formulated after extensive stakeholder consultations during the midterm review of the Country Partnership Strategy (2005–2009), in which concerns were raised regarding outreach to the most vulnerable groups.

Stakeholders felt that despite the positive impact of ADB’s interventions in Nepal, the needs of many of the most marginalized groups were still unmet. It was decided therefore that the JFPR grant would be used to design a project that specifically targets a few of the most marginalized groups.

The project organized a series of consultations in Kathmandu and the project districts from October 2008 to March 2009 to discuss major constraints in the development of highly marginalized groups and how to best support them. In terms of targeting, it analyzed disaggregated poverty data and selected the two poorest groups—Dalits and Hill Janajatis—followed by subselection from within these groups.

National experts from the Dalit and indigenous groups assisted in carrying out a participatory assessment and background study. This involved wide consultations with Dalit civil society organizations and indigenous peoples organizations and other stakeholders at the central level. Given the current political realities in Nepal, the consultations led to the conclusion that both Terai and Hill Dalits needed to be targeted. The next step led to the selection of two target districts—Mahottari in the Terai and Surkhet in the hills—based on the population of Dalits in these districts, their socioeconomic status, and ongoing support in the districts.

Similarly, for the indigenous group (Hill Janajatis), the consultations led to the conclusion that the Kumal group should be selected based on existing information on the socioeconomic status of indigenous groups and the level of other support being provided to particular groups. The project selected the target districts for Kumals (Nawalparasi and Gulmi) based on the large population of Kumals in these districts and the level of other support being provided to the group. It carried out field visits to these districts and consultations were held with the local government and various stakeholders, including representatives of the Kumal community.

The initiative received broad support, and it was suggested that in addition to targeting the Kumals in Nawalparasi and Gulmi, the project should also target Kumals in the adjoining district of Baglung as well as the Bote and Majhi communities in these districts, as these groups were the most deprived in the region.

Further consultations with the Nepal Bote Society revealed that Bote and Majhi communities were very sparsely populated along the rivers between Nawalparasi and Baglung. It was therefore agreed that the project would target Bote and Majhi communities along the Narayani River and along the Kali Gandaki River as far as Baglung district, thereby encompassing Majhi and Bote communities in a total of seven districts.

Source: Fragile and Conflict-Affected Situation Team, ADB.
How Do We Operate in Fragile and Conflict-Affected Situations?

Civil society organizations can also be service providers at different levels. They often fill gaps when government services are unavailable, and governments sometimes contract them.

Civil society organizations serve as advisor, providing expertise on disabled children’s needs. Four rural community-based organizations consult regularly with parents of disabled children through roundtables and meetings. Although the Kyrgyz Republic is not included in ADB’s FCAS list, this approach may also be replicated in a fragile or conflict-affected situation.

When links are weak, civil society organizations can build bridges between people and communities and also among governments, development institutions, and donors. International NGOs, large national NGOs, labor unions, and umbrella organizations can connect their constituents with national governments, and many have existing relationships. Smaller NGOs and community-based organizations are more likely to connect at the local and regional levels.

Civil society organizations have great experience with strategies to help mobilize local communities in achieving important development outcomes (Box 20). Many international and local NGOs have had great success in mobilization. Some international NGOs are better informed of the latest strategies used internationally, while local NGOs understand local culture better. Both can be contracted to help mobilize local communities.

Box 20 Nongovernment Organization Involvement in Rural Infrastructure Development in Nepal

ADB’s project on Rural Infrastructure Development contributed to poverty reduction in three districts in Nepal’s hill region. Some 20,000 people living near the road project benefited from the activities, including about 18,000 beneficiaries who were involved in construction and maintenance of rural roads and community buildings.

NGOs were intermittently involved in project-related awareness campaigns and were also contracted to undertake social mobilization activities intended to enhance participation, establish local labor groups and road users’ committees, ensure fair working conditions for laborers, and assist in developing savings and credit-related and income-generating activities.


---

in forming community-based organizations. Labor unions can also mobilize people, especially if they have a large membership and represent a significant sector in the workforce.

When flexibility, responsiveness, or innovation is needed, civil society organizations can often react quickly to changing circumstances, and are keen to experiment with new approaches. International and local NGOs have been effective in pilot programs maximizing community participation. Some research institutes pride themselves on innovating and developing new solutions.

Civil society organizations can also be service providers at different levels. In the Pacific, for example, to help mitigate the impact of global economic crisis and recent disasters, NGOs and church groups are providing a range of pilot social service programs targeting vulnerable groups, including unemployed youth and women. They often fill gaps when government services are unavailable, and governments sometimes contract them. International and local NGOs can be service providers at a regional or national level, providing basic social services for example. Community-based organizations are involved at the community level, often managing local water supply, microcredit groups, and other community level services.

Some civil society organizations can carry out participatory assessments in project design and independent monitoring and evaluation. In the Kyrgyz Republic, for example, ADB is working with local self-governing bodies and community-based organizations to help provide critical water supply and sanitation services in 200 villages serving 300,000 people in rural areas. Taza Tabigat, a local NGO, is carrying out independent monitoring.

However, it is not advisable to use the same organization as an implementing partner and an independent evaluator. Civil society monitors are important in promoting good governance. Some international and local NGOs and research institutes specialize in rapid participatory research techniques, and have huge experience in implementing assessments and monitoring and evaluation.

A thorough stakeholder analysis should highlight civil society organizations interested in a particular activity and involve them in consultation during project design and when developing participation plans. Resident missions often have knowledge of civil society organizations working in-country, particularly track records of those involved in previous projects. Some have an inventory of potential partners. Specialists in headquarters may also know about credible civil society organizations working in their area, and so may colleagues working for other development partners, particularly bilateral donors. The NGO and Civil Society


90 ADB. 2008. Grant to the Kyrgyz Republic for Community-Based Infrastructure Service Sector Project. Manila.
Center also develops country civil society briefs and maintains the CSO Link, which includes a database of NGO profiles. Lessons learned from participatory approaches are also available on the IED Evaluation Information System database. See Appendix 8 on other pointers for engaging with community-based organizations and NGOs.

Special Assessments

Political economy assessment. The impact of political economy is even more pronounced in fragile states and in the small communities of the Pacific islands. The prioritization, sequencing, and nature of economic and public sector reform, for example, are greatly influenced by the political economy; and technical and professional advice and assistance to reform are commonly insufficient in the Pacific islands. Greater account of social, cultural, economic, and political influences has to be taken; and a reform program needs to be built on the realities of the prevailing political economy (Appendix 11). This will likely differ greatly from a program based on professional considerations alone. The lack of assessments of political economy could be one major reason why earlier reform efforts have not succeeded. Examples of the influence of political economy drawn from recent case studies in the Pacific are summarized in Box 21.

The reform process in particular, influenced by politics and institutions, can be seen in stages. The stages of the process, as well as their relationship to the role of politics and institutions in reform and development, comprise a framework for assessing the political economy influences. This process may be more iterative than sequential, but their importance is exemplified through key questions that need to be addressed at each stage as shown in Appendix 12.

Risk and vulnerability assessment. It is important to design interventions in fragile and conflict-affected situations with a security management risk perspective, and evaluate the full range of risks to which communities are exposed. Different risks can compound one another, leading to an accumulation of risks with highly negative effects on development. Often communities affected by conflict are also at high risk from natural hazards because coping capacities and resilience have already been weakened by the conflict. Similarly, communities regularly exposed to natural hazards have difficulty in maintaining development gains, leading to increased incidence of poverty and potentially to greater conflict over scarce resources.

Recognizing the role security can play in mitigating risks and ensuring the timely delivery of a project, the ADB Office of Administrative Services is working with regional departments, including field offices, to address security issues in project sites in conflict-affected areas and fragile states. For ADB, timely project delivery is contingent on many factors, among them security, which is frequently

overlooked despite its strategic value. Projects located in conflict-affected areas should include security assessment during the design stage, security arrangements for contractors and consultants, preparation of security plan by the contractor and its endorsement by the executing agency and ADB, and costing of security plan.

Different areas have varying risk profiles, with threats coming from several and often unexpected sources—possibly armed rebels, militants, disgruntled residents, or petty criminals. Given these risks, all projects should have a security risk analysis, in which the security team assesses and analyzes the risks of a given project,

Box 21 Selected Dimensions of Political Economy in the Pacific

Kiribati state-owned enterprise reform. The collective-action problem that appears to make Kiribati unwilling to privatize public enterprises and promote the private sector is the societal belief that benefits gained from dependence on the government outweigh their private costs. The most positive factor is the strong commitment of the current President of the Government of Kiribati.

Telecommunications regulatory reforms in Papua New Guinea and Tonga. It was found that the domestic policy constraints imposed by independent regulators were vulnerable to political interference, and the World Trade Organization telecommunication commitments provided greater policy certainty by constraining government policy reversals.

Political economy and championing of reforms in the Cook Islands and Samoa. The chances of success were improved by continuity in the political leadership and a stable political environment. Technically competent and supportive senior public servants also played important roles, as did the public support generated through nationwide summits or retreats and the sustained public dialogue that followed them.

Presidential perspectives on political economy in the Marshall Islands. Reform proponents need to be cognizant of the pervasive and long-standing “welfare state” attitudes developed over many years of the United States Compact and the way in which these attitudes shape perceptions about the role of government and the direction of national development. Consultative processes are also extremely important throughout all stages of reform.

Governance reform in the public sector in Pacific island countries. Three Pacific political values are identified: distribution, transparency, and competition. Working with these values, rather than against them, can improve the design of international aid efforts in the Pacific.

flags potential threats, recommends how to ensure the safety and protection of personnel and equipment at the project site, and develops a security plan for the project as needed.

Ideally, the security team should be engaged from project inception, since the history of a project is an important consideration in developing the security risk analysis. The security team needs to understand the situation on the ground and the timeframe of the project. For some projects, a security manager—who is different from the project manager—is appointed to liaise with security officials and other key stakeholders on the ground and to ensure the implementation of the security plan.

Projects implemented with a security plan, such as the railway project running from Mazar-e-Sharif in northern Afghanistan to Hairatan, bordering Uzbekistan, have proven that security planning is extremely beneficial. In the project, the security plan was presented during loan negotiations, and its inclusion from the very beginning ensured the timely completion of the project. Conversely, projects that had no security plan, or those whose security plans were not implemented, ran into delays or had cost overruns.92

A risk and vulnerability assessment should identify both current and future threats to safety and security (see Appendix 13). The nature of vulnerability is dynamic and complex, and therefore any assessment of risk and vulnerability is a predictive judgment.93 People are not usually inherently vulnerable; instead it is a variety of factors including poverty, geographic location, communal conflict, and social and ethnic association that produces situations of vulnerability. Many important risk factors can be identified through participatory assessment processes that draw out traditional knowledge about risk patterns and coping mechanisms. It is also important to analyze likely changes in existing risk patterns, such as those due to the effects of climate change.

Capacity assessment. Capacity assessment, facilitated by external actors, should focus on capacity issues at the individual, organizational, and institutional levels. At the institutional level, capacity assessment can be further viewed at community, national, and regional levels.94 However, FCAS countries face greater challenges to be at par with the characteristics of a viable institution, as outlined below:

(i) Community. At the community level, a viable institution reflects the ideas, interests, and needs of communities. It has their confidence and the strength to communicate their views to higher authorities. Naturally, this assumes a degree of decentralizing decision making. It also presupposes

---

a capacity to act on rights and responsibilities, and the right to organize must exist.

(ii) **Nation.** At the national level, a viable institution has competence in policymaking, socioeconomic analysis, and technical research. It has negotiating parity with international bilateral and multilateral agencies. It provides inputs to national policymaking without relying on external advice; and it helps identify links between the national, regional, and community levels.

(iii) **Region.** At the regional level, a viable institution possesses a mix of technical, managerial, and information-handling skills. It has also the ability to interpret communities to the nation (and vice versa). Most of all, it has a reasonable measure of autonomy (including independent revenues).

Capacity assessment should examine functional capacity issues and political economy issues or “soft capacities” potentially influencing prospective changes. Functional capacity issues may cover skills, organizational structures, and/or institutional arrangements. Soft capacity issues may involve leadership, commitment, traditional systems, demand, relationships among key stakeholders, and/or legitimacy, among others. See Appendix 14 for tips on capacity assessment and footnote 64 for references on capacity assessment.

Analyses carried out at this stage will provide valuable information on capacity issues, and will inform decisions with respect to future capacity investments. Participatory processes, such as focused group discussions, joint analyses, and roundtables, are essential at this stage to ensure legitimacy and a sense of ownership. The consultation processes themselves can be an important aspect of capacity development by contributing to shared understanding and a common vision and strengthening of links among local and external stakeholders.

Different methods can be used for stakeholders to identify or self-assess current capacity. The country partnership strategy should build on the analysis—incorporating activities, inputs, strategies, and/or processes required to deal with the capacity issues identified and to reach desired results (Box 22).

**Gender analysis.** Gender analysis is a key element in ADB’s policy on gender and development, and should be carried out as a core part of the preparation of all proposed projects, in line with ADB Operations Manual section C2/OP. Gender analysis is an essential component for the initial poverty and social assessment, which is mandatory for all ADB projects and should be carried out as early as possible.

If the initial poverty and social assessment identifies that the project has the potential for gender mainstreaming, more detailed gender analysis should be carried out to inform project design and to develop a project-specific gender action plan (GAP) for implementation as an integral part of the project. The GAP maps out how gender concerns and participation of women will be addressed.
The Ministry of Infrastructure Development in Solomon Islands is strengthening its capacity in project implementation, administration, and infrastructure asset management through technical assistance.

Capacity development has been grounded in the ministry since ADB’s technical assistance project on Institutional Strengthening of the Ministry of Infrastructure Development, a which began in 2005. The project established an expanded Transport Policy and Planning Unit in the ministry through its institutional restructuring and appointment of additional staff.

Since 2007, capacity development was expedited by the Technical Support Program funded by the Japan Special Fund. b The technical assistance developed

(i) an infrastructure asset management system advanced from the Solomon Islands Transport Network Information System to analyze future infrastructure asset condition and required funding level;
(ii) a technical resource center storing references, such as contract documents, standards, and codes;
(iii) a materials testing laboratory to increase quality assurance capacity for project design and implementation; and
(iv) institutional capacity within the Ministry of Infrastructure Development through training and workshops on basic business skills and project operations.

The project also updated the National Transport Policy, which establishes a transportation development strategy (i.e., goal, objectives, and future work program) and operational action plans over 20 years. In addition, it contributed to a legal reform to establish the Solomon Islands Maritime Safety Administration (SIMSA) and implement the National Transport Fund.

In 2008, the technical assistance, the Establishment of Solomon Islands Maritime Safety Administration, c began assisting the Ministry of Infrastructure Development in reforming the Marine Division of SIMSA while clarifying its structure and roles. The project developed a maritime legislative framework for shipping operations safety responding to international standards, which is now being implemented. It also contributed to the improvement of financial and advisory functions through implementing levies, fees, and charges, and developing systems and procedures for role definition, training analysis, and staff development and succession.


Source: Fragile and Conflict-Affected Situation Team, ADB.
and monitored during project implementation through the use of gender-specific targets and performance indicators. Key elements of the GAP are reflected in the main project design and monitoring framework.

Given the relative vulnerability of women and persistent gender inequalities in fragile and conflict-affected situations (Box 23), proactive effort should be taken to ensure that gender mainstreaming opportunities are maximized and that as many projects as possible are categorized as “effective gender mainstreaming” under ADB’s gender mainstreaming project categorization system, irrespective of the sector.

Gender analysis must take on particular considerations in the context of small island fragility and conflict-affected situations. The range of stakeholders who should be consulted as part of gender analysis may vary to ensure that the different perspectives of women and men are recorded.

Religion is an important influence on gender and social relations in Pacific countries, for example, making church groups critical for providing voice and space for women to be consulted and heard, and for widespread awareness-raising among communities. Where women are clearly absent from areas of employment or decision-making mechanisms, it is often necessary to use quotas to ensure women participate and benefit from project activities, such as training workshops or user committees.

In some Pacific countries, although women may be accorded high cultural status, they continue to be marginalized from formal decision-making processes and face discrimination in other domains.

There remains significant need to invest in addressing women’s human development needs (Box 24), such as providing basic infrastructure (such as water and sanitation) to improve their daily lives and promote their legal rights in fragile and conflict-affected situations. Similarly, their limited economic opportunities in these situations make it important to proactively promote women’s livelihoods through project design (such as using female employment targets, or provision of small market spaces as part of large-scale infrastructure design).

In a conflict-affected situation, it is especially important to engage civil society and communities for understanding gender dynamics. But in doing so, it is important to bear in mind that ADB engagement has the potential to legitimize as well as marginalize different civil society voices depending on the choice of organizations consulted. Entities that genuinely represent the voices of a wide range
Box 23  Lighting Up Women’s Lives

Women in Papua New Guinea face many serious challenges, including giving birth in poorly lit health posts, performing the strenuous and time-consuming task of collecting firewood, and cooking in smoky kitchens; they often possess limited skills for employment and income generation.

The Papua New Guinea Town Electrification Investment Program is helping to change that by giving women a voice in decision making and providing skills training for income generation. The project includes provision for 30% female participation in community consultations, skills training for village committees and households (minimum 50% women), 50% female participation in village power and water committees, jobs for women in project construction and ongoing maintenance, equal pay for equal work, an HIV/AIDS awareness campaign, and gender awareness and capacity building on energy utility.

Source: Fragile and Conflict-Affected Situation Team, ADB.

Box 24  Rights Address Wrongs—Empowering Women in Nepal

The Gender Equality and Empowerment of Women Project in Nepal is an example of how a comprehensive, multisector project was designed to address the multiple disadvantages confronting women. The project simultaneously tackles different facets of discrimination against women—legal, social, and economic.

While the project is still under implementation, positive results achieved so far include 8,000 women and an equal number of men provided with knowledge on their legal and administrative rights and obligations; nearly 5,000 women given skills training for income generation; 900 women wage laborers provided with skills training and awareness on wage rights; and community infrastructure provided to reduce women’s work burdens. Some 10,973 households have installed better cooking stoves and water mills, while 40,000 people are benefiting from community infrastructure schemes consisting of toilets, drinking water facilities, roads/trails, small irrigation schemes, and micro hydropower. In addition, police personnel from female police cells, prosecutors, and advocates were trained in women’s legal rights.

The midterm progress review indicated that there are promising signs of reducing gender disparities and making progress on gender equality.

Source: Fragile and Conflict-Affected Situation Team, ADB.

of women should therefore be carefully chosen. Similarly, civil society organizations that have the most knowledge on specific gender issues, such as gender-based violence, tend to be very localized and community-based, and therefore need proactive outreach.
Gender analysis in postconflict scenarios should extend beyond reconstruction of infrastructure, to social (or psychosocial) aspects of recovery and peacebuilding to promote community and individual resilience (Box 25). By definition, this analysis should recognize the stresses and opportunities from changes in gender roles, including the rise in female-headed households, widows, and single mothers.

Community-based participatory gender-responsive conflict monitoring systems can provide highly context-specific tools for early warning, and go beyond the collection of data to become a social resource for the prevention of conflict. For example, early warning indicators projects in the Solomon Islands, supported by the United Nations Development Fund for Women, provided information about and from local women and men to better understand localized conflict dynamics and solutions.

**Climate proofing and disaster risk management.** An important aspect of vulnerability in fragile and conflict-affected situations is a country’s susceptibility to the effects of climate change and disasters. There is an increasing recognition that disaster risk reduction and climate change adaptation share a common focus—that is to reduce the vulnerability of communities and contribute to sustainable development. Many governments recognize the important role disaster risk reduction can play in reducing the adverse impacts of climate change, and that

reducing risks related to current weather and climate conditions is usually the best way to prepare for addressing risks related to climate change.

Climate proofing involves identifying risks to a development project, or any other specified natural or human asset, as a consequence of climate variability and change. It can then be ensured that those risks are reduced to acceptable levels through long-lasting and environmentally sound, economically viable, and socially acceptable changes implemented at one or more of the following stages in the project cycle: planning, design, construction, operation, and decommissioning.96

The harsh effects of climate change, such as worsening coastal erosion, floods, drought, and storm surges are most acutely felt in FCAS countries. The majority of disasters in the Pacific are weather and climate-related. The economic damage and losses can be substantial, yet there are also decades of learning on coping with the variability and change brought about by numerous, often compounding pressures on social, economic, and environmental systems. Countries in the Pacific recognize the need to reduce their vulnerability to these risks through adaptation and strengthening their human and institutional capacities to assess, plan, and respond (footnote 102).

ADB’s response to climate change in fragile Pacific countries aims to reduce the vulnerability of countries to the risks and impacts of climate change and to support countries’ efforts for continued economic growth. The potential loss of sector outputs and gross domestic product resulting from the impact of climate change are estimated to be between 5% and 13% a year in the Pacific developing member countries. There is also an expected increase in health expenses and in the operation and maintenance costs of physical assets.

Climatic events also put project benefits at stake, depending on the location of the assets and on the intensity and severity of climate events, such as floods, inundation, heavy rainfall, sea surge, “king tides,” and cyclones. Investments in climate proofing at the project level will prevent such losses. This needs an incremental investment of 5% to 20% in many development projects. Assured financing of the costs of climate proofing and resilience building at the project level is crucial for most Pacific developing countries.

It also requires strategic engagement of the governments and development partners in mainstreaming climate change into development plans, and accessing financial resources

---

from multilateral and bilateral sources as well as increased public–private partnerships.

Climate proofing of ongoing and planned Pacific infrastructure projects by ADB and contributing development partners has begun, with projects in the Cook Islands, Papua New Guinea, Solomon Islands, Timor-Leste, Tonga, and Vanuatu. Projects include road systems (Box 26), port and harbor development, water, urban roads, drainage, and sanitation systems.

Mainstreaming adaptation and disaster risk reduction in fragile and conflict-affected situations is often compromised by (i) a lack of policy and technical tools and methods for integration into development planning; (ii) poor interaction and institutional coordination among agencies and partners responsible for disasters, climate change, and development; and (iii) limited data and knowledge to assess climate, disaster, and fiscal risks. A suitable first response should strengthen tools and methods for integrating these issues into development planning,

**Box 26  Climate Proofing Transport Infrastructure in the Pacific**

ADB responds to climate change by proactively incorporating climate proofing into project design. For example, the Second Road Improvement Project in Solomon Islands includes

(i) watercourse crossings designed to survive higher floods and the load of river-borne debris;
(ii) bridge abutments anchored to piled foundations to minimize the collapse of abutments and approach roads;
(iii) river training to minimize the deviation of watercourses from their original path;
(iv) strengthened protection for approach roads;
(v) a raised road surface where a rising water table makes the road more flood-prone, with protected side gradients to prevent erosion; and
(vi) the rerouting of coastal sections of roads away from the immediate foreshore and the exposure to waves and tidal inundation.

The Road Network Development Sector Project in Timor-Leste, for example, built climate proofing into road rehabilitation and maintenance by considering future climate data when reviewing engineering designs and plans and by making climate change adaptation part of the environmental management plan. The models developed through the project aim to influence the government’s road sector strategy.

strengthening coordination, and improving data and knowledge to assess climate and disaster risks.

**Peacebuilding tool.** The Nepal Country Partnership Strategy 2010–2012 designed and implemented the peacebuilding tool as a pilot initiative to respond to the challenges as the country transitioned from a state of conflict. In view of a conflict-sensitive program design, the tool was used to assist in conducting context analysis of investment projects and monitoring of two selected projects in Nepal (Box 27). The peacebuilding tool can enhance the potential for peace and social

---

**Box 27 Using the Peacebuilding Tool in Two Projects in Nepal**

In the beginning of preparation for the Kathmandu Valley Water Supply and Waste Water System Improvement Project, the peacebuilding tool helped identify illustrative activities that could contribute to peacebuilding. These included prohibiting child labor, meetings among municipalities for sharing lessons, high-level political party meetings for ownership, and using mass media to inform citizens of progress and problems.

Measuring results in peacebuilding is challenging. Recommended monitoring indicators were the number of (i) households with victims of conflict helped; (ii) women and ethnic minorities reached; (iii) consultation meetings conducted with all parties, beneficiary groups, and/or concerned organizations; (iv) social audits conducted; (v) jobs created or people employed; and (vi) households reached by the recycle, reduce, and reuse approach to waste management. The early preparation stage is an appropriate time to recommend indicators for a project’s results framework.

The preliminary stakeholders’ meeting with municipalities under the Integrated Urban Development Project helped sensitize municipal officials to the peacebuilding tool requirement, key issues of conflict, and appropriate project activities. The meeting provided a good opportunity to discuss the identification of victims of conflict as target groups for the project and the need to focus on the carrying capacity of municipalities affected by internally displaced people.

The tool helped identify Banke District’s vulnerability to religious conflict and its local capacity for building peace by using the interreligious committee to deal with potential disputes. The committee keeps abreast of internal religious issues, including South Asian events like court decisions on Babari Masjid in India and India–Pakistan cricket matches to ensure that such events do not damage Nepali religious harmony and security.

---


---

cohesion in a conflict-affected country, facilitate understanding of potential social conflict, develop mitigation measures when designing projects, and be used for project monitoring and evaluation. (The peacebuilding tool is in Appendix 5.)

Communication Strategy

A well-constructed communication strategy designed to inform and engage stakeholders as well as enlist and sustain public support, or “ownership,” is an important contributing factor to the successful implementation and achievements of a project in a difficult environment. Strategic communication that also integrates reputational issue management is recognized as a major component of a conflict-sensitive approach. It is also an important component in the toolkit developed by the ADB conflict advisor in Sri Lanka.98

ADB’s revised Public Communications Policy99 emphasizes stronger communications in projects. It calls for stronger engagement with affected people and other interested stakeholders throughout the project cycle by ensuring that essential communications and information sharing are integrated into ADB-supported projects and programs. This will be done by indicating in key project documents the (i) types of information to be disclosed, (ii) mechanisms for public notice, including language and timing, and (iii) responsibilities for implementing and monitoring information disclosure and dissemination.

Applying a Programmatic Approach in Project Implementation

ADB’s portfolio is diverse and requires a differentiated approach based on specific country contexts. ADB’s developing member countries range from small Pacific island states—many of which are classified as facing fragile and conflict-affected situations—to the world’s most populous countries and members of the Group of 20. There are large variations in the size of projects, portfolio performance, disbursement ratios, and the capacities of executing agencies across regional departments (footnote 63).

Significant implementation adjustments are highly likely during project implementation in FCAS countries and efficiency has suffered as a result. Implementation delays and major changes in scope are common, with a few cases of cancellations. It takes longer to process a project in such countries (that is, the time from approval to first disbursement) compared with the ADB-wide average. The reasons for this include unanticipated security issues in post-conflict countries,


frequent changes of government counterparts, and nonresponsive executing agencies. Some quick-disbursing emergency response instruments have been extended beyond the intended time period for non-emergency issues (footnote 38). A more programmatic approach has therefore been applied in most cases.100

Planning for Implementation

Procurement Plan

The systemic institutional and organizational capacity constraints in fragile and conflict-affected situations require a long-term approach focusing on developing the country’s project management capacity, including the ability—under specific circumstances—to flexibly apply ADB’s procurement rules and procedures.101 Improving project readiness and project costing (including the use of a project design facility, developing the executing agency’s project management capacity, and efficient and professional management of procurement) is particularly supported in fragile and conflict-affected situations.

The following should be taken into consideration when preparing a procurement plan:

(i) The capacity of the domestic contracting industry to establish the likelihood of receiving competitive bids and to ensure that there will be sufficient contractors interested in bidding.

(ii) The establishment of minimum project experience required in the qualification of bidders. This is considered to be an essential prerequisite when bid documents are being prepared. Time delays in procurement activities will be experienced if the required minimum standards are set too high, in that it will preclude competition and incur additional staff resources in the evaluation process.

(iii) The executing agency’s capacity in preparing bid documents and undertaking bid evaluation. This is an important indicator in determining the likelihood of successful awarding of contracts in a timely manner. This also requires taking into account the government’s approval process for the awarding of contracts.

100 A programmatic approach is a coherent approach to planning and implementation at strategic, regulatory, budgetary, and operational levels. It may involve the long-term and strategic arrangement of individual yet interlinked projects aimed at achieving large-scale impacts. See S. Agrawala. 2009. Implementing Adaptation Towards a Programmatic Approach. OECD AIXG Seminar. 4-5 March and Global Environment Facility. Adding Value and Promoting Higher Impact through the GEF’s Programmatic Approach.

The use of ADB’s project design facility should be considered for detailed engineering design, feasibility studies and due diligence, safeguards, and pre-implementation work to accelerate project readiness. This is particularly important in fragile and conflict-affected situations, where executing agencies are typically not able to undertake or oversee such work without external assistance.

In fragile and conflict-affected situations, there is a need to foster new thinking to improve supply-side capacity. The limited number of qualified local contractors and consultants, and the limited interest from international contractors and consultants, also contribute to a less competitive environment. This in turn leads to higher costs, especially amid heightened insecurity.

Helping national consultants and contractors to develop their capacities can ensure sustainability. A detailed assessment of local capacity is a prerequisite, followed by a comprehensive program to develop the capacities of the national consultants and contractors. Several approaches can be used. If suitable capacity exists, civil works contract packaging can be adjusted to promote national competitive bidding. However, if capacity is low, international competitive bidding contracts should include provision to subcontract a reasonable percentage of the works to a national contractor (Box 28). For consulting services, the national consultants should initially be encouraged to develop capacity in field work. With experience, capacity can be extended to more analytical work.

Innovative approaches could encourage inclusion, engagement, and empowerment of vulnerable people and community programs. For example, community participation in procurement through labor-intensive practices, which will generate income opportunities for local communities, may also work to improve the security situation for international contractors.

Such is the case in Papua New Guinea and Solomon Islands. The use of special funds has supported community-related works alongside the main ADB-funded projects, such as roads in Afghanistan and Timor-Leste. These community programs are being structured around the work of provincial reconstruction funds. The funds will be used to repair basic amenities and services such as water, schools, and roads. ADB will also call on contractors to employ community workers in the current projects and to introduce training programs to anticipate the needs for sustaining projects.

The involvement of communities in project activities helps generate livelihoods as well as create project ownership. However, care is needed to ensure that the community has the capacity to undertake the work required in these activities. For
How Do We Operate in Fragile and Conflict-Affected Situations?

Example, communities are engaged by road maintenance contractors in Papua New Guinea and Solomon Islands to undertake simple maintenance functions, such as minor pothole repair, vegetation control, and culvert cleaning.

Packaging Civil Works

Attracting international contractors to work in fragile and conflict-affected situations is difficult when there are more lucrative, comfortable, and less risky opportunities elsewhere. It is therefore important to carefully consider the packaging of civil works to increase their attractiveness and maximize the potential for efficient implementation.

Small contract packages can be bundled into bigger, higher-paying contracts to attract bids from domestic and international contractors (Box 29). The executing agency should undertake a preliminary assessment of the current and potential number of contractors likely to participate in bidding. By combining packages to form a larger financial package, the executing agency could (i) attract more competition from experienced contractors, (ii) avoid procurement delays, and (iii) allow national contractors to gain experience by participating as joint partners in a larger contract procured under international competitive bidding procedures (Box 30).

Box 28 Improving Procurement in Papua New Guinea Civil Aviation Development

Under the Papua New Guinea Civil Aviation Development Investment Program, the original procurement plan focused on individual packages, national competitive bidding, and reliance on the prequalification of bidders.

During implementation, the executing agency experienced delays in procurement due to (i) the limited number of domestic contractors that qualified and expressed interest in bidding for international competitive bidding contracts in Papua New Guinea, (ii) the insufficient size of contract packages to attract bids from large domestic and international contractors, and (iii) the additional work and time needed for the prequalification of contractors exercise.

By introducing changes in the original procurement plan from the prequalification of contractors to post-qualification, and by combining packages to form larger financial packages, the executing agency could attract more competition from experienced contractors and avoid procurement delays.


However, in some instances, such as during the initial period of a capacity building project, small and simple packages could be useful, considering the weak capacity of the implementing agency and the limited condition of the construction industry and potential suppliers.
Box 29 Making Contract Packages More Attractive in Papua New Guinea

For the Papua New Guinea Highlands Region Road Improvement Investment Program-Project 1, contract financial packages were made larger to attract international and domestic contractors. These larger packages were also intended to provide contractors economies-of-scale by mobilizing larger capacity equipment and more experienced personnel, speeding up project implementation. The international contractors, in turn, could help develop the capacity of the country’s contracting industry.

The project’s recurrent maintenance requirements were also included in the civil works construction contracts. This provided further incentive to contractors to devise innovative solutions to the construction design to minimize recurrent maintenance costs and engender competitive bids.


Box 30 Bundling Contracts under the Dili Urban Development Sector Project

Under the Dili Urban Development Sector Project in Timor-Leste, three subzones of the capital’s water supply system were expected to be contracted using national competitive bidding to support national contractors. The contract was for civil works and equipment to rehabilitate the distribution system, including repairing leaks and installing water meters.

During implementation, the executing agency did not receive any successful bids for the first subzone. The firms did not have previous experience in contracts of similar size and technical complexity, and they lacked the required financial capacity to undertake a project of those characteristics.

Because domestic contractors had limited technical and financial capacity to prequalify for the contract, the executing agency decided to package the three subprojects in one contract to be procured under international competitive bidding, making it more attractive to international contractors and encouraging joint ventures with domestic contractors.

Source: Fragile and Conflict-Affected Situation Team, ADB.

One of the major challenges facing fragile or conflict-affected countries is the requirement for adequate and timely maintenance to ensure project infrastructure and facilities are used to their designed optimum. Toward this objective, the inclusion of maintenance programs in addition to the civil works component should be encouraged. This will provide contractors with an additional incentive
to participate in the bidding program, as they will have the opportunity to take advantage of potential revenue-generating opportunities and to suggest design improvements, if needed, to ensure that maintenance programs are cost effective for the executing agency.

Where contracting risks are high and feasibility studies have not produced conclusive answers to the best approach for final design and construction, the use of turnkey contracts—each backed by fixed execution periods and appropriate premiums and penalties—can improve implementation of projects on time, within budget, and to the highest standards. This contracting modality was used to implement the Hairatan to Mazar-e-Sharif railway project in Afghanistan.103

As an example, ADB is addressing the inherent challenges of and constraints to infrastructure development in Afghanistan through the following innovative approaches (Box 31):104

(i) **Capacity.** Multitranche financing facilities (MFFs) have built-in customized capacity development components to hire national consultants on merit, to provide adequate training—both in-house and regional—and to treat financing of land acquisition and involuntary resettlement costs as eligible expenditures under ADB grants. These practices enable the streamlining of project start-up and limit implementation delays.

(ii) **Procurement.** Under an MFF, ADB adopts customized procurement and delivery modalities to

(a) encourage bid-securing declarations despite poor banking facilities,
(b) increase the national competitive bidding threshold and rationalize contract packaging to local conditions to encourage competition and development of the construction industry,
(c) institute performance security recovery from first invoice,
(d) allow flexible contracting arrangements to rapidly employ any additional funds made available by the government, and
(e) use third-party evaluations to verify social safeguards and the quality of physical works, among other things.

In the same manner, devolving procurement powers to project management consultants under the MFF streamlines and expedites the entire procurement process.

(iii) **Turnkey mode.** ADB adopted a new approach using turnkey contracts (fewer packages and lots), each backed up by fixed execution periods and appropriate premiums and penalties to achieve economies of time,
funding, and standards. For some time-critical projects, including the railway project connecting the city of Mazar-e-Sharif in the Afghanistan’s north to Uzbekistan, government delegates procurement of goods, works, and services to ADB. This approach has been cost-effective and has delivered rapid results with compressed implementation timelines. Discussion is ongoing with the government to outsource the contracting process (bidding, evaluations, and awards), payment certification, and project management (or supervision work) while government agencies focus on policy, strategy, planning, and oversight.

Turnkey contracts require a very high level of oversight, which involves review and approval of the contractor’s designs, and ensuring the use of acceptable materials and methods of construction. The executing agency needs to be capable and vigilant. As its capacity is low, all decisions most likely will be taken by the contractor and consultant, and the executing agency’s involvement will be significantly reduced. This will lead to very poor sustainability.

Box 31 Innovation Helps Complete Afghanistan’s Railway Project Ahead of Schedule

The $140 million, 75-kilometer railway from Hairatan to Mazar-e-Sharif is now complete; and rail freight movements will soon commence between Uzbekistan and Afghanistan, opening a new transit route for exports from Central Asia and expected to benefit more than 5 million people.

Construction was expected to take 3 years, but finished 9 months ahead of schedule after a turnkey contract finally fixed a delivery period of 12 months. Recognizing the fragile environment of northern Afghanistan, ADB adopted new approaches to enable expedient construction. It used a design-build contract modality for project execution, with a fixed price and delivery period along with premiums or penalties against time, budget, and quality standards.

To further expedite construction and ensure international standards, the supervision engineer had responsibility to check construction schedules and quality standards without the day-to-day involvement of government ministries. Supervision consultants were given direct responsibility to certify payments to the contractor, issued by the government and authorized by ADB through a standby letter of credit. The implementing ministry was then able to focus on oversight and reporting. In addition, issuing a contract with substantial premiums and penalties made it worthwhile for all parties to perform.

The whole experience encouraged the government to outsource the operation and maintenance of the railway. The government will soon establish a railway authority for regulation, asset ownership, tariff setting, and standard setting. The government has plans to develop more than 2,500 kilometers of railway in the coming years following the same model.

Source: Fragile and Conflict-Affected Situation Team, ADB.
Consulting Services

Consulting services are vital to ADB operations, yet recruitment and management are often a bottleneck in project preparation and implementation. Recruiting good quality consulting services for ADB projects in fragile and conflict-affected situations, particularly in postconflict areas, has been a challenging task for ADB staff as well as for the project executing agencies. The main reasons for the difficulty vary from country to country, but the following are common:

(i) Local consulting service capacity is weak or does not exist.
(ii) An unstable political and economic situation and lack of opportunities often cause human capital flight and brain drain to other countries, leaving local consulting service capacity even weaker or nonexistent.
(iii) Assignment locations in FCAS countries are often less attractive to international consultants, not only due to living and security conditions, but also because of inadequate support from the government in the project country.

There are no universal and quick solutions to all these problems. However, ADB staff can and should take proactive measures to mitigate the risk of project delay or failure in FCAS countries due to the difficulty in getting qualified consultants to work on projects. Below are suggested measures for handling consulting services in fragile and conflict-affected situations, which may also apply to the procurement of goods and works.

(i) **Identify the source of potential consulting services providers at an early stage.** An accurate and thorough assessment of local consulting services capacity should be done at the project level or sector level during fact-finding missions. This is to help determine whether the consulting services for the project can be provided by domestic or international expertise, or a combination of both. Advance actions to identify potential sources of services and preparing suitably targeted recruitment advertisements as early as possible are crucial to avoiding delays in recruiting consultants for projects in FCAS countries.

(ii) **Reach out to potential service providers.** FCAS countries are often not on the international consultants’ radars. But this may not be because they are uninterested in working in these countries; rather, it is more likely because they have either unintentionally overlooked these areas or simply because they do not have full access to the opportunities and information on the real situation in the countries.
the international consultants’ radars. But this may not be because they are uninterested in working in these countries; rather, it is more likely because they have either unintentionally overlooked these areas or simply because they do not have full access to the opportunities and information on the real situation in the countries. Extra effort is therefore needed—by ADB staff in the case of technical assistance and by the executing agency with the help of ADB staff in the case of a loan—to reach out to consulting service providers identified through capacity assessment. Outreach can be done either through noncommittal inquiries from project officers to firms and individuals, depending on the nature of the assignment, or through business opportunity seminars conducted by the Central Operations Services Office (COSO). Outreach may give special attention to overseas nationals of FCAS countries and encourage them to return and contribute to the social and economic development in their homelands.

(ii) **Formulate the terms of reference based on the specific conditions of the fragile or conflict-affected situation.** Extra care should be taken in preparing the terms of reference, not only to reflect the technical requirements of the assignment, but also the availability of the expertise in the country. If the supply of national expertise is identified through the consulting service capacity assessment, the terms of reference should make the position a national position to encourage the growth of the national consulting industry, create opportunities for national experts, and help reduce brain drain. The terms of reference may also encourage overseas nationals of FCAS countries to take up the assignment and treat them as international consultants (consult COSO on a case-by-case basis). Whenever a terms of reference for an international consultant is being prepared, it should contain a knowledge transfer requirement for the international consultant to mentor or train at least one or more national counterpart personnel in the consultant team and/or in the executing agency.

(iv) **Budget adequately.** Consultants working in fragile and conflict-affected situations may incur additional costs for travel, insurance, and security arrangements, which project staff should take into consideration when estimating costs for consulting services assignments.

(v) **Be flexible in the recruitment process.** Within the basic principles provided in the *Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers*, the project department may seek COSO’s advice and concurrence for using a flexible approach in recruiting consultants for projects in fragile and conflict-affected situations. This may include

a. using manual submission of proposals instead of using the Consultant Management System when the user unit can justify that using the
system may cause difficulty for national firms to participate in the competition;
b. allowing consulting firms to determine whether certain positions in the proposal should be international or national when consulting service capacity assessment does not produce clear results or there is insufficient time to complete the assessment; and
c. allowing sufficient provisional sums for national inputs in the proposal for the team leader to help identify national candidates after the assignment inception, when quick mobilization of international consultants is required. All these flexible approaches should be discussed with COSO on a case-by-case basis.

(vi) **Take specific fragile and conflict-affected situations into account when processing a contract.** The working and living conditions in the assignment locations in FCAS countries vary substantially between and within countries. Within the basic principles of ADB’s current remuneration policy, COSO in the case of technical assistance and staff consultancies, or the executing agency in the case of loan and grant projects, should give due consideration to the specific conditions of the FCAS when negotiating and determining the rates and per diem allowances in the contract. In the case of technical assistance and staff consultancies, the user department has the obligation to provide accurate information on local conditions to COSO for making a proper assessment in processing a contract. In the case of loan/grant projects, the project department may request COSO to provide assistance to the executing agency, either in the field or through telecommunication, when the contract negotiations become, or are anticipated to become difficult. Staff should also always pay attention to the security situation in the FCAS, particularly in conflict-affected countries. The Office of Administrative Services should be consulted when staff believe there is a need for applying the minimum operating security standards in the contract; and the contract must reflect the appropriate security measures accordingly.

(vii) **Ensure adequate government support and security arrangements in implementation.** Greater attention by project staff to ensuring that consultants working in fragile and conflict-affected situations get adequate support from the government in the country of their assignment is crucial for them to carry out their assignments. Such support may include, in addition to technical support, logistical support that may be taken for granted in other countries but barely exist in certain FCAS countries. Among all the logistical arrangements, security arrangements are of utmost importance, particularly in conflict-affected areas. Pre-trip briefings or induction packs on the most essential information consultants should have about their assignments, and the related arrangements should be prepared by the project staff or the executing agency when necessary.
(viii) **Build up long-term consulting service capacity.** In addition to the capacity assessment at the project level, it is strongly recommended that an overall assessment at the country level should be carried out when formulating/updating the country partnership strategy. Specific programs for building up the country’s consulting services capacity need to be identified in the country partnership strategy. For example, in Timor-Leste, a scholarship component was added to a long-term capacity development technical assistance to build a cohort of technical staff for the future.\textsuperscript{105} COSO can play a critical role in these programs, which may include programs for developing national consulting services tailor-made for fragile and conflict-affected situations.

(ix) **Respond quickly in emergency cases.** The *Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers* and ADB’s *Disaster and Emergency Assistance Policy* provide flexible approaches to quickly respond to emergency needs that typically result from disasters, such as floods, earthquakes, and tsunamis. In the case of consulting services, this may include single-source selection of consultants and simplified approval procedures when the consultants are recruited by the executing agency. However, staff should be aware that not all consultancy assignments in fragile and conflict-affected situations are emergency cases, and most of them, in fact, can be planned well in advance with sufficient lead time for a transparent and competitive recruitment procedure.

As there is no universal solution to all the consulting service recruitment issues in fragile and conflict-affected situations and there is often a grey area between principles and allowable flexibility, project staff are strongly recommended to consult COSO when applying any approach that may deviate from normal procedures set forth in the Project Administration Instructions.

**Disbursement Arrangements**

When the capacity of the executing or implementing agency is limited—as is usually the case in fragile and conflict-affected situations—the project should avoid complex design in its financing and proposed funds flow arrangements. One area that could be simplified in designing an FCAS project is counterpart financing.

---

\textsuperscript{105} ADB. Infrastructure Project Management. Project Data Sheet: Overview. www.adb.org/projects/39151-012/main
Executing agencies in FCAS countries often have issues in the provision of counterpart financing, or the lack thereof. The design should consider using 100% ADB/cofinancier financing of cost categories requiring monetary contributions (such as civil works, equipment, or consultants), with counterpart financing for other cost categories requiring no cash outlay (such as taxes and duties or in-kind contributions). Such an arrangement could help the project avoid delays in implementation caused by inadequate counterpart funding.

Moreover, when projects in fragile and conflict-affected situations involve cofinanciers, subject to project specifics, one way to simplify the design is to use parallel cofinancing modes. For example, each development partner can finance specific identifiable cost categories/components of the project. While this may not always be feasible (or advisable), and is subject to cofinancier/donor preferences, it could simplify financing and disbursement arrangements at the executing/implementing agency level and within ADB.

In fragile and conflict-affected situations, direct payment and reimbursement methods of disbursement should generally be used whenever possible and practical. The use of imprest accounts is not encouraged due to the limited financial capacity of the borrower. However in certain instances, such as projects with a community-based component, or projects with numerous payments for small expenditures, imprest account procedures may be necessary. Similarly, the use of statement of expenditure procedures is also not encouraged due to capacity issues. When the use of imprest account procedures is deemed necessary for a project where the financial capacity of the executing/implementing agency is limited, the project design should consider using full-supporting documentation, or at the very least, a minimal statement of expenditure ceiling ($10,000, for example), as the basis of imprest account liquidation.

When proposing either imprest account or statement of expenditure procedures, the project design should incorporate strong capacity development plans focusing on financial management, fiduciary controls, and monitoring mechanisms to help mitigate any associated risks. Another mitigating measure is outsourcing the financial management and/or accounting function in FCAS projects to qualified financial consultants or private sector accounting firms (Box 32). Moreover, where the capacity of the government auditors is of concern, due either to the poor quality of the annual audit report or to the lack of timely submission of such reports, the contracting of the annual audit to private/external audit firms could also be envisaged.

Project Administration Manual

The project administration manual describes how the borrower or grantee (executing and implementing agencies) will manage project implementation and deliver the results on time, with quality, within budget, and agreeing with government and ADB policies and procedures. The manual should identify the particular steps where
innovations and flexibility in doing business can enhance ADB’s aid effectiveness in fragile and conflict-affected situations, highlighting extensive participation of the whole-of-government, civil society, beneficiaries, and other development partners. Specific business processes greatly contribute to detailed implementation plans and project management arrangements; they should be incorporated into the project administration manual, as deemed appropriate.106

The project administration manual is drafted along with the report and recommendation of the President during loan fact finding. Resources should be available to simultaneously draft the project administration manual in the national language and in English to ensure that procedures outlined in the manual are formulated with government officials and stakeholders who will be involved in implementation. Particular attention should be placed on ensuring that the roles and responsibilities of all agencies involved in project implementation are clearly defined.

---

defined and agreed on. This includes creating opportunities for civil society stakeholders to engage in project implementation. It is also important to ensure that project readiness filters (project administration manual, Section II.A) are agreed on and appropriately scheduled.

Developing officials’ capacity is a necessary condition in all FCAS projects. Particular attention should be placed on ensuring that the capacity and risk mitigation action plans in governance, procurement, financial management, and gender and safeguards assessments are adequately reflected in project activities and scheduled in the project administration manual, Section II.B.

The design and monitoring framework should describe how all aspects of the project will be monitored and evaluated, including consideration of an annual or semiannual joint review process involving key stakeholders such as civil society organizations and financing partners. Further, projects should include at least one midterm review—including a review of key capacity development actions using tools, such as the procurement review for effective implementation—to assess the effectiveness of these efforts during implementation and make appropriate adjustments.

Project Management

As ADB’s report on good project implementation practices points out (footnote 63), ADB’s portfolio requires a differentiated approach based on specific country contexts. This is especially the case in fragile and conflict-affected situations, which feature some of the most challenging implementation contexts. Such problems can be mitigated through careful attention to institutional capacity and deployment of consultants, procurement and disbursement management, and safeguards compliance.

Institutions and Capacity Development

Weak executing agency capacity and incentives to supervise and manage contracts and safeguards effectively are common in many developing member countries, and even more so in fragile and conflict-affected situations. They are often exacerbated by high staff turnover, ambitious implementation schedules, and complex project designs. The challenges include (i) insufficient and inadequately qualified staff, (ii) inefficient and ineffective rules and procedures, (iii) inappropriate organizational structures and lack of support systems, and (iv) poor project management. Mitigating the risks requires a balance between capacity development and capacity substitution.

Many investment projects are accompanied by loan or technical assistance financed consultant support to implementing agencies. An important decision at the design stage is whether a project will be implemented by a project management unit or project implementation unit that is established expressly for the purpose and staffed primarily by national and international consultants.
Although development thinking in recent years has emphasized that such parallel units should be avoided in favor of working through government systems, in fragile and conflict-affected situations, there may be no existing systems with enough capacity to strengthen initially while still delivering quality outputs. In such cases, there may be justification for a parallel unit with the sole responsibility of managing the project. When a parallel unit must be established, it should be placed clearly within the institutional structure of the executing agency and be accountable to the management as if it were any other unit of government, and employ government systems to the extent possible.

Alternatively, where there is a government unit with sufficient capacity to be primarily responsible for implementation, external assistance may be required only for targeted support for specialized tasks. In these cases, it may be desirable to provide a management or procurement specialist to assist in identifying needs and recruiting expertise to fill them. For example, in Solomon Islands, a Central Project Implementation Unit was established within the Ministry of Infrastructure Development specifically to manage external assistance from all partners. This unit is headed by a senior ministry official and has the resources to flexibly engage targeted support.

Where extensive capacity development is required over an extended period, a higher proportion of capacity substitution may be required in some countries. A range of project implementation tasks can be undertaken by contractors and suppliers, leaving executing agencies responsible for policy making, planning, and oversight of implementation and achievement of outputs. Rather than engage consultants only to support project implementation units, outsourcing key implementation functions and supporting the establishment of innovative public-private partnerships to deliver such services can be an effective strategy (Box 33).

Where it is judged that capacity development is appropriate, support often features on-the-job training and skills transfer to ensure good quality project implementation and capacity development to build sustainable institutions. An increasing proportion of implementation assistance in fragile and conflict-affected situations has been devoted over recent years to this agenda. In Solomon Islands, for example, an average of over 40% of implementation assistance has been budgeted for capacity development, which has created a cohort of competent national staff in executing agencies and private sector consulting firms. This outcome has been expensive and slow, but effective in the long term (Box 34).

Common areas for strengthening include budget and expenditure management, procurement and accountability systems related to project administration, organizational development, better communications, planning and strategy development, inputs to new laws and regulations, and building professional partnerships and networks. In the weakest of fragile and conflict-affected situations, it may even be desirable to provide scholarships for technical professionals and technical and vocational education for field technicians, as is being done in Timor-Leste.
How Do We Operate in Fragile and Conflict-Affected Situations?

ADB can also directly develop the capacity of executing and implementing agencies through customized training offered by COSO and the Controller's Department, which provide project-related training focusing on ADB procedures. A range of instruments has been deployed, including business opportunity seminars, implementation seminars, procurement clinics, regional technical assistance project management, safeguard seminars, and specific assistance from resident missions.

Capacity development can be further supported by providing management manuals and materials and sharing ADB's project management experience among project management staff in a country. In the weakest performing countries, it may be necessary over the long term to provide non-project-related capacity development technical assistance projects, promote partnerships with academic institutions, develop knowledge hubs to provide specialist sector training, and

---

Box 33  Public–Private Partnerships in Prevention and Control of HIV in Papua New Guinea

The National Department of Health HIV/AIDS Prevention and Control in Rural Development Enclaves Project in Papua New Guinea, supported by ADB, has built innovative partnerships with non-state health service providers to improve rural primary health care service delivery. Under the project, local health authorities in eight provinces established partnerships with six large private companies to improve more than 100 rural health facilities and train health workers and communities in preventing HIV transmission, significantly increasing the number of primary health beneficiaries in project areas.

The project aimed to strengthen government leadership and the implementation of strategies to contain the spread of HIV among rural populations. It had four components: (i) public–private partnerships with rural development enclaves, (ii) social marketing of condoms and community behavior change communication interventions, (iii) strengthening the sexually transmitted infections and HIV/AIDS surveillance system, and (iv) project management and coordination.

The first component has supported the establishment of public–private partnerships with rural development operators such as oil, mine, and agricultural companies to focus on improving and extending health services to the surrounding communities. Six private companies signed agreements with the Department of Health and provincial stakeholders in 2007.

Over 4 years since the project began, 120 sites have been supported including 82 health facilities and 38 staff houses. Of these 82 health facilities, 65% are government managed, 17% are company facilities, and 18% are church managed. Medical equipment was also provided to all health facilities. Health human resources were strengthened through training programs, such as HIV testing and counseling and the management of sexually transmitted infections. There are 365 clinicians trained to conduct HIV testing and 470 trained for management of sexually transmitted infections; an estimated 376 clinicians work in the 82 health facilities.

Source: Fragile and Conflict-Affected Situation Team, ADB.
It is important not to mix too many capacity development activities with investment operations to avoid reducing the effectiveness of both aspects. Project evaluations have shown that it is prudent to balance capacity building and investment at the portfolio level rather than within each project to guard against designing overly ambitious and complex projects. It is also important to make clear the distinction between implementation and capacity development, and to promote a client-led solution-focused approach, rather than one that focuses on capacity gaps.

provide dedicated resources for each, so that the day-to-day pressures for project progress do not push aside the longer term need for skills transfer.

**Procurement Management**

The most commonly identified cause of delays in project implementation is managing procurement. ADB's report on good project implementation practices notes five key challenges to effective procurement: (i) needs identification, (ii) quantification (specifications and design), (iii) supply market capability and capacity, (iv) transaction management (procurement and procurement approvals), and (v) quality control (contract management).

Project designs typically assume that executing and implementing agencies will manage project procurement, and have the capacity to do so efficiently and effectively. However, this is often not the case in fragile and conflict-affected situations where executing and implementing agency staff lack the necessary understanding and experience of government and ADB procurement procedures and practices. As is the case with implementation issues in general, it will often be necessary to provide supplementary capacity. A procurement specialist should be included in all teams processing FCAS loan and grant projects to assist in finding optimal procurement solutions.

Implementation and management consultants are commonly engaged to assist executing and implementing agencies in procurement. Thus, the procurement expertise is in effect outsourced. The degree of outsourcing is reflected by the level of responsibility shared between the executing agency and the consultant. Firms specializing in procurement are used in countries where the executing agency has little capacity, such as in Afghanistan (Box 35). Another area where consultants can be deployed with potentially high impact is in preparation for advance procurement action, which should take place prior to project inception. But for other FCAS countries, efforts should be made to work with the executing agencies with the aim of improving their capacity to the required level over an agreed period of time.

Placing international procurement specialists in resident missions and training national procurement officers in resident missions through a procurement accreditation program has allowed ADB to become more responsive in its procurement decisions, while ensuring the necessary fiduciary controls are exercised. As more procurement expertise is closer to clients and projects, a more proactive role for such specialists should evolve.

Procurement packaging, as discussed earlier, provides opportunities to facilitate participation and mitigate the shortcomings of particular markets. In some fragile and conflict-affected situations that do not have a steady annual pipeline of projects in a given sector, it may not be apparent at the design stage what aspects of the market may be important by the time works are ready to be tendered. It may become necessary during early review missions or even at the midterm review to repackage the procurement plan to respond to a particular market structure.
In countries where there is little capacity among national contractors, fewer but larger packages may be necessary to attract international tenders, particularly in difficult situations such as those with poor security or in remote and expensive locations. Conversely, in areas where there is an emerging national contracting industry, a larger number of relatively small packages may be desirable to size some opportunities within the capacity of local firms. A blend of a few large packages to attract international firms and some smaller packages to build a local industry can sometimes be considered to attract firms at both ends of the market.

It is not uncommon for governments and development partners to want to actively promote a national contracting industry. The benefits of promoting smaller firms must be weighed up against the likely costs of a higher project management burden. Field supervision is one area where resources must be carefully planned and allocated to ensure that implementation quality does not suffer in pursuit of nationalization goals.

National contractors and consultants in fragile and conflict-affected situations are usually not familiar with ADB’s procurement guidelines, which can lead them to submit technically competent but administratively noncompliant bids. Their situation is similar to the capacity issues faced by executing and implementing agencies, where capacity development may become a longer term goal. In some fragile and conflict-affected situations, ADB has conducted training for private sector firms on how to interpret a request for proposal and how to prepare compliant tenders. Project management units should consider providing generic training in tendering through their normal pre-bid conferences.

### Box 35 Use of Procurement Agency in Afghanistan

Afghanistan Reconstruction and Development Services (ARDS), the first ISO 9001: 2000 certified organization in Afghanistan, is the central procurement facilitation service provider in the procurement of goods, works, consultancy, and services.

ARDS was established in December 2003 as a government institution to facilitate rapid and transparent utilization of donor resources for the reconstruction and development with the primary task to assist line ministries in carrying out procurement in conformity with the guidelines of funding agencies.

ARDS comprises two major units—the Procurement Unit and the Technical Assistant Unit. The Procurement Unit deals with various procurement activities on behalf of line ministries and other government entities whereas the Technical Assistant Unit deals with the recruitment of advisors and other professionals for government line ministries.

Source: Fragile and Conflict-Affected Situation Team, ADB.
Disbursement Management and Fiduciary Oversight

Projects implemented in fragile and conflict-affected situations should begin with a solid financial management assessment at the preparation stage, so that accountability and transparency mechanisms are in place by the time of project inception to reduce fiduciary risks.

The Controller’s Department should be closely consulted on financing and disbursement issues during project processing and implementation. The Controller’s Department provides guidance on financing and disbursement arrangements during project processing; authorizes loan, grant, and technical assistance grant disbursements; and advises on other financing and disbursement-related issues during implementation.

Although the use of imprest accounts is generally not favored, in some fragile and conflict-affected situations, the state of public financial management may make regular small payments to suppliers unreliable, and so imprest accounts can ease day-to-day implementation. Establishing imprest accounts may not be straightforward, depending on a government’s financial management system and the country’s banking and foreign exchange system. It may be necessary to establish first-generation accounts in foreign currency at the central bank and second-generation accounts in national currency at a commercial bank. When imprest accounts are used, careful monitoring by review missions is essential to ensure that executing and implementing agencies prepare and submit accurate withdrawal applications and requests for replenishment, particularly when there are multiple accounts and currencies involved.

One effective way to mainstream accountability and transparency is by mobilizing professional and civil society bodies. Possible approaches may involve (i) engaging a private sector accountancy firm or establishing a fiduciary oversight agency to monitor payments, (ii) engaging a private sector or external audit firm to conduct the annual audit, (iii) publicizing contract awards and payments, (iv) getting civil society involved in pre-audit as observers in evaluation, (v) monitoring in real time by engaging civil society as inspectors to evaluate ongoing and completed works, (vi) establishing an ombudsman, and (vii) using alternative dispute resolution.

In cases of suspected or alleged fraud or corruption, the Office of Anticorruption and Integrity, ADB’s independent investigative unit, is the initial point of contact for screening and investigating. ADB has adopted an Anticorruption Policy that requires all ADB staff and all parties carrying out activities financed by ADB to adhere to the highest financial and ethical standards.

Safeguards

All projects need to be reviewed for safeguards compliance with ADB’s Safeguard Policy Statement (2009). In fragile and conflict-affected situations, given typically
weak capacity for monitoring compliance on environmental and social issues, special attention is required during project reviews, particularly, since safeguards issues are often subject to loan or grant covenants.

Missions should conduct rapid assessments in cooperation with project team leaders and national staff and analysts, undertake site visits, and review project documents (including project administration manuals, loan agreements, construction bidding documents, environmental management and resettlement plans, and project monitoring reports). Missions should coordinate this work closely with the safeguards focal point in the resident mission.

Review checklists should include (i) the status of project covenants related to safeguards; (ii) whether environmental management and resettlement plans have been updated; (iii) assessment and reconfirmation of capacity in project management units, executing agencies, and oversight agencies; (iv) review of bidding documents and proposals to ensure safeguards requirements are included; (v) review of monitoring reports for completeness and accuracy; and (vi) status of any grievance reports.

Compensation for customary lands is an issue that can affect resettlement and delays implementation (Box 36). Stoppage of work by landowners can significantly delay civil works contracts and prevent contractors from bidding on projects. Prior to beginning project implementation, therefore, it is preferable that all issues associated with the project land be satisfactorily resolved before contracts are awarded. The executing agency should be encouraged to undertake active awareness programs to alert landowners about the project and its impact on their livelihoods. Awareness programs should not be left to the contractors to undertake, as in most cases they do not have the skills to undertake such tasks and may unintentionally create negative impacts.

**Monitoring**

Reviews of ongoing implementation repeatedly highlight substantial weaknesses in program effectiveness, design, and management. In part, this reflects the unpredictability and complexity of fragile and conflicted settings, and that it is more difficult to attribute change to particular interventions in such contexts. In fragile and conflict-affected situations, close cooperation among ADB, the borrower, and the executing agency is needed in particular to review the physical implementation

---

How Do We Operate in Fragile and Conflict-Affected Situations?

How Do We Operate in Fragile and Conflict-Affected Situations?

Progress as well as monitor and evaluate the achievement of development objectives and security issues as appropriate (Box 37). To prevent potential loss of control over implementation, an early warning system requires special attention, with frequent monitoring to improve project oversight and special care to business processes.

Portfolio Review

The annual (or in some cases semiannual) country portfolio review mission is a key milestone for overall implementation monitoring. At the country portfolio review mission, broad portfolio management issues are identified and brought to the attention of senior government officials. Increasingly, ADB directors general meet with high-level government officials to discuss and resolve serious project or portfolio issues.

In some countries, regular meetings led by senior government and ADB staff are held more often to conduct a systematic review of the portfolio. Project implementation units and ADB project staff participate, which means that a review of project and sector progress is combined with a sharing of knowledge and experience and pitfalls. Such meetings provide an excellent opportunity for

Box 36 Gravel Pits and Quarry Sites on Customary Land in Papua New Guinea

One of the common issues experienced during implementation of subprojects under ADB-supported projects in the highlands region is disputes between families or clans within a tribal group over land identified for extraction of gravel material for construction purposes. Such sites are usually on customary land, and the process of identifying the genuine landowners is challenging and painful, especially for the contractor.

Papua New Guinea’s Department of Works has experienced that even the use of a resource person from within the provincial government or administration can take longer due to work commitments and time limitations.

Under ADB-supported projects, therefore, the Department of Works Highlands Roads Maintenance Group, through its community relations officer, identifies a public relations officer from the subject area, who is usually a knowledgeable and influential individual in the community.

During the stages of identifying potential gravel or quarry sites, the public relations officer will assist the contractor in identifying the actual landowners, establishing communications including translation to local dialect, overseeing and guiding negotiations, and witnessing the signing of agreements for the extraction of gravel material. Also, the work of the public relations officer has helped the Department of Works in identifying and establishing new gravel sites for future need.

Source: Fragile and Conflict-Affected Situation Team, ADB.
formal and informal interaction. There is increasing evidence that more regular, systematic, and high-level interaction enhances project implementation.

Within ADB, regular portfolio review meetings within sector divisions and at the department level should involve both headquarters and resident mission staff to discuss status and agree on actions to improve implementation performance. Follow-up actions should be monitored at least quarterly by resident mission staff in the project administration unit.

**Project Review Missions**

During implementation, problems are typically addressed on a project-by-project basis by the executing agency, together with ADB. The ADB Operations Manual states that regular ADB review missions—preferably semiannual and joined by the executing and implementing agencies and cofinancers, when appropriate—discuss the latest progress, address current and emerging problems by developing mitigation measures, and participate in the review and preparation of annual plans of operations/work plans.¹⁰⁸

Some regional departments explicitly require at least two project review missions per year for each project and additional missions for problem projects. Due to the often sensitive nature of the local context, frequent review missions should be carried out in fragile and conflict-affected situations by a sector specialist from headquarters, and whenever possible, should be done jointly with resident mission staff. Depending on the nature of the local context and issues encountered, staff from relevant support departments, including COSO and the Controller's Department, can also be involved.

Annual contract awards and disbursement projections are part of project administration plans and a key result area for monitoring. Categorizing the status of projects using time and budget parameters to assess the likelihood of completing the project within the planned duration and budget can be introduced. A graphical presentation of projected and actual disbursements (the “S-curve”) should be used to assess implementation progress. The project performance report, which should be updated after every mission and reviewed quarterly, is based on five key indicators: technical, procurement, disbursement, financial, and safeguard risk indicators. The procurement and disbursement indicators involve comparing projected and actual S-curves.

Regular review of compliance with loan or grant covenants is required for the project performance report, but should not be seen as a mere formality. All covenants are important, or they would not have that status, but a few areas deserve early and proactive attention from project teams to avoid implementation problems, delays, and downgrades in performance ratings. These include complying with all safeguards, ensuring maintenance is budgeted and performed to improve sustainability, and submitting audited financial statements to avoid projects being classified as at risk.

Project teams often need to refine implementation strategies and actions to ensure development results are delivered. They should also identify appropriate mitigation measures to address implementation problems. Many projects that experience early difficulty can be brought on track during midterm reviews—but only if the review is rigorous and results in firm decisions that are fully implemented.

When changes in scope or implementation arrangements are required, they should be assessed with the same level of care and detail as the project's original due diligence.
In addition to the normal tasks of project review, the midterm review is supposed to be a self-evaluation exercise undertaken during each project. These missions allow an assessment of whether a project is likely to achieve its outcome and outputs on time and within budget. The results of a midterm review should be used when comparisons between implementation progress and results at project completion are required.

Because the priorities and needs of fragile and conflict-affected situations are constantly changing, review missions need to assess not only the relevance of the projects as a whole, but also the relevance of the project components to meet the target outcomes and impacts. Flexibility to adapt a project design to meet priorities is often necessary to ensure the project remains relevant. Box 38 provides an example of a drastic change in project design after an extensive consultation with project stakeholders.

**Box 38 From Power Generation to Power Distribution**

In the Federated States of Micronesia, ADB is assisting the Chuuk State Government to improve electricity services to the residents of Weno Island through the Omnibus Infrastructure Development Project.

The prolonged failure of the Chuuk Public Utilities Corporation to provide a reliable electricity supply to the residents of Weno Island has seriously affected the development of Weno and Chuuk State and exacerbated the hardship endured by many of the island’s residents.

The project design allowed for the provision of a new power station and limited upgrading of the Weno electricity distribution system, which has very high technical and non-technical losses.

In 2011, the Chuuk Public Utilities Corporation assessed that while additional electricity generation capacity was essential, power distribution system losses, if unaddressed, would further increase—significantly reducing the utility’s financial and technical sustainability.

The utility determined that substantial investment in power generation would not be feasible without electricity distribution system improvements. Following extensive consultation, the key project stakeholders, including ADB, agreed that the focus of the project’s activities in Chuuk State needed to change from the augmentation of Weno’s electricity generation capacity to improvements of the electricity distribution system.

The cost to upgrade the distribution system is substantially less than the cost to construct a new power station. With savings realized from changing the focus of the project, the Chuuk Public Utilities Corporation is investing in the refurbishment of existing generators. The utility anticipates that through the refurbishment, the life of generators will increase by at least 10 years, deferring the high capital cost that might be incurred in constructing a new power station within a similar period.

Source: Fragile and Conflict-Affected Situation Team, ADB.
Risk and mitigation measures are required in ADB projects; however, if there is no adjustment measure provided for project implementation for unforeseen problems, a workout function allows flexibility. A workout function is used to address specific constraints in problem projects identified by the project performance report.

In FCAS countries, much more than in other developing member countries, it is recommended to anticipate potential problems before they occur. A workout function should therefore be developed and incorporated into the project administration manual to identify problems that could arise during implementation. This workout function is like a living organism that may evolve during the life of the project and its implementation. A workout function should be formalized to identify appropriate mitigation and/or adjustment measures to address specific constraints in potential problem projects. This should involve headquarters and resident mission team work, with oversight from the front office (footnote 63).

**Monitoring Implementation of the Gender Action Plan**

The Gender Action Plan (GAP) forms a core part of project implementation, and therefore should be fully integrated into the project administration manual. Provision should also be made in the project budget for full implementation of GAP activities, such as through a loan or grant assurance.

During project implementation, it is important to regularly collect gender data and to monitor and report on gender targets and performance indicators, as well as the progress of implementing the GAP. Review mission planning and engagement with executing and implementing agencies should routinely include assessments and discussions on GAP implementation and progress on achieving gender results. Reports on GAP implementation and achievements should also be included in back-to-office reports and in all project completion reports. ADB gender specialist colleagues at headquarters and resident missions are a valuable resource, and can be tapped for assisting mission leaders to monitor GAP implementation. Similarly, it may add value to involve civil society organizations focused on women to assist with implementation and monitoring of GAP activities.

**Development Coordination**

ADB is normally one of several development partners active in a given sector, and always part of a development environment that can be crowded in fragile and conflict-affected situations. Governments demand better coordination and a lighter transactional burden of dealing with many partners. Project implementation performance benefits when ADB and other partners work with governments to improve coordination across projects and sectors.

At the project level, steering committees comprising representatives from key government agencies are the norm in most projects to ensure a consistent
application of rules and uniform decision making on project implementation issues. Because administrative procedures may be weak in fragile and conflict-affected situations, and follow-up of decisions therefore less than ideal, it is important that steering committee members are at a high enough level in the hierarchy and have the necessary authority.

Appointing project staff to steering committees should be avoided, as members need to have an overview of all the projects active in a sector. When there are several projects in a given sector, or even across multiple sectors, it may be an effective coordination strategy to appoint a single steering committee with common membership and to combine meetings so that all issues are discussed efficiently and consistently.

Some countries have adopted effective portfolio and sector coordination mechanisms that consider wider issues, such as the government’s evolving development policies, emerging partnership strategies, and the forward pipeline of projects and technical assistance. In Vanuatu, for example, the Office of the Prime Minister convenes a regular meeting of all development partners active across all infrastructure sectors; and in Timor-Leste, an annual conference of development partners is convened.

Another area for improvement is the working relationship between headquarters and resident missions. Because of their proximity and easy access to executing agencies, resident missions can play a crucial role in implementing projects. Coordination with and effective support from technical staff based in headquarters is essential to optimize client service through technical and sector support. ADB provides selective implementation support services to larger resident missions by outposting or seconding headquarters staff, conducting extended missions, and employing and training skilled resident mission staff.

National governments in FCAS countries are inherently weak in governance; and development efforts in this context require a close, sensitive, and personal presence for programs of assistance to be effective. Reducing poverty and achieving development goals require in-depth, in-country development coordination and development policy dialogue. However, it is not always possible to establish a formal resident mission, especially in smaller countries with modest portfolios. ADB is therefore strengthening its presence in some fragile and conflict-affected situations through innovative development coordination offices—in some cases, jointly with the World Bank (Box 39, see also Box 14).
Box 39  Pacific Development Coordination Offices

The Pacific Approach identifies the need to promote more effective development processes. In implementing this strategy and reflecting ADB’s endorsement of the Paris Declaration on Aid Effectiveness, ADB is working closely with other development partners to improve coordination and promote harmonization. ADB is promoting closer liaison with member governments and development partners to enhance the impact and efficiency of ADB and other development partner assistance.

The Pacific Department is piloting the provision of greater resources to facilitate strengthened coordination between governments and ADB, World Bank, and other development partners by establishing development coordination offices, which are now operational in Kiribati, Solomon Islands, Samoa, Tonga, and Vanuatu.

The development coordination offices have helped

(i) strengthen relations with governments, private sector, and civil society organizations in the region;

(ii) strengthen the harmonization and coordination of development partner programs;

(iii) improve the monitoring of development partner country activities;

(iv) improve the government’s aid coordination;

(v) strengthen portfolio performance and policy dialogue;

(vi) generally improve development effectiveness in the interest of poverty reduction;

(vii) relieve pressure on government officials in arranging mission meeting schedules;

(viii) provide better opportunities for development partners’ mission coordination;

(ix) improve opportunities for joint development partner analytical work;

(x) lead to a greater sharing of information and more focused policy dialogue between the government and development partners;

(xi) allow for more timely and more focused development partner assistance;

(xii) overcome development partner communication problems with government counterparts; and

(xiii) facilitate greater direct information flows between development partners.

Moreover, development coordination office nationals have enhanced development partner understanding of the operations of the government and the local political economy.


Source: Fragile and Conflict-Affected Situation Team, ADB.
Areas for Future Consideration
ADB can move forward by building on the work since 2007, and accelerate momentum by sustaining long-term commitments, developing institutional and leadership capabilities that are “fit for purpose,” and intensifying strategic partnerships.
5 Areas for Future Consideration

By some counts, one in every four of the world’s people live in fragile and conflicted settings. This handbook underscores ADB’s recognition that their plight deserves special attention. This is not to harm or stigmatize the standing of countries classified as fragile or conflict-affected.

Rather, it simply acknowledges that while many countries have successfully transited from conflict and fragility to sustained peace and stability, economic growth and improved social welfare, others have not and are unlikely to do so without special assistance. Where fragility persists and conflicts are unresolved, citizen’s expectations of the state remain out of kilter with what it is able or willing to deliver.

As a result, it is difficult to arrest the continuing decline in public authority or the vicious cycle in which states become disconnected from public demands and preferences, and citizens withdraw the trust and resources needed for states to function effectively and legitimately. In these conditions, societies are unable to create vibrant private sectors, fairly and effectively share public wealth and services, or achieve justice and security.

This handbook has also made clear that no single definition adequately describes a “fragile and conflicted setting.” But there are common challenges, as well as lessons from how development agencies are already responding to these circumstances, and pointers to where more thought, innovation, and leadership are required. Common to most definitions is the inability of states to govern and provide services across the nation’s populations and territories in ways citizens regard as fair and legitimate.
But effective engagements must be attuned to the reality that fragility refers to a dynamic mix of factors. The conditions in fragile and conflict-affected situations are not static, and neither do nations progress from one point to another in a linear fashion. Moreover, not all conflict is detrimental to social and economic development. Indeed, conflict typically accompanies forms of economic and social transformation that may ultimately prove to be beneficial for all. Conflict can be a cause, symptom, and consequence of fragility. Likewise, fragility can be the product of chronic, unresolved conflicts in society, or the inability to transit to inclusive, sustained growth in the aftermath of violent conflict.

Development agencies like the World Bank and ADB are alert to the fact that the policies, principles, and operational approaches they routinely apply can be ineffective or add to the stresses already faced by a nation in establishing the effective and legitimate institutions and leadership needed to transit to stability and sustained development over the long term. Failure to engage in an innovative manner is likely to entail major human, social, economic, and security costs.

Nonetheless, as this handbook has shown, ADB has considerable experience with operations in small, isolated, and vulnerable economies; in much larger countries that are under transition from a closed economy to market-led development; and countries that are emerging from conflict. Staff members have developed innovative ways to work effectively in these contexts.

And the knowledge they have generated from experience has often been translated into new procedures, analytic techniques, financing instruments, and approaches to capacity building. And as shown in this handbook, ADB’s business practices are consistent with global standards and the proposals made by the leaders of FCAS countries, as expressed, for instance, in the g7+ New Deal.

At the same time, despite these innovations and the increased volume and share of total development assistance to FCAS countries in the past decade, the results have fallen short of expectations. Their plight—often of stagnation, continuing decline, or only marginal improvements followed by reversals—contrasts unacceptably with the high performance achieved in poverty reduction and economic growth in many other of ADB’s developing member countries.

The foundation for an effective strategy to deal with this paradox was laid out in ADB’s 2007 Approach to Weakly Performing Countries. The momentum gained thus far can be capitalized upon. ADB can move forward by building on the work since 2007, and accelerate momentum, on three dimensions:

(i) **Sustain long-term commitments, but act fast.** This is the key message of the World Development Report 2011, and the plea of the g7+ members. ADB has several ways to reinforce this in practice. Strategic planning

---

109 As a follow-up activity to the ADF XI replenishment meetings, ADB will update its 2007 approach focusing on policy level issues, as the operational level issues are covered by this handbook. See footnote 2.
that incorporates assessments of fragility and political economies will be strengthened during country partnership strategy preparation. Peacebuilding and statebuilding will be incorporated into project design and implementation with the end-view of long-term sustainability through capacity development, for example in Nepal. ADB will also continue to strengthen its field presence in Afghanistan and the Pacific countries. The use of the MFF and sector-based approaches, along with other modalities suited to underpinning long-term engagements, will be further enhanced where appropriate, as in Afghanistan. Innovative approaches to implementation, such as outsourcing, turnkey contracts, better contracting modalities, and the use of reliable supervision consultants, are critical to doing things on time, within budget, and to high standards.

(ii) **Concentrate on developing institutional and leadership capabilities that are “fit for purpose.”** This requires identifying, through analytic and operational experience, the key functional capabilities states and societies need to address public concerns about human security, inclusive service delivery, and job prospects. ADB has already elevated the profile given to capacity development. To ensure this support is fully tuned to the needs and circumstances of FCAS countries, ADB has several diagnostic tools available, including the prospective fragility assessments and risk assessment methodologies being promoted under the g7+ New Deal.

(iii) **Intensify strategic partnerships.** Coordination among development partners in fragile and conflict-affected situations has improved in recent years, and ADB has many innovative examples to be proud of. But too often, fragmented and incoherent collective responses by international partners hinder local leadership and compound stresses. More can be done to strengthen collaboration and cofinancing. The *World Development Report 2011*, and more recently the New Deal, suggest additional ways to strengthen strategic partnerships and, with the advent of the g7+ grouping of FCAS countries, the prospect that partnerships will be led by leaders of the countries concerned. ADB’s field presence in FCAS countries will be sustained and further strengthened through cooperation and resource sharing with major development partners, enhancing the participation of civil society and the private sector in development efforts, and strengthening ADB’s engagement in international dialogue on FCAS issues.
Appendixes
Do no harm.

– OECD
### Appendix 1

**Synopsis of Fragile Situation Guides from Other Multilateral Organizations**

<table>
<thead>
<tr>
<th>Organization</th>
<th>Document (Year)</th>
<th>Purpose</th>
<th>Comment</th>
</tr>
</thead>
</table>
| African Development Bank      | The Fragile States Facility (FSF) Guidelines on Administration of the Technical Assistance and Capacity Building (TCB) Program of Pillar III Operations (2010) | The guidelines propose to consolidate the three sub-components of Pillar III operations of the FSF into an integrated TCB program. The broad objective of the consolidated program is to lay a strong foundation for building sustainable and effective institutions in FSF beneficiary countries. The TCB will provide well-targeted technical assistance, combined with institutional capacity development, the large-scale training of serving senior and technical staff in public institutions, and the deployment of highly skilled experts residing in the Diaspora, to support recovery efforts of Pillar III eligible countries. | The FSF was designed to provide support to eligible regional member countries via three 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).  
- Date of agreement: March 2008  
- Current total volume of the fund: UA1,411.79 million  
- Volume of the fund disbursed: UA374.60 million  
- Financial contributors: ADF 11 allocation (UA408.43 million), ADF 12 allocation (UA 764 million), Post-Conflict Country Facility (PCCF) carry-over (UA165.64 million), and net income on PCCF funds (UA13.72 million) |
The paper discusses the implications of the findings of the World Development Report 2011: Conflict, Security and Development (WDR 2011) for the World Bank Group’s (WBG’s) work in fragile and conflict-affected situations (FCS) and countries facing subnational violence and threats from criminal networks. It outlines a framework to guide the WBG’s overall agenda in these situations in the medium term.

The implications of the WDR 2011 findings are best categorized into six themes:

− Making country strategies more fragility-focuses
− Strengthening partnerships on development, security, and justice
− Increasing attention to jobs and private sector development
− Realigning results and risk management frameworks for FCS
− Seeking less volatility in financing
− Striving for global excellence in FCS work.

This note is a first attempt to translate the World Development Report findings into initial actions by the Bank. Subsequent policy reform recommendations will be submitted to the Board for approval.

The WDR 2011 looks across disciplines and experiences drawn from around the world to offer some ideas and practical recommendations on how to move beyond conflict and fragility and secure development. The key messages are important for all countries—low, middle, and high income—as well as for regional and global institutions (R. Zoellick):

− First, institutional legitimacy is the key to stability.
− Second, investing in citizen security, justice, and jobs is essential to reducing violence.
− Third, confronting this challenge effectively means that institutions need to change.
− Fourth, we need to adopt a layered approach.
− Fifth, in adopting these approaches, we need to be aware that the global landscape is changing.

The key messages are important for all countries—low, middle, and high income—as well as for regional and global institutions (R. Zoellick):

− First, institutional legitimacy is the key to stability.
− Second, investing in citizen security, justice, and jobs is essential to reducing violence.
− Third, confronting this challenge effectively means that institutions need to change.
− Fourth, we need to adopt a layered approach.
− Fifth, in adopting these approaches, we need to be aware that the global landscape is changing.

continued on next page
<table>
<thead>
<tr>
<th>Organization</th>
<th>Document (Year)</th>
<th>Purpose</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Nations Development Programme (UNDP)</td>
<td>Strengthening the rule of law in crisis-affected and fragile situations: A UNDP global programme for justice and security (Phase II) 2012–2015 (2011)</td>
<td>Based on six key programme areas, this Global Programme forms the blueprint for UNDP's engagement on rule of law assistance in crisis-affected and fragile situations. Building on the successes of its predecessor, this second phase of the Global Programme redoubles UNDP's support in this important area. It provides technical, operational, and financial support to UNDP country offices to implement comprehensive rule of law, justice, and security programmes in countries affected by conflict, disaster, violence, and fragility. In responding to requests from host governments for rule of law assistance, UNDP recognizes the importance of national ownership and early foundations toward long-term peace and development. Programme work to develop capacities of justice and law-enforcement institutions and ensure security providers are subject to civilian oversight. Particular emphasis is placed on tackling sexual and gender-based violence in situations affected by conflict and fragility. The six key programme areas are – access to security and justice during an ongoing conflict or immediate post-crisis recovery</td>
<td>Rule of law is a core pillar of UNDP's work, and is critical to peacebuilding. During a crisis, national and local capacities must be empowered to tackle impunity and respond to immediate justice and security needs. In the aftermath of crisis, and in fragile situations, unobstructed access to legitimate rule of law institutions is a decisive factor in efforts to rebuild societies, and prevent a downward spiral into violence or conflict. UNDP's engagement in this area seeks to enhance physical and legal protection of people and communities, ensuring legal representation, access to justice and empowerment of communities and civil society. This Global Programme also represents a framework for UNDP's renewed contribution to strengthening the UN to work together in this important area. Phase II reflects UNDP's commitment to maximize its comparative advantages in the service of the whole UN system, and to be a catalyst for common approaches. Total budget: $90 million</td>
</tr>
</tbody>
</table>

*continued on next page*
<table>
<thead>
<tr>
<th>Organization</th>
<th>Document (Year)</th>
<th>Purpose</th>
<th>Comment</th>
</tr>
</thead>
</table>
- capacity development of key justice and security institutions  
- transitional justice  
- armed violence reduction and citizen/community security  
- rule of law for economic recovery | This guide is designed to help project teams engaged in investment climate reform in conflict-affected countries more effectively design, plan, implement, and evaluate reform projects. In this guide investment climate refers to government laws, policies, regulations, and procedures that improve institutional governance, bureaucratic efficiency, and industry competitiveness. 

The core organizing scheme for the guide is that of a typical project cycle, with six sections:  
- What do investment climate project teams face?  
- Guiding principles for catalyzing investment climate reform  
- Investment climate diagnostics  
- Planning for investment climate reform  
- Implementing investment climate  
- Monitoring and evaluation of investment climate reform in conflict-affected countries | The guide's primary insight is also its framing principle: there are no blueprints for success, and every country needs a unique response. This simple and intuitive idea, echoed through dozens of interviews and IFC notes (called Smart Lessons), has shaped this guide. But the guide also rests on the assumption that lessons from one context can be judiciously adapted and applied to others. The challenge is to provide guidance that is general enough for a breadth of different conflicts, yet specific enough to avoid platitudes that sacrifice its applicability. 

What this guide does not do is tell readers what to think. Instead it assumes that beyond certain basic rules of good project management, project teams need a framework to guide their efforts—complemented by suggestions, examples, and reference materials—when developing responses to the challenges identified by the guide. |

Source: Fragile and Conflict-Affected Situation Team, ADB.
## Appendix 2
Countries Identified as Fragile and Conflict-Affected Situations, 2007–2011

<table>
<thead>
<tr>
<th>Developing Member Country</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Azerbaijana</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kiribati</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Lao People’s Democratic Republic</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marshall Islands</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Federated States of Micronesia</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Nauru</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Nepal</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Palau</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Papua New Guinea</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Timor-Leste</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Tuvalu</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vanuatu</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

*a The Asian Development Bank no longer conducts country performance assessments on Azerbaijan, in response to the country’s request.

Key Findings and Lessons

Getting reforms on the agenda
- Where ADB support for reforms was embedded in the government’s initial reform agenda, commitment was more effective.
- Wide public and intergovernmental consultation on the reform agenda facilitated better understanding of the reasons for reform, and expected benefits and costs.
- Lack of consensus among stakeholders on the role of government and core public functions and services in the reform agenda led to wavering on reform commitments in areas such as state-owned enterprise reform and some privatized public sector functions.

Managing complexity
- In small, close-knit developing island economies where the public sector is the main source of economic activity, the politics of reform can be complicated and needed close monitoring and regular dialogue.
- Identifying and supporting pro-reform leaders was important, but involvement of a wider support base may have helped to better manage the risks and uncertainties that underlie reform commitment.
- Political transitions required more intense reengagement in policy dialogue by ADB and increased flexibility.
- Pursuing moderate, sequenced reforms would have been more realistic, especially where institutional capacity was limited.
- Reforms introducing modern systems needed to better consider historical, social, and cultural traditions and context in design and implementation.

Endorsing reforms
- Greater efforts were needed to build lawmaker understanding of the purpose of legislation in the overall reform effort prior to legislative passage.
- Reform targets were required, but their basis needed to be rationalized and explained better.
- Excessive use of conditionality was not an effective approach to managing the reform process.
Implementing Reforms

- Program loan periods were too short to build the capacity required to develop and manage reforms.
- More effective approaches to technical assistance were needed to support reform implementation.
- Improved monitoring and evaluation of the outcomes and development impact of reforms (against targets) was needed to inform stakeholders of progress.
- Voluntary retirement can further reduce capacity during institutional reform.
- Intensified dialogue and flexibility is required during a period of unanticipated political transition.

Sustaining Reforms

- Economic and public service management reforms initiated management and attitudinal changes toward accountability, but fell short of reaching a critical mass in many cases.
- Assumptions on the response of the private sector needed to be more realistic and reviewed regularly.
- Reform is a medium- to longer-term effort that needs continuous support from ADB—whether through technical assistance, program financing, or sector investment support.

Recommendations

- Enhance ownership by stocktaking and assessing the current state of reforms progress and stakeholder support in Pacific developing member countries as a basis for considering further support.
- Ensure continuity in ADB support for government reform priorities through a mix of program, project, and technical assistance operations—harmonized with other development partners, and in line with ADB areas of comparative institutional advantage.
- Enhance focus on priority removable binding constraints, and address economic and public resource management separately from sector goods and service delivery improvements or in sequence.
- Focus technical assistance on institutional capacity development needed to support reforms through more effective designs.
- Better target removable constraints to facilitate private sector development and provision of industry and constraint-specific technical assistance support.

### Principle Key Issues

1. **Take context as the starting point.**
   - Understand the specific context in each country.
   - Develop a shared view of the strategic response that is required.
   - Recognize the constraints of capacity, political will, and legitimacy.
   - Use sound political analysis to adapt responses to the context.
   - Mix and sequence aid instruments according to context.

2. **Do no harm.**
   - International interventions can inadvertently create societal divisions and worsen corruption and abuse.
   - Base interventions on strong conflict and governance analysis, and design them with appropriate safeguards.

3. **Focus on state building as the central objective.**
   - International engagement should be concerted, sustained, and focused on building the relationship between state and society.
   - Support the legitimacy and accountability of states.
   - Strengthening the capability of states to fulfill their core functions to reduce poverty.

4. **Prioritize prevention.**
   - Prompt action can reduce fragility and lower the risk of future crises.
   - Take rapid action where risk of instability is high.
   - Share risk analyses.
   - Look beyond quick-fixes to address the root causes of fragility.
   - Strengthen indigenous capacities, especially those of women, to prevent and resolve conflicts.
   - Support the peacebuilding capabilities of regional organizations.

5. **Recognize the links between political, security, and development objectives.**
   - The challenges faced by fragile states are multidimensional.
   - The political, security, and socioeconomic spheres are interdependent.
   - There may be tensions and trade-offs between objectives, particularly in the short term, which must

---

**Appendix 4**

OECD Principles for Fragile States and Situations

<table>
<thead>
<tr>
<th>Principle</th>
<th>Key Issues</th>
</tr>
</thead>
</table>
| 1. Take context as the starting point. | - Understand the specific context in each country.  
- Develop a shared view of the strategic response that is required.  
- Recognize the constraints of capacity, political will, and legitimacy.  
- Use sound political analysis to adapt responses to the context.  
- Mix and sequence aid instruments according to context. |
| 2. Do no harm. | - International interventions can inadvertently create societal divisions and worsen corruption and abuse.  
- Base interventions on strong conflict and governance analysis, and design them with appropriate safeguards. |
| 3. Focus on state building as the central objective. | - International engagement should be concerted, sustained, and focused on building the relationship between state and society.  
- Support the legitimacy and accountability of states.  
- Strengthening the capability of states to fulfill their core functions to reduce poverty. |
| 4. Prioritize prevention. | - Prompt action can reduce fragility and lower the risk of future crises.  
- Take rapid action where risk of instability is high.  
- Share risk analyses.  
- Look beyond quick-fixes to address the root causes of fragility.  
- Strengthen indigenous capacities, especially those of women, to prevent and resolve conflicts.  
- Support the peacebuilding capabilities of regional organizations. |
| 5. Recognize the links between political, security, and development objectives. | - The challenges faced by fragile states are multidimensional.  
- The political, security, and socioeconomic spheres are interdependent.  
- There may be tensions and trade-offs between objectives, particularly in the short term, which must |

*continued on next page*
### Principle Key Issues

<table>
<thead>
<tr>
<th>Principle</th>
<th>Key Issues</th>
</tr>
</thead>
</table>
| 6. Promote nondiscrimination as a basis for inclusive and stable societies. | - Real or perceived discrimination is associated with fragility, and can lead to service delivery failures.  
- Interventions should consistently promote gender equity, social inclusion, and human rights to underpin the relationship between state and citizen.  
- Promotion of the voice and participation of women, youth, and other excluded groups should be included in statebuilding and service delivery strategies from the outset. |
| 7. Align with local priorities in different ways in different contexts. | - Where governments demonstrate political will, but lack capacity, seek to align assistance behind government strategies.  
- Avoid undermining institution building by developing parallel systems or through inadequate attention to transition mechanisms and long-term capacity development. |
| 8. Agree on practical coordination mechanisms between international actors. | - Work together on upstream analysis, joint assessments, shared strategies, and coordination of political engagement.  
- Examples: joint funding agency offices, agreements on division of labor, delegated cooperation arrangements, multidonor trust funds, and common reporting and financial requirements. |
| 9. Act fast ... but stay engaged long enough to give success a chance. | - Assistance to fragile states must be flexible enough to take advantage of windows of opportunity and respond to changing conditions on the ground.  
- Given low capacity and the extent of the challenges, international engagement may need to be of longer duration than in other low-income countries. |
| 10. Avoid pockets of exclusion. | - International actors need to address “aid orphans”—countries or subnational regions where there are no significant political barriers to engagement, but limited international engagement. This also applies to neglected sectors and groups within societies. |

The peacebuilding tool, formerly called the peace filter, was developed jointly with the United Kingdom’s Department for International Development and the World Bank. Its aim is to support the conflict and post-conflict-sensitive approach adopted by ADB’s country partnership strategy for Nepal.

As an analytical tool, it helps project team leaders and social experts identify potential project risks linked to social conflicts, and to develop adequate mitigation measures for addressing those risks. It should not be a substitute for, but rather help structure, the project’s conflict-sensitive analysis, which was already mandatory under ADB’s Country Strategy and Program for Nepal, 2005–2009.

The peacebuilding is a matrix of questions that helps focus conflict assessment to be carried out in formulating projects in conflict-affected areas. It does this by suggesting areas in which the potential for social conflict may either exist or develop. The tool also facilitates identification of opportunities for building peace and social cohesion through implementation of the project under consideration. Since not all questions contained in the matrix may be relevant to the project in question (for example, the questions relating to socioeconomic issues), not all of them need to be answered. However, people using the matrix are encouraged to obtain responses to as many of the questions as possible. This is because comprehensive conflict analysis ultimately ensures that ADB projects support bringing about an end to social tensions and successful conclusion of the peace process, or at the very least, upholding the principle of “doing no harm.”

The peacebuilding tool is a flexible, evolving instrument for analyzing projects and other development initiatives. The best results are obtained by first completing the matrix during project-preparatory technical assistance fact-finding, with content then being revised during the implementation of project preparatory technical assistance. Further, in the case of development initiatives for which an existing conflict poses significant risks to achieving stated objectives, use of the peacebuilding tool is meant to be complemented by a more extensive conflict-sensitive approach formulated during implementation of project preparatory technical assistance and finalized during the design stage of project preparation. Following project approval, the peacebuilding tool can be used to guide project review missions in assessing whether the measures for mitigating project risks earlier identified are being properly implemented. The peacebuilding tool matrix
is therefore meant to be updated and revised as appropriate during project implementation.

During project preparatory fact-finding, the answers to the questions comprising the initial matrix can be used to guide the project team leader in determining whether the services of a social or conflict specialist are required for addressing the project risks identified. Assistance in completing the matrix and in developing the broader conflict-sensitive analysis and approach are likewise provided for under RETA 7269: Supporting ADB’s Engagement in Fragile Situations, which included specific support for Nepal.
### Peacebuilding Tool: Matrix of Project Risks Resulting from Social Conflict and Peacebuilding Opportunities

<table>
<thead>
<tr>
<th>Questions</th>
<th>Risks to Project Associated with Social Conflict</th>
<th>Possible Peacebuilding Opportunities</th>
<th>Recommended Adjustments to Project</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Post-Conflict Environment</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>What have been the major impacts of insurgency in the project area?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>What are the conflict’s current trends? Are new conflicts emerging?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>What are the structural causes (root causes) of conflict in the project area?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does the project respond to the development priorities of local communities?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>What does the community regard as its post-conflict rehabilitation and reconstruction needs?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Formal Decision-Making and Implementation Structures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distribution of Power or Control</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>How representative, transparent, and accountable are the current formal local and central decision-making structures? Provide examples.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>How will the project affect existing formal political structures and decision-making processes?</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*continued on next page*
<table>
<thead>
<tr>
<th>Questions</th>
<th>Risks to Project Associated with Social Conflict</th>
<th>Possible Peacebuilding Opportunities</th>
<th>Recommended Adjustments to Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>What formal peace structures (e.g., local peace committees, community mediation) are currently operating? How will the project interact with these structures during implementation?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Acceptance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>How does the project ensure that hiring practices are regarded as equitable?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>How does the project structure ensure transparent decision making and actions in project implementation?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>What steps have been taken to ensure that stakeholders accept the proposed approach to project implementation?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>How does the project ensure that selection of direct beneficiaries (i.e., individuals, user groups, geographic areas or regions) is regarded as transparent, equitable, and inclusive?</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Peacebuilding Tool **continued**

*continued on next page*
## Peacebuilding Tool continued

<table>
<thead>
<tr>
<th>Questions</th>
<th>Risks to Project Associated with Social Conflict</th>
<th>Possible Peacebuilding Opportunities</th>
<th>Recommended Adjustments to Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>How does the project ensure that selection of indirect beneficiaries (i.e., government agencies, project implementation units, the private sector, nongovernment organizations) is regarded as transparent and equitable?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Informal Peacebuilding Structures Social Capital</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>How will the project impact existing collaboration among social groups?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Traditional Institutions Are there local or traditional structures, authorities, or institutions in place that perform decision-making or conflict management roles? How will the project interact with these entities?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Issues Participation of Interest Groups Does the project impact vested interest groups (i.e., traditional authorities, political parties, business interests, state actors)? If so, how?</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*continued on next page*
### Peacebuilding Tool continued

<table>
<thead>
<tr>
<th>Questions</th>
<th>Risks to Project Associated with Social Conflict</th>
<th>Possible Peacebuilding Opportunities</th>
<th>Recommended Adjustments to Project</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Intergroup Relations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>What are the types of social tensions currently present in the project area?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>What are the existing social tensions in the project area?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>How might the project impact these tensions?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>What are the various ways the project might affect the relationship between the various groups present in the project area?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Socioeconomic Issues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>How will the project affect differential access to, and competition over any of the following:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Natural resources?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Productive resources?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land, housing, or property?</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

continued on next page
<table>
<thead>
<tr>
<th>Questions</th>
<th>Risks to Project Associated with Social Conflict</th>
<th>Possible Peacebuilding Opportunities</th>
<th>Recommended Adjustments to Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is the potential for unintended groups (e.g., local elites, business interests, political actors, the “conflict economy”) to capture project benefits or inputs?</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Geographic Issues**

- How does the project affect existing linkages, divisions, and/or competition?
  - Within regions?
  - With adjoining regions?
  - Between rural and urban or semi-urban areas?
  - With international neighbors?

**Security Issues**

- Does the project support specific conflict-affected groups or geographic areas? If yes, indicate which groups and describe how the project supports these groups.
- Is the security of women and children an issue that should be addressed by project implementation? In which dimension (e.g., human trafficking, abduction, access to food, forced labor)?
<table>
<thead>
<tr>
<th>Questions</th>
<th>Risks to Project Associated with Social Conflict</th>
<th>Possible Peacebuilding Opportunities</th>
<th>Recommended Adjustments to Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is the project area stable in the sense that there is absence of social conflict? Is security within the project area managed appropriately? What aspects of security management within the project area support successful project implementation?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is the security environment favorable for internally displaced persons to return home if they choose to do so? Describe which aspects of the security environment favor the return of internally displaced persons.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>How does the project directly or indirectly impact local security (e.g., through improved access to facilities, through changes in the security environment)?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>How might the current security situation help or hinder project implementation (e.g., staff safety, possibility of abduction, extortion, threats to personal safety)?</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Appendix 6
Technical Assistance Capacity Principles Checklist

<table>
<thead>
<tr>
<th>TA Name</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>TA Number</td>
<td>Pacific Developing Member Country</td>
</tr>
<tr>
<td>Projected Outcomes</td>
<td></td>
</tr>
<tr>
<td>Executing Agency</td>
<td></td>
</tr>
<tr>
<td>Proposed Funding</td>
<td></td>
</tr>
</tbody>
</table>

continued on next page
1. a. Can the proposed technical assistance (TA) outcomes and impact be met, even in part, by outsourcing proposed activities to domestic, regional and, or international public or private agencies? Alternatively what is the justification for government execution?

b. To what degree do the core central functions of government (policy formulation, budget management, public service personnel management; and supportive private sector environment) prevent or facilitate achievement of proposed assistance outcomes? Alternatively to what degree are these constraints addressed in the proposal?

Example of evidence of desired circumstances

**Outsourcing**
- Do domestic and, or regional community-based organizations and private businesses have the capacity to develop and be responsible for the delivery of locally based services that are relevant to the TA?
- Can existing regional or international agency(s) such as Forum Fisheries Agency, Pacific Financial Technical Assistance Centre, Pacific Islands Development Program, Pacific Islands Forum Secretariat, Pacific Power Authority, Pacific Islands Applied GeoScience Commission, Secretariat of the Pacific Community, Secretariat of the Pacific Regional Environment Programme, or agencies in Pacific-adjacent countries, such as in Australia or New Zealand provide relevant assistance?
- What are the strengths and weaknesses of local capacity development (CD) consultancy market? Can they assist TA outcomes and impact?

**Policy Formulation**
- How effective is policy formulation in terms of, for instance, clear whole of government policy directions and priorities? Are the systems to cost and to monitor implementation of policies appropriate? Is the policy agenda incorporated into the budget? Is weak policy formulation a constraint to proposed TA outcomes?
<table>
<thead>
<tr>
<th>PRINCIPLES</th>
</tr>
</thead>
<tbody>
<tr>
<td>What are the relevant department head’s view, and any other views, of effectiveness of public service and policy formulation?</td>
</tr>
<tr>
<td>What are line agency views of effectiveness of agency managing the government’s policy agenda?</td>
</tr>
</tbody>
</table>

Personnel Management

- How effective is the public sector in terms of (i) merit-based personnel management (e.g., recruitment, promotion); (ii) career planning and management development systems; (iii) any centrally based human resource development program and budget applied to it; and (iv) levels of personnel delegations and how they are monitored? Is weak personnel management a constraint to proposed TA outcomes?
- What are the relevant views of departmental heads, chief minister, cabinet, Parliament about capacity of the agency, quality of human resource management, and effectiveness of public services?
- What are public servants’ views of management, current pay levels, other conditions of employment and working conditions, agency responsible for human resource management and potential for capacity development?

Budget and Finance

- As relevant, assess adequacy of the medium-term expenditure framework, budget, budget appropriations, revenue, budget and cash management systems, public expenditure monitoring systems, asset management systems, reconciliations with agency accounts, other financial controls, adequacy of internal audits (partly assessed in country performance assessment). Are there sufficient qualified accountants in the agency and in the public service as a whole? What is the broad capacity of staff of the agency to deal effectively with all the budget, cash management and accounting requirements of the government? Is weak budgetary and financial management a constraint to proposed TA outcomes?
- Is legislation and financial regulations governing the activities of the agency adequate, especially with regard to effective financial control within government?
### DIAGNOSTIC FOR CONCEPT DESIGN MEETING

<table>
<thead>
<tr>
<th>PRINCIPLES</th>
<th>STAFF COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>■ Are financial delegations and monitoring mechanisms adequate?</td>
<td></td>
</tr>
<tr>
<td>■ What is the domestic capacity for independent audit and financial accountability mechanisms in both the public and private sectors?</td>
<td></td>
</tr>
</tbody>
</table>

2. **Is capacity development (CD) included in the design and monitoring framework (DMF) where relevant and if included, does this define achievable outcomes and outputs and thereby establish a realistic framework for the assistance?**

   **Example of evidence of desired circumstances**
   - Does the DMF describe the capacity development strategy in proposed TA listing current and proposed capacity development activities as relevant? Are any achievements, weaknesses, opportunities and risks identified? Can any synergies in the capacity development program be identified?
   - Are specific outcomes measurable (training staff, for example, might increase capacity, but it only produces an outcome if the enhanced skills are applied to the improvement of some level of performance)? Are the data for these measures easily collected? Depending on the type of TA while output indicators may include numbers of civil servants trained, institutions accredited, annual cycle of new performance management system completed, and budgets delivered on time, outcome indicators may include improved public services delivered in the form of test scores, improved health indicators, reduced cost, and reports of consumer or civil society satisfaction surveys.
   - Are indicators used to monitor effectiveness of ADB capacity development activities? How will the government actively monitor the effectiveness of capacity development activities? It may help here to include funds in the TA for independent monitoring. Part of the CD may need to be directed at providing managers with appropriate information systems about performance and their being trained in their use.
## Appendix 6  continued

### DIAGNOSTIC FOR CONCEPT DESIGN MEETING

<table>
<thead>
<tr>
<th>PRINCIPLES</th>
<th>STAFF COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>3.</strong> Does the proposed assistance allow sufficient time for all outputs and outcomes to be achieved, for necessary activities to be continued locally and for results to be sustained? Related to this, does the TA include a clear transition if not exit strategy?</td>
<td></td>
</tr>
<tr>
<td>Example of evidence of desired circumstances</td>
<td></td>
</tr>
<tr>
<td>■ How will enhanced capacity be sustained at the end of proposed assistance?</td>
<td></td>
</tr>
<tr>
<td>■ How will CD progressively be handed over to stakeholders with provisions for reducing support from consultants?</td>
<td></td>
</tr>
<tr>
<td>■ Are there clear expectations of the level of staff resources required to maintain the outputs in the absence of the assistance provided?</td>
<td></td>
</tr>
<tr>
<td>■ Is the timetable for decision processes realistic such that momentum is not jeopardized?</td>
<td></td>
</tr>
<tr>
<td>■ Are hand-over milestones established? And for each milestone, are criteria for demonstrated progress and commitment established?</td>
<td></td>
</tr>
</tbody>
</table>

| **4.** Has the nature and extent of real, effective local demand for the proposed assistance been assessed and, or incorporated in the proposed assistance? Within this assessment of demand, are the political economy and associated decision-making processes understood and supportive and is this understanding reflected in the design of the proposed assistance? Alternatively to what extent is an assessment of demand and its development a part of the proposed assistance? |                |
| Example of evidence of desired circumstances                               |                |
| ■ Has the full range of potential stakeholders who may influence TA outcomes been identified and informed? And are they supportive or otherwise? |                |
| ■ Are there prior tangible actions that can provide evidence of the commitment by government and, or other stakeholders? |                |

*continued on next page*
<table>
<thead>
<tr>
<th>PRINCIPLES</th>
<th>STAFF COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Identify and assess potential TA champions.</td>
<td></td>
</tr>
<tr>
<td>▪ List potential “killers” (e.g. change of government with new government likely not to be well disposed to CD) and their probability of occurring.</td>
<td></td>
</tr>
<tr>
<td>▪ Assess the capability and continuity of senior management in the public sector. What commitments are the government making to ensure this?</td>
<td></td>
</tr>
<tr>
<td>▪ Do mechanisms exist or can they be established to maintain a demand for an improved service on the part of customers?</td>
<td></td>
</tr>
<tr>
<td>▪ Does civil society understand the standards that should be achieved and demand quality of services?</td>
<td></td>
</tr>
<tr>
<td>▪ As relevant, describe areas of public service experiencing political interference and political support. Detail independence of any TA-relevant entities such as corporations, the supreme auditor, and public prosecutor.</td>
<td></td>
</tr>
<tr>
<td>▪ Describe how difficult reform decisions are made in the country. Is this by consensus, lobbying, special task forces, interdepartmental committees or other means?</td>
<td></td>
</tr>
</tbody>
</table>

CDM sign off by:  
- Project Officer  
- PDMC Desk Officer  
- Director

continued on next page
### DIAGNOSTIC FOR STAFF REVIEW COMMITTEE

<table>
<thead>
<tr>
<th>PRINCIPLES</th>
<th>STAFF COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>5. Have the four dimensions of capacity (individual, organizational, inter-organizational, and environmental) all been assessed for their strengths and weaknesses and opportunities for enhancement and other assistance? Alternatively will this assessment form part of the TA?</td>
<td></td>
</tr>
</tbody>
</table>

**Example of evidence of desired circumstances**

**All Four Dimensions**

- A paragraph or two summarizing an evaluation of relevant earlier assistance for CD would help.
- What is the reputation of agency(s) within government and in civil society? Is there any indication of performance improvements achieved over the past 5 years?
- What are the impressions of staff and any expatriate consultants working in the agency, most especially with respect to improved, and means to improved, effectiveness?
- Is there any available data about quality, price, coverage and delivery of services? Are there any financial and other performance ratios (including ratio of salaries to operational costs)?
- Give an assessment of any government CD plan. If the government plan is not realistic, then either proposed outcomes may need to be changed or the plan may need to be changed to become more realistic. What CD operational policies are in operation including human resource development and the annual budget allocated to training?
- Are there any organizational diagnostics completed for relevant agencies? If needed, prepare a current situational SWOT (strengths, weaknesses, opportunities, threats) or other strategic capacity assessment. Identify and assess the risks of engagement in CD. This would include an assessment of government support for capacity assessment, cultural constraints in work habits, engagement and interest of civil society, and nature of political economy.
### Appendix 6 continued

#### Diagnostic for Staff Review Committee

<table>
<thead>
<tr>
<th>Principles</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organizational</strong></td>
<td></td>
</tr>
<tr>
<td>- How well are policies formulated and regulations managed?</td>
<td></td>
</tr>
<tr>
<td>- Give an assessment of management systems including management reporting systems and capacity of management.</td>
<td></td>
</tr>
<tr>
<td>- What criteria are used for promotion of officers through management levels?</td>
<td></td>
</tr>
<tr>
<td>- What are the priorities of management for improved effectiveness and details of plans to achieve these priorities? How and to what extent are these funded?</td>
<td></td>
</tr>
<tr>
<td><strong>Inter-organizational</strong></td>
<td></td>
</tr>
<tr>
<td>- Give an assessment of other line agency support for the TA, as relevant.</td>
<td></td>
</tr>
<tr>
<td><strong>Environmental</strong></td>
<td></td>
</tr>
<tr>
<td>- Give an assessment of political support or otherwise for TA.</td>
<td></td>
</tr>
<tr>
<td>- Give an assessment of nongovernment support or otherwise as relevant to the TA.</td>
<td></td>
</tr>
<tr>
<td>- Give an assessment of development partner aid programs and their CD compatibility.</td>
<td></td>
</tr>
</tbody>
</table>

6. **Does the proposal allow for stakeholders’ engagement in further design or redesign, flexible implementation, independent monitoring and assessment? Are there opportunities for the proposal to further enhance good governance through improved accountability, transparency, and participation?**

Example of evidence of desired circumstances
- Describe how all relevant stakeholders were informed and how they designed TAs.
- Describe how the TA proposes to continue engagement with same stakeholders in TA implementation and how any redesign could take place.
- Describe how TA progress will be independently monitored.

*continued on next page*
### Diagnostic for Staff Review Committee

#### Principles

<table>
<thead>
<tr>
<th>Question</th>
<th>Staff Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do individual consultant’s terms of reference (TOR) facilitate flexibility in the timing of activities?</td>
<td></td>
</tr>
<tr>
<td>Are there sufficient unallocated resources to adjust delivery or approach through redesign?</td>
<td></td>
</tr>
<tr>
<td>Does the proposed procurement approach allow flexibility?</td>
<td></td>
</tr>
<tr>
<td>Is there any interest in civil society in promoting greater transparency about government accountability, transparency, and overall effectiveness?</td>
<td></td>
</tr>
</tbody>
</table>

7. Where relevant, does the proposal allow sufficient funding for dissemination in the form of local translations of documentation, public presentations, and other dialogue?

Example of evidence of desired circumstances

- Regarding TA results, who needs to know and how can they be best informed?
- Describe the TA communication plan.
- Is translation into local language(s) desirable and if so, at what cost?
- Can civil society mount effective public affairs programs if required? Give examples of recent public affairs programs; what are their impacts, who engaged in them, and how were they funded?

8. Does the TOR recognize the need for people, country, and change management skills (including knowledge of political economy, interpersonal skills, and commitment to institutional change management)?

Example of evidence of desired circumstances

- Does TOR emphasize the building of local capacity or report writing for government and ADB?
- Does required experience and qualification include an emphasis on skills transfer?
- Describe the government’s (relevant agency’s) specifications for potential consultants.
- How will executing agency senior management, and if appropriate civil society, participate in short listing and selection of consultants?

SRC sign off by:

<table>
<thead>
<tr>
<th>Role</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Officer</td>
<td></td>
</tr>
<tr>
<td>PDMC Desk Officer</td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td></td>
</tr>
</tbody>
</table>
Kiribati, 2010–2014

With climate change being identified as one of the most pressing issues in the country, Kiribati’s country partnership strategy will specifically support the implementation of six strategies of the Kiribati Development Plan, including the implementation of climate change adaptation activities. The country partnership strategy also identified strengthened resilience to climate change as one of the intermediate outcomes and recognized that adaptation actions, such as climate proofing infrastructure investments, will contribute to its strategic objectives, allow ongoing access to infrastructure services despite climate change, and reduce the drain on public finances for infrastructure replacement. Guided by the Pacific Climate Change Implementation Plan, the country will seek to incorporate climate change adaptation and mitigation into the Kiribati program, and will access available funding windows for additional support to address climate change.

Nepal, 2010–2012

One of the four pillars of the Nepal Country Partnership Strategy 2010–2012 includes climate change adaptation and environmental sustainability. ADB will assist Nepal to adapt to climate change through national and local planning, investments in risk reduction, support for insurance and other risk-sharing instruments, and climate-proofing projects. Sustainable management of forests, water, and other natural resources for provision of clean water supplies; protection of biological diversity; and sequestration of carbon from the atmosphere to offset greenhouse gas emissions will be part of ADB’s assistance to Nepal. The country will promote alternative energy and energy efficiency, and will enhance efforts to strengthen the government’s capacity to put in place a sustainable institutional framework for managing climate change and the environment. ADB, together with the World Bank, will assist the country to integrate climate risks and resilience into core development planning through its Strategic Program for Climate Resilience.

Papua New Guinea, 2011–2015

Papua New Guinea’s country partnership strategy, approved in August 2010, recognized that extreme weather conditions and other natural hazards frequently damage infrastructure in the country, and the risk of the climate-related events...
is likely to increase. In response to these challenges, the environment—with a focus on climate change—was identified as one of the strategic priorities in the country partnership strategy. As part of the overall country development program, the government, with support from ADB, will seek to climate- and hazard-proof infrastructure projects, particularly in the transport and power sector, which are at moderate or high risk from the impacts of climate change and other natural hazards. In the power sector, clean energy solutions will be given priority and market mechanisms such as the Clean Development Mechanism will be explored, which may bring in additional carbon revenue. ADB will also provide support through technical assistance (TA) to strengthen the country's capacity to build resilience in key sectors and to manage its natural resources.

Solomon Islands, 2009–2011

Mainstreaming climate change was identified as one of the strategic priorities in the interim country partnership strategy for Solomon Islands. Several programs were described in the country partnership strategy, supporting the mainstreaming of climate change issues in the Solomon Islands both through adaptation and mitigation. ADB-assisted projects that are supporting climate change adaptation include regional TA for the Coral Triangle Initiative as well as infrastructure projects. The Coral Triangle Initiative will include investments in adaptation measures for integrated watershed and coastal management, including marine protected areas. Climate change adaptation, including climate-proofing of structures, is also a key part of ongoing infrastructure projects, including the Domestic Maritime Support Project and the Road Improvement Project. The latter is integrating adaptation measures into the design and maintenance of civil works in two ways: incorporating adaptation measures for future climate change into subproject planning and engineering designs, and including adaptation measures as part of the environmental management plan. The models developed under this project may also be replicated in other infrastructure projects under the government's medium-term strategic plan, and thus could have a wider impact. Through regional TA, ADB is also supporting climate change mitigation in the Solomon Islands through its work on renewable energy. The country is designing a regional renewable energy intervention to improve access to rural electrification and to support the use of renewable energy sources, including alternative fuels and mini hydro, in remote islands.

Vanuatu, 2010–2014

ADB’s country partnership strategy for Vanuatu identified vulnerability and climate change as one of the major issues in development that needs to be addressed. The country is vulnerable to a wide range of climate-related hazards—more than most other Pacific countries. Recognizing that climate change will have the most adverse impact on the poor, the environment and climate change have been identified
as a crosscutting theme in the country partnership strategy, and the country has committed to undertake climate proofing infrastructure interventions to ensure that Vanuatu is prepared to meet the challenges arising from climate change. Natural resource management and climate change considerations will also be incorporated in all ADB operations in the country because of the fragility of its natural resource base, the threat posed to the natural ecosystem by rapid population growth, unplanned urbanization, global warming, and Vanuatu’s exposure to disasters.

### Typology of Civil Society Organizations

<table>
<thead>
<tr>
<th>Type</th>
<th>Definition</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>National/Local or International Nongovernment Organizations (local NGOs/international NGOs)</strong></td>
<td>These professional, intermediary, and nonprofit organizations provide or advocate providing services for economic and social development, human rights, public welfare, or emergency relief. Their various names include mass organizations (in the People’s Republic of China and the former Soviet Union) and private voluntary organizations. International NGOs are international organizations not founded by an international treaty. They are typically headquartered in a developed country.a</td>
<td>Red Cross societies, National Women’s Federation (local NGO), World Wildlife Fund, Oxfam International (International NGO)</td>
</tr>
<tr>
<td><strong>Community-Based Organizations</strong></td>
<td>These grassroots organizations seek to directly resolve their members’ concerns and advance their members’ well-being. Their functions include activities on economic, social, religious, and recreational issues.</td>
<td>Water-user groups, microcredit associations</td>
</tr>
<tr>
<td><strong>Informal or Unorganized Civil Society Groups</strong></td>
<td>These civil society groups arise spontaneously as bottom-up responses to a particular issue or need. They are not legally registered and therefore not subject to regulatory mechanisms.</td>
<td>Informal community networks</td>
</tr>
<tr>
<td><strong>Foundations</strong></td>
<td>These nongovernmental entities, as nonprofit corporations or charitable trusts, offer grants to unrelated organizations; institutions; or individuals for scientific, educational, cultural, religious, or other charitable purposes.</td>
<td>Ford Foundation, Aga Khan Foundation</td>
</tr>
</tbody>
</table>

*continued on next page*
### Table continued

<table>
<thead>
<tr>
<th>Type</th>
<th>Definition</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional Associations</td>
<td>These organizations represent their members’ interests who engage in certain occupations or professions. They may also enforce standards on their members’ profession.</td>
<td>Associations of engineers, chambers of commerce</td>
</tr>
<tr>
<td>Independent Research Institutes/</td>
<td>These independent nonprofit organizations conduct research and analysis and disseminate their findings and recommendations.</td>
<td>Public Works Research Institute</td>
</tr>
<tr>
<td>Academia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labor Unions</td>
<td>These formally organized associations of workers unite to advance their collective views on work-related issues, often organized by industry or occupation. They frequently associate themselves with umbrella federations, congresses, and networks.</td>
<td>Trade Union Congress of the Philippines</td>
</tr>
<tr>
<td>Coalitions/ Networks of Civil</td>
<td>These civil society organizations unite by a common geography, membership, set of objectives, or area of activity.</td>
<td>NGO Forum on Cambodia</td>
</tr>
<tr>
<td>Society Organizations/ Umbrella</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizations</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


Source: Fragile and Conflict-Affected Situation Team, ADB.

Once a civil society organization (CSO) role has been established, combine the following routes to identify further potential partners:

1. **Accreditation bodies** exist internationally and in some countries. These may provide self- or independent accreditation. For example, in Cambodia, the Cooperation Committee for Cambodia has set up a voluntary NGO certification system. In the Philippines, the Philippine Council for NGO Certification certifies civil society organizations that meet established minimum criteria for financial management and accountability. In Pakistan, the Pakistan Center for Philanthropy maintains a list of nonprofit organizations that meet standard governance, program delivery, and financial management parameters.

2. **Umbrella organizations.** Many countries have umbrella organizations with in-depth knowledge of their members’ capacities often in publicly available directories. There may also be specific sector networks or working groups (such as on gender and HIV).
(iii) **Civil society maps and reports.** In many countries work has been done to map civil society or report on the status of the sector. Access these on the web.

(iv) **International NGOs.** Many international NGOs work closely with partner civil society organizations at the national, regional, and grassroots levels and retain information on credible in-country organizations. The CIVICUS civil society index assesses civil society in a particular country. Access their reports through their website www.civicus.org/csi

(v) **ADB staff and partners.** Resident missions often have knowledge of civil society organizations working in-country, particularly track records of those involved in previous projects. Some have an inventory of potential partners. Specialists in ADB headquarters may also know about credible civil society organizations working in their area and so are colleagues working for other development partners, particularly bilateral donors. The NGO and Civil Society Center also develops country civil society briefs and maintains NGO Link which includes a database of NGO profiles. Lessons learned from participatory approaches are also available on the IED Evaluation Information System database.

(vi) **Government sources.** Some staff know the reputation and capacity of civil society organizations working in different sectors.

### Assessing Civil Society Organizations

The questions below support assessing civil society organizations’ capacities to collaborate or partner with ADB or a developing member country. These guide rather than operate as a checklist. Where civil society is underdeveloped, few organizations that fulfill these criteria exist. This requires judging which exceptions to make and whether capacity development is required to support the sector. Also, the criteria should not lead to excluding the poorest and most marginalized or involving groups that are less formally organized.

Further investigation may be needed to evaluate an organization’s capacity to implement a specific role (e.g., research or evaluation). Many information sources exist including internet searches (CSO’s website); interviews with staff; and talking to government, other development partners, and CSOs. Further in-depth capacity assessment resources appear in the inventory.

### Avoiding Potential Issues

Throughout the project cycle, from the initial stage of deciding to work with civil society organizations to implementation, several issues may arise. Most can be overcome with good planning and project management.
Questions to Guide Assessing a Civil Society Organization’s Capacity for Collaboration or Partnership

(i) Legal status: Is the CSO legally established and registered?
(ii) Credibility: Is the CSO accredited (in countries with schemes), listed in CSO directories, and transparent about its funding sources and activities?
(iii) Mission and governance: Is the CSO clear about its vision, objective, and role? Is it transparent about its organizational and governance structure?
(iv) Constituency and support: Are the civil society organizations’ constituents informed and supportive? Is it a member of sector/thematic or umbrella groups? Does it have partnerships with other reputable development organizations?
(v) Technical capacity: Does the CSO apply effective approaches to reach its target and have an effective presence in the field?
(vi) Managerial capacity: Does CSO documentation show a strong strategic plan translated into well-designed projects and evaluations?
(vii) Administrative capacity: Does the CSO have adequate physical and logistical infrastructure and procurement capacity?
(viii) Financial capacity: Does the CSO have the procedures in place to manage required sums of money, and a track record of doing this successfully? Does it maintain well-organized, accurate, and informative accounts?

Tips for Good Relations with Civil Society Organizations

(i) Establish dialogue with civil society organizations early in the design phase. Treating them purely as commercial subcontractors in implementation may lead to tensions. Nongovernment organizations typically see their donors as partners and may enter a contractual relationship with different expectations than ADB. If possible, establish shared decision making in operations to help build mutual understanding and avoid conflicts.
(ii) Ensure transparent bidding for contracting services.
(iii) Set clear indicators and milestones for monitoring civil society organizations’ activities. Civil society organizations tend to focus on process rather than outputs in short timeframes.
(iv) Be aware that some civil society organizations suffer from high staff turnover. Where this is recognized as a risk, compensate for it by ensuring that relationships do not rely only on one or two key contacts. Equally, some civil society organizations are driven by a few motivated long-term individuals.
(v) Be aware that civil society organizations have limited overhead budgets and therefore require timely disbursement of funds.
(vi) Be realistic about capacity. In postconflict situations or contexts where civil society organizations have only recently formed, it may require incorporating capacity development into project design before contracting.

Appendix 9
Examples of Some Gender Dimensions in Conflict-Affected States

<table>
<thead>
<tr>
<th>Elements of Conflict Situations</th>
<th>Possible Gender Dimensions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preconflict Situations</td>
<td></td>
</tr>
<tr>
<td>Increased mobilization of soldiers</td>
<td>Increased commercial sex trade (including child prostitution) around military bases and army camps.</td>
</tr>
<tr>
<td>Nationalist propaganda used to increase support for military action</td>
<td>Gender stereotypes and specific definitions of masculinity and femininity are often promoted. There may be increased pressure on men to “defend the nation.”</td>
</tr>
<tr>
<td>Mobilization of pro-peace activists and organizations</td>
<td>Women have been active in peace movements—both generally and in women-specific organizations. Women have often drawn moral authority from their role as mothers, but they have also been able to step outside traditional roles during conflict situations, taking up public roles in relief and political organizations.</td>
</tr>
<tr>
<td>Increasing human rights violations</td>
<td>Women’s rights not always recognized as human rights. Gender-based violence may increase.</td>
</tr>
<tr>
<td>During Conflict Situations</td>
<td></td>
</tr>
<tr>
<td>Psychological trauma, physical violence, casualties, and death</td>
<td>Men tend to be the primary soldiers/combatants. Yet, in various conflicts, women have made up significant numbers of combatants. Women and girls are often victims of sexual violence (including rape, sexual mutilation, sexual humiliation, forced prostitution, and forced pregnancy) during armed conflict.</td>
</tr>
<tr>
<td>Social networks disrupted and destroyed—changes in family structure and composition</td>
<td>Gender relations can be subject to stress and change. The traditional division of labor within a family may be under pressure. Survival strategies often necessitate changes in the gender division of labor. Women may become responsible for an increased number of dependents.</td>
</tr>
<tr>
<td>Mobilization of people for conflict. Everyday life and work disrupted.</td>
<td>The gender division of labor in workplaces can change. With men’s mobilization for combat, women have often taken over traditionally male occupations and responsibilities. Women have challenged traditional gender stereotypes and roles by becoming combatants and taking on other nontraditional roles.</td>
</tr>
</tbody>
</table>

continued on next page
### Table continued

<table>
<thead>
<tr>
<th>Elements of Conflict Situations</th>
<th>Possible Gender Dimensions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Material shortages (e.g., shortages of food, health care, water, fuel)</td>
<td>Women’s role as provider of the everyday needs of the family may mean increased stress and work, as basic goods are more difficult to locate. Girls may also face an increased workload. Noncombatant men may also experience stress related to their domestic gender roles if they are expected, but unable, to provide for their families.</td>
</tr>
<tr>
<td>Creation of refugees and displaced people</td>
<td>People’s ability to respond to an emergency situation is influenced by whether they are male or female. Women and men refugees (as well as boys and girls) often have different needs and priorities.</td>
</tr>
<tr>
<td>Dialogue and peace negotiations</td>
<td>Women are often excluded from formal discussions, given their lack of participation and access in preconflict decision-making organizations and institutions.</td>
</tr>
</tbody>
</table>

### During Reconstruction and Rehabilitation

| Political negotiations and planning to implement peace accords | Participation of men and women in these processes tends to vary, with women often playing only minor roles in formal negotiations or policy making. |
| Media used to communicate messages | Women’s unequal access to media may mean that their interests, needs, and perspectives are not represented and discussed. |
| Use of outside investigators, peacekeepers | Officials are not generally trained in gender equality issues (women’s rights as human rights, how to recognize and deal with gender-specific violence). Women and girls have been harassed and sexually assaulted by peacekeepers. |
| Holding of elections | Women face specific obstacles in voting, in standing for election, and in having gender equality issues discussed as election issues. |
| Internal investments in employment creation, health care | Reconstruction programs may not recognize or give priority to supporting women’s and girls’ health needs, domestic responsibilities, or needs for skills training and credit. |
| Demobilization of combatants | Combatants are often assumed to be all male. If priority is granted to young men, women do not benefit from land allocations, credit schemes, etc. |
| Measures to increase the capacity of and confidence in civil society | Women’s participation in community organizations and NGOs is generally uneven. These organizations often lack the capacity and interest to grant priority to equality issues. |

Which stakeholder groups are engaging in participatory processes based on the initial stakeholder analysis?
What decisions are being made through participation, and how?
What is the anticipated breadth and depth of stakeholder engagement at each stage of the project cycle?
How will participation be linked to Summary Poverty Reduction and Social Strategy and safeguards requirements?
How will participation be used during implementation?
What participation methods will be used?
What is the timeline for participatory activities?
How will participation methods be sequenced?
How have roles and responsibilities for conducting participation been distributed among the resident mission, executing agency, consultants, nongovernment organizations, and others?
Are participation facilitators required?
What will the participation plan cost to implement, and under what budget?
There is a need for more input into understanding the political economy of Pacific developing member countries when designing programs and projects. The following is a checklist of how this analysis could be tackled:

- Is the program/project tackling a binding constraint, or might it be ineffective because of other overriding or more dominant constraints (sequencing)?
- Are there collective action obstacles facing the program/project implementation and operation?
- If so, what are the incentives in place and how might these be changed?
- How and when to introduce the program/project (“room for maneuver”)?
- What technical support will be needed and how will this be sustained (training)?

Appendix 12
Stages of a Policy Reform Process

(i) Initiating reform. The following questions need to be answered. How did the issues addressed by the reform policy-based get into the policy agenda as priorities, as there are generally many policy issues competing for attention at any given time? Were they included in the agenda primarily by domestic stakeholders or pushed by external interests? Through what means and/or in what forums?

(ii) Managing the complexity of policy issues. Since policy issues are inherently complex, the design of a reform policy-based involves reducing this complexity by the selection of certain aspects of the policy issue for attention—the diagnosis—so that policymakers and implementing agencies can act on such issues. Questions to be answered include: What is involved in this selection or diagnosis process? What is the subsequent design process used to generate a reform policy-based? Who are the participants? How relevant is the resulting reform policy-based in addressing the policy issue? How feasible is it in terms of implementation in the country context?

(iii) Endorsing reform. Reforms need to be legitimized through endorsement or approval. Questions include: Where and when in the policy process are such endorsement decisions made? By whom? Do they signal in a credible way the government’s binding commitment to these reforms such as issuing guidelines and instructions for implementation and allocating required resources? What is the relationship between endorsing and implementing reforms; what is actually needed for implementation to proceed?

(iv) Implementing reform. This involves institutions that transform proposed reform measures into organizational actions. Questions include: Can the issuance of a decree, legislation, or law—“stroke of the pen reforms”—assumed to be the same as implanting lasting change? What else is involved or required in the implementation of reform measures? In practical terms, what is the meaning of “policy implementation” in a world of politics and institutions?

(v) Sustaining reform. Policy reform entails a process of change. Sustaining reforms is particularly important when fundamental institutional changes are involved, such as judicial reform or introducing a value-added tax.

Risk is best understood as the result of the combination of environmental, social, and development factors, which can be broken down into the following elements:

\[
\text{Risk} = \text{Hazard} \times \frac{\text{Exposure} \times \text{Sensitivity}}{\text{Adaptive Capacity}},
\]

where \(\text{Vulnerability}\) represents Vulnerability.

By analyzing these elements during a risk and vulnerability assessment, it is easier to target interventions to address specific aspects of risk and to break the chain of risk accumulation and downward spirals of vulnerability. These elements can be defined in the following ways:

<table>
<thead>
<tr>
<th>Element</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hazard</td>
<td>A dangerous phenomenon, substance, human activity, or condition that may cause loss of life, injury or other health impacts, property damage, loss of livelihoods and services, social and economic disruption, or environmental damage. (^a)</td>
</tr>
<tr>
<td>Exposure</td>
<td>People, property, systems, or other elements present in hazard zones that are thereby subject to potential losses. (^a)</td>
</tr>
<tr>
<td>Sensitivity</td>
<td>The degree to which a system is affected, either adversely or beneficially, by (external) stimuli. (^b)</td>
</tr>
<tr>
<td>Adaptive Capacity</td>
<td>The ability of a system to moderate potential damages, to take advantage of opportunities, or to cope with the consequences. (^b)</td>
</tr>
<tr>
<td>Vulnerability</td>
<td>The characteristics and circumstances of a community, system, or asset that make it susceptible to the damaging effects of a hazard. (^a)</td>
</tr>
</tbody>
</table>

\(^a\) UNISDR. 2009. UNISDR Terminology on Disaster Risk Reduction. www.unisdr.org/we/inform/terminology

Appendix 14
Tips on Capacity Assessment

- Establish and use consensus formats and decision-making processes that are particular to and work in a country.
- Ensure that enough time is provided for the exercise.
- Ensure that the right people are involved—to secure the required information and ensure broad ownership of the process. Stakeholders may need to consider what combination of focus groups versus individual sessions is appropriate, depending on the sensitivity of issues involved, or other factors. The assessment should be informed by the views of clients of the organization or sector being reviewed, as well as the insiders.
- Make appropriate expertise available to facilitate the process.
- Assure participants that this is not an evaluation.
- The assessment should provide a basis for forward thinking about capacity strategies—including how to make more effective use of existing capacities, how to develop or strengthen capacities in key strategic areas, or even how to do away with a capacity that is not contributing to organizational or sector goals and objectives. Priority should be given to building on what exists, and recognizing capacity development as a local process that donors support.
- Do not be shy to assess the influence of donors, whether positive or negative, on capacity strengthening.
Working Differently in Fragile and Conflict-Affected Situations
The ADB Experience

This handbook aims to help Asian Development Bank staff and other development practitioners to more effectively plan, design, and implement projects in fragile and conflict-affected settings. The practical examples provided in this handbook have been drawn from the collective tacit knowledge of ADB’s operational staff. These practical examples include innovative, flexible, streamlined, and simplified approaches to project processing and implementation that are relevant to fragile situations.

About the Asian Development Bank

ADB’s vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region’s many successes, it remains home to two-thirds of the world’s poor: 1.7 billion people who live on less than $2 a day, with 828 million struggling on less than $1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.