ADB’s Fragile and Conflict-Affected Situations and Small Island Developing States Approach: A Summary

Figure 2: Problem Analysis

EFFECTS
CORE PROBLEMS
CAUSES
KEY SUB-CAUSES

ADB approaches not tailored to specific contexts in FCAS and SIDS
Inadequate responsiveness of ADB processes and procedures to FCAS and SIDS contexts
DMCs’ contextual drivers of fragility
Inadequate knowledge, tools, and limited internal ADB coordination to respond to FCAS and SIDS contexts
ADB institutional capacity constraints
Lower level of DMC development outcomes and SDG achievement
Increasing DMC fragility at regional, national, subnational, and local levels

CPS lack adequate assessment of FCAS and SIDS critical drivers of fragility, risks, and linkages
Weak M&E systems do not incorporate risk and flexibility
Large number of approvals required for processing and implementation
Low uptake by ADB private sector for smaller transactions and adoption of higher risk in FCAS and SIDS
Inadequate guidelines on capacity development and project implementation and administration
Existing risk assessment tools not effective in FCAS and SIDS contexts
Use of inappropriate funding modalities
Inadequate knowledge sharing and availability of learning platforms
Limited capacity and inadequate ADB support in project and financial management, procurement, and safeguards
Limited contextual understanding of key stakeholders
Lack of incentive structures to retain FCAS and SIDS skilled specialists
Lack of structural training opportunities for ADB staff working in FCAS and SIDS environment
Limited ADB FCAS and SIDS field presence
Limited number of ADB technical experts (procurement or project and financial management)
Weak FCAS and SIDS organizational coordination in ADB
Structural/environmental drivers (e.g., remoteness and isolation, climate change)
Institutional drivers (e.g., weak governance)
Economic drivers (e.g., unsustainable debt, small private sector, narrow asset base)
Public/Societal drivers (e.g., conflict, gender inequality)

ADB = Asian Development Bank, CPS = country partnership strategies, DMC = developing member country, FCAS = fragile and conflict-affected situations, SDG = Sustainable Development Goal, SIDS = small island developing states.
A. Introduction to the Approach

The FCAS and SIDS Approach (FSA) outlines an operational approach and action plan (2021–2025) for the Asian Development Bank (ADB) to improve development effectiveness in fragile and conflict-affected situations (FCAS) and small island developing states (SIDS). Through the approach, ADB will achieve better development outcomes in FCAS, SIDS, and pockets of poverty in developing member countries (DMCs) where results have lagged. Since there is no one-size-fits all blueprint for doing business in such situations. Rather, it introduces stronger approach to development in FCAS and SIDS, the FSA does not prescribe a framework for Private Sector Operations.3 Specifically, the FSA supports the Strategy 2030 objectives of applying differentiated approaches to build resilience and sustainable Asia and the Pacific.2 Other core plans include the operational action plan (2021–2025) for the ADB to improve governance, and conflict. The FSA addresses a need for ADB to improve results in FCAS and SIDS by responding to these challenges more effectively.

Fragile, conflict-affected, and small island developing states are uniquely fragile situations and small island developing states (SIDS). Through the approach, ADB will achieve better development outcomes in FCAS, SIDS, and pockets of poverty in developing member countries (DMCs) where results have lagged. Since there is no one-size-fits all blueprint for Private Sector Operations.3 Specifically, the FSA supports the Strategy 2030 objectives of applying differentiated approaches to build resilience and sustainable Asia and the Pacific.2 Other core plans include the operational action plan (2021–2025) for the ADB to improve governance, and conflict. The FSA addresses a need for ADB to improve results in FCAS and SIDS by responding to these challenges more effectively.

B. The Need for an Improved Approach

ADB classifies 11 developing member countries (DMCs) as FCAS, and 16 DMCs self-identify as SIDS (Figure 1). At its core, the FSA will ensure that ADB supports the Strategy 2030 period (2021–2024) of applying differentiated approaches to build resilience and sustainable Asia and the Pacific.2 Other core plans include the operational action plan (2021–2025) for the ADB to improve governance, and conflict. The FSA addresses a need for ADB to improve results in FCAS and SIDS by responding to these challenges more effectively.

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A. Introduction to the Approach

The FCAS and SIDS Approach (FSA) outlines an operational approach and action plan (2021–2025) for the Asian Development Bank (ADB) to improve results in Fragile and Conflict-Affected Situations and Small Island Developing States (FCAS and SIDS). In 2018–2020, this percentage was lower for SIDS at 56% and for FCAS at 50%. Among the many reasons for this were (i) a lack of context-sensitive strategies and (ii) a need for ADB to improve development effectiveness in fragile and conflict-affected situations (FCAS) and small island developing states (SIDS). Fragile, conflict-affected, and small island developing states are uniquely susceptible to challenges that affect resilience such as climate change, weak governance, and conflict. The FSA addresses a need for ADB to improve results in FCAS and SIDS by responding to these challenges more effectively.

The launch of the FSA coincides with ADB increasing its support for fragile and conflict-affected situations through concessional ordinary capital resources lending (COL). The FSA is one of the corporate plans at the foundation of ADB’s efforts to achieve its Strategy 2030 goal of a prosperous, inclusive, resilient, and sustainable Asia and the Pacific. Other core plans include the operational plan (2021–2025) for the Asian Development Bank (ADB) to improve development effectiveness in fragile and conflict-affected situations (FCAS).

ADB designed the Approach through a comprehensive engagement process with more than 500 stakeholders from September 2020 to March 2021. Parties included government counterparts from FCAS countries and SIDS, bilateral development agencies, civil society organizations, multilateral development banks (MDBs), and key ADB departments and sector and thematic groups.

B. The Need for an Improved Approach

Fragile, conflict-affected, and small island developing states are uniquely susceptible to challenges that affect resilience such as climate change, weak governance, and conflict. ADB interventions thoroughly consider specific contexts and risks in these countries, where results have lagged. Since there is no one-size-fits all blueprint for doing business in such situations. Rather, it introduces stronger planning frameworks and processes to improve implementation outcomes by linking ADB’s strategic objectives with strategy and action plans.

ADB classified 11 developing member countries (DMCs) as FCAS, and 16 as SIDS. ADB’s definition of FCAS is based on the number of conflict-related deaths and population displacement. ADB defines SIDS as those countries with 40% or more of their population living in coastal areas with an average annual per capita income of less than $1,200.

ADB applies tailored processes and procedures to operations in FCAS and SIDS, which could include the use of digital technologies to improve the delivery of results in these countries. Though the use of digital technologies in FCAS and SIDS is not new, ADB recognizes the need to leverage these technologies to better respond to challenges in these countries. The use of digital technologies could include the use of the “FCAS and SIDS Dashboard”, which is likely to be a suite of tools and processes to improve implementation outcomes by linking ADB’s strategic objectives with strategy and action plans.

Figures and Boxes

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A. Introduction to the Approach

The FCAS and SIDS Approach (FSA) outlines an operational approach and action plan (2021–2025) for the Asian Development Bank (ADB) to improve development effectiveness in fragile and conflict-affected situations (FCAS) and small island developing states (SIDS). Through the approach, ADB will achieve better development outcomes in FCAS, SIDS, and pockets of poverty by responding to these challenges more effectively.

While overall 70% of ADB operations were successfully completed during 2018–2020, this percentage was lower for SIDS at 56% and for FCAS at 50%. Among the many reasons for this were (i) a lack of context-sensitive approaches and (ii) a variety of challenges that affect resilience such as climate change, weak governance, and conflict. The FSA addresses a need for ADB to improve project results and ultimately improve livelihoods in these countries.

ADB classifies 11 developing member countries (DMCs) as FCAS, and 16 others as SIDS. Since there is no one-size-fits-all approach, ADB interventions thoroughly consider specific contexts and risks in these countries, where results have lagged. ADB’s approach targets building resilience and fragility at the subnational level.

The launch of the FSA coincides with ADB increasing Asian Development Fund (ADF) and Technical Assistance Special Fund 7 (TASF 7) resources by 20% from 2015 levels to $36.5 billion for the 4-year ADF 13 period from 2021 to 2024. These are essential funding for ADB’s efforts to achieve its Strategy 2030 goal of a prosperous, inclusive, resilient, and agile and conflict-affected situations (FCAS).

B. The Need for an Improved Approach

While ADB’s efforts have made some progress, they were not enough to achieve the Strategy 2030 objectives of applying differentiated approaches to build resilience and fragility at the subnational level. ADB designed the Approach through a comprehensive engagement process that included government counterparts from FCAS countries and SIDS, bilateral and multilateral development agencies, civil society organizations, multilateral development banks (MDBs), and key ADB departments and sector and thematic groups. While overall 70% of ADB operations were successfully completed during 2018–2020, this percentage was lower for SIDS at 56% and for FCAS at 50%.

The need for an improved approach is particularly evident in these countries, where results have lagged. Since there is no one-size-fits-all approach, ADB interventions thoroughly consider specific contexts and risks in these countries. The FSA will ensure that ADB applies tailored processes and procedures to operations in FCAS and SIDS with the goal of improving project results—and ultimately improving livelihoods in these countries.

The FSA is one of the corporate plans at the foundation of ADB’s efforts to achieve its Strategy 2030 goal of a prosperous, inclusive, resilient, and agile and conflict-affected situations (FCAS). Through the approach, ADB will achieve better development outcomes in FCAS, SIDS, and pockets of poverty by responding to these challenges more effectively.

Abbreviations

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<td>Asian Development Bank</td>
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<td>COVID-19</td>
<td>coronavirus disease</td>
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<td>DMC</td>
<td>developing member country</td>
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<td>FCAS</td>
<td>fragile and conflict-affected situations</td>
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<td>MDB</td>
<td>multilateral development bank</td>
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<td>PSO</td>
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<td>Sustainable Development Goal</td>
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Introduction

The Fragile and Conflict-Affected Situations (FCAS) and Small Island Developing States (SIDS) Approach (FSA) of the Asian Development Bank (ADB) outlines ADB’s operational approach and action plan (2021–2025) for strengthening its development effectiveness in FCAS and SIDS. Under the FSA, ADB will apply tailored processes and procedures to operations in those countries to improve project results—and ultimately livelihoods (ADB 2021a).

The FSA is one of the corporate plans underlying ADB’s efforts to achieve its Strategy 2030 goal of a prosperous, inclusive, resilient, and sustainable Asia and the Pacific (ADB 2018). Other core plans are the operational plans for the seven priorities set out in Strategy 2030, and the Operational Plan for Private Sector Operations (ADB 2018, 2019b). Specifically, the FSA supports the Strategy 2030 objectives of applying differentiated approaches so as to build resilience and achieve better development outcomes in FCAS, SIDS, and pockets of poverty and fragility at the subnational level.

ADB classifies 11 developing member countries (DMCs) as FCAS countries, and 16 DMCs identify as SIDS (Figure 1). At its core, the FSA will ensure that ADB interventions thoroughly consider specific contexts and risks in those countries, where results have lagged. Since there is no one-size-fits-all approach to development in FCAS and SIDS, the FSA does not prescribe a blueprint for doing business in such situations. Rather, it introduces stronger analysis, greater depth of understanding, and more flexibility into program and project design, implementation, and monitoring.

ADB designed the FSA through comprehensive engagement with more than 500 stakeholders from September 2020 to March 2021. Government counterparts from FCAS countries and SIDS, bilateral development agencies, civil society organizations, multilateral development banks (MDBs), and key ADB departments and sector and thematic groups took part in the process.

The FSA launch coincides with an increase in ADB’s Asian Development Fund (ADF) and Technical Assistance Special Fund 7 (TASF 7) resources for the ADF 13 period from 2021 to 2024. These are essential funding sources for FCAS countries and SIDS, most of which are eligible for ADF grants as well as concessional ordinary capital resources (OCR) lending (ADB n.d.[a]).

The Need for an Improved Approach

FCAS and SIDS are uniquely vulnerable to challenges that affect resilience such as climate change, weak governance, and conflict. The FSA addresses the need for improved ADB results in FCAS and SIDS through a more effective response to those challenges.

While 70% of ADB’s overall operations during the 2018–2020 period were successfully completed, the completion percentage was lower for SIDS (56%) and for FCAS countries (50%) (ADB 2021a). Among the many reasons for the lower success rates were (i) a lack of context-sensitive development approaches in FCAS and SIDS; (ii) a lack of supportive ADB guidelines for...
tailored approaches to capacity development, project implementation, and project administration in FCAS and SIDS; and (iii) insufficient use of diversified funding modalities and limited technical assistance.

ADB is the first multilateral development bank to bring FCAS and SIDS together under a single operational approach. The FSA recognizes that despite their contextual differences, FCAS and SIDS face similar challenges and vulnerabilities—for example, a strong need for governance and institutional capacity building, high vulnerability to economic shocks, and less developed private sectors.

Other challenges are more specific to SIDS (e.g., remote and isolated location, small population, and vulnerability to climate change and extreme weather events) or to FCAS (e.g., rule-of-law issues and gender inequality). Significant differences in fragility also exist among FCAS countries—for instance, some are beset by national or subnational conflicts, while for others, debt distress is the main issue. The FSAs tailored approaches will effectively address both the transient vulnerabilities of FCAS and the more permanent fragilities of SIDS. Figure 2 presents the problem analysis and some major causes of poor ADB portfolio performance and lower development outcomes in FCAS and SIDS (ADB 2021b, Appendix 4). Box 1 details plans for a revised FCAS classification system.

![Figure 2: Problem Analysis](image-url)

**Effects**

**Core Problems**

**Causes**

**Key Sub-Causes**

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ADB = Asian Development Bank, CPS = country partnership strategy, DMC = developing member country, FCAS = fragile and conflict-affected situations, M&E = monitoring and evaluation, SDG = Sustainable Development Goal, SIDS = small island developing states.

Source: ADB.
A. Introduction to the Approach

The FCAS and SIDS Approach (FSA) outlines an operational approach and action plan (2021–2025) for the Asian Development Bank (ADB) to improve its Strategy 2030 goal of a prosperous, inclusive, resilient, and sustainable Asia and the Pacific. Other core plans include the operational and financial strategy, the regional strategy, and the strategy for private sector operations.3 Specifically, the FSA supports the Strategy Fund (ADF) and Technical Assistance Special Fund 7 (TASF 7) resources for Private Sector Operations.3

ADB designed the Approach through a comprehensive engagement process including government counterparts from FCAS countries and SIDS, bilateral partners, and other donors. The launch of the FSA coincides with ADB increasing Asian Development Bank (ADB) resources for Private Sector Operations.4

The FSA is one of the corporate plans at the foundation of ADB’s efforts for Private Sector Operations.4 Specifically, the FSA includes the results in FCAS and SIDS by responding to these challenges more effectively.

The FSA is a new, comprehensive strategy to address the needs of fragile and conflict-affected situations (FCAS) and small island developing states (SIDS). The FSA will ensure that ADB interventions thoroughly consider specific contexts and risks in these countries.

The FSA will reflect regional pockets of fragility and the distinctive characteristics of the Pacific SIDS.3

B. The Need for an Improved Approach

ADB, through the FCAS and SIDS approach, will work with other MDBs on a revised, evidence-based classification system for FCAS countries. The existing system, based on a flat quantitative score, does not categorize fragility or conflict according to type or level. For example, the classification lumps SIDS-specific drivers of fragility such as disaster risks and climate change together with debt sustainability risks. The score also excludes localized situations that emerge in generally peaceful countries, and the impact exerted on countries by the large numbers of people seeking refuge from conflicts in neighboring countries. ADB’s recommendations will reflect regional pockets of fragility and the distinctive characteristics of the Pacific SIDS.

ADB = Asian Development Bank, FCAS = fragile and conflict-affected situations, MDB = multilateral development bank, SIDS = small island developing states.

Source: ADB.

Box 1: Revised System for Classifying FCAS Countries

The launch of the FSA coincides with ADB increasing Asian Development Bank (ADB) resources for Private Sector Operations.3 Specifically, the FSA supports the Strategy Fund (ADF) and Technical Assistance Special Fund 7 (TASF 7) resources for Private Sector Operations.3

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ADB = Asian Development Bank, FCAS = fragile and conflict-affected situations, MDB = multilateral development bank, SIDS = small island developing states.

Source: ADB.

Box 1: Revised System for Classifying FCAS Countries

The Coronavirus Disease and the Sustainable Development Goals

The launch of the FSA comes at a time when the Asia and Pacific region is still reeling from the coronavirus disease (COVID-19) pandemic, which has left FCAS and SIDS particularly defenseless. As in any other crisis, the poor, the youth, women, ethnic minorities, and other vulnerable groups are disproportionately affected. Even before COVID-19 hit, FCAS countries and SIDS were markedly off-track in their efforts to achieve several Sustainable Development Goals (SDGs); the pandemic has made matters worse. Rising unemployment, poverty, and food insecurity have exposed the risks to countries with limited capacity and resilience to respond to external shocks. The long-term effects will include social, political, economic, and debt distress impacts (Reliefweb 2020).

The COVID-19 crisis adds urgency to the successful implementation of the FSA. Through its tailored, context-specific approaches supporting more effective development interventions, the FSA is well placed to help put FCAS countries and SIDS back on the path toward the SDGs and the goals of Strategy 2030.

Objectives

The objectives of the Approach are shown in Figure 3. At the top of the pyramid is the FSA’s overall objective or impact: improved livelihoods, inclusiveness, and resilience in FCAS and SIDS. This impact is closely aligned with Strategy 2030, its operational plans, and the Operational Plan for Private Sector Operations. At the next level down is the FSA’s corporate objective: improved performance of ADB operations in FCAS and SIDS. ADB’s operational objective—increased use of tailored approaches in ADB operations in FCAS and SIDS—lies at the base of the pyramid.

To meet its objectives, the FSA will employ tailored approaches built on three pillars: (i) context-specific interventions; (ii) strengthened analytics, knowledge, and institutional capacity for working in FCAS and SIDS; and (iii) flexible business processes to improve responsiveness in fragile contexts.
A. Introduction to the Approach

The FCAS and SIDS Approach (FSA) outlines an operational approach and action plan for the Asian Development Bank (ADB) to improve its effectiveness in development assistance to fragile, conflict-affected, and small island developing states (FCAS and SIDS). According to the FSA, the effectiveness of ADB’s activities in FCAS and SIDS was lower at 56% for SIDS and 50% for FCAS, compared to 75% effectiveness overall. Among the reasons for this lower effectiveness were (i) a lack of context-sensitive approach, particularly with respect to political economy and DMC capacity.

ADB designed the Approach through a comprehensive engagement process involving government counterparts from FCAS countries and SIDS, bilateral development agencies, civil society organizations, multilateral development banks (MDBs), and key ADB departments and sector and thematic groups. The FSA is one of the corporate plans at the foundation of ADB’s efforts to improve development effectiveness in fragile and conflict-affected situations (FCAS) and small island developing states (SIDS).

Strengthened Analytics, Knowledge, and Institutional Capacity

This pillar ensures that ADB has the knowledge, information, and skills to operate effectively in FCAS and SIDS. Besides detailing the context of each country or project area, analytical and knowledge work will highlight what ADB has done in the past and whether it has worked. ADB will integrate and adapt the latest global good practices in FCAS and SIDS. ADB also needs to look ahead and anticipate future needs, given challenges such as climate change and major disruptions like COVID-19.

Work under the pillar will ensure that ADB has adequate staffing and expertise to operate in FCAS and SIDS. At the institutional level, it will involve a mind-set shift and cultural change within ADB enabling it to apply tailored approaches when addressing fragility issues and operating in FCAS and SIDS. As trusted development experts in tailored approaches, the FCAS team in ADB’s Sustainable Development and Climate Change Department (SDCC) will support ADB departments and sector and thematic groups that work with FCAS and SIDS in taking ownership of the FSA and mainstreaming the Approach into operations.

Context-Specific Interventions

Context is defined as the suite of risks, plus resilience factors, specific to a DMC. Under this pillar, ADB will use tools such as the new fragility and resilience assessments and watching briefs to develop a better understanding of risks and drivers of fragility in specific DMCs, including the realities of the political economy, the governance risks, and the DMC’s capacity to implement and sustain projects and follow ADB business processes and procedures. Improving its understanding of the context will allow ADB to address and manage specific risks in subsequent interventions.

Besides understanding the national context, ADB must also be well acquainted with local politics or traditional power brokering and decision-making. Effective context-specific development will likewise require ADB, through projects and increased technical assistance, to provide more capacity-building support to DMC counterparts in procurement, safeguards, and financial management. ADB must also recognize that the process from fragility to stability can be extremely protracted for some countries, and work with this in mind.

Flexible Business Processes

This pillar outlines how ADB will make changes in the identified ADB business processes, procedures, and practices, without compromising their integrity. The changes will allow ADB to become more agile and tailored in its operations in FCAS and SIDS. For example, the FCAS team will recommend enhanced safeguards for FCAS countries and SIDS under the ongoing SDCC review and updating of ADB’s Safeguard Policy Statement (2009), and advocate updated guidelines to expand guidance on procurement and financial management in these countries.

Selecting responsive project and program modalities and improving the efficiency of sovereign grant and loan processing in the countries will be another area of focus. Other areas of support under this pillar include enhancing project readiness, introducing a rigorous monitoring and evaluation feedback loop to help track progress and identify areas of concern, and improving private sector operations in FCAS and SIDS.
How the Approach Will Be Implemented

The FSA Action Plan is the concrete means by which ADB will achieve the FSA’s objectives defined through the three pillars and the results framework. It comprises 13 key action areas and 34 supporting sub-actions under the three pillars (Figure 4).

Figure 4: FCAS and SIDS Approach Action Plan, 2021–2024

ADB = Asian Development Bank, FCAS = fragile and conflict-affected situations, SIDS = small island developing states. Source: ADB.

Differentiated Approaches for FCAS and SIDS

Differentiated (or tailored) approaches, adopted to improve ADB operations in FCAS and SIDS, lie at the heart of the FSA. ADB will have to review and revise its business and implementation processes to ensure that they are flexible and responsive in dissimilar country contexts. Details of some key differentiated approaches follow.

Fragility and Resilience Assessments

The fragility and resilience assessment (FRA) is a diagnostic instrument that will help ADB identify the root causes of fragility and the sources of risk and uncertainty in vulnerable DMCs. This will better equip ADB to tailor development interventions to address the key drivers of fragility and risk and build resilience in these areas. FRAs, including political, governance, and economic risk assessments, will employ risk-based analysis to identify national
A. Introduction to the Approach

The FCAS and SIDS Approach (FSA) outlines an operational approach and action plan (2021–2025) for the Asian Development Bank (ADB) to improve its Strategy 2030 objectives of applying differentiated approaches to build resilience and achieve better development outcomes in FCAS, SIDS, and pockets of poverty and subnational pockets of fragility. As needed, FRAs will be complemented with watching briefs, which will cover lagging areas and pockets of poverty and potential conflict situations at regional (including trans-boundary flash points), national, and subnational levels.

To ensure that the DMC context is taken into account in the assessment, ADB will prepare FRAs in close consultation with civil society organizations, women’s groups, people living with disabilities, migrants, ethnic groups, indigenous people’s organizations, and other vulnerable groups. The ADF 13 commitment states that by the end of the ADF 13 period (2024), 60% of FCAS DMCs will have completed FRAs, which will inform existing or new country partnership strategies, including the Pacific Approach (2021–2025), which outlines ADB’s strategy for the 12 smallest Pacific island countries.

B. The Need for an Improved Approach

The FSA also encourages greater uptake of blended financing and diversified facilities, instruments, and funding modalities such as project readiness financing and the small expenditure financing facility (ADB 2019c), to give quick and responsive financing assistance to FCAS and SIDS; the Faster Approach to Small Nonsovereign Transactions (FAST) (ADB 2015); the High-Level Technology Fund (ADB n.d.[b]); and the Pacific Renewable Energy Investment Facility (ADB n.d.[c]).

The FSA is one of the corporate plans at the foundation of ADB’s efforts to achieve its Strategy 2030 goal of a prosperous, inclusive, resilient, and people’s organizations, and other vulnerable groups. The ADF 13 commitment states that by the end of the ADF 13 period (2024), 60% of FCAS DMCs will have completed FRAs, which will inform existing or new country partnership strategies, including the Pacific Approach (2021–2025), which outlines ADB’s strategy for the 12 smallest Pacific island countries.

Support for gender mainstreaming is crucial to improving development results in FCAS countries such as Papua New Guinea, which is also considered a small island developing state.

Diversified Funding Modalities and the Asian Development Fund

The selection of appropriate funding modalities under the FSA will be closely tied to the ADF 13 framework, which has several specific provisions for FCAS countries and SIDS, an expanded disaster and pandemic response facility, an economic vulnerability premium to complement performance-based allocations for ADF-eligible SIDS, and a pilot private sector window (“Private Sector Engagement” subsection, p. 12).

The FSA also encourages greater uptake of blended financing and diversified facilities, instruments, and funding modalities such as project readiness financing and the small expenditure financing facility (ADB 2019c), to give quick and responsive financing assistance to FCAS and SIDS; the Faster Approach to Small Nonsovereign Transactions (FAST) (ADB 2015); the High-Level Technology Fund (ADB n.d.[b]); and the Pacific Renewable Energy Investment Facility (ADB n.d.[c]).

The volume of ADF grants for FCAS countries is expected to increase by 12% during the ADF 13 period, compared with ADF 12, while TASF 7 support is expected to increase by 50% compared with TASF 6. For SIDS, on the other hand, the volume of ADF grants under ADF 13 is expected to be about 46% higher than in ADF 12, while TASF 7 support for SIDS is expected to be 40% more than in TASF 6. ADB is also reviewing the country allocation framework for concessional resources to explore options for leveraging the ADF to achieve the SDGs in FCAS countries and SIDS.

1 The ADF became a grant-only fund on 1 January 2017, while concessional OCR lending (COL) is funded from ADB’s ordinary capital resources. Grants support DMCs in high or moderate risk of debt distress. The allocation of COL resources to DMCs is based on proven ability to direct the funds to areas where they will be used most effectively.
Private Sector Engagement

The FSA is committed to promoting innovative solutions for increased private sector engagement in FCAS and SIDS. Support for private sector operations (PSO) will be closely tied to the Operational Plan for Private Sector Operations, which promotes a highly flexible approach to private sector interventions in FCAS and SIDS. This approach includes an emphasis on smaller and much higher-risk transactions with the considered use of blended finance and technical assistance. PSO assistance under the FSA may focus on areas that ADB would not typically support in larger or more mature markets—such as tourism, manufacturing, or services—as long as the individual projects are small and make up a minor part of the overall portfolio.

PSO support will also be tied to the ADF 13, which has a pilot private sector window to address some financing constraints shared by many FCAS countries and SIDS, including (i) lack of access to local currency financing, (ii) limited capacity to carry foreign currency risk, (iii) prohibitive cost of debt capital, and (iv) collateral requirements that prevent investors from gaining access to finance.

New Results Framework Indicators

Monitoring performance in FCAS and SIDS and measuring the success of the FSA will require a broader set of indicators than those traditionally used by ADB. The FSA Results Framework has 18 indicators—13 existing indicators from the ADB corporate results framework (ADB 2019a) and 5 new ones. The five new indicators will capture ADB’s results in applying the FSA’s tailored approaches. Two of those are landmark and defining indicators that will measure the institutionalization of the FSA:

- applicable results of the seven operational priority areas, disaggregated by FCAS and SIDS; and
- operations that integrate differentiated approaches (contextualization, adaptiveness, responsiveness) throughout the project cycle.

Progress against the 18 indicators and selected aspects of the performance of FCAS and SIDS will inform the annual FSA report to ADB Management, and will complement the chapters in ADB’s Development Effectiveness Review and Annual Portfolio Performance Report that deal with FCAS and SIDS.

Partnerships and Communication Strategy

Robust partnerships forged with other MDBs and humanitarian actors—for instance, through joint programming, funding, cofinancing, knowledge sharing, capacity building, peace-building activities, or joint assessment work—will provide strong support for ADB’s progress toward its development objectives and livelihood improvement in FCAS and SIDS.

Equally important will be adopting a communication and engagement strategy to strengthen these partnerships and activate synergies with internal and external stakeholders. Effective communication of the FSA’s differentiated approaches will increase the visibility of the FSA agenda and objectives, and ensure that these are clearly and accurately understood and have wide support. The strategy will also build trust and a sense of community among stakeholders, especially in remote and hard-to-reach locations.

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2 The ADB Corporate Results Framework consists of results framework indicators and tracking indicators.
## Projects under the FSA

What will FSA-supported projects look like? In FCAS-designated DMCs, projects will build resilience, address the underlying causes of fragility and conflict, and promote reconciliation and reconstruction. They will be targeted at institutional development and governance reforms, essential infrastructure and social services, and social assistance, with implementation processes tailored to local realities.

In SIDS, ADB will build resilience by directing its efforts at climate change adaptation, environmental sustainability, disaster risk management, and strengthened connectivity. ADB will help SIDS improve the business environment, reform state-owned enterprises, enhance public–private partnerships, strengthen the quality of public service delivery, and promote private sector–led growth.

Development interventions in both FCAS and SIDS will require longer time frames, a focus on quality rather than quantity, more staff resources, a better understanding of risks and safeguards, integrated contextual analyses and risk management approaches to design and implementation, and possibly increased resource allocation. Project designs will have to be flexible and modifiable, realistic in their expected results, and, where feasible, have incremental stages and sequenced processes. Integration of cutting-edge technologies can improve project execution and monitoring (Box 3).

Figure 5 outlines the strengthened project cycle under the FSA. Capacity development and technical assistance focused on overcoming drivers of fragility will be critical. Training responsive to the needs of FCAS and SIDS will have to be provided, and may deal with the following issues: shock-responsive and adaptive social protection, youth engagement, disaster risk and climate change management, awareness of gender-based violence, public financial management, and tax reform and domestic resource mobilization.

At the country level, regular and comprehensive portfolio reviews that provide evidence-based information and assess risk context and impact on operations will have to be conducted. Ongoing monitoring will be a vital part of the review process alongside in-depth situation reports, to ensure that operations adapt to change and remain context-specific.

### Figure 5: Project Cycle under the FCAS and SIDS Approach

<table>
<thead>
<tr>
<th>Step</th>
<th>Activities</th>
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| 1    | - Fragility and resilience assessment  
       - Governance risk assessment  
       - Other sector and thematic analyses |
| 2    | - FRA findings integrated into risk-based programming  
       - COBP and updates |
| 3    | - Concept and design incorporating FRA (at sector/local level)  
       - Modalities responsive/adaptable in FCAS and SIDS context  
       - Improved project readiness  
       - Context-specific capacity assessments  
       - Security risk assessment where conflict is present  
       - DMF incorporating indicators specific to FCAS and SIDS  
       - Targeted communication strategy integrating digital technology |
| 4    | - Strengthened ADB administration (including technical support when required)  
       - Strategic and context-specific capacity support for EA/IA  
       - More flexible procedures in FCAS and SIDS able to respond/adapt  
       - Integration of digital technologies  
       - Quarterly portfolio review and semiannual or annual project review |
| 5    | - Joint (ADB/DMC) review and reporting on context and portfolio performance indicators, and action plan progress (quarterly and annual)  
       - Use of third parties and digital technology in monitoring  
       - Joint (ADB/DMC) decisions on program modification/adjustment/adaptation  
       - Core input into FSA annual reporting to Management (on FSA results monitoring and ADF commitments) |

ADB = Asian Development Bank, ADF = Asian Development Fund, COBP = country operations business plan, CPS = country partnership strategy, DMC = developing member country, DMF = design and monitoring framework, EA/IA = executing agency/implementing agency, FCAS = fragile and conflict-affected situations, FRA = fragility and resilience assessment, SIDS = small island developing states.

Source: ADB.
Using tailored approaches under the FSA and with an eye to achieving its Strategy 2030 goals, ADB is well positioned to reverse the damage wrought by the COVID-19 crisis; improve its results in its most vulnerable DMCs; and help FCAS and SIDS step into a more prosperous, inclusive, sustainable, and resilient future.

**Box 3: Digital Technologies and the FCAS and SIDS Approach**

The FCAS and SIDS Approach is well positioned to mainstream technologies in a complex environment. Technologies that look promising in FCAS country and SIDS contexts include drone technology and geo-spatial mapping. Drone technology has proved invaluable in construction supervision and monitoring under COVID-19–related travel restrictions in Pacific SIDS. Although more research is needed, drones can possibly be used during project preparation, implementation, or monitoring to survey and gather data in project areas, identify risks, detect problems during construction, and evaluate medium- to long-term impact. Geo-spatial mapping and remote-sensing technologies may provide useful support for independent third-party monitoring in areas where ADB operations face conflicts, remoteness, or low density of population and infrastructure.


Source: ADB.

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**References**


——. n.d.[b]. High-Level Technology Fund.


Fragile and Conflict-Affected Situations and Small Island Developing States Approach
A Summary

This brochure summarizes the Fragile and Conflict-Affected Situations (FCAS) and Small Island Developing States (SIDS) Approach (FSA), which guides operations in ADB’s most vulnerable client countries. ADB will consider countries’ unique fragilities in applying a comprehensive action plan to improve project results, build resilience, and ultimately improve livelihoods. This core plan behind ADB’s work toward a prosperous, inclusive, resilient, and sustainable Asia and the Pacific is grounded in tailored approaches, risk-informed decision-making, strengthened analytics, and targeted capacity building support.

About the Asian Development Bank

ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. Established in 1966, it is owned by 68 members —49 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.