**PPIAF STRATEGY IN FRAGILE COUNTRIES[[1]](#footnote-1)**

**INTRODUCTION**

1. **PPIAF seeks to define strategies for operating in Fragile, and Conflict Affected and Situations (FCS[[2]](#footnote-2)) which can help PPIAF demonstrate development impacts and secure value for money of PPIAF activities.** PPIAF dedicates its support in FCS for certain level[[3]](#footnote-3), and this is likely to increase over coming years considering the increasing need for infrastructure development in FCS countries. However, due to various reasons including the political instability, security, limited capacity in the public and the private sector, and unique situation which is different from non-FCS countries, there is limited experience no well-defined and tested strategies for infrastructure development with private sector participation.
2. **World Bank Group and donor communities are increasingly focusing on support to FCS and this requires PPIAF to have a well-defined approach to better coordinate with other development agencies.** IDA 18 is expected to set aside $2.5 billion for new financial mechanisms in FCS including guarantees, first-loss coverage, co-investment, local currency hedging instruments, and reinsurance. This will open up more possibilities for projects in FCS, and at the same time, it will require an approach coordinated among various agencies involved that will ensure close coordination. PPIAF operates mostly in the upstream space while most of these new facilities targets downstream and it will be important for PPIAF to initiate activities where downstream handover partners feel comfortable to operate in.
3. **It is recognized that responding effectively to FCV requires a differentiated approach[[4]](#footnote-4) and it will be same for PPIAF operation in FCS.** PPIAF usually takes a top-down approach working from the framework towards transactions, from the central government to local governments, and from integrated sectoral master plans to individual projects. This may not work in FCS. The same will apply to use of the term PPP, structure, and stakeholders of PPPs and PPIAF may need to work with rather unusual but effective way of operating in FCS.

**CONTEXT**

1. **There is increasing concentration of the world’s poor in FCS, and also FCV risks affect countries beyond the list of FCS.** Current global share of the extreme poor in FCS is around 17-18 percent, however, it is estimated that 50 percent of the global poor will live in IDA FCS by 2030. Also, fragility can be found in higher-capacity countries including sub-national levels as seen in northern India and Southern Thailand.
2. **Infrastructure development contributes to peace building through basic infrastructure services and job creation, and hence creating sustainability to lives of people in FCS.** Peacebuilding efforts by US and NATO are increasingly using infrastructure development as part of their efforts. The idea is that by injecting quick cash and by providing basic infrastructure services, it can contribute to creating sustainability to peace building work. The model used here is usually publicly financed infrastructure development and transfer of the facility and service thereof to the government and/or the private sector. This often calls for the need of assisting the party who received the obligation to manage the facility and the service to have proper skills and resources. *Add cases: German/US’s peacebuilding through infrastructure*
3. **There are significant risks in FCS which greatly limit private sector participation in infrastructure development and require PPIAF to accommodate non-conventional approach to be adoptive to the FCV environment.** Limited capacity and risks in FCS include the following:
	* Government with limited capacity;
	* Incoherence, turn over, instability of the government and the public sector;
	* Absent or low capacity private sector;
	* Traditional payment sources either by the government or the uses are difficult to find;
	* Expensive or not available long-term finance; and
	* Limited capacity to project monitoring

**RECENT EXPERIENCE**

1. **Small scale O&M contracts with local private sector participation can be an effective way of introducing private sector participation in fragile countries.** For example, PPIAF is supporting an activity on enabling local private sector participation in water and sanitation service delivery in rural areas and small towns of Haiti. From August 2007 to November 2013, the World Bank co-financed with the Inter-American Development Bank (IDB) the Rural Water Supply and Sanitation Program (EPAR) of the National Directorate of Drinking Water and Sanitation (DINEPA), to tackle the low levels of sustainable access to water and sanitation in rural areas and small towns. Under this Program, a new management model was introduced and tested, integrating domestic private sector participation in the delivery of rural water supply services. This management model, inspired by experience in Benin and Madagascar, and adapted to 23 small towns of Haiti, involves a service delegation contract between DINEPA, a local water and sanitation committee (CAEPA) and a professional water operator (OP) to operate and maintain systems and collect payments (through metered household connections and kiosks/standpipes). Currently, PPIAF supports DINEPA in consolidating existing approaches to professionalize the management of water supply systems in rural areas and small towns of Haiti; and (ii) identify innovative approaches to expand private sector participation in water supply and sanitation in rural areas and small towns of Haiti.
2. **Ports and airports can be an entry point for PPPs in fragile states.** The assets are of high priority, there is little currency exchange rate risk as the contracts are usually USD-based, demand is relatively easier to forecast, and there are predictable revenue streams for the public sector.

In 2013, while IFC was providing advisory services to the Tibar Bay port concession, PPIAF supported the Government of Timor Leste in strengthening institutional capacity to develop and implement PPP projects. PPIAF support focused on different areas including (i) reviewing the PPP project cycle, (ii) supporting the PPP unit in in reviewing infrastructure project pipeline opportunities to determine their eligibility as PPP projects (iii) developing a process to assess cost of using Petroleum / Infrastructure Fund proceeds to fund public component of PPPs and (iv) setting up the Project Management Unit for Tibar Bay Port Concession. As an outcome of this support, PPIAF contributed to the implementation to successfully help the PPP Unit to develop and implement their first PPP Concession. Through the competitive bidding process, the GoTL awarded the concession to the French group Bolloré, with a very competitive financial offer of USD129m (proposed Viability Gap Funding) in June 2016. Additionally, a proposed Project Management Unit (PMU) to manage/regulate the Tibar Bay contract on behalf of the Government is being set up. PPIAF funding is sought for the establishment and staffing of the PMU as well as assistance for the first two years after signing the concession. In addition to Tibar Bay, the PPP Unit, with the support of PPIAF support, has been assessing various other PPP opportunities.

1. **Infrastructure rehabilitation and management of illegal connections/community participation are key for success of management contracts**. For example, an outcome realization of PPIAF’s technical assistance to water management contracts in two towns in Comoros (Fomboni and Mutsamudu) has identified the factors that made the management contract successful in Fomboni, but led to interrupted contract in Mutsamudu. In Fomboni progress has been made towards the achievement of the outcome. The management contract with SOGEM was extended for additional two years until December 2016. The PPIAF-funded study found that the public sector should be providing funding to rehabilitate the systems first of all, before handing them to the private sector – i.e. risk of system functionality (design and construction quality) first be taken by the public sector before bringing on board a private sector.  This prescription was operationalized in Fomboni. Contextual factors such as strong community supervision and lack of illegal connections in Fomboni were critical for the success of the project. The conditions in Mutsamudu however were not conducive of the management contract: there were problems with performance and cost-recovery, there was no strong political support or supervision of the contract, no set-up for clear targets and baseline, no indicators, therefore the contractual arrangements were not there, additionally, there was no capacity to oversee the contracts so the Mutsamudu system collapsed and the operation of the water distribution network went back to the municipality. The study also recommended that before considering a new PPP in this town, Mutsamudu first needed to set up a ring-fenced authority that is distant from the political issues at the town level.  This recommendation was extremely relevant because the consultants recognized that the failure of the PPP in Mutsamudu had to do with the fact that the operator was not given the ability to disconnect non-payers and that the public officials (at the time of the review) did not support the private operator.
2. **Public-Private Dialogue is an effective tool to bring together actors from the public and private sector[[5]](#footnote-5).** For example, for Liberia Private Sector Development project IFC implemented a communications campaign with public participation that allowed for passage of the new Investment Law: passage of this law had previously failed due to the lack of public support. Similarly, IFC used talkback radio as a communications media to explain changes in Sierra Leone’s new tax system.

**WAY FORWARD AND PROPOSED STRATEGIES**

1. **Strategy 1: Do-no-harm[[6]](#footnote-6) approach should be vigorously kept.** Do-no-harm is an approach required for all interventions in FCS. Infrastructure can be highly political, sensitive and sometimes controversial. This approach should be the underline principle for all PPIAF operation in FCS. This approach requires understanding risks and conflict drivers of the country and there are resources such as Risk and Resilience Assessment by FCV which PPIAF can use as a reference point.
2. **Strategy 2: Deepen understanding on effectiveness.** While PPIAF continue operating in FCS with strategies agreed with donors, PPIAF would deepen the knowledge on effective PPIAF interventions in FCS and identify further evidence to build onto PPIAF’s FCS Strategies. PPIAF will address this through double-pronged approach using both the Global Knowledge Portfolio and the internal monitoring, evaluation and learning system. 1) Global Knowledge Portfolio: PPIAF will complete at least three knowledge products geared towards a. understanding the state and trends of private sector participation in fragile states; b. understanding and promoting the experiences of post-conflict and post-fragile countries for establishing infrastructure regulation; c. enhance the knowledge base for governmental, business and civil society leaders with particular focus on a key element of infrastructure development in fragile states. 2) Monitoring, evaluation and learning system: PPIAF will systematically review and share lessons and experiences collected through various monitoring and evaluation processes (outcome realizations and project implementation review) as well as conduct an impact assessment in a country acknowledged as fragile in at least one donor fragility list (please see Appendix 3).
3. **Strategy 3: Work with partners.** PPIAF operates in the upstream space, and without handover partners who can continue supporting activities in the downstream space which PPIAF initiated, PPIAF intervention will not produce much impacts. As financing is in particular an issue in FCS, PPIAF should try to identify partners who can contribute to financing subject infrastructure or who can provide risk mitigation mechanism which can then leverage private finance.
4. **Strategy 4: Design FCS smart interventions.** FCS countries have some commonalities such as limited capacities, and instabilities, but at the same time, not all fragile situations are same and we should design our interventions based on the challenges each country face with,
	1. **Country Level:** Countries like Liberia, Bosnia and Herzegovina, Sierra Leone and Solomon Island have very low level of violence, while countries like South Sudan and Syria and under quite violent situation. In general, post conflict countries or countries with low level of violence can offer wider chance for working on infrastructure development, while active violence situations are in greater need of ending crisis than building new infrastructure[[7]](#footnote-7). However, this cannot be too generalized, and we should use different reference materials to understand challenges and needs each country face with.
		1. One reference material which define the states of fragility is Fragility States Baseline Taxonomy[[8]](#footnote-8) which defines fragility as i) Crisis, ii) Build & Reform, iii) Transition, iv) Transformation and v) Resilience. Using this taxonomy, PPIAF can use different mode of operation as in Table 1.

**Table 1 PPIAF Operation based on the Fragility Stages[[9]](#footnote-9)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Fragility StatesPPIAF Operation | Crisis | Build & Reform | Transition | Transformation | Resilience |
| Wait and See |  |  |  |  |  |
| Dialogue |  |  |  |  |  |
| Diagnostics |  |  |  |  |  |
| Technical Assistance |  |  |  |  |  |
| Capacity Building |  |  |  |  |  |

* + 1. Another reference PPIAF can use when design FCS smart interventions is Venn Diagram Representing Fragility Clusters across States and Economies[[10]](#footnote-10) which categorizes FCS countries under 5 categories of violence, justice, institutions, resilience and economic foundations. This can help PPIAF to identify the strength and weakness of FCS countries PPIAF’s intervention should target to address.

**Figure 1 Venn diagram representing Fragility Clusters across States and Economies**



* 1. **Intervention Level:** Recognize very unusual nature of private sector activity post-conflict and be adoptive in designing challenge specific solution. Some of the recommended approaches are:
		1. **Do Private Sector Participation assessment.** When PPP Country Diagnostics is not previously done, at least a quick assessment should be done to understand the country and suggested sample questions are as following:
* What is the current status and sectoral focus of the private sector participation in the country?
* Has there been private sector activity during the conflict?
* What was the status and sectoral focus of the private sector participation in the country before the conflict?
* Is the private sector involved primarily local or foreign?
* In case of private sector participation, how has the private sector managed the risks?
* What is the private sector participation record? Have there been any unsolicited proposals for infrastructure development projects and what is the status of the proposals?
* What is the relationship between the public and private sectors? Is there a clear division of roles (i.e. public officials do not have strong interest in private companies)?
* What is the (local) governments’ capacity (technical, resources and accountability systems) to enforce the regulation and ensure the management of the service provision, as well as handle corruption risks?
* What measures are in place to ensure there is no discrimination in infrastructure service delivery and quality (including coverage, pricing, eligibility criteria, connection costs, subsidies etc.)?
* Is there a risk that the private participation in service delivery will undermine the public perception of the state/local government legitimacy and exacerbate tensions?
* What is the nature of donor activity in FCS? Are donors able to fill the “capacity” gap for initiating the private sector participation and contract management? If the state functions are weak, are donors able to mitigate risks for the private sector?
* Are there risks associated with physical operation and maintenance of assets?
	+ 1. **Bottom up approach.** In FCS establishment of regulatory/institutional frameworks in the absence of actual projects may not necessarily lead to private sector participation as the governments are typically unstable and the institutions are unlikely to retain the knowledge/skills. It can be more effective to provide technical assistance around specific projects then try to scale up the experience from transactions to framework level whenever the county is ready.
		2. **Focusing on sub-nationals.** Working with sub-nationals can be an entry point in FCS. The cases can be that some subnational are under less impacts from the fragility or some subnational government starts shaping up earlier than the central government.
		3. **Innovative PPP.** The concept of PPP per se does not change from one country to another but in terms of how to apply it may vary. For example, we can expect management contract or Transfer-Own-Operate (TOO) may be more frequently used in FCS, and revenue may come from MDB/donors rather than the government, or from users. We also should expect non-traditional players such as community groups may play a role in PPPs in FCS.
		4. **Design exit-friendly intervention.** Many FCS countries, especially donor dependent countries face huge challenges when donor support ends. Infrastructure has longer life cycle and PPIAF should ensure of designing exit-friendly interventions with proper capacity transfers/handover. PPIAF may want to focus ever more on capacity building component in all intervention or as a stand-along intervention.
		5. **Do closer monitoring and evaluation**. In FCS, the importance of M&E is extremely high as our experience and knowledge from the past is limited. PPIAF will closely identify ex-ante and ex-post parameters based on which PPIAF will design its intervention and does M&E to gauge impacts from PPIAF activities.

**WHAT PPIAF AIMS TO ACHIVE IN FCS**

1. **During the FY18-20 Strategy period PPIAF will focus on analysis and needs-based support to fragile states building upon the past experiences and lessons in these countries.** PPIAF recognizes that depending on the stages and nature of fragility, individual countries may be in need of various support or implementation of one or a combination of the identified strategies. Therefore, rather than developing a generic theory of change for its interventions in fragile states, PPIAF will evaluate the proposals for its technical assistance grants based on the country diagnostics or follow-up technical assistance based on PPIAF-funded knowledge products. For example, PPIAF may provide assistance to post-transaction capacity building and contract management, support pioneering transactions (particularly with participation of local private sector for O&M contracts), as well as support governments in development of their sectoral policies to address specific infrastructure needs. To ensure that the risks of achieving outcomes in fragile states are properly addressed at the proposal stage, PPIAF will strengthen the M&E processes for activities in fragile states: PPIAF will help the task teams articulate contextual considerations, ensure that the intended objectives are not overly ambitious and are relevant to the identified needs, the causal chain between the outputs and intended objectives is laid out clearly and the activities are closely monitored during the implementation.

**OTHER CONSDIERATIONS TO MAKE**

1. **PPIAF currently uses World Bank Harmonized List of Fragile and Conflict Situations but we may want to make decision in the future if we want to use the list of broader inclusion.** There are discussion on the need to better capture fragility within and outside of WBG. Also some of PPIAF donors like DFID and active partners like IFC use different lists of fragility: while DFID constructs its list based on the analysis of World Bank, UN and World Peace Index, IFC adds countries that have been on the Harmonized List in any of the previous 3 fiscal years. Moreover, the OECD *States of Fragility 2015* report uses five dimensions to measure risk and vulnerability, including: 1) violence (peaceful societies); 2) access to justice for all; 3) effective, accountable and inclusive institutions; 4) economic foundations; and 5) capacity to adapt to social, economic, and environmental shocks and disasters. The Fund for Peace Fragile States Index also uses a multidimensional set of social, political and economic [indicators](http://fsi.fundforpeace.org/indicators) to determine its list of fragile countries. The IEG evaluation of the WBG’s engagement in FCS highlighted the limits of the current Harmonized list-based classification, and called on the WBG to “develop a more suitable and accurate mechanism to define FCS status” (IEG 2013). The limitations of the Harmonized List include exclusion of relevant fragile situations in middle-income countries dues to the low-income country cut-off, use of the aggregate rather than partial CPIA which does not allow to capture institutional or social fragility in a state, inability to reflect on spatial dimensions of fragility (i.e. sub-national and regional), and finally the Harmonized List does not allow capturing patterns of risk ad vulnerabilities that drive fragility (Concept Note on Redefining Fragility, World Bank 2015).Therefore, PPIAF will consult the various existing lists of fragile situations to inform its technical assistance on both country and sub-national level to ensure that PPIAF properly captures countries in need of the proposed strategies (Do no harm, Bottom-up etc.) and the Harmonized List’s limitations are addressed.
2. **PPIAF may want to develop a business model with main players in FCS.** With IDA 18, there are different organizations like IFC and MIGA which will play a greater role with newly designed financing and risk mitigation solutions to be approved by the World Bank Board before FY18. Particularly, the new tool aims to increase the private participation in infrastructure by providing guarantees to cover non-commercial risks in physical infrastructure sectors relevant to PPIAF: transport, resource-related infrastructure, water & sanitation, municipal infrastructure and telecommunications.PPIAF will develop business models leveraging these newly designed tools to support its operations in fragile states as well as increase the potential for impact through systematic interventions. PPIAF will also explore opportunities of cooperating with non-traditional donors or actors working on infrastructure development and private sector participation in FCS through mechanisms like co-funding, downstream support through capacity building for transaction implementation, activities aimed at improving transparency and public information on PPP deals etc. Such non-traditional donors and partners can be foundations and international as well as local non-governmental organizations or groups of states (for example, [Aga Khan Development Foundation, Infrastructure Development area](http://www.akdn.org/what-we-do/infrastructure-development), [Institute for State Effectiveness](http://effectivestates.org/), g7+). .

Appendix 1: PPIAF Activities in FCS in the Past and their Outcome.

Appendix 2: PPP Projects in FCS, PPI Database

Appendix 3: Comparison of Fragile States Lists

Appendix 4: Definition of Fragility Stages

Appendix 1: PPIAF Activities in FCS in the Past and their Outcome.

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Country** | **FY10** | **FY11** | **FY12** | **FY13** | **FY14** | **FY15** | **FY16** | **FY17** | **Activities**  | **Total amount** |
| Afghanistan |   |   |   |   |   |   |   |   | 1.Assessment of Constraints to Increased Private Participation in Infrastructure2.Design and Implementation of Public-Private Partnerships for Urban Sanitation Services in Kabul City, Afghanistan3.Showcasing Reform Developments in the Telecommunications Sector4.Legal and Institutional Reforms in the Urban Water Supply & Sanitation Sector 5.Private participation in Urban Water and Sanitation by Management Contracts6.Strengthening Telecommunications Regulation7.Supporting the Development of a PPP Program | $1,763,050.00  |
| Angola |   |   |   |   |   |   |   |   | 1.Country Framework Report2.Country Framework Report (CFR) Publishing and Investors Conference3. Support to the water sector reform through a pilot PPP transaction in Cabinda | **$1,363,650.00**  |
| Bosnia and Herzegovina |   |   |   |   |   |   |   |   | 1. Energy Sector Study Stakeholder Consultation and Review2. Establishing Regulatory and Legal Framework in the Gas Sector3. Framework and Capacity to Manage Private Participation in Corridor Vc4. Institutional Reforms and PPP Options for the Port of Brcko5. Seminar on Private Sector Participation in Infrastructure | $873,253.00 |
| Burundi |   |   |   |   |   |   |   |   | 1.Enabling Private Investment in the Power Sector2.Project Pipeline Screening and Initial Feasibility Assessment of Potential Infrastructure PPPs in the Energy Sector | **304,500.00** |
| Central African Republic |   |   |   |   |   |   |   |   | 1.Enhancing Infrastructure Services through PPP Program: Addressing Capacity Building Issues2. Performance Improvement of the Power Utility (ENERCA)3. Private Sector Participation for Waste Management for the Municipality of Bangui | **598,200.00** |
| Chad |   |   |   |   |   |   |   |   | 1.Institutional, process and capacity review to facilitate PPPs2.Support to Private Sector Participation Strategy in the Water Sector | **447,701** |
| Comoros |   |   |   |   |   |   |   |   | 1.Options Evaluation and Strategic Roadmap for the Telecommunications Sector of the Union of Comoros2.[Telecommunications Privatization Options](https://sdweb.worldbank.org/secure/ppiaf_pats/index.cfm?page=OriginalProposal&PID=16696&track=true)3.[Supporting the Liberalization of the Telecoms Sector](https://sdweb.worldbank.org/secure/ppiaf_pats/index.cfm?page=OriginalProposal&PID=28962&track=true)4Improving Private Sector Management of Water Supply5.Improving Private Sector Management of Water Supply Phase II | **845,000** |
| Congo, Dem. Re. |   |   |   |   |   |   |   |   | 1. Infrastructure Development and Private Sector Participation Workshops2. Pilot Water PSP Strategy and Institutional Framework3. Private Participation in Water Utility Management4. PSP in Solid Waste Management in Kinshasa5. Project Pipeline Screening and Initial Feasibility Assessment of Potential Infrastructure PPPs6. Road Show for Water Management Contract | 1,070,103 |
| Congo, Rep. |   |   |   |   |   |   |   |   | 1.Support to the Water Sector2. Enhancing Infrastructure Services through a PPP Program: Addressing the Capacity Building Issue | 347.440 |
| Cote d'Ivoire |   |   |   |   |   |   |   |   | 1.[Accelerating the Implementation of Cote D’Ivoire’s PPP Program](https://sdweb.worldbank.org/secure/ppiaf_pats/index.cfm?page=OriginalProposal&PID=40917&track=true)2.[Improving Users' Awareness on Cost Recovery for Sustainable Infrastructure Development-Additional funding](https://sdweb.worldbank.org/secure/ppiaf_pats/index.cfm?page=OriginalProposal&PID=27527&track=true)3.  [Improving Users’ Awareness on Cost Recovery for Sustainable Infrastructure Development](https://sdweb.worldbank.org/secure/ppiaf_pats/index.cfm?page=OriginalProposal&PID=18930&track=true)4. [PPP Pipeline and Enabling Environment Support](https://sdweb.worldbank.org/secure/ppiaf_pats/index.cfm?page=OriginalProposal&PID=26741&track=true)5. [Private Sector Participation in Solid Waste Management](https://sdweb.worldbank.org/secure/ppiaf_pats/index.cfm?page=OriginalProposal&PID=18941&track=true)5. Strategic Framework for the Development of Transport infrastructure5. [Update of the Country Frame Report.](https://sdweb.worldbank.org/secure/ppiaf_pats/index.cfm?page=OriginalProposal&PID=15668&track=true) | **2,214,883** |
| Djibouti |   |   |   |   |   |   |   |   | 1.Private Sector Involvement in Solid Waste Collection System2.Improving the Regulation of Private Operators in the Ports Sector3.Private Sector Involvement in Solid Waste Collection â€“ Phase 24.Energy Sector Assessment5.Telecoms Sector Liberalization Phase II6.Feasibility Assessment for Solar Rural Electrification7.Options for Telecoms Sector Liberalization in Djibouti8.Energy Sector Assessment Phase II9.PPP Program Support | 2,165,945 |
| Eritrea |   |   |   |   |   |   |   |   | --- |  |
| Gambia |   |   |   |   |   |   |   |   | 1. Assessment of the Regulatory Regime for PSP in Main Infrastructure Sectors2. Project Pipeline Screening and Support to the Establishment of a PPP Unit3. Support to The Gambia’s PPP Program: Phase II | 452,400.00 |
| Georgia |   |   |   |   |   |   |   |   | 1. Structural Survey of the Rikoti Tunnel in Support of a Pilot PPP Transaction2. Private Participation in Georgia's Water and Wastewater Sector3. Implementing Railway Reform Using Long Term Private Partnership Contracts with Freight Services4. Harmonization of Legislation in the Energy Sector5. Establishing a framework for private participation in the road sector | 1,551,445.00 |
| Guinea |   |   |   |   |   |   |   |   | 1.Upgrade Existing Compagnie des Bauxites de Guinea (CBG) Power and Water Infrastructure in the Boke Region2.CFR update and Consensus Building3.Review of Regulatory Framework for Transport and Utilities Private Sector Participation in Urban Transport4.Telecom Sector Reform5.PPP Training Workshop6.Mining Ancillary Infrastructure 7.Energy Sector Hydro PPP - Capacity Building & Project Preparation 8.PPP Diagnostic and Capacity-Building 9.Mining Ancillary Infrastructure (Phase 2): Legal, Regulatory and Institutional Reforms10.Institutional and Policy Support for the Development of the PPP Program | 2,972,407.00 |
| Guinea-Bissau |   |   |   |   |   |   |   |   | 1. Development of Institutional and Legal Framework for Infrastructure PPPs 2. Port Sector Reform Study3. Preparation of the Private Sector Participation (PSP) Strategy in the Water and Electricity Sectors4. Public-Private Partnership Training Workshop5. PPP Diagnostic (under RSF)5. Strategic Engagement for Infrastructure PPP in Guinea Bissau: Pillar II- Pipeline Development and capacity building | 1,306,843 |
| Haiti |   |   |   |   |   |   |   |   | 1. Transaction Support for InfraVentures Investment in Haiti2. Modernization of the Legal and Regulatory Framework in Telecommunications3. Preparing a Management Contract for Electricite de Haiti4. Implementing Road Maintenance Fund5. Enabling local private sector participation in water and sanitation service delivery in rural areas and small towns of Haiti | 1,515,240 |
| Iraq |   |   |   |   |   |   |   |   | 1.Private Sector Participation in Electricity Generation2. Development of a Reform Roadmap for the Electricity Distribution Sector | 500,000 |
| Kosovo |   |   |   |   |   |   |   |   | 1.Assessing the Viability and Options for Public Private Participation in Highway Sector2.Private Sector Participation in Water Supply and Sanitation in Gjakove-Rahovec3.Establishing regulatory framework for developing renewable energy sources4.Building Stakeholder Support for Public-Private Partnership in the Energy Sector5.Public Private Partnership in the Energy Sector\_ Public Opinion Research7.Institutional Strengthening and Capacity Building to Support the Post Privatization Unit following 8.Kosovo Electricity Distribution and Supply privatization | 1,318,603 |
| Lebanon |   |   |   |   |   |   |   |   | 1.First Generation Gas Transmission and Distribution Law 2.Improving the Performance of the Beka'a Regional Water Authority 3.Facilitating Sub-National Government Access to Commercial Credit and Capital Markets4. Institutional Support for the Development of Lebanon's LNG Sector | 844,300 |
| Liberia |   |   |   |   |   |   |   |   | 1. Telecom Sector Licensing2. Telecom Sector Licensing Study and Industry Consultation3. Strategic Options for Liberia Telecom Corporation 4. Technical Support to the Power Sector 5. Assessment of PPP Pipeline and Enabling Environment 6. Developing Cost Recovery Mechanisms in Private Sector Provision of Solid Waste Management7. PPP Technical Support Phase II | 1,283,230 |
| Madagascar |   |   |   |   |   |   |   |   | 1. Capacity Building on Public Private Partnership (PPP) for Decision-makers in Public and Private Sectors. 2.Energy and Water Sector Reform 3.Improving the Regulatory Regime to Increase Private Participation in Telecommunications4. Private Sector Participation in the Port of Tolagnaro 5.Transport Public Private Partnership (PPP) Feasibility Study for Multimodal Logistics Platform at Antananarivo6.Private Sector Participation (PSP) in National Water and Sanitation Program7. Strengthening the legal and institutional PPP framework 202 473 2121 | 2,532,935 |
| Mali |   |   |   |   |   |   |   |   | 1. Improving the Regulatory Framework of the Electricity and Water Sectors2. Public-Private Partnership in River Transport3. Private Sector Participation in Rural Water Sector4. Improving Governance and Accountability to Foster an Enabling Environment for Private Sector 5.Participation in the Electricity and Water Sectors6. Capacity Building Support to the Scatec and Kenie Projects7. Legal Advisory to the Government of Mali for the Scatec Solar Project8. Support for PPP Framework Design and Project Pipeline Development | 1,158,120 |
| Myanmar |   |   |   |   |   |   |   |   | 1.Telecommunications Sector Reforms2.Support for the restructuring of Myanmar Post and Telecommunications (MPT) as part of the Telecommunications Sector Reforms Process | **981,000** |
| Nepal |   |   |   |   |   |   |   |   | 1. Telecommunications Sector Reform2. Support for Nepal Power Sector Reform and Sustainable Hydropower Development Project3. Structuring Public Private Partnership (PPP) for Kathmandu-Terai Road Project4. Screening and Initial Feasibility Assessment of Potential Private-Public Infrastructure Projects5. NEPAL: Report on the State of Private Involvement in Infrastructure6. Power Sector Reform and Sustainable Hydropower Development Project7. Institutional Arrangements for Water Sector8. Improving Access to Rural Telecommunications in NEPAL9. Establishing WSS baseline and capacity building support to Kathmandu Water Utility10. Country Framework Report11. Business Plan for the Town Development Fund Nepal | **$**3,464,207 |
| Sierra Leone |   |   |   |   |   |   |   |   | 1.Private Sector Participation Options for the Power Sector2.Telecommunications sector policy and regulatory reform3.Development of Institutional and Legal PPP Framework4.Airports Authority (SLAA) Private Sector Participation (PSP) Options Study5.Financial Assessments for the Districts of Tonkolili, Koinadugu, and Bombali.6.Telecommunications Sector Reforms7.Institutional Reform, Capacity Building, and Pipeline Development Support7. Asset Management Strategy Development in Support of Pilot Output and Performance-Based Road Maintenance Contracts | **1,166,714.00** |
| Solomon Island |  |  |  |  |  |  |  |  | Ownership and Financing Options Study for a Renewable Energy Public Private Partnership (PPP) | **65,000** |
| Somalia |   |   |   |   |   |   |   |   | Supporting ICT Sector and Broadband Connectivity in Somalia | **338,800** |
| South Sudan |   |   |   |   |   |   |   |   | Support to Telecom Regulatory Institutions in Sudan (South)Diagnostic of Power Distribution SystemSouth Sudan Regulatory and Strategic Support for the Telecommunications Sector | **1,307,380.00** |
| Sudan |   |   |   |   |   |   |   |   | 1.Improved Legal Frameworks for Enhanced Private Sector Participation in the Rail Sect2. Private Participation in Infrastructure Assessment3. Provision of PPP Support4. Support to Telecom Regulatory Institutions in Sudan (North) |
| Syria |   |   |   |   |   |   |   |   | 1.PPP Capacity Development Support2.[Developing the Telecommunications Licensing Framework](https://sdweb.worldbank.org/secure/ppiaf_pats/index.cfm?page=OriginalProposal&PID=20560&track=true) |  |
| Togo |   |   |   |   |   |   |   |   | 1. PSP Reform Options to Strengthen Compagnie Energie Electrique du Togo (CEET)2. Development of a new Telecommunications Strategy and reforms action plan for Togo3. PPP Program Support | 839.170 |
| Timor-Leste |   |   |   |   |   |   |   |   | 1. Review of the Market Structure of the Power Sector2. Study on the Commercialization of Electricidade de Timor-Leste (EdTL)3. Implementation of PPP Program4. Dili Airport PPP Support5. Tibar Bay Port PPP Support6. PPP Program Support to the Government of Timor Leste7. Establishing a Project Management Unit for the management of the Tibar Bay Port Concession | 2,241,775 |
| West Bank and Gaza |   |   |   |   |   |   |   |   | 1.Reforms in Telecommunications Regulation2.Southern West Bank Solid Waste Management Project 3.Improving Municipal Revenue Generation Policies and Framework4.Solid Waste Management Capacity Building Support 5.Solid Waste Management Capacity Building and Institutional Strengthening Support: Phase II6.PPP Framework Review and Development of PPP Pipeline and Strategy 7.Technical Assistance to Establish Sustainable Municipal Lending Framework 8.Non-Revenue Water (NRW) Performance-Based Contract9.Palestine Energy and Natural Resources Authority (PENRA) in West Bank Gaza | 2,183,655 |
| Yemen |   |   |   |   |   |   |   |   | 1.Domestic Gas Market Development Workshop2.Diagnostic Study for the Establishment of Public-Private Partnerships (PPPs) in the Road Sector3. Public Private Partnership (PPP) Models for Domestic Gas Pipeline Financing4.Identification of a suitable contractual arrangements for water and sanitation in Yemen5.Supporting the Expansion of Rural Telecommunications Access | 1,077,528 |
| Zimbabwe |   |   |   |   |   |   |   |   | Assessment of PPP Enabling Environment and PPP Pipeline | 53,000.00 |

Appendix 2: PPP Projects in FCS, PPI Database

\* Data and its analysis will be added\*

Appendix 3: Comparison of Fragile States Lists

(Note: The highlighted states appear on all lists, exception is the g7+ member states)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **World Bank Harmonized List FY17** | **IFC List FY17** | **OECD States of Fragility Report (2015)** | **DFID (High, Moderate and Low Fragility)** | **g7+ member countries** | **Fund for Peace Fragile States Index 2016 (>90)** |
| Afghanistan | Afghanistan | Afghanistan | Afghanistan | Afghanistan | Afghanistan |
| Burundi | Bosnia and Herzegovina | Bangladesh | Angola  | Burundi  | Angola |
| Central African Republic | Burundi | Bosnia & Herzegovina | Azerbaijan  | Central African Republic  | Bangladesh |
| Chad | Central African Republic | Burundi | Bangladesh  | Chad | Burundi |
| Comoros | Chad | Cameroon | Belarus  | Comoros | Cameroon |
| Congo, Dem. Re. | Comoros | Central African Republic | Burma | Cote d'Ivoire | Central African Republic |
| Cote d'Ivoire | Congo, Dem. Rep. | Chad | Burundi  | Congo, Dem. Rep. | Chad |
| Djibouti | Congo, Rep. | Comoros | Cambodia  | Guinea  | Congo, Dem. Rep. |
| Eritrea | Cote d'Ivoire | Congo, Dem. Rep. | Cameroon  | Guinea-Bissau | Congo, Rep.  |
| Gambia | Djibouti | Congo, Rep.  | Central African Republic | Haiti | Cote d'Ivoire |
| Guinea-Bissau | Eritrea | Cote d'Ivoire | Chad  | Liberia | Egypt |
| Haiti | Gambia | Egypt | Colombia  | Papua New Guinea | Eritrea |
| Iraq | Guinea-Bissau | Eritrea | Congo, Dem.Rep. | Sao Tome and Principe  | Ethiopia |
| Kiribati | Haiti | Ethiopia | Congo, Rep.  | Sierra Leone | Guinea |
| Kosovo | Iraq | Guinea | Cote d'Ivoire | Solomon Islands  | Guinea-Bissau |
| Lebanon | Kiribati | Guinea-Bissau | Djibouti  | Somalia | Haiti |
| Liberia | Kosovo | Haiti | Egypt | South Sudan | Iraq |
| Libya | Lebanon | Iraq | Eritrea | Timor-Leste | Kenya |
| Madagascar | Liberia | Kenya | Ethiopia  | Togo  | Liberia |
| Mali | Libya | Kiribati | Guinea | Yemen | Libya |
| Marshall Islands | Madagascar | Kosovo | Guinea-Bissau |   | Mali |
| Micronesia | Malawi | Liberia | Haiti |   | Mauritania |
| Myanmar | Mali | Libya | Honduras  |   | Myanmar |
| Papua New Guinea | Marshall Islands | Madagascar | Iran, Islamic Rep. |   | Nepal |
| Sierra Leone | Micronesia | Malawi | Iraq |   | Niger |
| Solomon Islands | Myanmar | Mali | Kenya  |   | Nigeria |
| Somalia | Nepal | Marshall Islands | Korea, Dem. Rep. |   | North Korea |
| South Sudan | Papua New Guinea | Mauritania | Kyrgyz Republic |   | Pakistan |
| Sudan | Sierra Leone | Micronesia | Lebanon  |   | Rwanda |
| Syria | Solomon Islands | Myanmar | Liberia |   | Sierra Leone |
| Timor-Leste | Somalia | Nepal | Libya |   | Somalia |
| Togo | South Sudan | Niger | Madagascar  |   | South Sudan |
| Tuvalu | Sudan | Nigeria | Mali |   | Sudan |
| West Bank and Gaza | Syria | North Korea | Mauritania |   | Syria |
| Yemen | Timor-Leste | Pakistan | Nepal |   | Timor-Leste |
| Zimbabwe | Togo | Rwanda | Niger |   | Uganda |
|   | Tuvalu | Sierra Leone | Nigeria  |   | Yemen |
|   | West Bank and Gaza | Solomon Islands | Pakistan  |   | Zimbabwe |
|   | Yemen | Somalia | Paraguay |   |   |
|   | Zimbabwe | South Sudan | Sierra Leone |   |   |
|   |   | Sri Lanka | Somalia |   |   |
|   |   | Sudan | South Sudan |   |   |
|   |   | Syria | Sudan  |   |   |
|   |   | Timor-Leste | Syria |   |   |
|   |   | Togo | Tajikistan  |   |   |
|   |   | Tuvalu | Timor-Leste |   |   |
|   |   | Uganda | Turkmenistan  |   |   |
|   |   | West Bank & Gaza | Uganda |   |   |
|   |   | Yemen | Ukraine |   |   |
|   |   | Zimbabwe | Uzbekistan  |   |   |
|   |   |   | Venezuela  |   |   |
|   |   |   | Yemen |   |   |
|   |   |   | Zimbabwe |   |   |

Appendix 4: Definition of Fragility Stages (Source: Note on the Fragility Spectrum, g7+, 2013)

**Stage 1: Crisis**

A situation of crisis can refer to the period where there is acute instability in a country, with increased levels of violent conflict, the potential for a lapse into more generalised violent conflict, or where there has been a natural or manmade disaster. Frequently in this period, there are major political divisions and often conflict amongst communities, leading to widespread mistrust and fear. The security forces may be committing widespread human rights abuses and perpetrating endemic corruption, and consequently there is lack of public confidence in the security institutions. The security sector is typically fragmented and often in the process of being reformed. Rule of law is typically eroded and politicized and the economic sector is severely constrained. During this phase, justice institutions often only exist at a national level, and not at the local or regional level, and the country faces many human rights violations not addressed by the state. Due justice processes become less well followed and violence as a means to settle disputes is resorted to more frequently. Basic government services are likely to be weak or have ceased to exist, and the international humanitarian and aid community may have stepped in to provide emergency relief. International Institutions may also be providing security support in the form of police or peacekeeping missions. Government revenues are often low or non-existent, and countries often face illegal or informal exploitation of natural resources and weak enforcement of regulations of natural resources management.

**Stage 2: Rebuild and Reform**

During this phase, renewed efforts towards political dialogue to resolve political differences may be in evidence. However, there is often inequitable power sharing between groups. Some progress can be seen on disarmament processes, but security issues remain a challenge for the country’s stability, with high proliferation of small arms. Institutions are often weak and inadequate, and deliver services sporadically to the population. As compared to the crisis phase, the intensity of conflict and political disputes are more manageable and there are early efforts to establish stronger security institutions and recruitment of personnel. However, in this stage, security institutions performance is likely to remain weak. Justice institutions are starting to have a presence beyond national capitals but often are not effective and legislation is not effectively enforced. In relation to economic foundations, basic infrastructure and an enabling economic environment is beginning to be put in place but high unemployment rates are still to be found, particularly amongst the youth. During this phase, large potential sources of domestic revenue may have been identified (e.g. natural resources and/or customs), but these are poorly accounted for, benefiting only a small sector of the population. Whilst countries have started the process of reforming public financial management, budget execution problems remain, and accountability is weak.

**Stage 3: Transition**

This stage is often associated with the signature of agreements and an overall situation of stability. There is more space for formal dialogue between parties, which leads to the creation of institutions to support the dialogue process, including the existence of electoral institutions. Whilst there should be increased stability in the country, there is also the likely presence of corruption and challenges in working with strong opposition groups. There is often weak oversight capacity from the legislature. In comparison to the previous phases, there is an increase in the quality, oversight and advocacy from civil society and some initial degree of free media. There may be an increased control of security by the state, although this continues to be weakened by lack of resources and capacity. Often, there is also an increased confidence in security and justice institutions, with a commensurate reduction in the use of violence to resolve disputes. Efforts to decentralize justice systems can be found, including the presence of alternative dispute resolution mechanisms. During this stage, there may be increased access to basic infrastructure, but mainly in urban areas. Whilst government is most commonly still the largest employer, there are signs of more jobs being created in the private sector and an increase in government revenue, particularly from natural resources (if they exist), tax collection and other sources of revenue. Stronger basic services are provided, with an enhanced but poorly implemented regulatory framework.

**Stage 4: Transformation**

In the transformation stage, a country may have increased resilience within society, and conflicts are more often resolved peacefully. There is often a hosting of credible, non-violent and democratic political processes. Civil society begins to play an active role in political and societal debates, and increasingly good governance principles are adhered to. However, in this period there may also be a lack of public understanding of good governance principles. During this phase, the security situation has typically remained stable and peaceful for a considerable amount of time, often for at least 5 years. More likely, one should encounter the presence of security personnel throughout the territory, but with limited numbers and capacity. Also, it is expected that there is increased public confidence in security institutions, and potential abuses are more frequently sanctioned. Economically, an enabling environment for business development may be found, with increased jobs opportunities, including in the private sector. Public institutions may be capable of better managing domestic revenues, through well-structure and coordinated tax and customs collection. Usually, there is an implementation of a decentralisation to expand access to basic services to the whole country.

**Stage 5: Resilience**

Resilience can be understood as the capacity of a society to deal with its challenges and to absorb shocks without relapsing into crisis. Every stage in the Fragility Spectrum represents growing resilience, but at this stage the resilience of the society has been institutionalised in its social customs, cultural practices, social contract and formal state institutions to the degree that a relapse into crisis is so unlikely that the country in question can no longer meaningfully be considered to be a post-conflict country. The focus thus shifts away from socio-political consolidation to long-term social and economic development. During this period, political stability has been seen for a prolonged amount of time, often for more than

20 years, and the country should have created a strong culture of democracy and good governance. During this period, it is possible that the country has created a space for good understanding by the citizens of the political process. The government should be responsive in combating corruption, with transparent and inclusive processes. Fundamental rights are more likely to be upheld, and the roles of civil society should have been defined. Peace and security during this phase has prevailed for a long time. There should be sufficient security personnel throughout the country, and high level of confidence by the population. There is demonstrated political will to fight elite impunity, and widespread awareness of how the formal justice system operates. Good infrastructure connecting different parts of the country would be found, and private sector should now represent a large share of the labour market. Systems are likely to be in place for properly managing natural resources and government (probably generate enough revenue to provide essential services to its citizens). Public institutions function both at national and sub-national level, and the state increasingly becomes the main service provider for basic services.

1. This paper is written by Junglim Hahm, Regional Program Leader, PPIAF, Anna Aghababyan, M&E Specialist, PPIAF, and Bailo Diallo, Regional Program Coordinator, PPIAF with advice provided by Joel Hellman, Professor, Georgetown University. This paper also benefited from Michael Opagi, Principle Investment Officer, C3P, IFC, Daniela Henrike Klau Panhans, Sr. Operations Officer, FCV, WB, Jiyeon Ryu, Sr. Knowledge Management Officer IFC FCS, and Markus Scheuermaier, Sr. Operations Officer, C3P, IFC. [↑](#footnote-ref-1)
2. This paper uses fragility, FCV (Fragile, Conflict, and Violence, commonly used in IFC), and FCS (Fragile and Conflict affected States, commonly used in WB) interchangeably. There are different definitions on fragility and this affects which countries are included in the fragility group. See Appendix 3 for more information. [↑](#footnote-ref-2)
3. 17 percent of PPIAF portfolio in FY 16, and the target for FY 17 remains as 17 percent. [↑](#footnote-ref-3)
4. Source: World Bank IDA Resource Mobilization Department, Special Theme: Fragility, Conflict, and Violence, May 2016 [↑](#footnote-ref-4)
5. Lessons Learned from IFC Advisory Services Projects in Fragile and Conflict-Affected Situations, 2014 [↑](#footnote-ref-5)
6. Do no harm approach: Projects consciously look for and seek to avoid or mitigate negative impacts resulting from their activities Measuring Achievements of Private Sector Development in Conflict-Affected Environments: Practical Guidelines for Implementing the DCED Standard, 2015. [↑](#footnote-ref-6)
7. Exceptions to this generalization are Afghanistan and Yemen where relatively active rehabilitation through infrastructure development is happening by US and NATO. [↑](#footnote-ref-7)
8. G7+ Fragility Spectrum, 2013 [↑](#footnote-ref-8)
9. See Appendix 4 for the definition of fragility stages [↑](#footnote-ref-9)
10. OECD, States of Fragility 2015 [↑](#footnote-ref-10)