



# A People-first Strategy:

Reforming the World Bank's approach to  
fragile and conflict-affected settings

August 2023

## INTRODUCTION

**As the World Bank undergoes an Evolution Process this year to reform its global approach, its ability to deliver on its core mandate will hinge in large part on its effectiveness in fragile and conflict-affected settings. The World Bank should seize the opportunity of the Evolution Process to commit to a *people-first*, rather than *government-first*, operating model to meet its ambitions.**

In the last 30 years, extreme poverty has dropped by more than half, lifting over one billion people out of poverty. But this trend masked a dangerous divergence between stable and fragile settings. By the end of this decade, it is estimated that two-thirds of the world's extreme poor will live where poverty is hardest to eradicate: places marked by conflict and fragility. People in these settings face double jeopardy: they live in states where poverty is on the rise, which are often the same ones hit hardest by fragility, conflict, displacement, climate change, debt distress, and other global risks.

Laudable poverty alleviation has left extreme poverty in fewer places, but seen it become entrenched in some of the world's most challenging contexts. Humanitarian actors like the International Rescue Committee (IRC) are too often shouldering responsibility for these populations, helping people to survive with little hope of recovery.

While humanitarian aid is irreplaceable in meeting the immediate needs and preventing worst-case scenarios, a complementary development approach is crucial in addressing medium- and long-term challenges. In most conflict-affected and fragile states, windows of opportunity for World Bank programming still exist.

The World Bank has an impressive track record lifting people out of poverty, but this final frontier of extreme poverty is new territory. The Bank's traditional tools for financing and delivery depend on national government's capacity, but this is precisely what is often lacking in these settings. As long as the World Bank orients around government partners, financing will flow to where it is easiest to deliver — not where it is most needed. Hundreds of millions of the most at-risk people will lose out by design.

A new paradigm is required. Greater funding is required, but it should come alongside reformed delivery mechanisms to unlock the full potential of World Bank programs. The World Bank should seize the opportunity of its Evolution Roadmap this year to commit to a *people-first*, rather than *government-first*, operating model.

Where governments can deliver, they should be supported; where they cannot fully, the Bank should crowd in a wider range of partnerships with civil society to scale up capacity and enable these contexts to absorb more financing. These partnerships can enable higher risk tolerance to promote truly inclusive development, reaching people in the most challenging contexts.

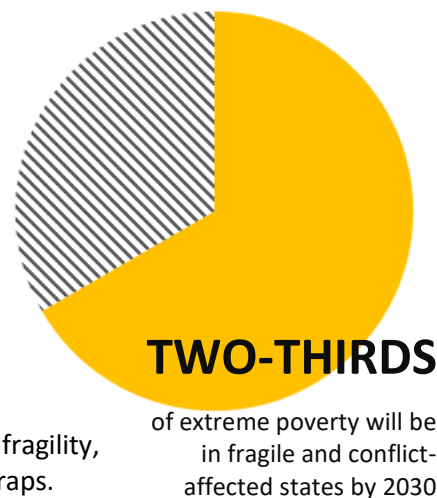
Together, the World Bank, development actors and humanitarians can leverage their complementary mandates to drive more support to these communities and meaningful improvements in the day-to-day lives of millions.

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**Cover:** A Somali woman in Helowyn camp in Ethiopia engages other community members. She is part of a Women Steering Committee in the camp where she helps run services that raise awareness about women's rights and safe spaces.

## THE DILEMMA: THE SHIFTING GEOGRAPHY OF EXTREME POVERTY

Global development progress has masked a dangerous divergence: growing prosperity for those in stable, if poor, countries and mounting crises for those in settings with fragility, conflict, and violence (FCV). By the end of this decade, the majority of the world's extreme poor will live in FCV contexts. What worked to lift people out of poverty in India, China and other stable settings in the past will not work for these future epicenters of extreme poverty.



- » **Polycrisis is dominant in FCV contexts.** These settings are hit hardest by not only extreme poverty, but also climate change, fragility, conflict, the COVID-19 pandemic, economic downturns, and rising inflation. These simultaneous crises are not a coincidence, but rather are closely intertwined and mutually reinforcing. Conflict erodes capacity and infrastructure and makes these settings higher risk for foreign investment, perpetuating a vicious cycle of fragility, violence, and displacement. FCV states are at risk of self-sustaining fragility traps.
- » **Government capacity is often constrained in FCV settings and further challenged in times of crisis.** Economic crisis leaves governments with limited budgets to run basic services, while active conflict can further drain budgets just as populations' needs are growing. As a result, there is too often little in the way of relief packages during sudden crises like COVID-19 or a drought or the ability to run robust social safety nets on overstretched budgets. In places like the Central African Republic and South Sudan, NGOs already provide 75% and 80% of health services, respectively.

Moreover, the past decade has seen what the World Bank characterizes as the "largest, fastest and most broad-based increase in debt in these [developing and emerging] economies." 60% of low-income developing countries are in debt distress or at high risk of it—a doubling since 2015. A number of governments are cutting public services to repay debt; new data from this year finds at least 19 developing nations allocate more money to debt interest payments than education, and 45 spend more on interest than health. The result is populations left without sufficient basic services.

- » **Conflict is driving a growing share of people outside of recognized governments' control.** Governments have the primary responsibility to their people. But a year ago, IRC warned about "system failure" in international responses to humanitarian crises, driven by state failure. More conflicts are raging than at any time since World War II. The internationalization of intrastate conflict tends to make them last longer. Conflicts are burning on for an average of 30 years – a doubling compared to the 1990s. People in areas of Sudan, Yemen, Syria, and elsewhere are in limbo outside of government control. Across conflict zones, there has been a proliferation of non-state armed actors, who are vying for control of 150-160 million people. In Afghanistan alone, 40 million civilians are under the control of a de facto authority unrecognized by most of the global community. In Yemen, Ansar Allah controls around 80% of the population.
- » **An uptick in coups drives political crises.** The international community is contending with a spike in coups, including Mali in 2020 and 2021, Burkina Faso in 2022, Myanmar in 2021, Sudan in 2021, and Niger in 2023) that often spark widespread suspensions in foreign assistance.
- » **Conflicts often involve governments that are parties to conflicts.** Consequently, these governments are sometimes unable or unwilling to support people who are not under their territorial control. A government-only model can lead to programs being provided for people on one side of the conflict, which risks exacerbating local tensions and grievances. Across conflict settings, communities' distrust towards governments can make them ill-suited to operate as the only partner for the Bank.

## These trends contribute to a risk-averse international response:

- » **The World Bank and its shareholders are reluctant to partner with or provide on-budget support for the governments or de facto authorities in power in many FCV contexts.** One study reports that around half of people in fragile and conflict-affected states live in situations where relations between major donors and national authorities are strained. This tension leaves millions of people in limbo and unable to access the services and tools to recover from crisis.
- » **Development and climate financing remain risk averse.** This financing orients towards stable settings where it is easier to deliver – both in terms of the countries that are prioritized for funding as well as allocations among sub-regions within states. Yet these are the places where development progress most hinges on strategic support from the World Bank, given limited domestic growth or access to other low-cost financing.  
  
For instance, UNDP research finds the more fragile a country is, the less climate finance it receives. Climate financing per capita for conflict-affected countries was one-third of what other states received in 2020. Somalia, for example, received \$11 per capita in climate financing – half of the average for countries affected by climate change but not experiencing conflict. Climate finance orients toward more stable settings with prevention and mitigation efforts, while support for FCV states is often reduced to short-term aid. These states miss out on sorely needed investments in longer-term resilience programs and climate adaptation.
- » **Humanitarians are left responsible for large portions of countries' populations.** The IRC sees first-hand the impacts when short-term humanitarian funding is left to fill gaps in state service provision. In Afghanistan, Yemen, Syria, and South Sudan, humanitarians are expected to support a staggering two-thirds of the population or more. For 2023, the global humanitarian response requires over \$51 billion – an appeal that has surpassed one of the world's largest development programs, the World Bank's International Development Association (IDA). IDA is funded at around \$31 billion per year (\$93 billion over three years). Unaddressed, this imbalance risks worsening the divergence between stable and FCV contexts.
- » **FCV contexts are left behind in the Sustainable Development Goals (SDGs):** This year marks the halfway point to the 2030 target for the SDGs. A mere 15% of SDG targets are on track so far. Much of this backsliding is concentrated in FCV settings, where their challenges on SDG16 (peace, justice and strong institutions) threatens to kill any hope of progress on the rest. While the SDGs are about human-centered outcomes, the traditional tools for reaching them center on the government capacity and stability that is sought in SDG16.

### The Cost of Inaction: Navigating a Coup in Niger

The World Bank has recognized the importance of remaining engaged in post-coup contexts, but a government-oriented operating model challenges that commitment. For instance, the World Bank noted that its disengagement from Madagascar after its 2009 coup, including strict policies against dialogue with the authorities, "**contributed to the marked deterioration in economic and human development outcomes.**" From 2009 to 2014, the country experienced a 10% rise in poverty, an additional 600,000 children out of school, and a 50% rise in child malnutrition in some areas. Moreover, a report from the Independent Evaluation Group noted foreign aid fell as "many donors looked to the World Bank for signals to reinstate development assistance."

A spate of recent coups brings new urgency to finding ways to remain engaged in these situations. Following a coup in Niger in July 2023, the World Bank suspended most of its nearly \$5 billion Niger portfolio – one of its largest programs in Africa. The Bank spent a decade building a critical social protection system, including with monthly cash transfers, and expanding energy access. It supported basic services like health and education, with a particular focus on addressing gender inequality. Farmers and others working in agriculture – 80% of the population – will face future seasons without World Bank programs, which included the provision of drought resistant seeds, fertilizers, and trainings. **Programs are paralyzed indefinitely unless the Bank adapts its operating model and risk appetite.**

## BUILDING ON PROMISING PILOTS WITH CIVIL SOCIETY

The Bank's inaugural [Strategy for Fragility, Conflict, and Violence \(FCV\)](#) for 2020-2025 places a premium on partnerships, noting "partnerships are essential and must be the 'new normal' to effectively prevent conflict, build resilience, and sustain peace." Yet much of its emphasis lies on civil society's role in consultation, strategy coordination, and joint data collection – not on the design and implementation of programs. It states that only in "exceptional circumstances" could the Bank directly finance third parties. This approach is reinforced in the latest IDA20 [strategy](#) which allows for it in "limited circumstances." Yet the number of exceptional circumstances is rising.

**The World Bank has piloted innovative and promising models with UN agencies and NGOs.** The Bank has supported social safety nets, livelihoods programs, and even major health programs to safeguard development gains. Each case offers vital learnings for the expansion of Bank engagement in FCV contexts.

- » **Yemen:** After conflict escalated in 2015, the World Bank pivoted within months to partnerships with UN agencies, enabling it to deliver \$3.7 billion in IDA grants since then despite the war. A core goal of the World's Bank strategy has been to preserve critical national institutions for a post-conflict situation, particularly the Social Fund for Development (SFD) and the Public Works Project (PWP). At a time when Yemen's health system was "[on the verge of total collapse](#)," a World Bank partnership also provided IDA grants to UNICEF and WHO for a [health project](#) to preserve the health system, including paying operating costs of health facilities; training over 15,000 health workers; and providing supplies, medicine, water and fuel for facilities to function. Its [successor project](#) has now supported 72 hospitals and over 2,100 primary health facilities, reaching 7.2 million people and immunizing one million children. Another [program](#) invests in road access to rural areas to enable farmers to reach markets – an investment that has wider impacts for Yemenis, expanding their overall access to services and humanitarian actors' ability to reach them with aid.
- » **Afghanistan:** Until August 2021, the World Bank-managed Afghanistan Reconstruction Trust Fund (ARTF) was the largest single source of funding for Afghanistan's development and financed up to 30% of the government's civilian budget. After the change in power, the ARTF was suspended, sparking an immediate collapse in the health system in particular given the previous government's high dependency on foreign support to run basic services. Since then, the fund has been reconfigured to direct all funding through UN agencies and NGOs. It supports large-scale basic services, including projects in health, education, food security, and livelihoods to meet Afghans' basic needs.
- » **South Sudan:** Conflict and limited government capacity have meant that non-government actors have been the [primary implementers](#) of World Bank programs since 2018. Continuity of programming has likely been possible in part due to the higher risk threshold of these actors. For example, the IDA-funded [Provision of Essential Health Services Project \(PEHSP\)](#) was implemented by UNICEF and ICRC to run health facilities and train health workers in conflict-affected states. UNICEF also sub-contracted delivery to NGOs. The project was aligned with the government's health strategies. The World Bank's [current approach](#) seeks a gradual shift, from the current model with primarily third-party implementation and efforts to strengthen government institutions, then funding the government to contract out to third-parties for implementation, and finally a transition towards a government-only model.
- » **Somalia:** In 2017, drought in Somalia created the risk of famine. Given its outstanding arrears to the World Bank, the Government of Somalia was not eligible for IDA funding. In response to the government's request for support, the World Bank [provided](#) IDA funding directly to the Food and Agriculture Organization (FAO) and the International Committee of the Red Cross (ICRC), using IDA's Crisis Response Window (CRW). This was the Bank's first time directly funding either organization. The project was approved within only five weeks, using emergency processes. The project supported food aid, health services, and the rehabilitation of water infrastructure, among other services.



**Yet these models remain ad hoc. They are treated as exceptions and lack a systematic approach.** Identifying cases of UN and NGO partnerships is difficult due to limited cohesive Bank reporting on these cases or efforts to highlight the full breadth of the model. This makes it difficult to assess the full picture of these partnerships. The Bank's formal recognition of partnerships and public reporting is often limited to its UN engagement, often overlooking the critical role of NGOs in implementing UN programs and the untapped potential for greater direct partnerships with NGOs. The Bank has already made formal agreements with UN agencies (e.g., The Partnership Framework for Crisis-Affected Situations, the World Bank–UN Financial Management Framework Agreement). Yet consideration of partnerships with NGOs has not been adequately explored.

**As long as these partnerships are treated as exceptional, one-off cases, there is little reason for the Bank to assess best practices and lessons learned for reforming the model going forward. That mindset risks the Bank underutilizing this model despite the growing need for it.** For instance, in Afghanistan, the shift in power in 2021 triggered the suspension of all Bank initiatives and paralyzed the Afghanistan Reconstruction Trust Fund for months despite precedents elsewhere. In Ethiopia, the World Bank maintained a business-as-usual approach despite the rise of conflict that left parts of the country outside of government control. It took two years until the World Bank announced in December 2022 that it would pilot funding non-government organizations to provide health services in conflict-affected areas. These different scenarios highlight the need for a more systematic and consistent approach to policy engagement and criteria for partnerships as the Bank seeks to scale up its work in FCV settings.

**Despite the promise of this model, the latest report in the Bank's Evolution Process, presented to the Development Committee at the World Bank/IMF Spring Meetings, again reinforces the government model without recognition of other delivery partners.** It notes, "being country-driven is necessary, as we need government counterparts to engage with and help deliver as an interested borrower; as well as highly value-adding, through adaptation to country circumstances and strong national ownership." While there is good recognition of the roles of governments and the private sector role in the Evolution Roadmap, the third pillar of civil society is insufficiently recognized. The paper references the private sector 48 times but mentions non-governmental organizations and civil society only three times. A business-as-usual operating model is ill-suited to meet the ambitions of this reform or achieve the Bank's mission to eradicate extreme poverty.

## NGOs have proven expertise complementing government roles...

### Advising on projects

In Jordan, the IRC is part of an innovative finance advisory model. The West Irbid Wastewater Project aims to provide first-time sewage infrastructure to over 120,000 refugee and host community members. It is financed through a European Bank for Reconstruction and Development (EBRD) loan co-financed by other investment grants and with the support of the Government of Jordan. EBRD is partnering directly with IRC for technical assistance and community engagement to ensure the project is accessible to the population and maximizes its impact.

### Expanding services

In 2022, the IRC launched the Reaching Every Child in Humanitarian Settings (REACH) project with Gavi, the Vaccine Alliance and a network of organizations in East Africa. It is an ambitious effort to reach "zero dose" children who have not received a single routine vaccine and others who are under immunized, often due to living in conflict-affected and fragile areas. This effort complements governments, expanding access to health for populations that would otherwise go unreached to "ensure that no child is left behind, regardless of where they live."

### Surge capacity in crisis

In Lebanon, the World Bank has selected IRC as an Implementing Agency (IA) for a social recovery project aiming at supporting vulnerable groups affected by the Beirut Port explosion with a focus on services for those experiencing gender-based violence, a deteriorated psycho-social wellbeing and for persons with disabilities and older persons. The IRC supports local NGOs to provide critical services, including health services, community-based rehabilitation services, supporting shelters, and trainings on gender-based violence response and other topics.

## A SPECTRUM OF PARTNERSHIP MODELS

FCV settings often require a coalition of actors to effectively reach all people. This requires support for humanitarian response in the immediate term to respond to the symptoms of crisis and save lives, while simultaneously investing in programs that address structural factors and socioeconomic challenges underlying these crises. A spectrum of partnership options is available. These approaches are not static – they may shift over time within a given country.

### » Funding governments to contract out to local partners.

This is referred to as "country-driven borrower contracting" by the Bank. Even in places where the government has capacity, sudden crisis may necessitate surge support from other actors, such as specialized expertise, training to improve program quality or community engagement support to ensure programs are accessible to the most vulnerable. Civil society can quickly scale up when disaster strikes (e.g., cash transfer programs) via shock-responsive strategies.

*This model was used in Afghanistan before the shift in power in August 2021, particularly for delivery of health programming where NGOs were contracted to run health facilities given limited government capacity. This model could be ideal for a setting like Ukraine where there is a government in place, but it is facing a sudden and drastic change in the environment with a large-scale conflict, widespread damage to civilian infrastructure and a rapid increase in the need of the population. For instance, non-government actors could help with training and surge capacity to scale up psychosocial support, gender-based violence and other protection services across health services to address rising needs and minimize the need for parallel humanitarian services in those areas.*

### » Hybrid models of direct financing for both government and non-government organizations.

Most cases will likely fall into hybrid options. This may mean different actors operating in different areas with UN agencies and NGOs sustaining services in pockets of territory outside of the government's controls, or civil society supporting government programs and facilities with technical expertise and training. In cases of limited government capacity, these models can include institutional strengthening and capacity building of ministries with a strategy towards transitioning towards a government-led response.

*This model is used in South Sudan. It would be suitable for areas where governments face significant capacity constraints, where non-government organizations could deliver in pockets outside of government control or with contested control of the civilian population, or where governments are parties to conflicts. This could include places like northeast Nigeria, northwest and southwest Cameroon, and harder-to-reach areas of Somalia.*

### » Direct financing for non-governments partnerships at scale.

In the most extreme and limited scenarios, the Bank can operate exclusively via civil society to avoid losing years of investments and development progress. Even in these situations, the Bank can still design programs in ways that leave the door open to transitioning programs to governments in the future.

*This model is happening already in present-day Afghanistan, where the Bank runs the ARTF exclusively via the UN and NGOs since the shift in power in August 2021 and in South Sudan since 2018 given capacity limitations. It could be a future option for other contexts, including post-coup contexts in the Sahel.*

### » Advisory roles can be applied across any of the delivery models.

Whether or not non-government organizations are implementers, they can play a key role in advising the Bank, national and local governments, and other actors. They often have greater ability to negotiate with all parties to conflicts, mediate with affected communities with whom they have a longstanding relationship, mitigate risk in places with active conflict and instability, inform on conflict sensitivity, and more in order to create more inclusive, durable programs that are tailored to the bespoke needs and challenges of each context.

## INSTITUTIONALIZING THIS MODEL

Recognizing these partnerships should catalyze efforts to systematize them. Non-government partnerships will never be the norm or majority of World Bank operations, but they should be recognized as an appropriate option.

Success in FCV contexts may look different than stable settings. World Bank programs cannot overcome conflict or political turmoil to catalyze economic growth and leaps forward in development. However, there is value in protecting decades of hard-won development gains and preventing catastrophic humanitarian deterioration. Holding the line when a state may otherwise veer towards state collapse and cycles of famine, aid dependency and mass displacement is a meaningful investment and outcome – for the World Bank, its shareholders, and the people in these countries. The benefits are clear:

### A NEW MINDSET FOR A NEW MISSION

World Bank engagement in FCV settings will require an updated operational model to achieve its updated mission “to end extreme poverty and boost shared prosperity by fostering sustainable, resilient, and inclusive development.”

#### » Increase overall financing for FCV contexts and improve its efficiency and effectiveness.

This proposed broader operating model is not an effort to take away funding from governments, but rather a way to expand capacity to increase overall funding to these countries for poverty reduction, development climate purposes, and other support beyond aid through whatever method can best deliver. Limited government capacity should not set a ceiling for investments in FCV contexts. As implementors, NGOs in particular can also help strengthen the efficiency of financing.

NGOs often have lower operating costs as compared to UN agencies, including the potential for reduced overhead costs through direct funding. It should spark internal efforts by the World Bank to identify clear criteria and triggers for when to shift models, begin pre-selection and vetting procedures for NGOs, strengthen risk mitigation measures, and adopt funding modalities that are more accessible to NGOs.

Earlier and more consistent development programming, rather than engaging after conflict subsides, is also more cost effective. World Bank/UN analysis shows that every \$1 invested in efforts to build peace and prevent violence can save \$16 dollars in the cost of conflict over the long run, while analysis has found conflict prevention programs could avoid \$34 billion in damages per year to affected states and save \$1.2 billion per year in humanitarian aid and peacekeeping interventions.

#### » Promote a more strategic approach

As it scales up in FCV settings, the World Bank should also ensure consistent, structured engagement with the array of other actors there. The World Bank has a paramount role to play in settings with weak or nonexistent governments. Governments typically operate as the central hub for major development programs and align them with national strategies. In the absence of a recognized government in Afghanistan, the Bank is coordinating basic service delivery under one coherent strategy for donors. The Bank provides technical expertise and robust monitoring. While bilateral development programs have a vital role to play, donors can face greater political challenges engaging in the thorniest contexts with development programs or providing the coordination function that the Bank can deliver.

This will be critical to avoid siloed or duplicative efforts with development and humanitarian organizations. This should include joining existing, formal coordination structures at country level, including humanitarian coordination mechanisms at country level, as well as high-level convenings on strategy. For instance, the IRC proposed the UN High-level Task Force on Preventing Famine include the World Bank given that it runs major programs in many of the states at highest risk of famine alongside significant humanitarian interventions.



» **Expand the reach of Bank programs to harder-to-reach areas and marginalized populations.**

Expanded partnerships would enable the World Bank to reach populations that would otherwise be inaccessible, setting the World Bank up to better achieve its core goals of promoting inclusive and sustainable development and eradicating extreme poverty. UN agencies and NGOs have a wider field presence than the World Bank. Civil society actors have long standing presences in these contexts, giving them an understanding of local dynamics, knowledge of existing service provision, and trust of local communities. INGOs can further partner with local NGOs, creating an opportunity for the Bank to strengthen its commitment to localization.

NGOs can help with community engagement to ensure projects reach the populations that are at risk of marginalization, including women and girls, displaced populations, ethnic and religious minorities, and those with disabilities – thus expanding the reach and impacts of programs.

» **Expand the risk appetite of the World Bank and strengthen risk-informed responses.**

Non-government organizations often have higher risk appetites than the World Bank. NGOs and local actors often have even higher risk appetites than UN agencies and wider field presences given their role as frontline implementors. These organizations can better adapt as needs and conflicts shift. They are equipped with skills needed to negotiate access with a range of actors, both state and non-state. These traits can help minimize risks to investments and the potential for suspensions, strengthening the durability of programs.

» **Enhance program design to be fit-for-purpose, recognizing the unique challenges in FCV contexts.**

Programs that succeed in stable settings do not always translate well in FCV contexts. Civil society's engagement can help ensure they are designed to meet the needs of the population and consider the unique context. The World Bank should also leverage partnerships with UN agencies and NGOs to ensure affected populations have a seat at the table and are meaningfully engaged in consultations and decisions on the programs they need.

For example, in Yemen the Bank found that a large share of people lived too far from the static health facilities to access them, which created a need for more mobile services and community-based programs. They also found there was a need for greater integration across services. These are areas where NGOs and other local groups have expertise. In other examples, local actors can ensure community engagement plans and inclusive program design to avoid raising tensions between refugees and host communities or provide travel stipends for people in rural areas when transportation costs may be an obstacle to accessing services.

» **Drive clearer criteria for non-government programs to preserve the Bank's comparative advantage**

The Bank's initial response during emergencies has sometimes been to fund UN agencies for humanitarian aid. For instance, it took this approach after the shift in power in Afghanistan, providing \$280 million in a transfer-out model to UNICEF and WFP for humanitarian programming. At other times, it has funded food aid. This tendency to pivot to aid risks duplicating the work of bilateral donors and humanitarian organization and losing the Bank's comparative advantage, which lies in its technical expertise, system strengthening, capacity building and multi-year programs that shore up resilience. A systematic approach to non-government partnerships could help the Bank engage during crises without pivoting to aid.

» **Scale up the provision of basic service delivery as a public good**

Past World Bank programs via non-government actors highlight that the preservation and strengthening of basic service delivery in FCV settings lies at the heart of the humanitarian-development nexus, for meeting core needs of populations, safeguarding hard-won development progress, and preserving capacity for recovery when political, economic, and security conditions allow. Basic services like health and education are cut when economies struggle or debt growing. Meeting basic needs early on and in preventative ways can build resilience in local systems and help prevent a deterioration towards crisis.

## AVERTING A FUNDING CLIFF

The ambitions of the World Bank's Evolution Roadmap cannot be met if funding stagnates. Unlocking the full potential of these partnership reforms requires an increase in overall funding for FCV contexts. FCV contexts uniquely benefit from funding from the World Bank's International Development Association (IDA), which serves as one of the largest sources of funding for low-income countries. FCV contexts often lack sufficient access to other forms of financing, including bilateral donor support, remittances, private sector investments and risk accruing unsustainable levels of debt through loans with high interest rates.

IDA offers provides highly concessional financing (no or low interest charges) and is also counter-cyclical financing; it maintains or increases the amount of financing to countries at times of crises when other donors may look to decrease funding. **IDA has the added advantage of being highly cost effective for donors. For \$1 donors provide, IDA leverages nearly \$4 in lending.** In the current IDA20 replenishment, donors committed \$23.5 billion, which raised a total of \$93 billion for IDA recipients.

The World Bank has already moved towards greater prioritization of FCV settings, which received 41% of funding under IDA19 – a tripling from IDA16. **But maximizing the reach and effectiveness of this funding for FCV contexts will now require a wider range of delivery partners. It is already possible to direct IDA funding to non-government actors in FCV-affected places, but this is rarely used.** Moreover, conflict settings are disadvantaged by criteria that favor strong state capacity.

Scaling up support to UN agencies and NGOs would require grant funding, which is not uncommon for IDA even when it goes via governments. More than half of current IDA recipient countries already receive half or more of their IDA funding on grant terms. The other option for funding non-government actors is World Bank-managed Trust Funds, which the Bank has recognized as useful tools to complement IDA when larger scale financing is required, faster and flexible grant funding is required, a country is in arrears, or a country does not have an active IDA program.

However, since 2012, donors' commitments to IDA have flatlined despite worsening global crises. Despite this, IDA has managed to expand its balance sheet in recent years. However, IDA's capacity to leverage additional resources is stretched. On the current trajectory, the current IDA20 replenishment (2022-2025) is headed for a fiscal cliff for its second and third years. Growing global challenges – the war in Ukraine, rising interest rates and debt distress – have driven up demand for this funding, leading the Bank to frontload its allocations in year one. As a result, FY24 and FY25 combined allocations would fall by \$10 billion compared to initial planning.

**Without additional funding from donors, limited resources would risk pitting FCV-affected contexts against stable settings, where it is easier to deliver.** As fragility emerges in a number of middle-income countries, there may be an understandable inclination to open up more financing to these countries, where it is easier to develop than in low-income, conflict-affected places. However, stable contexts have greater access to other forms of financing. As such, the World Bank should preserve financing for FCV contexts for its intended purpose, including the FCV envelope. **When the World Bank and its shareholders convene for the IDA20 mid-term review in December 2023, they should commit to immediate additional funding,** including for the new Crisis Facility envelope to address the fallout of the conflict in Ukraine and supplement the remaining IDA20 funding.

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## IRC'S RECOMMENDATIONS

### 01 World Bank shareholders should triple IDA funding by 2030.

This is in line with the [recommendation of the G20 Independent Experts Group](#) commissioned by the Indian G20 Presidency. Donors should start by pledging additional funding during the December 2023 IDA20 mid-term review, including for the new Crisis Facility envelope. An increase in overall financing will be vital to ensure needs in all contexts can be met and ensure support for middle-income countries does not come at the expense of low-income countries or FCV settings. Additional funding would also be required to realize the potential from expanded capacity from non-government partnerships.

### 02 The World Bank should endorse a “people-first model,” by formally recognizing non-government partnerships as part of the World Bank’s operating model in the Evolution Roadmap.

There is a spectrum of partnerships to embrace beyond a government-only model, whereby the Bank can:

- » **Encourage and incentivize governments to contract out to partners** where government capacity is limited or a wider range of partners can help improve program quality and accessibility of services.
- » **Support hybrid operating models** with direct financing for both government and non-government organizations to reach all areas of territory and affected populations.
- » **Provide direct financing for non-governments partnerships at scale.** In extreme and limited situations, the Bank should pivot when necessary to non-government only approaches to sustain support for civilians and avoid losing decades of progress. The Bank can still design programs in ways that leave the door open to transitioning programs to governments in the future.

### 03 The World Bank should take immediate steps to scope the potential for these wider partnerships, including by:

- » **Convening an event at the Annual Meetings in October 2023** with representatives from the World Bank, civil society, and representatives from affected countries to highlight past and present cases where the Bank has adopted non-government models.
- » **Commissioning a public report on non-government partnerships** to take stock of these delivery mechanisms and their current global scale, recognize the role of NGOs, identify challenges and lessons learned, and provide recommendations for the future use of the model.
- » **Undertaking a mapping exercise** of contexts where non-government actors offer a route to deliver effective basic services and identify operational NGO partners who can fill the delivery gap, drawing on the World Bank’s [annual classification](#) of fragile and conflict-affected situations to strengthen its preparedness for sudden shifts in the context like conflict escalation or a coup.
- » **Ease mechanisms for funding NGOs, including direct funding,** starting by pre-selecting NGOs able to meet the Bank’s criteria and streamlining the process for partnership agreements. This could increase the speed and responsiveness of Bank intervention in contexts where more partners are required.

### 04 The World Bank should expand the role of NGOs in program design and evaluation.

Too often, civil society engagement translates into UN engagement despite NGOs’ critical role as implementing partners on the ground. This year’s evolution represents a chance for the Bank to meaningfully embrace the localization agenda, in financing, partnerships, and decision making to drive solutions at scale that meet the diverse needs of affected populations.