



INDEPENDENT EVALUATION GROUP

NUMBER OF COUNTRIES AT RISK OF COLLAPSE HAS INCREASED

Global security requires more effective and sustained engagement with fragile states, says World Bank's Independent Evaluation Group

Singapore, September 14, 2006. The number of fragile states has increased sharply, from 17 in 2003 to 26 in 2006, according to a new report from the Independent Evaluation Group (IEG). While governance has improved in some countries, such as Angola or Tajikistan, the continuation of the overall negative trend could pose a serious risk to regional and global security, warns IEG. The report argues that in order to avoid deepening poverty in fragile states with its adverse spillover effects—such as conflict, terrorism and epidemic diseases—the international community and the Bank need to find more effective ways of assisting these countries.

The evaluation, "Engaging with Fragile States: An IEG Review of World Bank Support to Low-Income Countries under Stress (LICUS)" is being released today, on the eve of the World Bank/IMF Boards of Governors Annual Meetings.

The collapse of statehood has become a key issue for peace and development. "Neglecting the fragile states—home to almost 500 million people, half of whom are living in extreme poverty—risks a worsening of their misery, in turn feeding regional and global instability," said Vinod Thomas, IEG's Director General, "The donor community and the Bank must make better use of resources to work with them in the difficult and lengthy transition from volatility and conflict to stability and peace."

Fragile states, or LICUS, pose some of the toughest development challenges. Most are embroiled in complex internal conflicts or struggling through tenuous post-conflict transitions. Often, their instability provides a safe haven for terrorism, drug production and weapon smuggling. These states face widespread lack of security, significant corruption, breakdown in the rule of law and limited government resources for development.

"In our globalized world no country can isolate itself any more from what happens elsewhere. As we have seen, instability in one country can easily affect the entire region," said Ajay Chhibber, IEG Director, "Coordinated and sustained multilateral action with a unified vision to reduce the imminent threat coming from fragile countries is more important than ever. Nation-building on the cheap does not work."

Over the past two years, the Bank provided about US\$ 4.1 billion in lending to the countries it has identified under the "LICUS Initiative". IEG commends the Bank for

increasing its operational readiness to engage with fragile states. At the same time it finds that too often early engagement was not followed-up with a clear and relevant reform agenda. In the Central African Republic and in Haiti, preliminary good results of the initiative are now in danger of being diminished -- due to inadequate attention to the Government's budget crisis in the former, and a worsening security situation in the latter.

The IEG report makes three crucial recommendations to assist fragile states more effectively:

First, go beyond band-aids. In the aftermath of a conflict, donors and NGO networks join forces and provide initial humanitarian and social services, such as food and health care. "This has to be complemented rapidly by an increased investment in developing local capacity," said Soniya Carvalho, lead author of the report, "In Timor-Leste, donors may have pulled-out too quickly without sufficiently dealing with the country's pressing capacity needs."

Second, move forward in manageable steps. Overly ambitious reform agendas are rarely successful in fragile states. In Afghanistan, for example, the donor community embarked on a number of reforms simultaneously without prioritizing them. This resulted in 120 pieces of pending legislation. In Haiti, international assistance aims to simultaneously support reforms in wide ranging areas from economic recovery to basic services—adding up to a formidable program. Selectivity, sequencing, and sufficient time for the implementation of reforms are key if fragile states are not to be overwhelmed.

Third, avoid the creation of aid-orphans and aid-darlings. International aid to fragile states has varied widely from almost US\$ 200 per capita for Timor Leste to US\$ 15 for the Central African Republic during 2002-2004. A much more transparent aid allocation system is needed to avoid fragile states from being under- or over-aided.

"The development challenges confronting the fragile states must be managed before they spin out of control, destabilizing these countries and leading to wider security crises," said Vinod Thomas, "While fragile states themselves need to take responsibility for their development, the onus is also on the international community to ensure that these countries receive the best advice and assistance, tailored to their country circumstances."

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For more information: Contact Melanie Zipperer at 1-202-468-9841, mzipperer@worldbank.org