State Fragility initiative

ODI Think Change

Navigating fragility: The new multilateral agenda

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- Efforts to reform the multilateral development banking system have been gaining momentum in recent years, with a focus on better enabling borrowing countries to address global challenges like climate change, pandemic risk, and fragility, conflict and violence.
- To better understand how the reforms could benefit engagement in situations of fragility, conflict and violence, ODI and the International Growth Centre (IGC) convened a side event at the 2023 Annual Meetings of the International Monetary Fund (IMF) and the World Bank Group in Marrakech, entitled ‘Navigating fragility: The new multilateral agenda’.
- This **learning brief** consolidates key learnings from the event, highlighting the points that appeared to resonate most strongly with the participants.

LEARNING BRIEF

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This brief consolidates key learnings from the Navigating fragility: The new multilateral agenda event.

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Efforts to reform the multilateral development banking (MDB) system have been gaining momentum in recent years. One important aim is to better enable borrowing countries to address global challenges like climate change, pandemic risk, and fragility, conflict and violence (FCV). But even though the World Bank Evolution Roadmap makes a commendable effort to highlight the need to tackle FCV challenges in particular, these have only received limited attention in the debate thus far.

To bridge this gap, ODI and the International Growth Centre (IGC) convened a side event at the 2023 Annual Meetings of the International Monetary Fund (IMF) and the World Bank Group in Marrakech, entitled 'Navigating fragility: The new multilateral agenda'. The event was specifically focused on:

1. Raising the profile and unpacking our understanding of fragility as a global public challenge; and

2. Mapping out the ways in which MDB reform could be effectively designed to address issues of fragility.

THE CONCEPT OF FRAGILITY

"Fragility", as defined by the OECD (2002), refers to "the combination of exposure to risk and insufficient coping capacities of the state, system and/or communities to manage, absorb or mitigate those risks". The concept is contentious – seen by many as an all-encompassing term that clubs together countries with diverse characteristics, and is challenged by many of the countries to which it is applied by the international community. However, it continues to be used as a catch-all by multilateral and bilateral donors to crowd-in funding for countries facing a particular set of challenges.

The side event featured leading voices in the area of FCV and MDB reform, including Ellen Johnson Sirleaf (Co-Chair, IGC Council on State Fragility / former President of Liberia) and Donald Kaberuka (Co-Chair, IGC Council on State Fragility / former President, African Development Bank / former Minister of Planning and Finance, Rwanda). Senior representatives of governments, development finance institutions, CSOs, academia and think tanks participated actively in the conversation from the audience.

This brief consolidates key learnings from the event, highlighting the points that appeared to resonate most strongly with the participants.

Consensus on tackling fragility, and the multitude of challenges it presents, as a "global public good"

There was general agreement that tackling fragility represents a "global public good", with benefits that extend well beyond a country's borders, while recognising that fragility itself refers to multiple global challenges that are inextricably linked. Donald Kaberuka (Council on State Fragility), one of the keynote speakers, highlighted the importance of fragility in connection with poverty, the eradication of which has been an overarching objective of the World Bank since its inception. He noted that African countries grappling with fragility have to simultaneously provide sufficient economic opportunities for their growing populations. This is a challenge that may pose security risks if it is not met, for example by feeding recruitment into armed groups, a point noted by the panellists. More generally, it was agreed that the challenge of fragility cannot be considered independently of the other pillars of the MDB reform agenda – namely, climate change and pandemic risk – with one intervention focusing on the intersection of climate change and security in particular.

Local voices are essential in this conversation, and may already offer some of the solutions we seek

Officials stressed that the countries experiencing fragility themselves need to be given meaningful – not just symbolic – voices in this conversation. At the same time, it was pointed out that fragile contexts can be home to pockets of resilience that the international community, as well as the MDB system, should look to replicate, strengthen, and sustain, to gradually build momentum behind a broader transition out of fragility. The international community runs the risk of overlooking these valuable opportunities if fragile countries themselves do not have a seat at the table and agency in efforts to tackle this global challenge.

MDBs are well-placed to address the challenge of fragility

A point emphasised by several participants was that MDBs are uniquely placed to engage in countries experiencing fragility. More specifically, their ability to tolerate the risk premium and mobilise capital in fragile contexts is inherently greater than private sector counterparts, and may help to "crowd in" private sector investments that would otherwise not occur. While recognising the potential role that support for the private sector could play, there was also some concern that fragile contexts can be attractive to the "wrong kind" of private sector investors, whose activities may be extractive and/or damaging from a conflict and stability standpoint. Instead, MDBs engaging in fragile contexts could make an important contribution by helping to empower the "right kinds" of investors, both domestic and foreign.

There was a reminder, however, that one cannot take MDBs' risk tolerance for granted. In particular, there would be a need to engage with shareholders on their acceptance of environmental, social and governance risks, some of which can be harder to fully mitigate in contexts of fragility.

MDBs need to rethink their organisational frameworks, capacities and incentives for engaging in fragile contexts

The interventions highlighted several issues with the existing frameworks, capacities and incentives within MDBs that constrain their ability to engage in fragile contexts. This included the absence of clear frameworks around engagement and disengagement (for example, in Afghanistan), the need to facilitate and incentivise effective partnerships and partnership-building in fragile contexts, higher administrative costs associated with working in fragile countries, and a lack of staff incentives to work on and in fragile contexts. It was also noted that manifestations of fragility can span both multiple geographies and sectors (for instance, it is hard to clearly distinguish between a social project and an environmental project), which calls for MDB reform to reduce silos and foster multisectoral engagements. In a similar vein, with respect to efforts to tackle the emerging challenges at the climate-security nexus, there was a call for improved coordination across relevant bodies, increased climate adaptation financing that is specifically aimed at building peace and stability, and integrated capacities in organisations to work on both climate and security.

Concessional resources are scarce and should therefore be deployed smartly

The discussion underlined the importance of considering additionality in decisions to use concessional instruments, including the need for better criteria around concessional funding to address vulnerability. It was recommended that concessionality be used cautiously and in a well-targeted manner. At the same time, it is clear that the development of new concessional instruments will be key to dealing with issues where spillovers are likely, such as climate adaptation and fragility related to climate change.

National platforms can be an effective mode of engagement

Twenty years of engagement in Afghanistan have demonstrated that national platforms involving multiple donors can be an effective mode of engagement, conducive to building not only national but also regional partnerships. This point was echoed in the discussion, where it was noted that interventions have often sought to bypass the state in fragile countries, whereas they should focus on enhancing the effectiveness of the state.

Conclusions and the way forward

As repeatedly voiced by participants, joint action on global challenges, such as pandemic risk, FCV and climate change, is critically important. Four broad observations emerged from the discussion that can inform these efforts:

1. Given the consensus that tackling fragility is a form of "global public good", there is broad agreement that MDBs are uniquely positioned to lead in this space. However, their financing and risk-taking capacity must be strengthened if they are to play this role effectively.

2. Moreover, questions remain as to how MDB operating approaches can be made more appropriate to engaging in fragile contexts. The concept of the Global Challenge Programmes proposed by the World Bank is interesting in this context, since it might offer a way of drawing flexibly on instruments and capabilities that can be tailored to varying and complex local needs.

3. New and well-targeted concessional financing instruments that are co-financed by MDBs hold great potential, and scope may exist for developing new instruments that distribute or mitigate risks in innovative ways or that complement financing with capacity- and institution-building as well as building partnerships with local players.

4. Collective and coordinated action by MDBs, through proven means such as national platforms, can scale impact, particularly if they are able to reduce duplication and fragmentation. What remains less clear is which set of actors, beyond donors, need to be brought together when engaging in fragile contexts, and indeed the means by which these different voices would shape the engagement.

ODI and the IGC, through future events and activities, will be delving deeper into these issues, with a view to building clarity and consensus around the solutions to this important global challenge.

Agenda

Session	Description	Speakers
Welcome and introductions		**Abdi Ali** (Head of State Fragility initiative, IGC) **Sara Pantuliano** (Chief Executive, ODI) Distinguished speakers: Former President **Ellen Johnson Sirleaf** (Co-Chair, Council on State Fragility) Former Minister **Donald Kaberuka** (Co-Chair, Council on State Fragility)
Fragility as a global challenge	The goal of this session would be to convey the immediate relevance of fragility as a continuing global challenge for the participants, and to draw on experience to connect the sources of the FCV challenges with effective forms of intervention	Moderator: **Franck Bousquet**, IMF Panellists: **Abdi Ali** (Head of the State Fragility initiative, IGC) **Lukas Rüttinger** (Project Leader, adelphi) Conversation starters: **Habib Ur Rehman Mayar** (Deputy General Secretary, g7+ Secretariat) **Abdirahman M. Abdullahi** (Governor of the Central Bank of Somalia)
Fragility and the new multilateral agenda	The goal of this session would be to map out how the MDB reform agenda could effectively address issues of fragility, with a focus on concessional financing and changes in operating models (country platforms, programs, private sector engagement)	Moderator: **Hans Peter Lankes**, IGC/ODI Panellists: **Alexia Latortue** (Assistant Secretary for International Trade and Development, United States Treasury) **Martin Raiser** (Regional Vice President for South Asia, World Bank) Conversation starters: **Hassan Adam Hosow** (Chief Economic Advisor to the President of Somalia) **Hela Cheikhrouhou** (Regional Vice President for the Middle East, Central Asia, Türkiye, Afghanistan and Pakistan, International Finance Corporation)
Concluding thoughts		**Sara Pantuliano** (Chief Executive, ODI)