




TOWARDS A REFRESHED WBG STRATEGY FOR ENGAGING IN FCV SETTINGS

Phase II – Online Consultations



WORLD BANK GROUP

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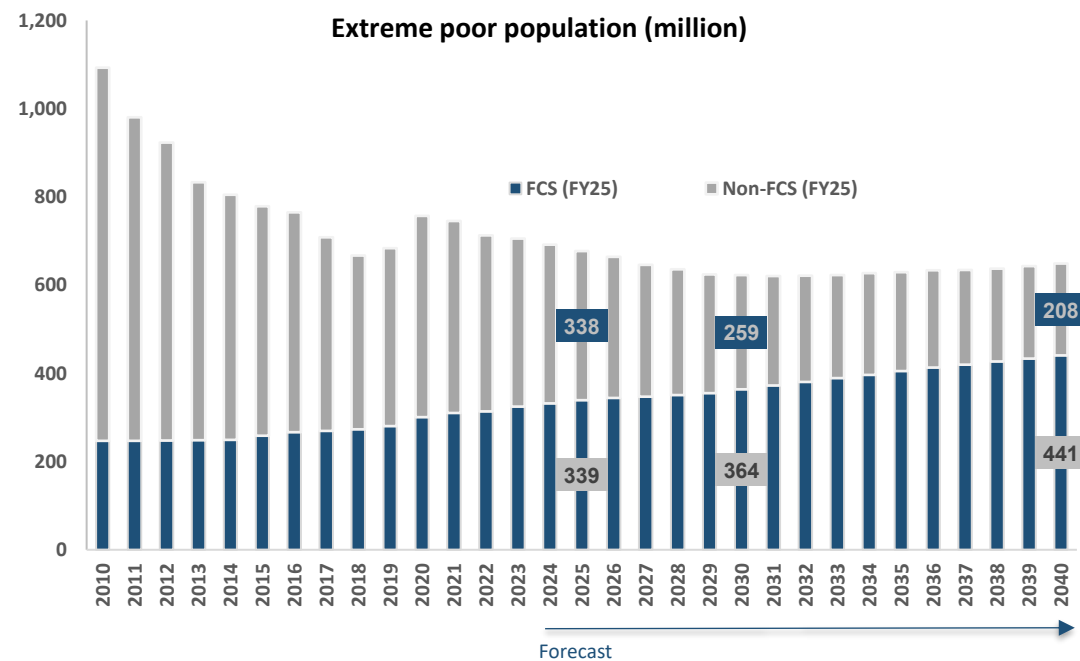
1 | Context:

- Why a refreshed FCV Strategy

The center of extreme poverty is shifting toward FCV-affected countries

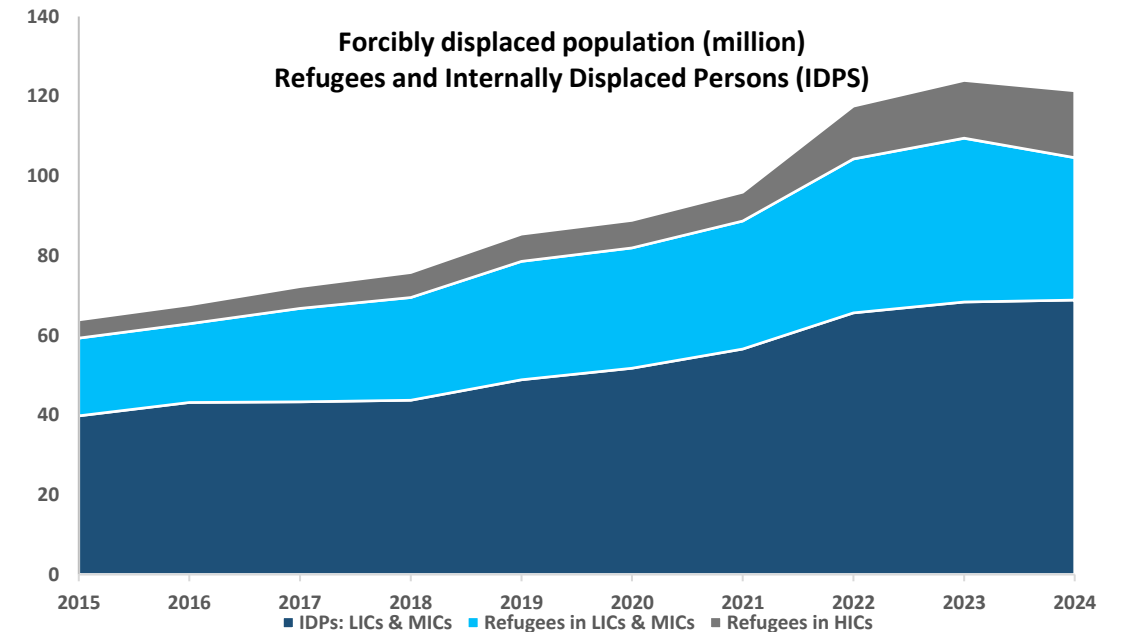
Success in FCV contexts has become mission-critical for the WBG

- A rapid rise in number of extreme poor in FCV countries threatens to reverse a three-decade long secular decline by 2030.
- Today, over half of the extreme poor globally live in FCV countries, including large IDA clients.



Extreme poor: below PPP\$2.15 per day

- An increasing number of conflicts and **forcibly displaced** people.
- **Cross-border** contagion has engulfed entire regions into cycles of conflict.



Broader geopolitical environment increasingly **fragmented and polarized** – with many humanitarian and development actors facing **large funding shortfalls**.

Conflict and especially violence are not limited to low-income countries

Development in many MICs is increasingly threatened by organized crime and criminal violence

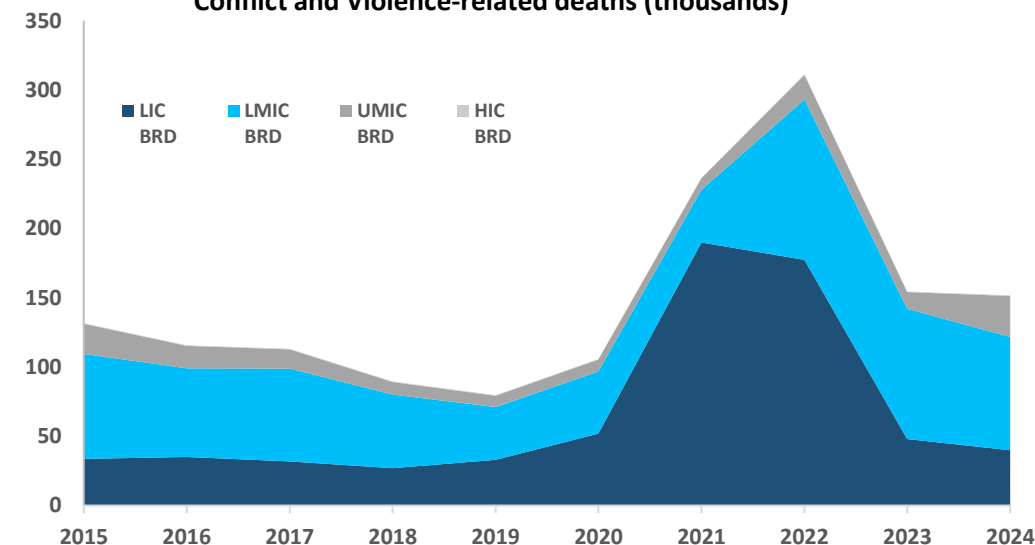
Political and criminal violence affect countries at different income levels and are increasingly inter-twined

- In 2024, 73% of deaths from conflict and organized political and criminal violence were in Middle-Income Countries (MICs)
- Organized crime and political violence are mutually reinforcing and cut across borders, with criminal networks financing and enabling political violence
- Nearly half of the 50 countries most impacted by organized crime are classified as FCS, including many historically affected by protracted conflict (e.g., Afghanistan, DRC, Iraq, Myanmar, Nigeria and Syria)

Organized crime and criminal violence increasingly threaten development progress in MICs

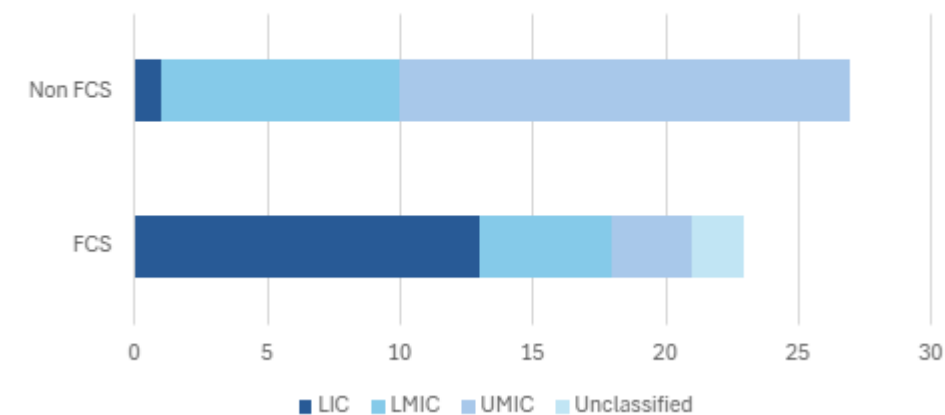
- Of the 20 countries that rank highest on the organized crime index, 15 are MICs,¹ and a third are in the LAC region
- LAC region has the highest homicide rates, with 50% of homicides linked to organized crime²; 54% of households report the presence of local criminal groups; and the direct cost of crime and violence averages 3.5% of GDP.
- One third to one half of migrants from the Northern Triangle cite violence as a key driver of their movement.

Conflict and Violence-related deaths (thousands)



Note: Conflict and Violence-related deaths (UCDP) capture some, but not all, fatalities associated with organized crime.

Top 50 Countries Most Affected by Criminality (2025)



Source: GI-TOC and WBG country classification

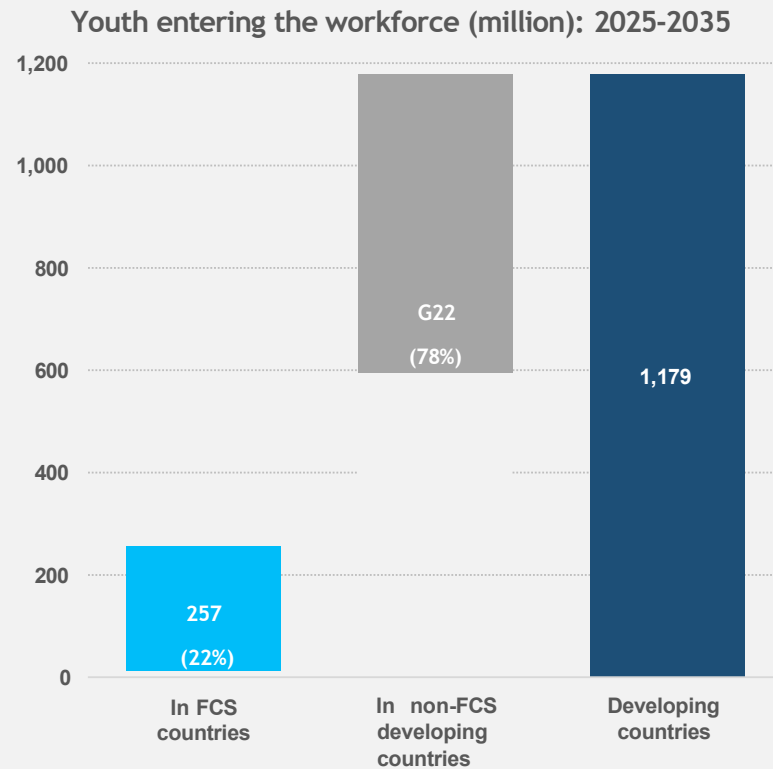
¹GI-TOC; ²UNODC; ³Latinobarometer; ⁴DB, 2017

Jobs Are The Best Way Out of Poverty

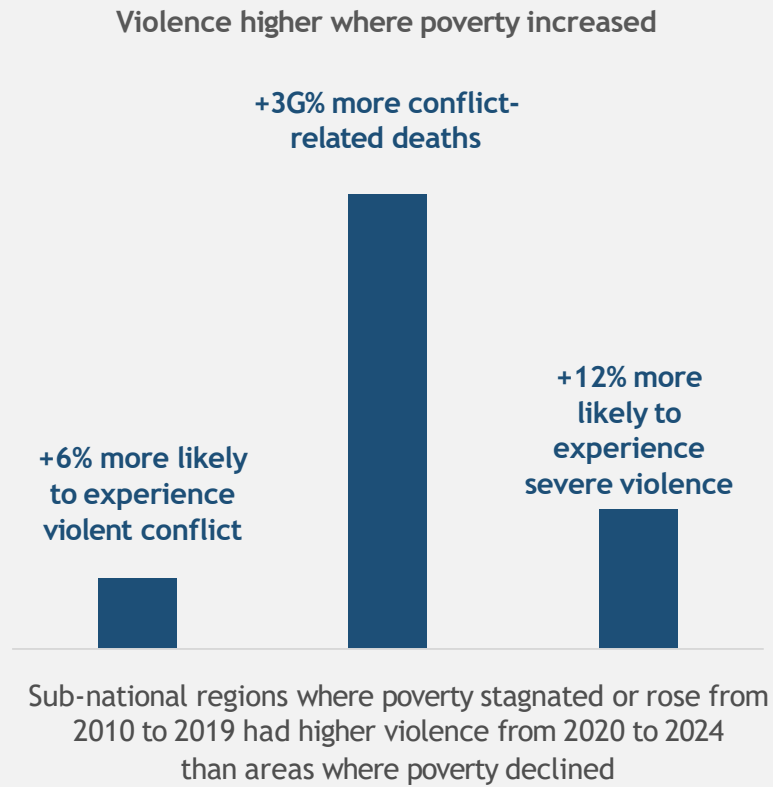
Jobs are urgently needed but also more challenging to create in FCV settings



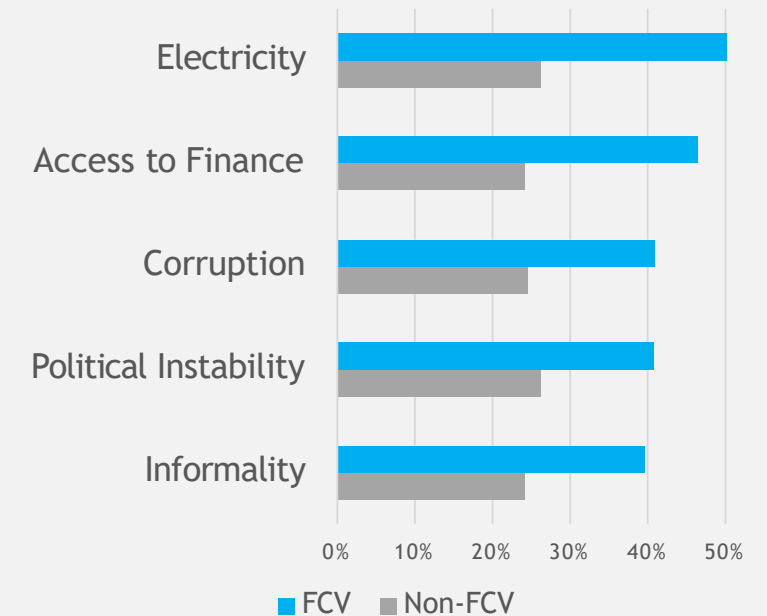
Jobs are **urgently needed in FCV settings** with large, rapidly growing youth populations...



... where **unmet aspirations fuel social tensions and conflict, drive youth to criminal activity, and spur irregular migration...**



..but creating more and better paid jobs is challenging due to **political instability, insecurity, and corruption** and significant gaps in **electricity, access to finance**, especially for Micro, Small and Medium Enterprises (MSMEs)
Small enterprises (<20 workers) in FCV nearly twice as likely to report facing major or severe constraints to doing business



The private sector is the main source of jobs

In FCV settings, the private sector faces particular challenges and is dominated by MSMEs

More volatile macroeconomic conditions and poor business environments

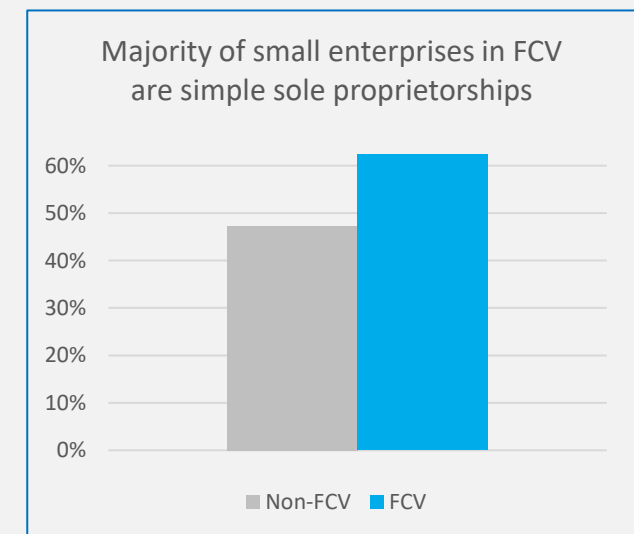
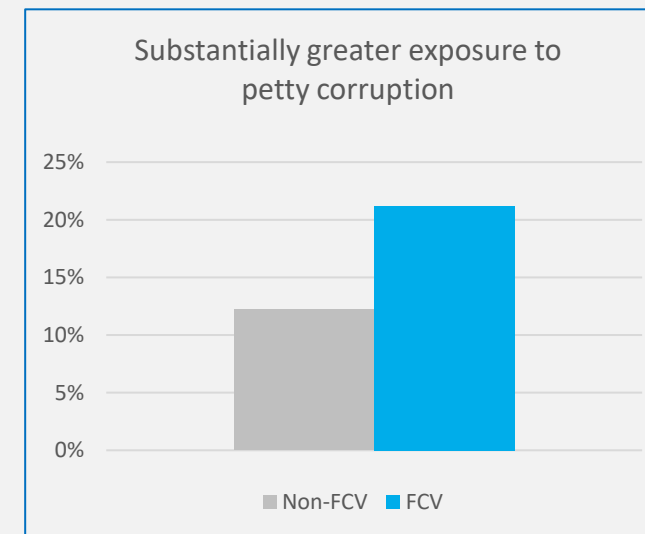
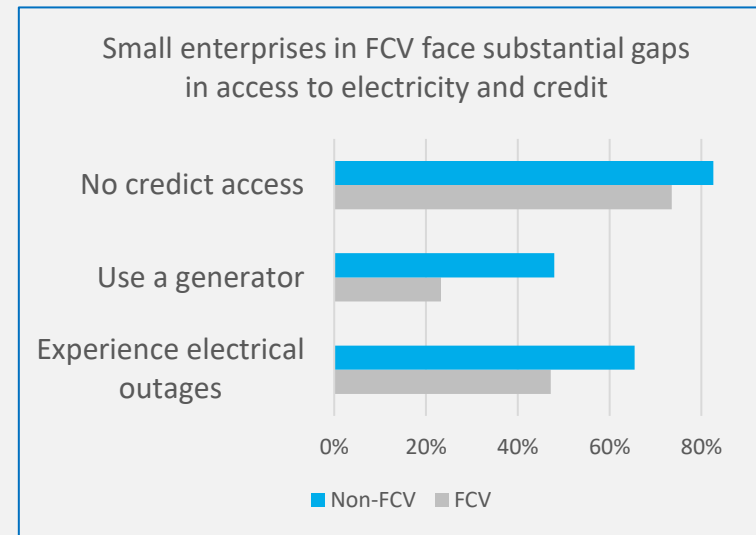
- Higher inflation, exchange rate and interest rate volatility
- Uncertain and difficult business environment
- Critical gaps in access to credit, electricity, and other services

Underdeveloped and undiversified private sector structure

- Less diversity and complexity of productive sectors
- Some with substantial extractives, creating both opportunities and risks
- Gaps in financial sector services, infrastructure, and capital markets
- Barriers to entry, corruption, capture, and low competition

Prevalence of micro and small domestic enterprises, highly informal, with little foreign investment

- Employment is largely informal (e.g. informal enterprises account for 93% of jobs in Nigeria)
- Firms are largely small, sole proprietors with limited capabilities and little to no risk coping mechanisms



Data on small enterprises extracted from consolidated Enterprise Survey data (2018 – 2025). FCS includes countries on the FCS classification list in the year the data reported, Non-FCV is all others excluding High Income.

Jobs are one leg of the three-legged stool

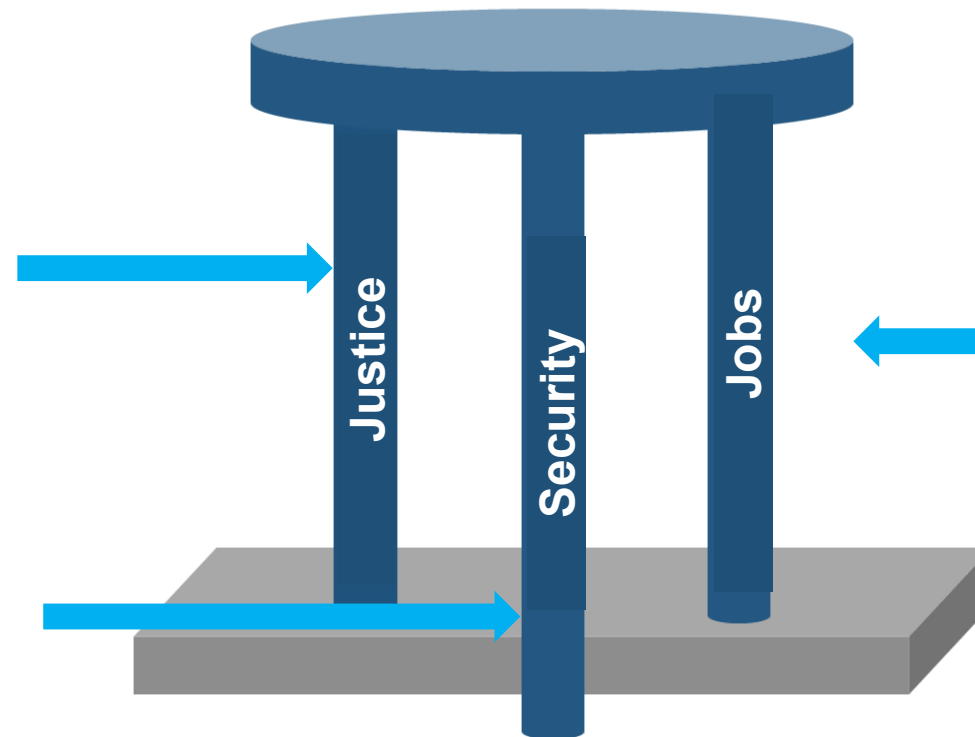
Security, justice and jobs are three critical inter-twined prerequisites for sustained peace and prosperity*

JUSTICE (& GOVERNANCE)

- Rule of law
- A level-playing field—equitable application of laws and regulations
- Equitable and inclusive access to services and support from the state

SECURITY (& POLITICAL STABILITY)

- A modicum of which is needed for any progress on the development front



JOBS (& OPPORTUNITY)

- Strengthening foundational institutions and systems (e.g., macro-fiscal management, service delivery, etc.)
- Foundational investments in human capital and service delivery and public infrastructure
- Strengthening policy and regulatory frameworks
- Supporting MSMEs and mobilizing private capital

*World Development Report 2011: Conflict, Security and Development



2. | WBG Engagement and Lessons Learned

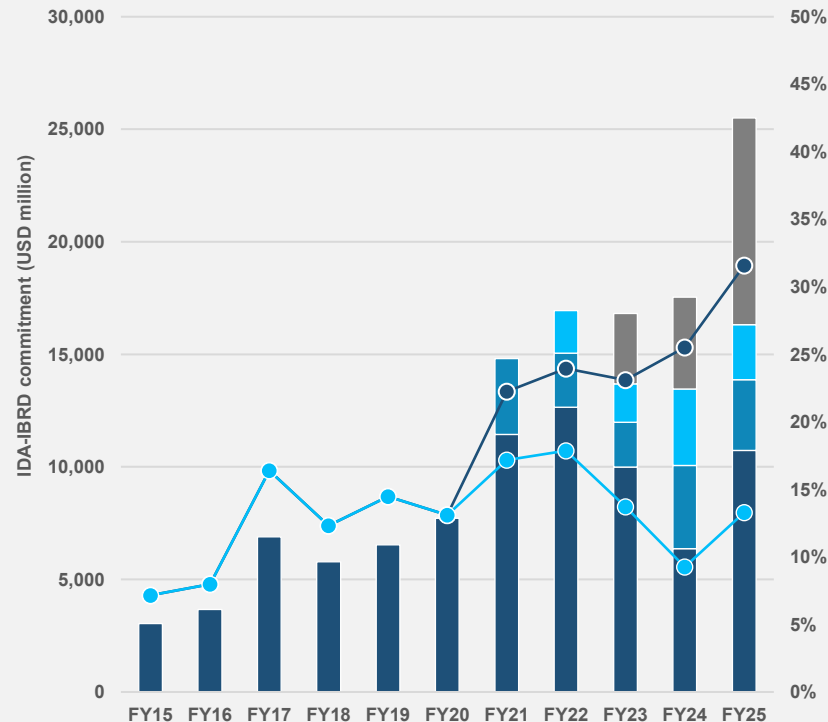
The WBG increased its financing to FCV-affected countries

- IDA-IBRD FCS financing increased 3X between Fiscal Year (FY) 15-FY19 and FY20-FY25 driven by:
 - Addition of Ethiopia, Nigeria, & Ukraine to the list
 - Near-doubling of financing to other FCS due to introduction of FCV Envelope (IDA18) and COVID
- In FY25, a third of IDA-IBRD financing was to FCV countries (51% of IDA and 13% of IBRD financing)

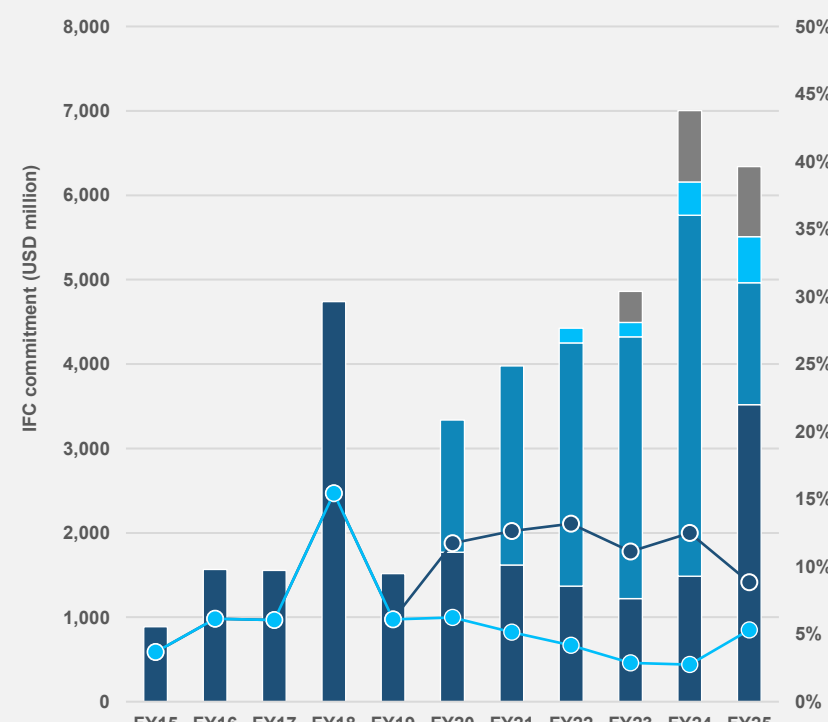
- IFC average annual investments in FCS increased 2.4X between FY15-19 and FY20-25:
 - Addition of Nigeria, Ethiopia & Ukraine
 - Growth in short-term finance

- MIGA guarantees in FCS countries account for 12.3% and 16.8% of portfolio by volume and project count, respectively
- New FCS issuances varied year-to-year; upward trend between FY23-25 (averaging ca. \$1B/year)
- Access to blended finance facilities (e.g. PSW, CAFEF) are an important enabler for MIGA to support FCV-affected countries

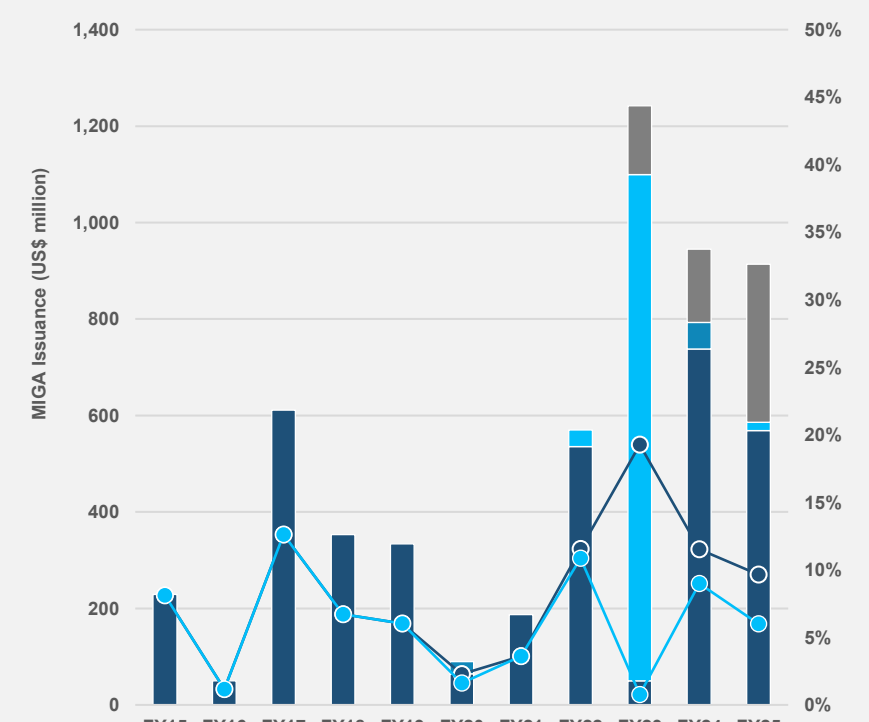
IDA-IBRD commitments (FY15-FY25)



IFC commitments (FY15-FY25)



MIGA Issuance (FY15-FY25)



FCS-ex-ETH,NGA,UKR
 FCS-NGA
 FCS-ETH
 FCS-UKR
 FCS% (RHS)
 FCS-ex-ETH,NGA,UKR(%) (RHS)

Impact in FCV settings requires a more proactive, adaptive and nuanced approach

The last five years have yielded lessons on what we need to do differently or better

Lesson 1: Surface and act earlier on emerging risks

- We need to incentivize surfacing risks so that we can take **needed anticipatory actions and/or invest in prevention** early enough

Lesson 2: Recognize the limits of what development financing alone can achieve

- We increased financing for FCV countries
- ...but development finance alone cannot **reverse adverse political and security dynamics** and...
- ...even the best-designed ring-fenced investments are difficult to scale and sustain **without political commitment** to critical reforms

Lesson 3: Work more consistently as One WBG on jobs agenda in FCV

- Existing instruments have proven useful but insufficient
- Need **new tools to engage with MSMEs**
- Need to further systematize collaboration across the WBG

Lesson 4: Adapt our tools, partnership model, knowledge and staffing to the realities of FCV contexts

- Further **adapt our operational tools** and processes to enhance effectiveness in FCV settings
- Be more deliberate in working with **partners with complementary mandates**, especially in the security and political spheres
- Better customize global knowledge to the realities of FCV contexts
- Having the **right talent on the ground** is perhaps the most critical enabler of our success in FCV contexts



3. | A refreshed approach

We will make four strategic shifts

STRATEGIC SHIFT

FROM

TO

A

WHEN

Anticipate better and work with partners

A reactive approach based on a backward-looking FCS list and an emphasis on countries in active conflict or crisis.

A risk-monitoring and management process anchored by a FCV country classification scheme to better identify and anticipate country-level FCV risks and inform strategic choices.

B

WHAT

Adopt a differentiated approach

Maximizing financing at the country level trying to meet the very real needs that exist everywhere.

A differentiated approach, guided by the FCV country classification scheme and an assessment of the potential for WBG support to have lasting impact, to inform how we engage in fluid FCV country contexts, and the size and type of investments we make.

C

WHAT

Work better as One WBG on the jobs agenda

An emphasis on government-led programs with limited WBG coordination in private sector development programs.

A more integrated One WBG push on jobs in FCV countries, with a focus on MSMEs. Enhance the investment readiness of the domestic private sector, finance foundational investments, strengthen the policy and regulatory framework, and mobilize complementary public and private financing for priority sectors, and WBG initiatives (e.g., M300, AgriConnect).

D

HOW

Enhance operational toolkit, partnerships, knowledge and talent

A fragmented operational approach, uneven partnerships, and staffing challenges, limiting the WBG's ability to deliver results effectively.

An enhanced operational toolkit for FCV contexts, mission-driven partnerships, customized knowledge and ensuring qualified teams with motivational incentives.



WHEN

Anticipate better and work proactively with partners to tackle emerging risks

Risk-monitoring and management process to identify country-level FCV risks early on and inform strategic choices

We will develop a **FCV country classification scheme**¹ that will **rely on several sources of information** to better identify and anticipate country-level FCV risks. It will:

- be informed by an **AI-enabled forward-looking Fragility Index** being developed **independently** by the **Hoover Institution at Stanford University**
- draw on monitoring and assessments from our FCV team, **our operational teams**, and our **work with partners in the field**
- take account of **all forms of conflict** and **political** and **organized criminal violence** that **threaten development progress nationally**
- reflect where FCV risks have **materialized** to a **greater** (“**countries in crisis**”) or **lesser** (“**conflict-affected countries**”) extent and where **FCV risks are emerging** (“**countries at risk**”)

FCV CONTEXTS



Countries in crisis

- Countries in active conflict or acute crisis
- Countries where we cannot work through (finance) government



Countries in transition

- Countries emerging from protracted crisis



Conflict-affected countries

- Countries with functioning governments...
- ... where conflict and insecurity are widespread enough to hamper national development progress



Countries at risk

- Countries that are stable but vulnerable to instability or conflict outbreak “around the corner” (2-3 years)



Stable countries

- Countries not at risk of instability or conflict in the near to medium term

¹The FCV country-classification scheme will improve on the current backward-looking FCS list and will be distinct from the IDA traffic-light system for debt risks, which determines IDA financing terms.



WHAT Adopt a differentiated approach

Tailoring engagement to FCV country classification and potential for lasting development impact

We will tailor our country programs—the scope of WBG activities and the size and type of investments—based on:

- Country FCV risk classification
- Potential for lasting development impact

Any changes will be proposed through the IDA21 Mid-Term Review.



How we will assess potential for lasting development impact:

<ul style="list-style-type: none"> • Presence of institutionally sustainable local delivery platforms 	<ul style="list-style-type: none"> • Turning point or window of opportunity • Coalition of partners 	<ul style="list-style-type: none"> • Government commitment to reforms needed to lower FCV risks and shift the trajectory back to the path to peace and prosperity 	<ul style="list-style-type: none"> • Government commitment to reforms needed to proactively tackle emerging FCV risks before they materialize
<ul style="list-style-type: none"> • Private sector readiness 			
<ul style="list-style-type: none"> • Scale of potential cross-border spillovers 			

- The assessments will be anchored in **clear and transparent principles and criteria** but will also **reflect particularities of the country context and judgment** based on local presence and knowledge

Note: The FCV traffic light system is used for country-level FCV risk classification and is distinct from the traffic-light system for debt risks, which determines IDA financing terms.

B

WHAT

Adopt a differentiated approach in practice (1 of 2)

Tailoring engagement to FCV country classification and potential for lasting development impact

 Countries in crisis

 Countries In transition

Where we cannot work through government we will **remain engaged**.
But we will be more selective in how we stay engaged.

We will work with partners to **support countries at transitional moments emerging from crises**



Where we are able to identify pathways to delivery with the potential to last, we will:

- Work with partners to **protect development gains**—continue service delivery through local platforms, maintain local institutions and community infrastructure, and support MSMEs as the primary source of jobs



When there are no immediate delivery pathways we will:

- Undertake **analyses** and **convene platforms** with partners to share assessments and coordinate action
- **Not commit new IDA-IBRD financing** until we **identify delivery pathways** with the potential to last
- Maintain **client relationships** and manage **legacy operational risks** wherever needed and feasible



When those windows of opportunity emerge, we will :

- Contribute to comprehensive **rapid needs assessments** to inform early interventions
- Provide, if needed, **pooled financing platforms** around which partners, public and private, can convene
- Scale up financing gradually from initial support for **restoration of basic government systems and service delivery** to longer-term **recovery and reconstruction** and **jobs-enabling investments** and reforms
- Emphasize **private-sector led recovery**, using our blended finance and guarantee instruments to **crowd in investors, in particular diaspora**

B

WHAT

Adopt a differentiated approach in practice (1 of 2)


Tailoring engagement to FCV country classification and potential for lasting development impact

 Conflict-affected countries

 Countries at risk

We will work with partners to engage government on the reforms and investments needed to **lower FCV risks and shift the trajectory back to the path to peace and prosperity**


We will work with partners to engage government on the reforms and investments needed to **proactively tackle emerging FCV risks before they materialize**

 **Where there is government commitment to embark on the needed reforms, we will:**


- Pursue **compacts on trajectory-shifting reforms** and **scale our financing for the jobs agenda**, oriented to **lowering FCV risks and adapted to the security context**
- If needed reforms fall outside our mandate, we will work where feasible with **partners** with the relevant **mandate**

 **Where there is not, we will:**

- Be more **selective** with our financing, limiting it to where there is **reform appetite**, investments in **human capital** and supporting **MSME-led job creation amidst insecurity**

 **Where there is government openness and commitment to acting early, we will:**

- Pursue **prevention compacts, scale our financing for the jobs agenda** and **recalibrate our program** to support investments and reforms that can contribute to **mitigating emerging FCV risks**
- If needed reforms fall outside our mandate, we will work, where feasible, with **partners** with the relevant **mandate**

 **Where there is not, we will:**

- Manage our **exposure** and limit our financing to more **resilient** investments and continue to make the case for early action



WHAT

The differentiated approach applied to the private sector

We must tailor our private sector engagements based on the on-the-ground realities

Country Context

Private Sector Operating Environment

Solutions

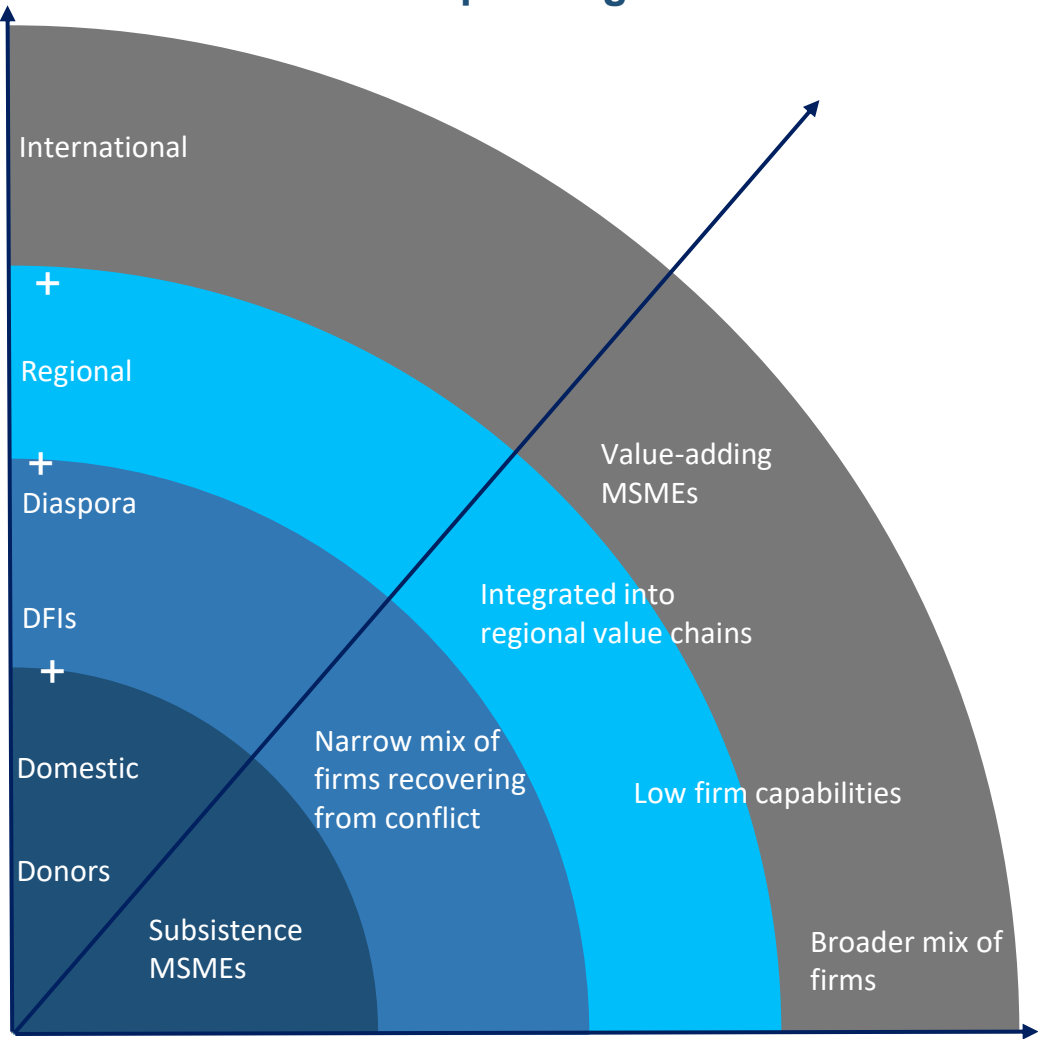
Countries at risk

Conflict-affected countries

Countries in transition

Countries in crisis

Evolution of Potential Investors



Private Sector Characteristics

Promote economic diversification and job creation

Support resilience of the private sector

Enable private sector recovery

Support livelihoods and MSMEs



WHAT

Work better as One WBG on the jobs agenda in FCV settings

Adapting the WBG’s three-pillar approach to job creation

Focus Areas	Foundations: Infrastructure, Institutions, and Systems	Business Enabling Reforms	Private Sector Capacity and Financing
	IBRD/ IDA	KNOWLEDGE BANK	IFC and MIGA
<p>Support MSMEs domestic private sector</p>	<ul style="list-style-type: none"> • Address deficits in infrastructure and access to inputs, markets and finance – including power, logistics, and payment systems • Address gaps in key public institutions (e.g., central bank, telecom and commercial regulators) 	<ul style="list-style-type: none"> • Reforms to enable MSME growth, market competition, entry and key sectors (e.g., agriculture, digital) • Support basic banking and regulation enabling greater intermediation and functions (credit, insurance) in more developed financial sectors 	<ul style="list-style-type: none"> • Build skills and capabilities of MSMEs, value chains, and the broader MSME ecosystem • Support microfinance / SME finance institutions / commercial banks / non-banking finance • Partner with international Development Finance Institutions (DFIs), strengthen domestic DFIs • Where possible, derisk and crowd in private capital (e.g., guarantees, first-loss financing, FCV-focused risk mitigation facilities) • Support Foreign Direct Investment where possible
<p>Leverage flagship platforms adapt to FCV contexts</p>	<ul style="list-style-type: none"> • Leverage flagship platforms—M300, AgriConnect, and the Minerals & Metals Compacts—to drive jobs, strengthen conflict-resilient supply chains, bolster food security, and unlock resource-based growth with broad community benefits • Strengthen the WBG’s MSME operating model to deliver the jobs agenda by implementing necessary organizational adjustments. 		



HOW

Enhance the WBG operational toolkit and pursue more focused partnerships

Strengthen Risk Management

- Clarify and institutionalize roles and responsibilities for supporting management of security risks during implementation of IDA-IBRD financed operations
- Introduce systematic review of whether FCV risks have been adequately identified and mitigated— e.g., consider a FCV sensitivity tag—for all WBG operations in conflict or violence-affected contexts

Improve operational effectiveness in FCV

- Increase uptake of context appropriate and flexible but robust operational processes— e.g., for procurement—in FCV settings
- Mainstream enhanced use of intensive client support, including on procurement and E&S, while accounting for FCV risks

Refine our approach where we cannot work through government

- Establish guidelines for selection, costing and effective use of Third-Party Implementation (TPI)
- Introduce instrument to enhance competition and value for money in selection of TPIs

Pursue more focused partnerships

- Systematize at the country level ongoing global partnerships on FCV-related issues (e.g. with multilaterals and IFIs) to align country development and reform priorities and jointly support compacts with government
- Initiate more structured partnerships with regional and international actors with political & security mandate, recognizing that in many FCV contexts, progress on political stability and security is critical to the impact of the development support we provide

Attract, build and support talent

- Introduce a Facetime Index (based on HR and travel data) to track staff time spent in-country and require diversity of experience, alongside outstanding performance, for eligibility to managerial roles in the IDA-IBRD operational complex.
- Build a pool of FCV-ready talent by developing a certification program with domain-specific accreditations for operational roles.
- Support talent in FCV and hardship locations by creating an integrated WBG service team (e.g., HR, security, health, corporate services) to assist country units and staff with safety, health, and living conditions.



4. | Share feedback

You are invited to provide feedback:

- Are the strategic shifts clear and responsive to the complex realities of FCV environments?
- Any suggestions on how the WBG can operationalize these strategic shifts?

Send feedback to fcv_outreach@worldbank.org

Deadline: February 28, 2026



Thank you