Fragile and Conflict-Affected Situations

Intertwined Crises, Multiple Vulnerabilities

Samuel Hill, Jeetendra Khadan, and Peter Selcuk

WORLD BANK GROUP

Fragile and Conflict-Affected Situations

Intertwined Crises, Multiple Vulnerabilities

Samuel Hill, Jeetendra Khadan, and Peter Selcuk

WORLD BANK GROUP

The text of this conference edition is a work in progress for the forthcoming book, *Global Economic Prospects, June 2025* (doi: 10.1596/978-1-4648-2193-6). A PDF of the final book, once published, will be available at https://openknowledge.worldbank.org/ and http://documents.worldbank.org/, and print copies can be ordered at www.amazon.com. Please use the final version of the book for citation, reproduction, and adaptation purposes.

The Library of Congress Control Number has been requested.

The cutoff date for the data used in the report was June 3, 2025.

Contents

Figures

Tables

Acknowledgments

This World Bank Flagship Report is a product of the Prospects Group in the Development Economics (DEC) Vice Presidency. The project was managed by M. Ayhan Kose and Carlos Arteta, under the general guidance of Indermit Gill.

This document is chapter 4 of the June 2025 *Global Economic Prospects*. The preparation of the analytical chapters was overseen by Dana Vorisek. The report was prepared by a team that included Amat Adarov, Marie Albert, Francisco Arroyo Marioli, Mirco Balatti, Samuel Hill, Phil Kenworthy, Jeetendra Khadan, Gitanjali Kumar, Dawit Mekonnen, Valerie Mercer-Blackman, Alen Mulabdic, Hayley Pallan, Edoardo Palombo, Peter Pedroni, Nikita Perevalov, Dominik Peschel, Peter Selcuk, Shijie Shi, Naotaka Sugawara, Takuma Tanaka, Garima Vasishtha, and Collette Wheeler.

Research assistance was provided by Sergiu Dinu, Jiayue Fan, Mario Guillen Salvatore, Matias Urzua, Shiqing Hua, Fuda Jiang, Nikola Evgeniev Kolev, Maria Hazel Macadangdang, Nikita Makarenko, Rafaela Martinho Henriques, Sadhna Naik, Vasiliki Papagianni, Juan Felipe Serrano Ariza, Kaltrina Temaj, Canran Zheng, and Juncheng Zhou. Modeling and data work was provided by Shijie Shi.

Online products were produced by Graeme Littler, with assistance from the Open Knowledge Repository. Adriana Maximiliano handled design and production. Joe Rebello managed communications and media outreach with a team that included Kristen Milhollin, Mariana Lozzi Teixeira, and Leslie Yun, with extensive support from the World Bank's media and digital communications teams. Graeme Littler provided editorial support, with contributions from Adriana Maximiliano and Christina Davis.

Regional projections and write-ups were produced in coordination with country teams, country directors, and the offices of the regional chief economists.

Many reviewers provided extensive advice and comments. The analysis also benefited from comments and suggestions by staff members from World Bank country teams and other World Bank Vice Presidencies as well as Executive Directors in their discussion of the report on June 3, 2025. However, both forecasts and analysis are those of the World Bank staff and should not be attributed to Executive Directors or their national authorities.

The Prospects Group gratefully acknowledges financial support from the Policy and Human Resources Development (PHRD) Fund provided by the Government of Japan, which helped underpin some of the analytical work in this publication.

About the Authors

Samuel Hill is a senior economist in the World Bank Group's Prospects Group. Previously he worked at the Asian Development Bank, the Australian Department of Treasury, and the Organisation for Economic Co-operation and Development.

Jeetendra Khadan is a senior economist in the World Bank Group's Prospects Group. Previously he worked at the Inter-American Development Bank in Washington, DC.

Peter Selcuk is an economist in the World Bank Group's Prospects Group. Previously, he worked at the Bank of Canada and the International Monetary Fund.

Executive Summary

Economies in fragile and conflict-affected situations (FCS) face severe and persistent development challenges. The 39 economies currently classified as FCS are home to more than one billion people. Although they are found in all regions, FCS economies are concentrated in Sub-Saharan Africa, East Asia and Pacific, and the Middle East and North Africa. These economies are constrained by deep, intertwined obstacles—most prominently, severe institutional weakness and armed conflict. The majority are heavily reliant on commodity exports, leaving them exposed to swings in commodity prices. Many are geographically remote with limited connectivity, limiting their access to global markets, and are highly vulnerable to climate-related disasters. The enduring nature of these difficulties is daunting: nearly three-quarters of FCS economies have remained classified as such for over a decade.

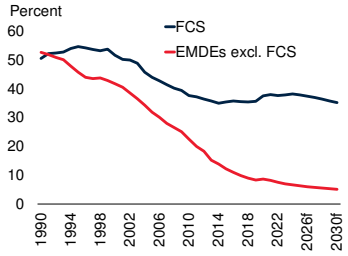
FCS economies have become the epicenter of global poverty and food insecurity, a situation increasingly shaped by the frequency and intensity of conflict. Progress on poverty reduction has stalled since the mid-2010s, reflecting the compounded effects of intensifying conflict, economic fragility, and subdued growth (figure ES.A). Nearly 40 percent of the population in FCS economies lives in extreme poverty—on less than $3 per day—compared with 6 percent in other emerging market and developing economies (EMDEs). In 2025, an estimated 421 million people in FCS economies are living in extreme poverty—more than in the rest of the world combined, even though these economies account for less than 15 percent of the global population. Moreover, the outlook for poverty is sobering. By 2030, FCS economies are projected to account for nearly 60 percent of the world's extreme poor. Food insecurity has also surged alongside worsening conflict, with about 18 percent of the FCS population—around 200 million people—currently experiencing acute food insecurity, compared with just 1 percent in other EMDEs.

Severe gaps in education and health undermine human development in FCS economies. Weak state capacity, insecurity, and conflict-related

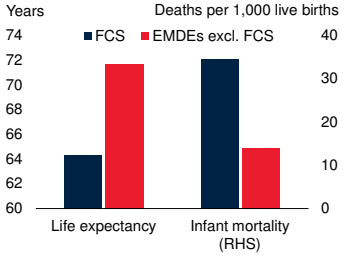
FIGURE ES Development challenges in FCS economies

FCS economies face deep, intertwined development challenges. Extreme poverty and food insecurity are widespread, while human development outcomes—including life expectancy and infant mortality—lag far behind those in other EMDEs. Conflict is surging, imposing a severe human toll and economic costs. About 70 percent of FCS economies are in debt distress or at high risk of debt distress. Yet their natural resource wealth and expanding working-age populations offer significant growth potential.

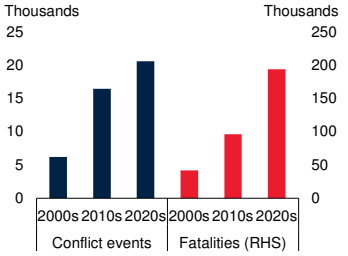
A. Extreme poverty rate



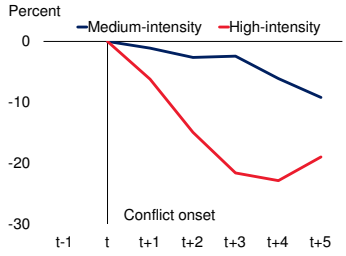
B. Life expectancy and infant mortality, 2022



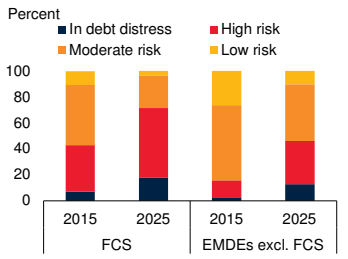
C. Global conflict and fatalities



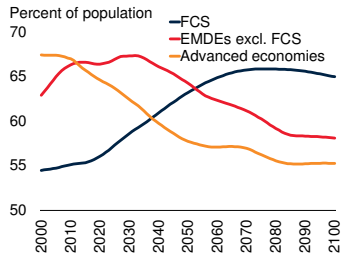
D. Cumulative loss of per capita GDP following the onset of conflict



E. Risk of debt distress



F. Working-age population



Sources: Mahler, Yonzan, and Lakner (2022); UN World Population Prospects (database); Uppsala Conflict Data Program (database); World Bank; WDI (database); World Bank-IMF Debt Sustainability Framework; World Bank Poverty and Inequality Platform (database).

Note: EMDEs = emerging market and developing economies; f = forecast; FCS = fragile and conflict-affected situations. The FCS group is based on the current World Bank classification.

A. Extreme poverty is defined as living on less than $3.00 per day in 2021 purchasing power parity. The 2024 value is estimated; 2025 onward are forecasts. Based on 154 EMDEs, including 39 FCS.

B. Bars show group medians. Sample includes up to 154 EMDEs, of which up to 39 are FCS.

C. Bars show the average number of annual conflict events and conflict-related fatalities based on simple averages per period. A conflict "event" is defined by Uppsala as an incident where organized actors use armed force against others or civilians, causing at least one direct death. Last observation is December 2024. Sample includes up to 110 economies.

D. Medium- (high-) intensity conflicts involve at least 50 (150) fatalities per million at onset, with no exceedance of that threshold in the four prior years. Lines show the median cumulative gap between forecasted and actual per capita GDP following medium-(high-) intensity conflicts from the year of onset through four years after. Forecasts are from Global Economic Prospects one year before onset. See annex 4.1 for details about the sample size.

E. Sample covers economies where the Joint World Bank-International Monetary Fund Debt Sustainability Framework for Low-Income Countries is applied, as of end-March 2025, including 67 EMDEs, of which up to 28 are FCS.

F. Lines show working-age population as a share of the total population. Sample includes 38 advanced economies and 150 EMDEs, of which 36 are FCS.

disruptions contribute to poor outcomes across basic services. On average, individuals in FCS economies receive just under six years of schooling—three years fewer than in other EMDEs—while secondary school enrollment hovers around 50 percent, compared with near-universal rates in other EMDEs. Learning poverty in these economies is significantly higher, with limited prospects for convergence with other EMDEs. Health outcomes are similarly bleak: life expectancy in FCS economies is seven years shorter, and infant mortality is more than twice as high as in other EMDEs (figure ES.B). Conflict strains healthcare systems, displaces skilled workers, and increases exposure to unsafe conditions.

Conflict is escalating and inflicts grave, long-lasting economic damage. The number of conflicts and related fatalities have more than tripled since the early 2000s (figure ES.C). Conflicts—often protracted and recurring—impose substantial economic costs, which tend to rise with conflict intensity, measured by fatalities per million population. High-intensity conflicts—those that kill more than 150 out of every 1 million people at onset—are typically followed by a cumulative drop of about 20 percent in GDP per capita after five years, relative to pre-conflict projections (figure ES.D). In FCS economies, the impact on per capita GDP of a 1 percent increase in conflict-related fatalities per million population is estimated to be around 3.7 percent after five years. However, countries with stronger governance, better human development outcomes, deeper financial markets, and greater readiness for climate-related disasters tend to experience lower economic losses from conflict.

Repeated shocks and weak growth have contributed to elevated debt risks in FCS economies. Besides conflict, other shocks—including the COVID-19 pandemic and climate-related disasters—have weighed heavily on their economic performance. These economies are also held back by structural shortcomings, such as low capital formation and labor underutilization. The post-pandemic recovery in FCS economies has been anemic. By end-2024, cumulative output losses relative to pre-pandemic projections were almost 13 percent, nearly triple the losses in other EMDEs. Limited fiscal space, in part the result of inadequate revenue generation and higher borrowing costs, constrains governments' ability to respond effectively to adverse shocks. Meanwhile, debt vulnerabilities are mounting, with around 70 percent of FCS economies currently in, or at high risk of, debt distress (figure ES.E).

FCS economies face daunting challenges—but also hold untapped potential for growth and recovery. Jumpstarting growth and development in FCS economies will require harnessing key opportunities—including expanding working-age populations, abundant natural resources, and tourism potential—supported by sustained investments in human capital and infrastructure. By about 2040, the working-age share of the population is projected to reach 60 percent. By about 2055, it is expected to exceed the share in other EMDEs (figure ES.F). Some resource-rich FCS economies are well placed to benefit from growing demand for critical minerals. Unlocking these opportunities will require FCS economies to have stronger governance, capable institutions, and scaled-up investment. In conflict-affected economies, safeguarding essential services and enabling humanitarian access are urgent priorities. Continued international support—through concessional finance, debt relief, and technical assistance—will be vital to foster peacebuilding, build resilience, and advance inclusive development. With sound policies and sustained global engagement, FCS economies can chart a better path toward development.

Home to more than one billion people, the 39 emerging market and developing economies (EMDEs) classified as being in fragile and conflict-affected situations (FCS) are plagued by instability and weak institutions, hindering their ability to attain the robust, sustained economic growth needed for development. These economies exhibit lower per capita incomes, slower economic growth, and greater volatility than other developing countries. Conflicts impose a high human and economic toll on many FCS economies. High-intensity conflicts are associated with a cumulative loss in per capita GDP of about 20 percent five years after their onset, relative to pre-conflict projections. A 1 percent increase in conflict-related fatalities per million population in FCS economies is estimated to reduce per capita GDP by around 3.7 percent after five years. FCS economies experienced far deeper contractions than other EMDEs during the COVID-19 pandemic, while their recovery has been much weaker. About 70 percent of FCS economies are either at high risk of or already in debt distress—up from around 40 percent a decade ago. Employment growth continues to lag population growth. Tailored policies, reforms, and sustained global support are needed to expand opportunities for economic growth and job creation in FCS economies. Case studies from a diverse group of economies that were formerly afflicted by conflict in Africa, Asia, and Europe provide policy insights.

Introduction

Economies in fragile and conflict-affected situations (FCS) are home to around one billion people.[1] These 39 economies comprise a mix of low- and middle-income economies, spread across all regions, with Sub-Saharan Africa (SSA) accounting for about one-half, East Asia and Pacific for about one-fifth, and the Middle East and North Africa for nearly one-sixth (table 4.1; figures 4.1.A and 4.1.B). They include populous as well as small, geographically remote economies. Seventy percent of the total population in FCS economies resides in SSA.

FCS economies face deep, intertwined challenges. Just over half of them are in active conflict, while others are in an early post-conflict phase. Some have had minimal or no recent experience of conflict but suffer from enduring fragility. FCS economies tend to have weak government capacity and are highly exposed to large adverse shocks—such as natural disasters, commodity price swings, and global economic downturns—in addition to conflict. Global poverty and food insecurity are increasingly concentrated in FCS economies. Indicators of human development in these economies lag well behind those in other emerging market and developing economies (EMDEs). Underscoring the persistence of their challenges, around three-quarters of current FCS economies have been classified as such for at least a decade, and half for at least 15 years (figure 4.1.C).

Most indicators suggest that the incidence and severity of conflicts have increased in recent decades, with the number of conflicts involving at least one state reaching 61 in 2024. Since the 2000s, the number of individual conflict events and conflict-related fatalities has more than tripled, with most of the increase having occurred since around 2010 (figures 4.1.D and 4.1.E). The most severe conflicts in recent years, including those FCS economies such as Ethiopia, Sudan, Ukraine, and the West Bank and Gaza, have resulted in tens of thousands of fatalities.

By several measures, state capacity is far lower in FCS economies than in other EMDEs (figure 4.1.F).[2] Moreover, conditions have worsened in

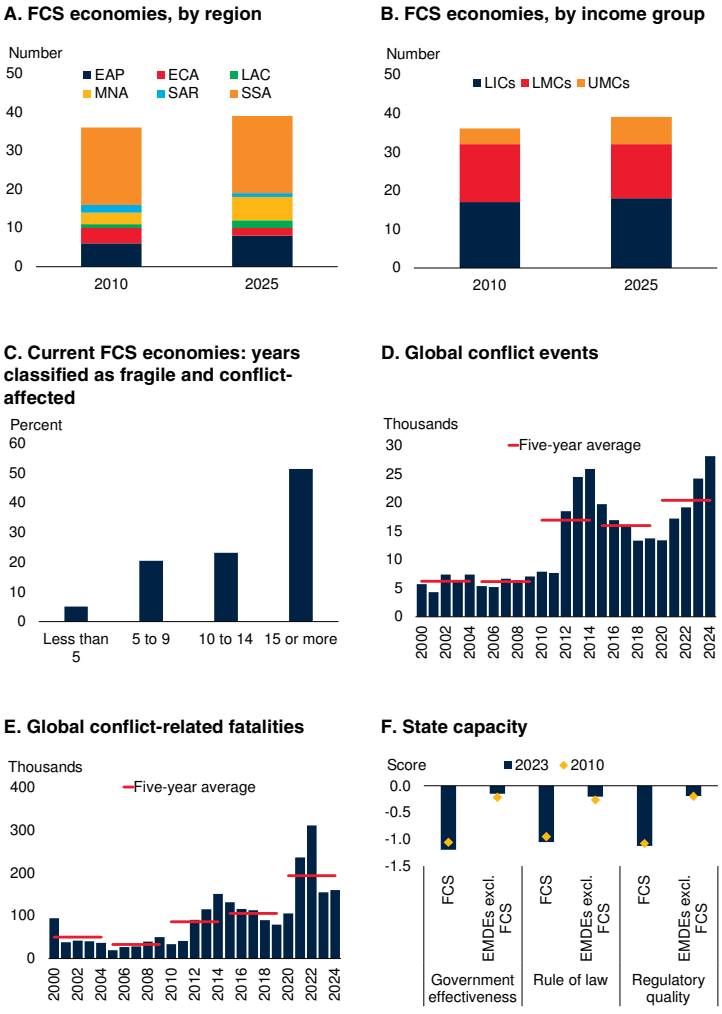
Note: This chapter was prepared by Samuel Hill, Jeetendra Khadan, and Peter Selcuk, with contributions from Peter Pedroni.

[1] Unless otherwise stated, this chapter uses the World Bank's 2025 FCS list as the primary group of economies for analysis. The comparator groups, unless otherwise indicated, consists of EMDEs excluding those classified as FCS and advanced economies. "Fragility" is defined as a systemic condition or situation characterized by extremely low institutional and governance capacity, which significantly impedes the state's ability to function effectively, maintain peace, and foster economic and social development. "Conflict" is defined as a situation of acute insecurity involving the use of deadly force by a group—including state forces, organized non-state groups, or other irregular entities—with a political purpose or motivation (World Bank 2024a).

[2] For consistency, the World Bank's 2025 FCS list is applied retroactively throughout the chapter to allow for comparability of the same group of economies over time. Comparisons of key trends and aggregate indicators using a time-varying list of FCS economies—reflecting their entry into or graduation from the World Bank's FCS list—show that the main findings presented in the chapter are broadly unchanged.

FIGURE 4.1 Fragility and conflict

FCS economies are found in all regions of the world and include both low- and middle-income groups. Around three-quarters of current FCS economies have been classified as such for at least a decade. Elevated levels of conflict and weak government institutions are key development challenges facing these economies.



Sources: Uppsala Conflict Data Program (database); World Bank; Worldwide Governance Indicators (database).

Note: EAP = East Asia and Pacific; ECA = Europe and Central Asia; EMDEs = emerging market and developing economies; FCS = fragile and conflict-affected situations; LAC = Latin America and the Caribbean; LICs = low-income countries; LMCs = lower middle-income countries; MNA = Middle East and North Africa; SAR = South Asia; SSA = Sub-Saharan Africa; UMC = upper middle-income countries. The FCS group is based on the current World Bank classification, unless otherwise specified.

A.B. Sample includes 36 FCS in 2010 and 39 FCS in 2025, based on the number of economies classified as FCS in the respective years.

C. Sample includes the 39 economies classified as FCS in 2025, grouped by the number of years each economy has held this status since 2006, when the World Bank's current FCS classification system was established.

D.E. Solid lines show the simple average for the period indicated. Last observation is December 2024. Sample includes conflict associated with state-based, non-state, and one-sided violence in up to 82 economies. The Uppsala Conflict Data Program defines a conflict "event" as an incident in which armed force was used by an organized actor against another organized actor, or against civilians, resulting in at least one direct death. (D) Bars show the number of conflicts per year; (E) Bars show the number of fatalities per year.

F. Panel shows simple averages. Higher values reflect better outcomes across each indicator, which range from a minimum of -2.5 to a maximum of 2.5. Sample includes 148 EMDEs, of which 34 are FCS.

FCS economies since around 2010, while those in other EMDEs have improved slightly. Weak institutional conditions reduce the capacity of policy makers in FCS economies to respond to shocks, whether they originate from external or domestic sources.

Against this backdrop, this chapter reviews the characteristics, recent developments, and prospects of FCS economies. It aims to highlight the challenges they face and the opportunities and policies that can help them achieve a durable exit from conflict and fragility, and attain sustained, inclusive growth and development. The chapter addresses three questions:

- What are the key economic characteristics of FCS economies?
- What are the features and economic effects of conflict?
- What are the policy priorities for improving development outcomes and leveraging growth opportunities in FCS economies?

Contributions. The chapter makes several contributions to the literature.

Main features and performance of FCS economies. The chapter provides the first comprehensive analysis of the economic performance and structural characteristics of FCS economies in the 2020s. This includes an analysis of the poor performance of FCS economies in the face of the COVID-19 pandemic and subsequent shocks. While broad challenges and policy priorities in FCS economies were examined in World Bank (2011), that study predates the pandemic and other recent shocks, including the ramp-up of conflicts in recent years. Other recent studies have examined economic developments in different groups of EMDEs, including low- and middle-income countries, and particular aspects of FCS economies such as their macroeconomic policies (Chami et al. 2021; Chrimes et al. 2024; World Bank 2025a). In contrast, this chapter covers the broader range of challenges, often intertwined, that FCS economies face specifically.

Costs of conflict and other shocks. The chapter uses complementary analytical approaches—including event studies, counterfactual exercises, and econometric analysis—to estimate the economic costs of conflict. This analysis extends the existing literature by taking a global perspective, incorporating recent conflicts, and applying novel methods that provide insights into the heterogeneous effects of conflict as well as the structural and institutional factors that can influence their costs.

Growth prospects, opportunities, and risks. Although the post-pandemic recovery in FCS economies has been weak and the growth outlook is challenging, there are meaningful opportunities for growth. The chapter explores a variety of scenarios for medium-term growth prospects. It then examines how demographic conditions, resource endowments—particularly those involving minerals linked to the energy transition—and tourism could contribute to growth. The analysis also considers the challenges associated with leveraging these opportunities, including those related to governance, institutional capacity, and the need for investment in human capital and infrastructure.

Policy priorities. The chapter outlines key policy priorities to address the persistent risks of violence, instability, and fragility in FCS economies. It emphasizes conflict prevention through early-warning systems, inclusive development, and resilience-building, while also highlighting the importance of efforts to protect critical infrastructure, provide humanitarian aid, and preserve institutions during violent conflicts. Drawing on the literature and on case studies of five economies, the chapter highlights the importance of post-conflict recovery efforts—such as reintegration programs, social investments, and governance reforms—for long-term stability. The policy analysis underscores the critical role of international support in fostering peace and resilience, including through concessional financing, debt relief, and technical assistance.

The main findings of the chapter are as follows:

Weak macroeconomic performance. Since the turn of the century, average GDP per capita growth in FCS economies has lagged behind that of other EMDEs—and, since 2020, has also fallen behind the pace in advanced economies. FCS suffered an output contraction of nearly 6 percent in the pandemic year of 2020—more than three times that of other EMDEs. Their post-pandemic rebound has been markedly weaker, with growth less than half the average of other EMDEs since 2021. The pandemic downturns were deepened by limited fiscal space and increased borrowing costs, which constrained the ability of governments to respond. As a result of persistently weak growth, per capita GDP in FCS economies has fallen further behind other EMDEs and, more recently, advanced economies as well. This underperformance reflects exposure to adverse shocks and several underlying weaknesses, including weak capital formation and underemployment of labor. In addition, structural transformation has remained limited: These economies have smaller industrial and services sectors than other EMDEs and are more dependent on commodity exports.

Lagging human development and rising poverty. Health and education outcomes tend to be markedly worse in FCS economies than in other EMDEs, a consequence of limited government capacity, government services, and personal security. These conditions, along with weak growth and frequent adverse shocks, have contributed to increases in extreme poverty. FCS economies now account for about one-half of the world's extreme poor, although they have less than 15 percent of the global population. Fueled by escalating conflict, acute food insecurity in these economies has also surged: It affected nearly 200 million people in FCS economies in 2024, or 18 percent of their populations. In other EMDEs, the incidence of acute food insecurity is about 1 percent of their populations.

High economic costs of conflict. The results from the event study, counterfactual exercise, and econometric analysis indicate that conflict has tended to lead to slower output growth, and in many cases, to large and persistent output losses. These costs tend to increase with conflict intensity. High-intensity conflicts have been associated with a cumulative decline in per capita GDP of about 20 percent five years after the onset of a conflict, relative to pre-conflict projections. The

impact on per capita GDP of a 1 percent rise in conflict-related fatalities per million population is estimated to be nearly 3.7 percent after five years in FCS economies. Conflicts have tended to have adverse effects on all sectors of production, but particularly on industrial sectors. Several institutional and structural features, including stronger governance, higher levels of human development, deeper financial markets, and greater readiness for climate-related disasters, have been associated with lower costs of conflict.

Growth opportunities amid a challenging outlook. Medium-term growth scenarios suggest that FCS economies will struggle to reach output levels projected before the COVID-19 pandemic, even by the end of the current decade. By 2030, the output of these economies is projected to be about 9 percent below its pre-pandemic projected trend if growth matches its 2010-19 average, and over 20 percent below if recent, much weaker, growth persists. However, while conditions vary, these economies have significant growth opportunities, particularly in the form of demographic tailwinds, natural resource endowments, and tourism potential. Their expanding working-age populations could be a key driver of output growth, with the share projected to reach about 60 percent by 2040 and, by about 2055, to exceed the share in other EMDEs. Some resource-rich FCS economies are well-positioned to benefit from rising demand for critical minerals amid the energy transition. In economies where conflict has subsided, tourism holds untapped potential for job creation and economic diversification. Realizing these opportunities requires targeted policies that enhance security, strengthen governance, create jobs, and prioritize investment, including in human capital and infrastructure.

Important domestic and global policy priorities. Policy makers in FCS economies can take steps to reduce fragility, foster stability, and expand economic opportunities. Fragile states need to strengthen governance, build institutional capacity, and address deep-seated grievances that may lead to conflict. Those in conflict need to prioritize humanitarian access, safeguard critical infrastructure and institutions—which can save lives, reduce reconstruction costs—and support inclusive recoveries. As countries transition out of conflict, sustained investments in infrastructure, education, healthcare, and social protection, alongside efforts to broaden financial inclusion and harness the private sector to expand economic opportunities and generate jobs, will be key to laying the foundation for lasting peace and stability. The global community must deepen its engagement with FCS economies and strengthen coordination of support through concessional financing, debt relief, and technical assistance. The continued provision of emergency relief, reinforcement of peace-building efforts, and investment in long-term resilience are also essential to stabilize these economies.

Characteristics of FCS economies

The characteristics of FCS economies reflect the significant challenges they have faced in recent years, particularly in the wake of rising global conflict and the COVID-19 pandemic. They also indicate the difficulties these economies are likely to encounter in the years ahead. They have experienced major setbacks, including substantial falls in aggregate and per capita output, as well as elevated economic volatility and inflation. Amid limited and shrinking fiscal capacity, conflict and other adverse shocks have had substantial negative effects on already weak investment, employment, and human capital, eroding both potential and actual economic growth. This profound economic underperformance has manifested itself in stubbornly high poverty and worsening food insecurity.

Slow growth, low per capita GDP

Growth of GDP per capita in FCS economies has persistently fallen short of growth in other EMDEs since the turn of the century, reflecting conflicts, other adverse shocks and FCS economies' limited capacity for policy support or response (figure 4.2.A). In 2000-09, average annual growth of GDP per capita in FCS economies was more than 1.5 percentage points lower than in other EMDEs. Over 2010-19, as the incidence of conflicts in FCS economies rose, their average annual per capita GDP growth fell to nearly 3

percentage points below that in other EMDEs. Since 2020, average annual growth of per capita GDP in FCS economies has been negative. In contrast, other EMDEs and advanced economies have seen subdued but still positive growth. Gaps in the annual average rate of per capita GDP growth relative to other EMDEs have widened both for FCS economies that have experienced conflict and for those that have not. On average, during 2020-24, the gap between FCS economies and other EMDEs was about 5 percentage points.

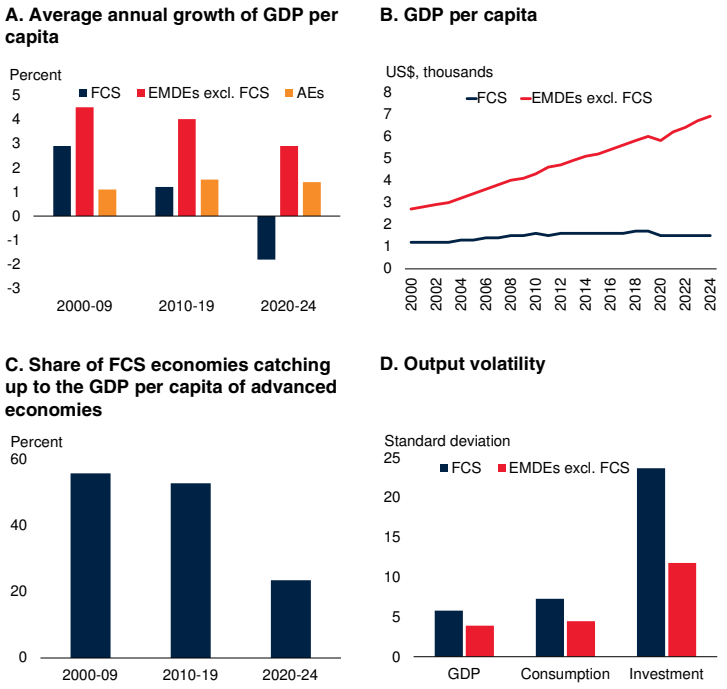
Reflecting FCS economies' feeble growth record, since 2000 their average per capita GDP has fallen further behind that of other EMDEs, and since 2020, behind that of advanced economies as well. In 2000, average per capita GDP in FCS economies was a little under half of that in other EMDEs, but by 2024 the ratio had slumped to less than a quarter (figure 4.2.B). Similarly, the share of FCS economies making progress in narrowing the gap in per capita GDP with advanced economies has dwindled (figure 4.2.C). Whereas around two-thirds of FCS economies were catching up to advanced economies in the first decade of this century, the share declined to around one-half in the second decade and to less than one-quarter during 2020-24.

High economic volatility

Besides persistently slow economic growth, FCS economies have experienced greater economic volatility than other EMDEs, with more variable growth of output, private consumption, and investment (figure 4.2.D). These economies are also more vulnerable to global shocks, including shifts in commodity prices, external demand, and financial conditions (Boussard et al. 2024). This reflects, in part, weaker fiscal capacity and procyclical fiscal responses, a lack of broad access to financial resources, and other structural features. Large swings in commodity prices can have a marked impact on activity in FCS economies, given that about three-quarters of them are heavily reliant on commodity exports. Many FCS economies also face price volatility stemming from high dependence on imported food and energy. Difficulty managing fixed or heavily regulated exchange rates—the most common exchange rate arrangements in FCS—coupled with weak institutional capacity, can also contribute to economic volatility (Adam and Wilson 2021). Authorities sometimes respond to exchange rate pressures with administrative measures like import restrictions, which can exacerbate volatility. Misaligned exchange rates can also force sudden sharp devaluations and high inflation, as seen recently in Myanmar and Nigeria.

FIGURE 4.2 Growth and volatility of GDP per capita

On average, GDP per capita growth in FCS economies has lagged behind that of other EMDEs since the turn of the century and has been negative since 2020. Consequently, GDP per capita in FCS economies has fallen further behind other EMDEs, and the share converging with advanced economy levels has dwindled. FCS economies also experience greater economic volatility than other EMDEs.



Sources: WDI (database); World Bank.

Note: AEs = advanced economies; EMDEs = emerging market and developing economies; FCS = fragile and conflict-affected situations. The FCS group is based on the current World Bank classification.

A. Bars show simple averages of GDP per capita growth rates in each group of economies across the indicated years.

A.B. GDP per capita for each group is calculated as aggregate GDP divided by the aggregate population. GDP is measured in real U.S. dollars at average 2010-19 prices and market exchange rates. Sample includes 34 FCS, 113 EMDEs excluding FCS, and 37 advanced economies.

B. Lines show GDP per capita (in thousands of real U.S. dollars) for each group of economies across the indicated years.

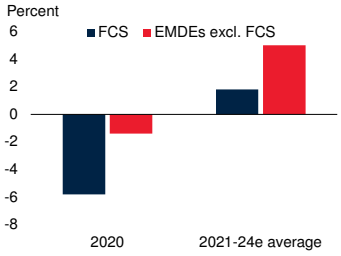
C. Bars show the share of FCS with (simple) average GDP per capita growth exceeding that of advanced economies in the indicated years. Sample includes 34 FCS.

D. Bars for consumption and investment use data for the private consumption and investment components of GDP. Volatility is measured as the median of the standard deviation of annual percent changes by component, across country groups. Sample spans a maximum period of 1981-24 and 149 EMDEs (of which 37 are FCS) for GDP, and 102 EMDEs (of which 19 are FCS) for GDP components.

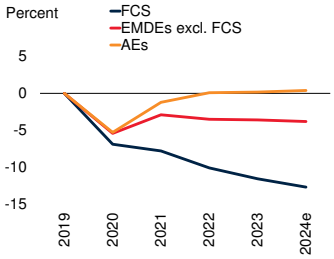
FIGURE 4.3 Impact of the COVID-19 pandemic and subsequent crises

The COVID-19 pandemic led to a larger drop in output and a weaker recovery in FCS economies than in other EMDEs. Globally, extreme poverty has become more concentrated in FCS economies since 2020, while food inflation is higher than in other EMDEs. Borrowing costs in FCS economies remain elevated relative to pre-pandemic levels, and the gap between their borrowing costs and those of other EMDEs has widened.

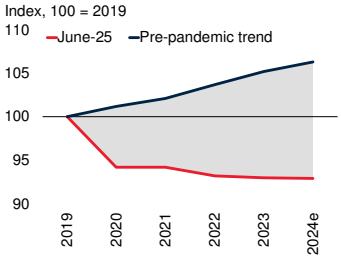
A. GDP growth



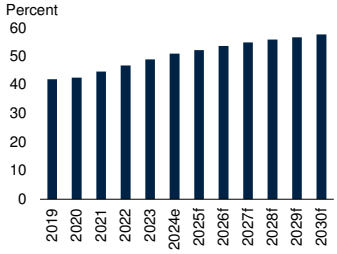
B. Cumulative output losses relative to pre-pandemic projections



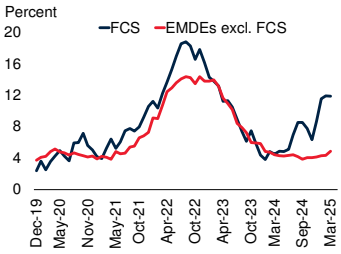
C. Per capita GDP loss relative to pre-pandemic projections for FCS economies



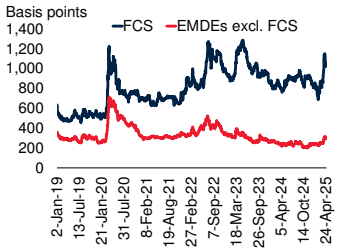
D. FCS economies' share of global population living in extreme poverty



E. Food inflation



F. Sovereign spreads



Sources: Haver Analytics; J.P. Morgan; Mahler, Yonzan, and Lakner (2022); World Bank; World Bank Poverty and Inequality Platform (database).

Note: AEs = advanced economies; EMDEs = emerging market and developing economies; e = estimate; f = forecast; FCS = fragile and conflict-affected situations. The FCS group is based on the current World Bank classification.

A. Bars show simple averages of annual GDP-weighted averages. Aggregates are calculated as weighted averages using GDP at average 2010-19 prices and market exchange rates as weights. Sample includes 147 EMDEs, of which 34 are FCS.

B. Lines show the percent deviation between the latest growth projections and those published in the January 2020 edition of *Global Economic Prospects* (World Bank 2020a). For 2023 and beyond, the January 2020 baseline is extended using the projected growth for 2022. Sample includes 37 advanced economies and 143 EMDEs, of which 32 are FCS.

C. The area between the two lines shows the difference in the level of per capita GDP between the June 2025 and January 2020 editions of *Global Economic Prospects*. For 2023 and beyond, the January 2020 baseline is extended using the projected growth for 2022. Sample includes 143 EMDEs, of which 32 are FCS.

D. Extreme poverty is defined as living on less than $3 per day in 2021 purchasing power parity (PPP). Estimates after 2023 are nowcasts. Sample includes 192 economies, of which 39 are FCS.

E. Year-over-year change in prices. Lines show median food price inflation for an unbalanced sample of up to 95 EMDEs, of which up to 14 are FCS. Last observation is March 2025.

F. Aggregates are the median from a sample of up to 57 EMDEs, of which 9 are FCS. Last observation is April 25, 2025.

Disproportionate impacts of the COVID-19 pandemic

In 2020, the first year of the COVID-19 pandemic, the output of FCS economies contracted by an average of almost 6 percent, compared with less than 2 percent in other EMDEs (figure 4.3.A). The subsequent recovery was much weaker in FCS economies than in other EMDEs. As the global economy contended with successive shocks, including surging inflation and interest rates, volatile commodity prices, and rising conflict, GDP growth in FCS economies averaged less than 2 percent a year between 2021 and 2024, compared with about 5 percent in other EMDEs. By the end of 2024, the cumulative output loss suffered by FCS economies relative to pre-pandemic projections was almost 13 percent, about three times the cumulative loss in other EMDEs (figures 4.3.B and 4.3.C).

Meanwhile, extreme poverty has risen in these economies, with the share of global poor living in FCS economies climbing by 10 percentage points, to about 50 percent, since 2020—and projected to rise by a further 6 percentage points by 2030 (figure 4.3.D). Since 2020, FCS economies have also experienced higher inflation than other EMDEs, with food inflation soaring to a peak of about 19 percent in 2022 from about 2.5 percent in 2019, accompanied by rising food insecurity and malnutrition (figure 4.3.E; IMF 2021; World Bank, UNESCO, and UNICEF 2021).

The larger post-pandemic output losses in FCS economies compared to other EMDEs may indicate greater economic scarring. Extensive school closures in some countries led to considerable learning losses, eroding both human capital and likely future earnings (Schady et al. 2023; World Bank, UNESCO, and UNICEF 2021). Since the pandemic, governments in FCS have also faced greater difficulties borrowing from private lenders, constraining their scope to invest. Sovereign spreads for FCS economies have remained higher than they were at the start of the pandemic, in contrast to other EMDEs (figure 4.3.F). Reliance on official sources of borrowing in FCS economies has also increased, with just over three-quarters of external public debt now owed to official bilateral and multilateral lenders, up from about 70 percent in 2019.

Low capital formation

Sustained, strong investment in physical and human capital is critical for faster economic growth in EMDEs and progress toward development objectives, including improved infrastructure and the renewable-energy transition (World Bank 2024b, 2024c). Foreign direct investment (FDI), which generally embodies not only capital but also new technology and know-how, can be particularly beneficial in terms of enhanced productivity (Alfaro 2017). However, fragility and conflict tend to deter both domestic and foreign investment, resulting in weak capital formation and a lack of capital deepening in FCS economies.[3] Between 2000 and 2019, for example, there appears to have been much less capital-deepening in FCS economies than in other EMDEs. In 2000, physical capital stocks per capita in FCS economies were about one-third of the level in other EMDEs, but by 2019, this ratio had declined (figure 4.4.A). Consistent with these trends, FCS economies have long received much smaller inflows of FDI relative to GDP than other EMDEs. Since the pandemic, their ratio of FDI inflows to GDP has fallen even further (figure 4.4.B).

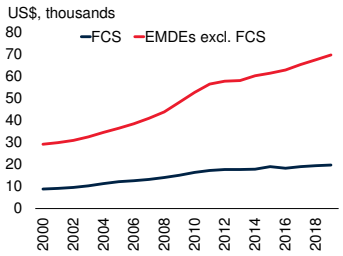
In FCS economies experiencing active conflict, governments may be unable to perform critical functions needed to enable investment, such as ensuring security, enforcing the rule of law, and providing essential infrastructure. In the absence of conflict, weak state capacity or legitimacy can still heighten policy uncertainty and regulatory risk. Where conflict is present, it can deter investment both immediately and over the long term (Alfar, Elheddad, and Doytch 2024; De Roux and Martínez 2022). Conflict can disrupt production and damage or destroy buildings, capital equipment, and inventories, thereby reducing firm profitability and disincentivizing investment, including in working capital (Custodio, Mendes, and Mendes 2025). The threat of conflict, particularly in fragile post-conflict environments, increases investor risk, raising the bar for required rates of return and reducing investment viability. Dimin-

[3] See Blair, Christensen, and Wirtschafter (2022); Dieppe, Kilic Celik, and Okou (2020); and Ghossein and Rana (2022).

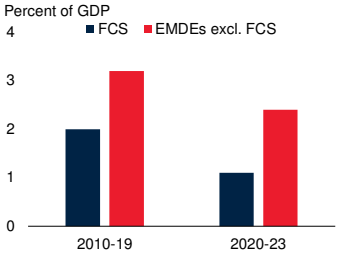
FIGURE 4.4 Macroeconomic features

With fragility and conflict hindering investment in FCS economies, capital stocks per capita are now less than one-third of those in other EMDEs, with the ratio declining since 2000. FDI inflows to FCS economies have long been lower than in other EMDEs. Weak investment in FCS economies partly reflects lagging financial development and weak credit supply to the private sector. The share of the working-age population in employment has steadily declined in FCS economies since 2000. Roughly 90 percent of the world's displaced population are from FCS economies.

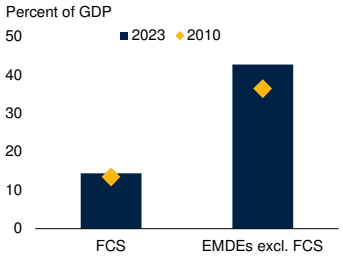
A. Capital stock per capita



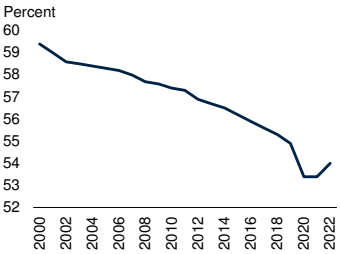
B. Foreign direct investment, net inflows



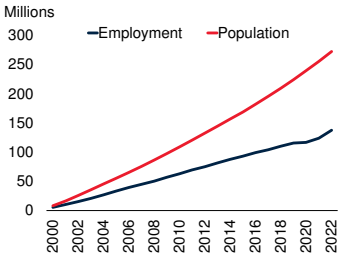
C. Domestic credit to the private sector



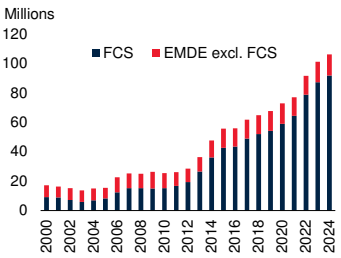
D. Employment as a share of the working-age population in FCS economies



E. Cumulative changes in employment and working-age population in FCS economies since 2000



F. Global displaced population



Sources: International Labor Organization; Penn World Table (database); United Nations High Commissioner for Refugees; WDI (database); World Bank.

Note: EMDEs = emerging market and developing economies; FCS = fragile and conflict-affected situations; UNHCR= United Nations High Commissioner for Refugees . The FCS group is based on the current World Bank classification.

A. Lines show population-weighted averages. Capital stock is measured using purchasing power parity (PPP) exchange rates in real 2017 U.S. dollars. Sample includes 135 EMDEs, of which 26 are FCS. Last observation is 2019.

B. Bars show medians. Sample includes 140 EMDEs, of which 29 are FCS.

C. Bars show medians of the average domestic credit to the private sector to GDP ratio over the period 2020-23. Markers represent the medians for the year 2010. Sample includes up to 135 EMDEs, of which up to 33 are FCS .

D. Line shows the simple average of modelled estimates of employment to population (over age 15). Sample includes 33 FCS.

E. The working-age population includes those ages 15 years and above. Sample includes 33 FCS.

F. Bars show displaced people based on country of origin, including refugees, asylum seekers, and internally displaced populations. Sample includes up to 152 EMDEs, of which up to 37 are FCS.

ished fiscal capacity—reflected in lower government revenues and reduced scope for borrowing—can reduce public investment, which plays an outsized role in poorer countries (World Bank 2024c).

For foreign investors, risks in FCS economies can be prohibitive—often because of inadequate legal and regulatory transparency, lack of effective legal recourse, and prohibitive or burdensome investment and currency restrictions (World Bank 2020b). Fragility and conflict can also skew foreign investment toward sectors where returns are sufficiently high to compensate for additional risks, including in capital-intensive resource extraction and sectors where competition is limited (World Bank 2024b). These limitations hinder the benefits, including value-added in the domestic economy, as well as the scale of FDI in FCS economies.

Since financial development relies particularly on the presence of well-functioning institutions that protect property rights, it has tended to lag in FCS economies, limiting the supply of credit to the private sector. Not only do financial markets lack depth in these economies, but financial inclusion is also often weak, particularly in the most fragile economies (Barajas, Chami, and Fullenkamp 2021). In the median FCS economy, the private sector credit to GDP ratio is about one-third the level observed in other EMDEs (figure 4.4.C). Moreover, since 2010 this ratio has stagnated in FCS economies, while in other EMDEs, on average, there has been steady progress.

Underemployed labor and population displacement

Given their rapid population growth, FCS economies must generate a higher number of productive jobs to sustain growth, reduce poverty, and support inclusive development (Chrimes et al. forthcoming). However, employment growth in these economies has fallen short of population growth since at least the turn of the century: During 2000 -22, the working-age population of FCS economies increased by 270 million, but employment increased by only 140 million, so that the average ratio of employment to the working-age population fell from just under 60 percent to less than 55 percent (figures 4.4.D and 4.4.E). In contrast, in other EMDEs, employment on average has broadly kept pace with population growth.

Fragility and conflict have a wide range of adverse effects on labor markets—restricting labor mobility, reducing labor supply, weakening labor demand, and reducing the welfare and health of workers (Adelaja and George 2019; Di Maio and Sciabolazza 2023; Utar 2024).

Underemployment of labor—particularly among women, especially young women—limits household incomes and savings, which, in turn, constrain domestic investment and reinforce weak capital formation (Hossain, Bazarkulova, and Compton 2024). Although the high prevalence of informality in EMDEs, including FCS economies, can help buffer job losses during adverse economic shocks, it is also associated with broader development challenges, including a tendency for conflict to shift activity toward illicit activities (Galdo, Acevedo, and Rama 2021; Loungani, Luttini, and Pallan 2025; Ohnsorge and Yu 2022). Finally, dependence on resource extraction in many FCS economies may limit job opportunities in more labor-intensive tradeable sectors, notably manufacturing (Gollin, Jedwab, and Vollrath 2016).

Conflict can also lead to a loss of skilled workers through emigration and population displacement, as well as through death and injury, compounding labor-market challenges in FCS economies. Emigration from FCS economies is driven mainly by two motives: safety and improved economic circumstances (World Bank 2023a). In 2024, over 90 percent of the world's refugees and internally displaced people originated from FCS economies, especially those that had experienced severe conflict and instability in recent years, including Afghanistan, Myanmar, South Sudan, the Syrian Arab Republic, Ukraine, and the República Bolivariana de Venezuela (figure 4.4.F; World Bank 2023a). Although remittances are an income lifeline for some FCS populations, many refugees fleeing conflict relocate to neighboring countries, which are often fragile themselves and offer limited opportunities for displaced populations (Chami et al. 2018; World Bank 2023a).

Limited structural transformation and commodity dependence

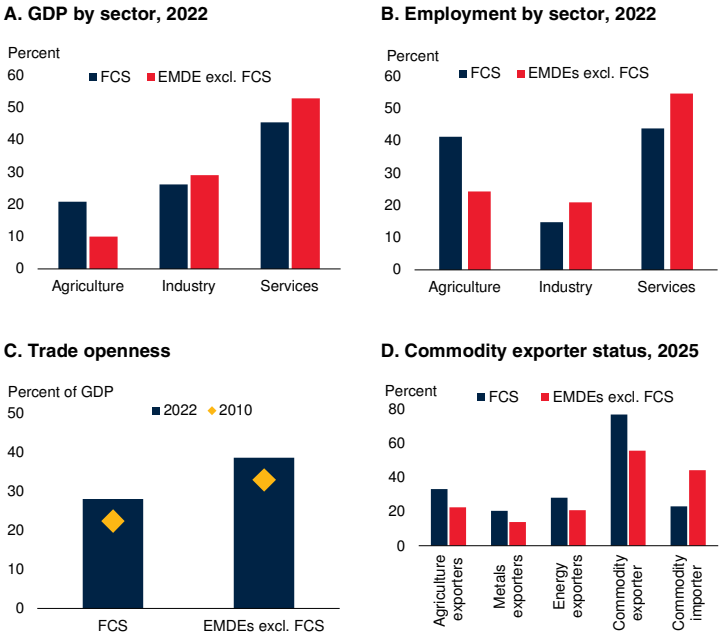
One sign of lagging development in many FCS economies is their continued dependence on primary commodities—particularly agriculture—due to limited structural transformation (Mijiyawa 2017; Schlogl and Sumner 2020). This often stems from limited investment and an unfavorable environment for fostering technological progress and the adoption of new technologies. In some FCS economies, small domestic markets and geographic isolation from key export destinations further limit opportunities to reap economies of scale (World Bank 2022a). On average, agriculture accounts for just over 20 percent of output and 40 percent of employment in FCS economies—about twice the shares in other EMDEs (figures 4.5.A and 4.5.B). The industrial and services sectors, accordingly, account for smaller shares. The limited presence of manufacturing and services in FCS economies limit the scope for growth in labor productivity, while much of the potential productivity growth available from a shift of resources out of agriculture remains to be tapped. The relatively stagnant sectoral structure of production may also contribute to inequality (Morsy, Shimeles, and Nabassaga 2023). In addition, high dependence on agricultural and other primary commodities leaves FCS economies more vulnerable to adverse shocks, especially from sharp movements in global commodity prices and climate-related weather events (Jaramillo et al. 2023).

Partly because their industrial and service sectors account for smaller shares of GDP than in other EMDEs, FCS economies are less open to international trade. The median ratio of trade (exports plus imports) to GDP is around 10 percentage points lower in FCS economies than in other EMDEs, a gap that has remained unchanged for more than a decade (figure 4.5.C). Many factors hinder international trade in fragile situations, including weak regulatory frameworks, corruption, inadequate trade facilitation, transport disruptions, and political instability (Cali 2015; Chacha and Edwards 2019). In addition to damaging transport infrastructure, conflict reduces trade by raising transport costs, causing the closure of border points, reducing mobility, and destroying the social capital that facilitates exchanges across borders (Korovkin and Makarin 2023; WCO 2022). Conflict is particularly harmful to those engaged in informal trade—typically the poor and often women—as well as small firms and those that lack stable contractual relationships in export markets (Ksoll, Macchiavello, and Morjaria 2023; Rauschendorfer and Shepherd 2022).

FCS economies lack diversified export bases and are more dependent on commodity exports than other EMDEs (Cali 2015). Around three-quarters of FCS economies are classified as commodity

FIGURE 4.5 Structural features

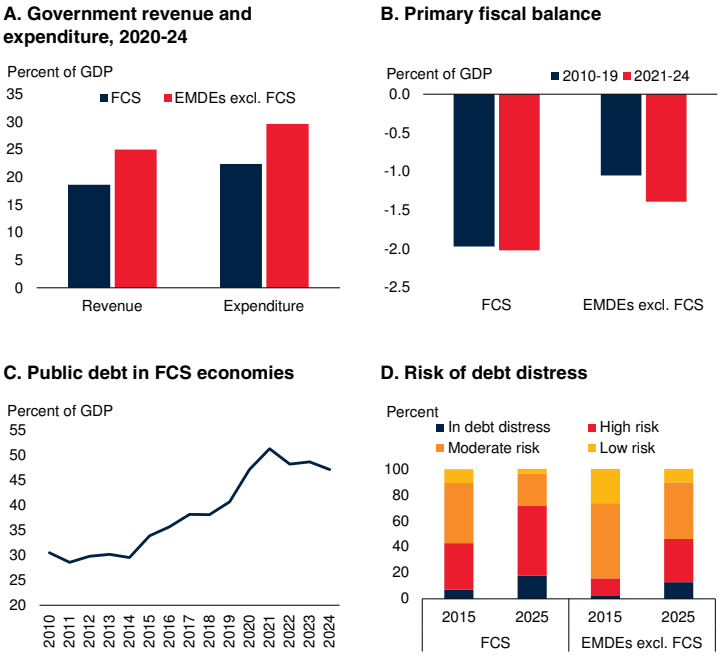
Agriculture accounts for far greater shares of output and employment in FCS economies than in other EMDEs, while industry and services contribute smaller shares. FCS economies are less open to trade than other EMDEs and are more dependent on commodities. About three-quarters of FCS economies are classified as commodity exporters, compared with a little over half of other EMDEs.



Sources: WDI (database); World Bank.
Note: EMDEs = emerging market and developing economies; FCS = fragile and conflict-affected situations. The FCS group is based on the current World Bank classification.
A. Bars show simple averages. Data are for 2022. Sample includes 146 EMDEs, of which 33 are FCS.
B. Bars show simple averages. Data are for 2022. Sample includes 141 EMDEs, of which 33 are FCS.
C. Panel shows exports plus imports of goods and services as a share of GDP in the median economy. Sample includes 118 EMDEs, of which 25 are FCS.
D. Share of FCS and other EMDEs by type of commodity exporter and importer. The taxonomy of commodity exporters follows the definition in chapter 1 of the June 2025 *Global Economic Prospects*. Sample includes 154 EMDEs, of which 39 are FCS.

FIGURE 4.6 Fiscal features

FCS economies tend to be more fiscally constrained than other EMDEs, with lower revenues despite greater spending needs. Fiscal deficits have been persistently larger in FCS economies than in other EMDEs, pushing debt-to-GDP ratios higher and raising concerns about debt sustainability. Almost three-quarters of FCS economies are in, or at high risk of, debt distress, compared with fewer than half of other EMDEs.



Sources: World Economic Outlook (database); World Bank; World Bank-IMF Debt Sustainability Framework.

Note: EMDEs = emerging market and developing economies; FCS = fragile and conflict-affected situations. The FCS group is based on the current World Bank classification.

A. Bars show the medians of country averages for 2020-24. Sample includes 151 EMDEs, of which 36 are FCS. Data refers to general government revenues and expenditures.

B. Bars show the median of country averages for different periods. Sample includes 144 EMDEs, of which 33 are FCS.

C. Line shows the median of a sample of 33 FCS economies.

D. Sample covers economies where the Joint World Bank-International Monetary Fund Debt Sustainability Framework for Low-Income Countries is applied, as of end-March 2025, including 67 EMDEs, of which up to 28 are FCS.

exporters, compared with a little over half of other EMDEs, and they exhibit greater commodity-export dependence across all major commodity groups, including agriculture, energy, and metals (figure 4.5.D). At the same time, FCS economies' manufacturing exports represent only about half the share seen in other EMDEs. Similarly, in FCS economies, services exports account for only about 5 percent of GDP, on average, compared with about 12 percent in other EMDEs. This lack of output and exports diversification limits opportunities for FCS economies to integrate into global value chains.

Weak governance, poor resource management, and instability limit their ability to reap the benefits of their resource endowments, leaving them particularly vulnerable to the "resource curse" (Biresselioglu et al. 2019). Natural resources can be an important catalyst for development in FCS economies, but if managed poorly, they can fuel tensions and lead to conflict (Collier and Hoeffler 2005; Maconachie 2016).

Fiscal constraints

Weak state capacity and slow, erratic growth constrain governments' ability to raise revenue in FCS economies, as indicated by the median ratio of revenues to GDP, which is about 6 percentage points lower than in other EMDEs (figure 4.6.A). This weak revenue generation capacity severely limits governments' role, especially their ability to use fiscal policy to offset shocks—an issue made worse by the absence of exchange rate flexibility and independent monetary policy. Inadequate revenue generation in FCS economies also impedes government spending on investment and public goods needed to meet development goals. Small FCS economies, in particular, face elevated spending needs due to diseconomies of scale in the provision of public goods and services (Hill and Khadan 2024; World Bank 2024c).

Inadequate revenue collection in FCS economies reflects structural and institutional weaknesses, including limited state capacity, political instability, corruption, and pervasive informality (Akitoby, Honda, and Primus 2020; World Bank 2025b). Low tax compliance, reflecting not only poor administration and enforcement but also weak taxpayer morale, rooted in perceptions that the state lacks legitimacy or may not use revenues in the interests of citizens, adds to these challenges (Besley and Mueller 2021). In addition, in conflict-affected areas where governments lack control, non-state armed groups may establish their own tax systems to fund their operations, further undermining the state's revenue-raising efforts (Bandula-Irwin et al. 2024). Conversely, limited fiscal capacity can undermine government legitimacy, reinforce state weakness, and exacerbate fragility (Eissa et al. 2023).

Lacking secure revenue bases, FCS economies are more dependent than other EMDEs on grants and

concessional loans from foreign governments and multilateral institutions. In recent years, the median tax revenue-to-GDP ratio in FCS economies was below thresholds commonly associated with an acceleration in growth (Choudhary, Ruch, and Skrok 2024). Among FCS economies with the highest revenue-to-GDP ratios, revenues are often heavily reliant on more volatile sources, notably natural resource rents. As a result of these revenue constraints and more limited avenues to borrow commercially, the median government spending-to-GDP ratio in FCS economies is about 7 percentage points lower than in other EMDEs. If external assistance becomes harder to access, financing pressures in FCS economies are likely to worsen.

Successive adverse shocks and slower economic growth have strained government finances in FCS economies. Fiscal deficits have been persistently larger in FCS than in other EMDEs, both before and after the pandemic (figure 4.6.B; World Bank 2025b). The median government debt-to-GDP ratio in FCS economies rose steadily between 2014 and 2019, to around 40 percent, before jumping to about 50 percent of GDP in 2021 (figure 4.6.C). Since then, the ratio has moderated, but there has been no consistent fiscal consolidation or reduction in debt, and sovereign spreads and borrowing costs have increased in some FCS economies. As of mid-2025, about 70 percent of FCS economies are in, or at high risk of, debt distress—a sharp increase from around 40 percent a decade ago—as a result of rising debt burdens and broader economic challenges (figure 4.6.D; Mawejje 2025).

Lagging human capital development

Weak state capacity and a lack of personal safety in FCS economies can have wide-ranging adverse effects on education and health conditions, limiting opportunities for individuals and exacerbating economic weaknesses.

The disruption of education and destruction of education-related infrastructure during conflict can result in years of forgone education (Ito et al. 2024). Conflict also impedes learning through increased psychological stress caused by exposure to, and risk of, violence, and reduced quality of the learning environment, such as greater classroom overcrowding (Brück, Di Maio, and Miaari 2019; Michaelsen and Salardi 2020). The average duration of schooling is also shorter in FCS economies, averaging just under six years, approximately three years less than in other EMDEs (figure 4.7.A). Secondary school enrollment rates in FCS economies are typically around 50 percent, compared with close to 100 percent in other EMDEs (figure 4.7.B). Learning poverty, measured by the share of children who lack basic reading and writing skills in early school years, is markedly higher in FCS economies than in other EMDEs. The likelihood that education levels in these economies will catch up to those in other EMDEs in the foreseeable future is slim.

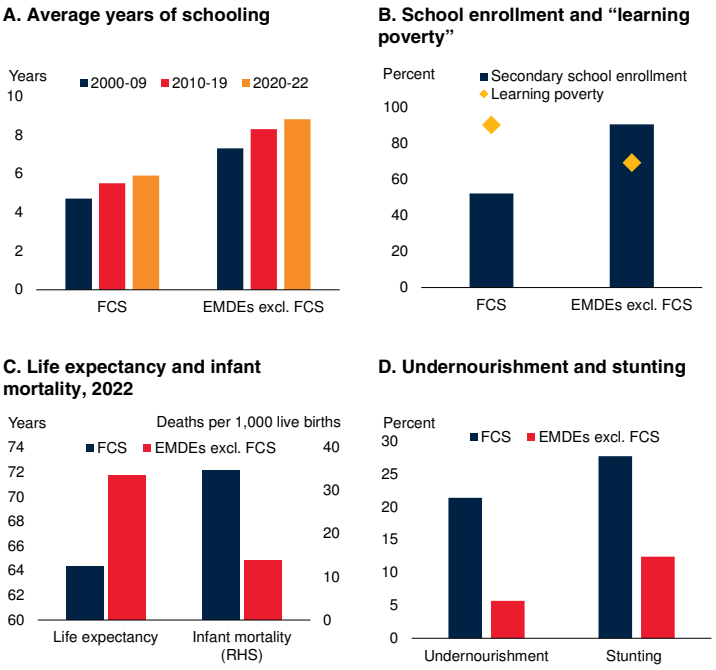
Key health indicators in FCS economies also lag well behind other EMDEs. In FCS economies that have recently experienced or continue to experience severe conflict, these indicators are among the lowest globally. Life expectancy in the median FCS economy is 64 years, more than seven years lower than in other EMDEs, while infant mortality rates are more than twice as high (figure 4.7.C). These outcomes are worse in economies experiencing conflict than in those that are fragile. Conflict can have pernicious effects on the health of large swaths of civilian populations (Jawad et al. 2020). Conflict can reduce access to clean water, increase challenges of maintaining basic sanitation, and raise exposure to toxic substances.

FCS economies also face acute challenges in maintaining health infrastructure and retaining skilled healthcare workers, particularly in unstable and conflict-affected environments where they may need to relocate repeatedly due to safety concerns (Bogale et al. 2024). Limited state capacity in these economies also reduces governments' ability to respond to health emergencies. Even after controlling for policies, death rates during the COVID-19 pandemic were higher in countries with weaker governments (Serikbayeva, Abdulla, and Oskenbayev 2021). The incidence of undernourishment is about four times as high in FCS economies as in other EMDEs, and the incidence of stunting is more than double (figure 4.7.D).

Fragility and conflict undermine education and health—particularly for children—with long-

FIGURE 4.7 Human development outcomes

The duration of schooling in FCS economies lags well behind that in other EMDEs, while school enrollment rates are much lower and "learning poverty"—defined as deficient reading skills among primary school leavers—is higher. FCS economies also perform worse than other EMDEs across a range of health-related indicators, including life expectancy, infant mortality, and the incidence of undernourishment and stunting.



Sources: WDI (database); World Bank.

Note: EMDEs = emerging market and developing economies; FCS = fragile and conflict-affected situations. The FCS group is based on the current World Bank classification.

A. Bars show averages for indicated time periods. Sample includes up to 154 EMDEs, of which up to 39 are FCS.

B. Panel shows medians. Data for gross secondary school enrollment rates are for 2021 for a sample of 102 EMDEs, including 14 FCS. Data for learning poverty—defined as the share of children at the end-of-primary-school age below minimum reading proficiency—are for 2019 for a sample of 39 EMDEs, including 8 FCS.

C. Bars show group medians. Data are for 2022. Sample includes up to 154 EMDEs, of which up to 39 are FCS.

D. Bars show group medians. Data for undernourishment are for 2021 and for stunting (of children under age 5) are for 2022. Sample includes up to 142 EMDEs, of which up to 37 are FCS.

lasting negative consequences for people's well-being, labor productivity, and the economic potential of individuals and countries (Acemoglu and Johnson 2007; Almond, Currie, and Duque 2018; Currie and Vogl 2013). Maternal exposure to conflict-related violence can adversely affect the emotional development of children and increase their risk of engaging in criminal behavior (Hidalgo-Aréstegui et al. 2025). Limited access to early education or disruptions to schooling can reduce the likelihood that children will enter and complete higher levels of education, with negative consequences for human capital, future earnings, and overall economic development (Deming 2022). Poor health and inadequate nutrition can compound these effects, further diminishing individuals' chances of success in the labor market later in life (Karbownik and Wray 2025).

High and rising poverty and food insecurity

The incidence of extreme poverty in FCS economies is both higher and more difficult to reduce than in other EMDEs (Corral et al. 2020). After a steady decline of close to 20 percentage points in the two decades leading up to the mid-2010s, the fall in extreme poverty rates in FCS economies stalled in the mid-2010s, as global conflict accelerated (figure 4.8.A). In 2025, almost 40 percent of the population in FCS economies is estimated to live on less than $3 per day, compared with 6 percent in other EMDEs. The incidence of extreme poverty is similar in FCS economies that have recently experienced severe conflict and those that have not.

Amid rapid population growth, the number of people living in extreme poverty in FCS economies has risen in the past decade, in contrast with the continuing decline in other EMDEs. In 2025, the number of people living in extreme poverty in FCS economies is expected to reach about 421 million—having, for the first time in 2024, exceeded the number of extreme poor elsewhere—even though these economies make up just under 15 percent of the world's total population. The outlook for poverty reduction in FCS economies is grim, given their slow, erratic growth, and weak growth potential. Projections suggest that by 2030, more than 435 million people will be living in extreme poverty in FCS economies, accounting for almost 60 percent of the world's extreme poor (figure 4.8.B).

Global food insecurity is also concentrated in FCS economies, where it has given rise to major humanitarian crises. In recent years, the number of people in these economies experiencing acute food insecurity has increased sharply, to around 200 million in 2024, compared with fewer than 60 million in other EMDEs (figure 4.8.C). Within FCS economies, this represents around 18 percent of the population, compared with just 1 percent in other EMDEs (figure 4.8.D). The increase in food

insecurity in FCS economies has been driven overwhelmingly by surging conflict, although shocks such as the pandemic and extreme weather events have play role (FSIN and GNAFC 2024). Conflict increases food insecurity by disrupting local food production, food imports, food transportation, and the functioning of domestic markets and supporting infrastructure. Moreover, conflicts involving major agriculture exporters, such as Russia's invasion of Ukraine, have worsened food insecurity by curtailing global supplies of food and fertilizer (Lin et al. 2023). In some FCS economies, natural disasters, including more frequent and severe extreme weather events related to climate change, have exacerbated food insecurity (Rogall, Rudolfsen, and Vesco 2025; Yolchi, Wang, and Pede 2024). Food insecurity, in turn, can also drive instability and conflict by generating sudden spikes in food prices and fueling social unrest.

Features and impacts of conflict

Origins of conflicts

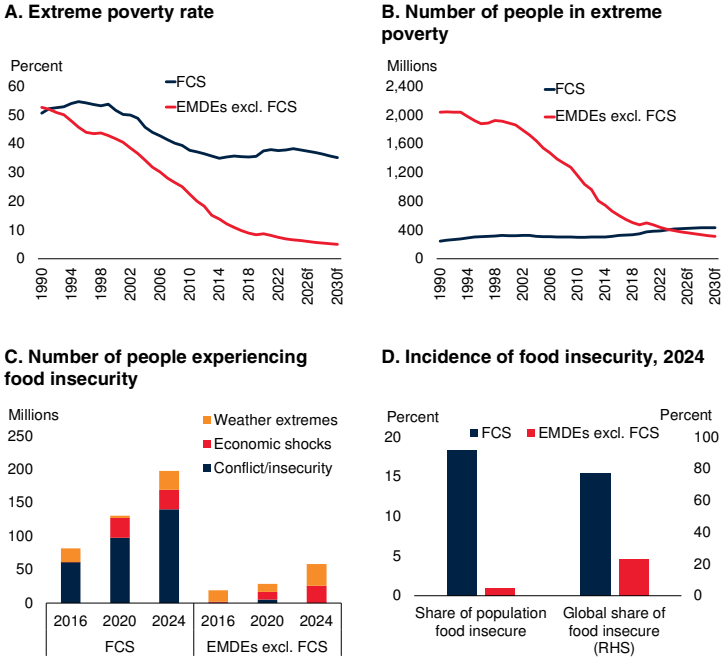
The origins of conflict are complex and shaped by a variety of context-specific factors. In many cases, conflicts stem from deep-rooted inequality, exclusion, and systemic injustice, in addition to other factors such as colonial legacies and entrenched social or religious divisions. In recent decades, many conflicts have stemmed from grievances over unequal access to political power, economic opportunities, land ownership and tenancy rights, extractive industries, public services, and justice (United Nations and World Bank 2018). These grievances are often rooted in identity-based divisions—ethnic, regional, or religious divisions—where persistent marginalization fuels conflict, and higher ethnic fractionalization amplifies its costs (Costalli, Moretti, and Pischedda 2017; Østby 2013; World Bank 2018a). State-sanctioned abuses, including political imprisonment, torture, and extra-judicial disappearances or killings, can intensify perceptions of injustice and further fuel conflict (Cingranelli et al. 2019; United Nations and World Bank 2018). In recent decades, the declining number of mature democracies and weakening of intergovernmental institutions have also contributed to cross-border conflicts.[4]

Features of conflicts

The frequency and intensity of conflicts have increased since the turn of the century, as indicated by the rising number of conflicts and conflict-

FIGURE 4.8 Poverty and food insecurity

The share of people living in extreme poverty is much higher in FCS economies than in other EMDEs. After a steady decline over the two decades to the mid-2010s, extreme poverty rates in FCS economies stalled at around 37 percent in the following decade. The number of people living in extreme poverty in FCS economies surpassed that in other EMDEs last year, and is expected to continue rising through 2030. Food insecurity has also increased markedly in FCS economies, largely due to rising conflict. Almost 20 percent of the population in these economies suffers from food insecurity, a much higher share than in other EMDEs.



Sources: Food Security Information Network; Mahler, Yonzan, and Lakner (2022); World Bank; World Bank Poverty and Inequality Platform (database).
Note: EMDEs = emerging market and developing economies; f = forecast; FCS = fragile and conflict-affected situations. The FCS group is based on the current World Bank classification.
A.B. Extreme poverty is defined as living on less than $3 per day in 2021 purchasing power parity (PPP). The observation for 2024 is estimated; data from 2025 onward are forecasts. Sample includes 154 EMDEs, of which 39 are FCS.
C. Bars show the number of people in food crisis, as classified by the Integrated Food Security Phase Classification Phase 3, that is, in acute food insecurity crisis or worse. Sample includes up to 54 EMDEs, of which up to 26 are FCS. Data are for the period 2016-24.
D. Bars show the share of people in food crisis, as classified by the Integrated Food Security Phase Classification Phase 3—that is, experiencing acute food insecurity crisis or worse. Data are for 2024. Sample includes 45 EMDEs, of which 21 are FCS.

[4] See, for example, Boehmer, Gartzke and Nordstrom (2004), Fausett and Volgy (2010), Karreth (2017), and Szayna et al. (2017).

related fatalities, especially since 2010. These conflicts have been concentrated in low- and middle-income countries and have caused significant and multifaceted damage.

The number of conflict-related fatalities relative to population is a widely used marker for identifying the onset of a conflict and measuring its intensity.[5] Although approaches vary, a conflict is typically considered to begin when annual conflict-related fatalities reach at least 10 per million population, with different thresholds used to characterize conflict intensity. The World Bank's FCS classification characterizes medium-intensity conflicts as those where annual conflict-related fatalities range from 10 to 100 per million population, and high-intensity conflicts as those with annual fatalities exceeding 100 per million (World Bank 2020c). Studies of conflicts and their impacts typically use a range of ratios of annual fatalities to population to determine a conflict's onset and intensity—common thresholds include at least 50, 100, and 150 annual fatalities per million population (Novta and Pugacheva 2021).[6] The year of conflict onset is identified by a fatalities-population ratio that exceeds a given intensity threshold in that year, but not in the four preceding years (Novta and Pugacheva 2021).

For the analysis in this chapter, "medium-intensity" conflicts are defined as those where conflict-related fatalities are at least 50 per million population in the year of onset, while "high-intensity" conflicts are defined as those where conflict-related fatalities exceed at least 150 per million in the year of onset. The 50 fatalities threshold is near the midpoint of the 10-100 range of the World Bank's FCS classification of a medium-intensity conflict. At the medium intensity level, conflict-related fatalities of well over 50 per million can occur, and in many cases reach the level of fatalities in high intensity conflicts. Conflict-related fatalities include those directly related to combat between warring parties or violence against civilians and those associated with state-based, non-state, and one-sided violence. Since 2010, several conflicts have been classified as high-intensity (see annex 4.1).

The analysis here examines conflicts commencing at the medium-intensity and high-intensity thresholds, from a sample of 130 economies—both FCS and non-FCS—using annual data, and is limited to conflicts beginning between 2006 and 2023.[7] In high-intensity conflicts during this period, annual fatalities numbered almost 1,000 per million population, on average, at their peak (figure 4.9.A). Conflict-related fatalities totaled, on average, more than 3,500 per million in the five years following the outbreak of hostilities (figure 4.9.B). In many cases, conflicts that initially commenced at the medium-intensity threshold also resulted in substantial loss of life, with an average peak of over 500 annual fatalities per million and cumulative fatalities of nearly 2,000 per million in the five years after the conflict's onset (figure 4.9.C). In many cases, significant conflict-related loss of life also occurred before the onset threshold was met, as tension gradually mounted.

Most conflicts that started at least at the medium - intensity level lasted a year or less but some spanned five years or more. The duration of high-intensity conflicts was somewhat longer, on average, although about one-third lasted less than a year (figure 4.9.D). In some economies there were several separate conflicts, while in others, several conflict episodes could be viewed as one drawn-out conflict, such as a civil war, punctuated with pauses.

Conflicts tend to be subject to a degree of "duration dependence," meaning that the longer they last, the more difficult they are to resolve.[8] Conflict occurrence, duration, and intensity, more generally, are also related to economic factors such as per capita income levels and inequality

[5] See, for example, Dunne and Tian (2019), Fang et al. (2020), IMF (2019, 2024), and Novta and Pugacheva (2021).

[6] Alternatively, some studies use distribution-based approaches to determine conflict severity. For example, a conflict is considered high intensity if the ratio of fatalities to population in the world distribution falls in the top quartile (roughly about 25 to 30 fatalities per million), and as mild if it falls in the bottom quartile (Fang et al. 2020; IMF 2019, 2024).

[7] The analysis follows the approach taken in Novta and Pugacheva (2021) to mark conflict episodes.

[8] See, for example, Bennett and Stam (1996), Clark and Hart (1998), Collier et al. (2004), DeRouen and Sobek (2004), Fearon (2004), and Regan and Stam (2002).

(Chaudoin, Peskowitz, and Stanton 2017; Collier and Hoeffler 2002, 2004a). Social and institutional factors, including group fragmentation, state capacity, and the involvement of different domestic or international actors, can also shape the course and intensity of hostilities.[9]

Economic losses from conflict

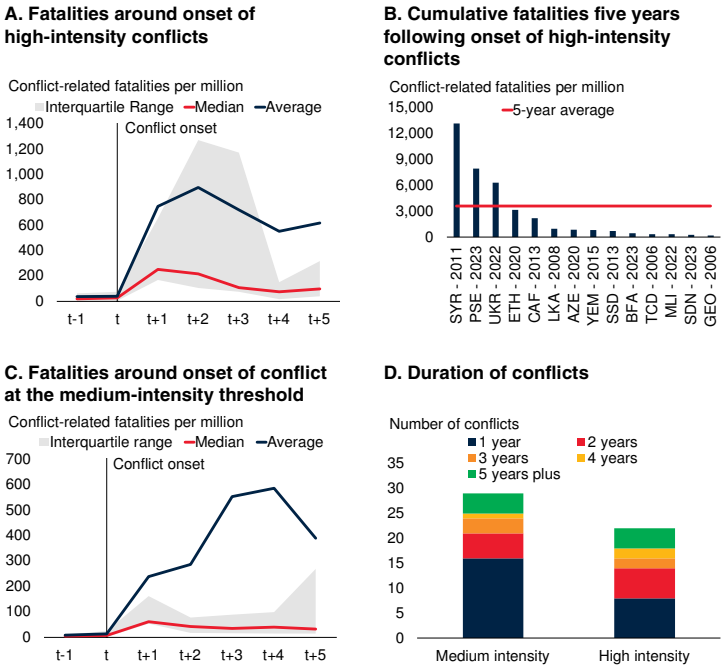
Conflicts can inflict enormous and long-lasting economic losses (Abdel-Latif et al. 2024; Federle et al. 2024; Novta and Pugacheva 2021). Empirical estimates from the literature suggest that conflicts ranging broadly from the medium-to high-intensity thresholds have been associated with reductions in GDP per capita of around 13 percent after five years, on average (figure 4.10.A). However, losses from particularly intense or lengthy conflicts have been substantially higher, exceeding 20 percent of per capita GDP. For example, GDP in the West Bank and Gaza contracted by 27 percent in 2024, while, in the absence of conflict, GDP per capita in the Central African Republic, South Sudan, and the Syrian Arab Republic could have been at least twice as high.[10]

Conflicts can also have considerable international spillovers, reducing growth in other countries by deterring private investment in the surrounding region and decreasing trade flows through disruptions to transportation networks and demand (Rauschendorfer and Shepherd 2022; Rother et al. 2016; Sesay 2004). Fiscal balances in neighboring countries also tend to suffer as spending needs for defense, peace operations, and support for refugees increase, often at the expense of investment in education, health, and infrastructure (Ezeoha et al. 2023). Moreover, neighboring countries may become more prone to conflict themselves (Abdel-Latif et al. 2024; Buhaug and Gleditsch 2008; Couttenier et al. 2024).

To shed light on the varying economic impacts of conflict, an assessment is made using two analytical methods: a counterfactual exercise, and an event analysis. For the counterfactual exercise, cumulative losses of GDP per capita associated with conflict are estimated by comparing the realized path of GDP per capita with the forecast made by the World Bank in the year prior to the outbreak of conflict (see annex 4.1). The results indicate that high-intensity conflicts have been associated with large and long-lasting losses in per

FIGURE 4.9 Features of conflict

In high-intensity conflicts, annual fatalities peak at an average of nearly 1,000 per million population. Even when using a lower threshold to define a conflict event the human toll is heavy, with peak averages of over 500 annual fatalities per million population. Most conflicts last one to two years, but high-intensity conflicts are more likely than those commencing at a lower threshold to persist beyond two years.



Sources: Uppsala Conflict Data Program; World Bank.

Note: AZE = Azerbaijan; BFA = Burkina Faso; CAF = Central African Republic; ETH = Ethiopia; FCS = fragile and conflict-affected situations; GEO = Georgia; LKA = Sri Lanka; MLI = Mali; PSE = West Bank and Gaza; SDN = Sudan; SSD = South Sudan; SYR = Syrian Arab Republic; TCD = Chad; UKR = Ukraine; YEM = Republic of Yemen.

A.B. High-intensity conflicts are those in which there are at least 150 conflict-related fatalities per million population in the year of onset and where conflict-related deaths did not exceed that threshold in the four years prior. Sample includes conflicts that began between 2006 and 2023 in 11 current FCS and 3 non-FCS EMDEs; see table A4.2.

B. Bars show the total number of fatalities recorded in the five years following the onset of conflict. Solid line shows the average number of fatalities per million across high-intensity conflicts, summed by year, over the five years following onset; see table A4.2.

C. Medium-intensity conflicts are those in which there are at least 50 conflict-related fatalities per million population in the year of onset and where conflict did not exceed that threshold of intensity in the four years prior. Sample includes conflicts that began between 2006 and 2023 in 15 current FCS and 6 non-FCS EMDEs; see table A4.2.

D. Bars show the number of conflicts that surpass the medium or high-intensity threshold based on the number of conflict-related fatalities per million population in the year of onset by duration (in years) until the conflict subsides. The medium-intensity (high-intensity) onset threshold sample includes 27 (21) conflicts in 24 (18) economies that began between 2006 and 2024.

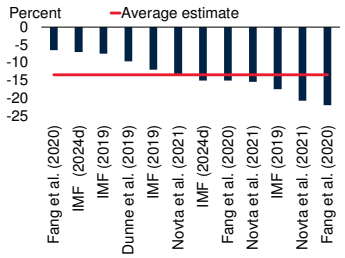
[9] See, for example, Chaudoin, Peskowitz, and Stanton (2017), Collier et al. (2004), DeRouen and Sobek (2004), Regan and Stam (2002), and Siberdt (2024).

[10] See, for example, Gatti et al. (2024), Mawejje and McSharry (2021), Mandon, Nossek, and Sandjong (2024), World Bank (2025b).

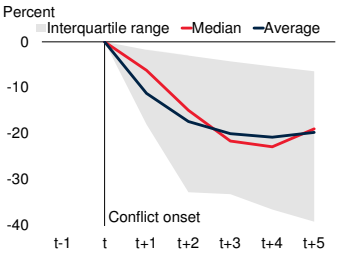
FIGURE 4.10 Economic losses from conflict

Conflicts are linked to large and long-lasting output losses. High-intensity conflicts lead to cumulative per capita GDP losses of about 20 percent five years after onset, with even greater losses in some FCS economies. Across a broader set of conflicts, cumulative losses amount to about 9 percent for the same period. Scarring—slower per capita GDP growth after conflict than before—is more common following high-intensity conflicts.

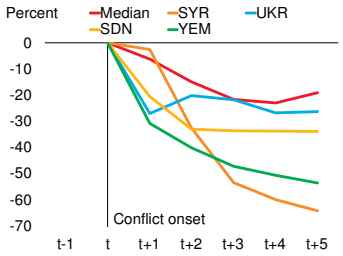
A. Effect of conflict on per capita GDP after five years



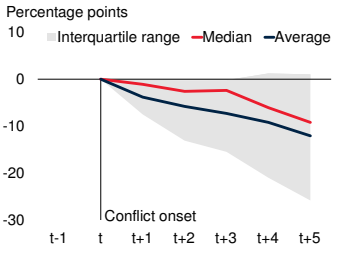
B. Cumulative loss of per capita GDP following the onset of high-intensity conflicts



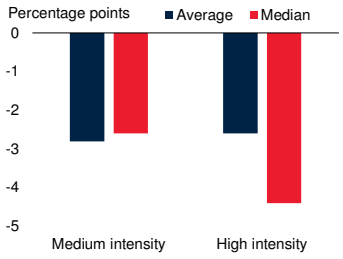
C. Cumulative loss of per capita GDP following the onset of recent high-intensity conflicts



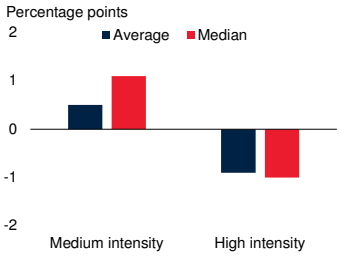
D. Cumulative loss of per capita GDP following the onset of conflict at least at the medium-intensity threshold



E. Difference between per capita GDP growth following conflict onset and pre-conflict average



F. Difference between pre- and post-conflict average per capita GDP growth



Sources: Dunne and Tian (2019); Fang et al. (2020); IMF (2019, 2024d); Novta and Pugacheva (2021); Uppsala Conflict Data Program; World Bank.

Note: SDN = Sudan; SYR = Syrian Arab Republic; UKR = Ukraine; YEM = Republic of Yemen.

A. Per capita GDP losses are estimated using three methods: (1) local projections, (2) pre-conflict forecasts versus outcomes, and (3) synthetic control methods. Multiple estimates from a single source reflect different methods or country groupings. Conflict intensity is defined by fatalities per million, ranging from 25-30 to over 150.

B.-F. Medium- (high-) intensity conflicts involve at least 50 (150) fatalities per million at onset, with no exceedance of that threshold in the four prior years.

B.C Lines show the average cumulative gap between forecasted and actual per capita GDP following high-intensity conflict. Forecasts are from *Global Economic Prospects* one year before onset. Sample includes 14 conflicts in 14 EMDEs (3 not currently FCS) for the period 2006-23; see annex 4.1.

D. As in B-C, but for conflicts commencing at least at the medium-intensity threshold. Sample includes 23 conflicts in 21 EMDEs (7 not currently FCS), for the period 2006-23; see annex 4.1.

E. Bars show the real per capita GDP growth after conflict onset compared to the three-year pre-conflict average. Includes up to 12 conflicts in 12 EMDEs for the period 2006-20, see annex 4.2.

F. Bars show average per capita GDP growth in the three years post-conflict compared to the three years pre-conflict. Includes up to 12 conflicts in 12 EMDEs for the period 2006-20; see annex 4.2.

capita GDP, accumulating to almost 20 percent, at the median, five years after the onset of conflict compared to pre-conflict expectations (figure 4.10.B). This is similar to findings from the literature. In several high-intensity conflicts since 2010, losses have been even larger, including in South Sudan, Sudan, the Syrian Arab Republic, Ukraine, and the Republic of Yemen (figure 4.10.C; annex 4.1). In most high-intensity conflicts, per capita GDP losses have been concentrated in the first two to three years of conflict.

Conflicts that have commenced at least at the medium-intensity threshold have been associated with cumulative losses of per capita GDP of about 9 percent after five years, at the median, with the losses tending to be more evenly spread over the years following conflict onset compared to high-intensity conflicts alone (figure 4.10.D). However, the counterfactual exercise may underestimate the cost of conflict, as in some cases, tensions build years before the number of fatalities surpasses a given conflict intensity threshold, damaging confidence, expectations, and macroeconomic performance before the threshold is met (Besley and Mueller 2012).

The event analysis also compares GDP per capita growth before, during, and after conflicts that began at either the medium or high intensity thresholds (see annex 4.2). The event analysis shows that median per capita GDP growth drops by about 2.7 percentage points, relative to the three years preceding conflict onset, for conflicts that escalate to at least the medium-intensity threshold. A sharper decline—nearly 4.5 percentage points—is observed only in conflicts that commence at least at the high-intensity threshold (figure 4.10.E).

Growth dynamics following conflicts suggest that some economies have experienced recoveries in activity, likely driven in part by reconstruction, while others have suffered from scarring. For conflicts that commenced at least at the medium-intensity threshold, growth in the three years post-conflict is, on average, characterized by a "catch-up" phase, with per capita GDP growth exceeding the pre-conflict average by about 1.3 percentage points at the median (figure 4.10.F). This stronger

post-conflict growth rate suggests that some economies have been able to recover at least part of the per capita GDP losses incurred during conflict once peace is restored. This pattern is consistent with findings from other event studies of conflict, even ones employing different methodologies (Chen, Loayza, and Reynal-Querol 2008).

In contrast, economies that have experienced conflict at or above the high-intensity threshold appear to have suffered economic scarring post-conflict, with median per capita GDP growth nearly a full percentage point below its pre-conflict rate in the three years following the end of hostilities. However, this approach may also understate the damage to economic activity from conflict, as growth may have slowed in the years prior to the onset of a conflict as hostilities gradually escalated.

The greater damage inflicted by higher-intensity conflicts partly reflects their more destructive impact on human and physical capital. For example, these conflicts are associated with harsher malnutrition, learning losses that may never be fully recovered, and greater physical injuries and damage to health (Akresh et al. 2012; Hoddinott et al. 2013; Makinde et al. 2023; Schady et al. 2023). Greater displacement of refugees may also more severely, and permanently, weaken human capital and labor productivity (Novta and Pugacheva 2021; Schady et al. 2023).

Similarly, high-intensity conflict can cause extensive damage to key infrastructure, resulting in substantial and lasting losses of output and income (Chupilkin and Koczan 2022). The destruction of electricity generation capacity, sanitation networks, and transportation systems can delay the return of economic activity and trade, while reconstruction costs can be high. These challenges are compounded by insufficient financing for investment in FCS economies, as limited access to credit hinders the recovery of both human and physical capital, thereby restraining growth (Barajas, Chami, and Fullenkamp 2021). Conflict also undermines the business environment and confidence, disrupting small and medium-sized enterprises and, in some cases, pushing them into informal or illicit activities (Ganson and Hoelscher 2020; Miklian and Hoelscher 2022). More broadly, the economic damage from violent conflicts can be long-lasting, with per capita GDP remaining below estimated counter-factual paths for as long as a quarter-century after conflict ends (Chupilkin and Koczan 2022)

Building on the preceding analysis and extending the related literature, this section quantifies the economic costs of conflict using a heterogeneous panel vector autoregression (PVAR) model. Following Pedroni (2013), the methodology leverages cross-country variation in conflict exposure to estimate the macroeconomic costs associated with conflict-related fatalities (see annex 4.3). Specifically, it assesses the average impact of a 1 percent increase in conflict-related fatalities per million population—relative to a country's average rate over the sample period—on key economic indicators, including GDP per capita, and agricultural and industrial gross value added.[11] The sample includes 80 economies, of which 28 are FCS economies, using annual data from 1989 to 2024.

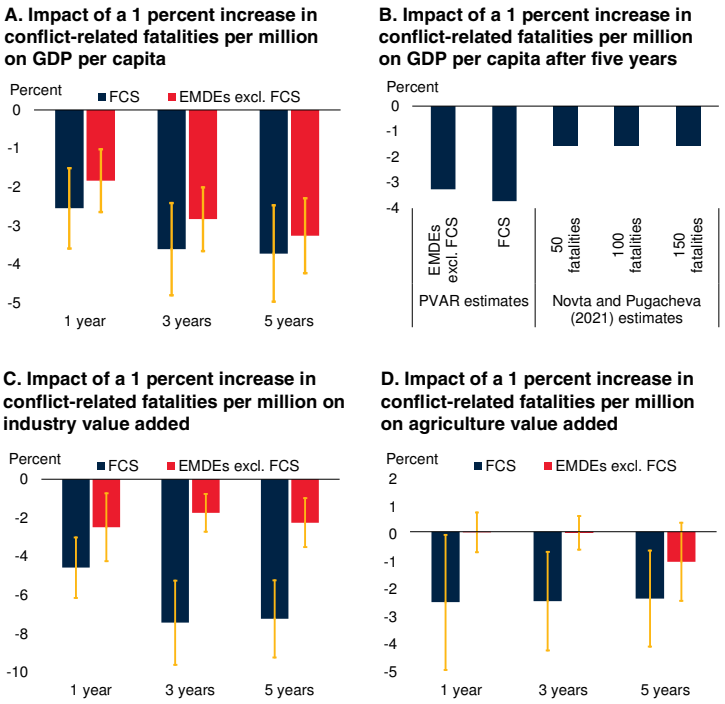
The results of the PVAR analysis point to substantial and persistent output losses associated with conflict.[12] For economies currently classified as FCS, the impact is estimated to be particularly pronounced; GDP per capita declines by about 2.5 percent in the first year, on average, and accumulates to 3.7 percent after five years (figure 4.11.A). For other EMDEs, on average, a 1 percent increase in conflict-related fatalities per million population is estimated to reduce per capita GDP by about 1.8 percent in the first year, cumulating to about 3.3 percent after five years. This result of growing conflict-related output loss over time aligns with the expectation that heightened violence and widespread damage to human and physical capital result in prolonged economic scarring and weaker post-conflict recoveries. The estimates also broadly align with recent empirical

[11] These averages are about 2.15 fatalities per million for FCS economies and 0.4 per million in other EMDEs.

[12] Figures 4.11 and 4.12 show the variables most affected by increases in conflict-related fatalities, along with the institutional and structural factors most strongly associated with a lower impact of conflict. Notably, although not shown in these figures, the estimations include a broad set of macroeconomic indicators—such as headline GDP per capita and its expenditure and production components—which generally show negative responses to increases in conflict-related fatalities, particularly for the current list of FCS.

FIGURE 4.11 Economic losses from conflict (*continued*)

Conflict-related per capita GDP losses have been significantly larger in FCS economies than in other EMDEs at all horizons through five years. Conflicts have had severe impacts on both industrial and agricultural sectors in FCS economies, with particularly large impacts on the industrial sector.



Sources: Novta and Pugacheva (2021); Uppsala Conflict Data Program; World Bank.
Note: EMDEs = emerging market and developing economies; FCS = fragile and conflict-affected situations; PVAR = panel vector autoregression. The FCS group is based on the current World Bank classification.
A. Estimates are obtained using a heterogeneous PVAR model. Whiskers represent the upper and lower bounds of the 95 percent confidence interval. The sample is based on an unbalanced panel of up to 80 economies, including 28 FCS, 46 EMDEs excluding FCS, and 6 advanced economies, using annual data for the period 1989-2024; see annex 4.3.
B. The Novta and Pugacheva (2021) estimates have been adjusted to reflect an approximate "1 percent increase in conflict-related fatalities per million" by scaling the original estimated costs of conflict on per capita GDP against an estimated number of fatalities covered in their sample of conflicts. "PVAR estimates" refer to estimates derived from the heterogeneous PVAR model five years following the initial shock, following Pedroni (2013). Annex 4.3 provides additional methodological and sample details.
C.D. Estimates are obtained using a heterogeneous PVAR model. Whiskers represent the upper and lower bounds of the 95 percent confidence interval. The sample is based on an unbalanced panel of 71 economies, including 25 FCS, 42 EMDEs excluding FCS, and 4 advanced economies, using annual data for the period 1989-2024; see annex 4.3.

findings, although they are somewhat larger than those reported in similar studies employing alternative methodologies (figure 4.11.B).

A separate set of results—estimating the effects of a rise in conflict-related fatalities on sectoral value added—finds especially large impacts on the industrial sector. In FCS economies, the sectoral impacts of conflict are estimated to have been particularly severe: a 1 percent increase in conflict-related fatalities per million population is associated with a 7 percent cumulative loss in industry value added and a 2 percent cumulative loss of agriculture value added after five years. For other EMDEs, the estimated effects are around 2 percent for industry value added and 1 percent for agriculture (figures 4.11.C and 4.11.D). The substantial and lasting output losses in these sectors have knock-on effects, particularly in FCS economies, including job losses, increased food insecurity, higher food price inflation, and worsened living conditions.

Structural and institutional characteristics of countries, along with their vulnerability to shocks, can amplify or mitigate the economic impact of conflicts. Stronger governance, superior human development, deeper financial markets, and greater readiness for climate-related disasters are associated with smaller adverse effects of conflict on GDP per capita. All of these factors—along with larger shares of manufacturing in merchandise exports—are also associated with smaller adverse impacts of conflict on investment, a key driver of long-term growth, and on industry value added. In contrast, higher dependence on natural resources and greater vulnerability to climate-related disasters are associated with larger adverse impacts of conflict on GDP per capita, investment, and industry (figures 4.12.D-E). These results highlight the importance of policies that strengthen governance, human capital, financial markets, and climate resilience to reducing the burden of conflict, as well as promoting inclusive development. Notably, many of these same factors also help prevent the outbreak of violent conflict.

Growth prospects, opportunities, and risks in FCS economies

The post-pandemic growth recovery in FCS economies has been weak, and the outlook remains subdued amid persistent fragility, heightened global trade tensions, and policy uncertainty. Even if average annual GDP growth during 2025-30 were to recover to its 2010-19 pre-pandemic rate, GDP in 2030 would still be about 9 percent below the path implied by extrapolating pre-pandemic growth projections published in the

January 2020 *Global Economic Prospects*. Meanwhile, under similar assumptions, output in other EMDEs would catch up to—and that in advanced economies would exceed—that same extrapolated trajectory (figure 4.13.A). Even in a more optimistic scenario, where growth during 2025-30 is assumed to recover to its 2000-09 average rate, FCS economies' output would still fall short of the pre-pandemic extrapolated path by about 2 percent. In a less favorable scenario, where growth in FCS economies during 2025-30 matches the 2021-24 average rate, their output gap would widen to more than 20 percent by 2030 (figure 4.13.B).

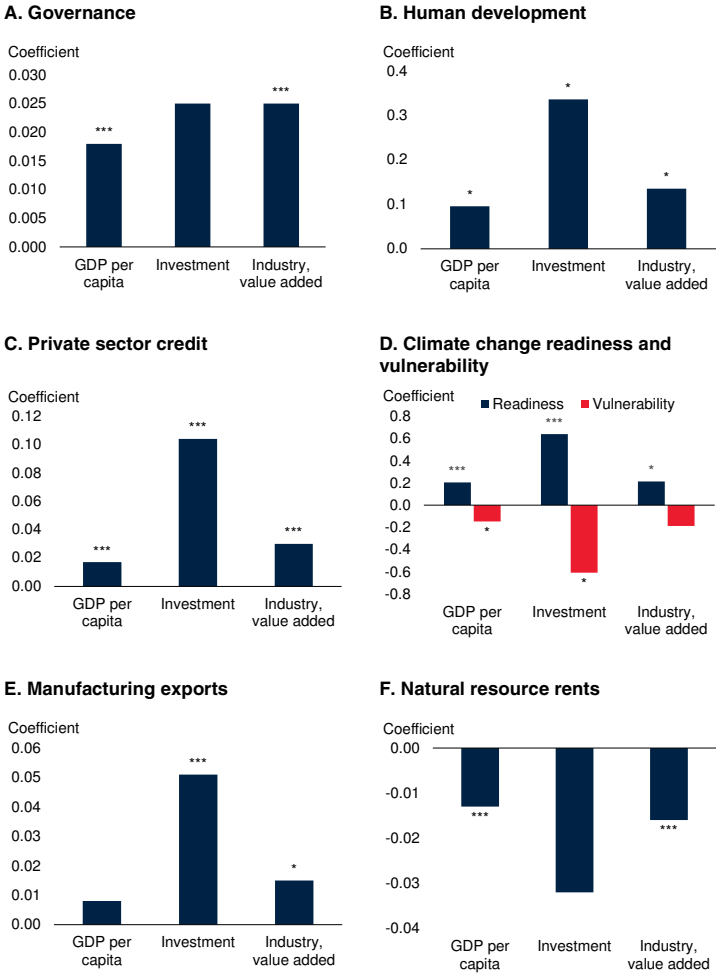
FCS economies, particularly those classified as low-income or lower-middle-income, have significant potential to accelerate development. With appropriate policies and sustained international support, they can harness key structural growth drivers to improve their development outcomes—particularly favorable demographics, abundant natural resources (including in agriculture), and untapped tourism potential. However, these opportunities also carry risks if not managed effectively. Without inclusive job creation and investment in human capital and infrastructure, ongoing demographic trends could exacerbate fragility and conflict. In addition, natural resource wealth can heighten the risks of conflict and mismanagement in the absence of strong governance and institutions. These challenges underscore the urgent need for targeted and well-sequenced policy action.

Demographic tailwinds

FCS economies have an opportunity to capitalize on a demographic transition marked by their expanding working-age populations (Canning, Raja, and Yazbeck 2015). Because fertility rates in FCS economies are higher than those in other EMDEs, as well as advanced economies, and are expected to remain so, their working-age populations are expected to grow steadily over the next four to five decades (figure 4.13.C). By around 2040, the working-age share of the populations of FCS economies is projected to be 60 percent, exceeding the share in advanced economies; and by about 2055, it is expected to exceed that of other EMDEs (figures 4.13.D-E).

FIGURE 4.12 Factors influencing economic losses from conflicts

Stronger governance, better human development, deeper financial markets, and greater readiness for climate change have been associated with smaller conflict-related losses to GDP per capita, industry value added, and investment. Natural resource dependence and climate change vulnerability have been associated with larger economic losses.



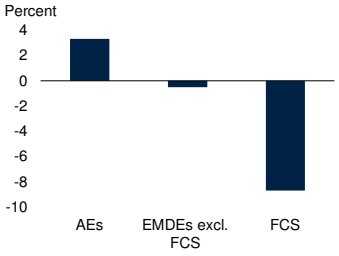
Sources: Notre Dame Global Adaptation Initiative (ND-GAIN); World Bank.
Note: Positive coefficients indicate a reduced impact of conflict, while negative coefficients suggest higher conflict-related costs. The coefficients in this figure are based on pairwise cross-sectional regressions, where heterogeneous economy-specific accumulated impulse response values at the 5th horizon—representing the response of GDP per capita, industry value added, and investment (that is, gross fixed capital formation) to a conflict shock—are regressed on the economy's structural and institutional characteristics. Annex 4.3 provides additional methodological and sample details. Sample includes up to 71 economies. Data are for the period 1989-2024. *** indicates statistical significance at the 1 percent level, ** at the 5 percent level, and * at the 10 percent level.
A.-F. Bars show regression coefficients of economy-specific conflict costs and the following variables: the World Bank's Worldwide Governance Indicators, collapsed into a single index using principal components analysis (A); the UN Human Development Index (B); domestic credit to the private sector as a percent of GDP (C); climate change vulnerability and readiness measures (D); manufacturing exports' share in merchandise exports (E); and the share of natural resource rents in GDP (F).

Realizing the potential benefits of this demographic shift, however, will depend on the creation of sufficient productive jobs. Otherwise, the growth of the working-age population could lead to rising

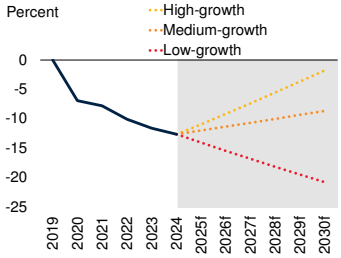
FIGURE 4.13 Growth prospects and opportunities

Post-pandemic economic recoveries have been far weaker in FCS economies than in other EMDEs. In a medium-growth scenario, output in FCS economies in 2030 is projected to remain about 9 percent below the trajectory implied by pre-pandemic projections. Even in a high-growth scenario, these economies would struggle to reach the level of GDP implied by that trajectory by 2030. But alongside their major challenges, FCS economies possess immense growth potential, including expanding working-age populations, abundant natural resources, and untapped tourism sectors.

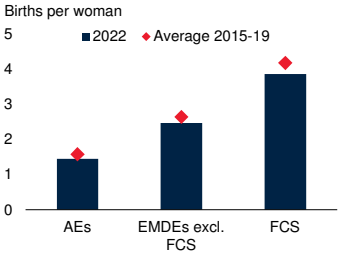
A. GDP in 2030: Gap between pre-pandemic projection and 2010-19 trend-based projection



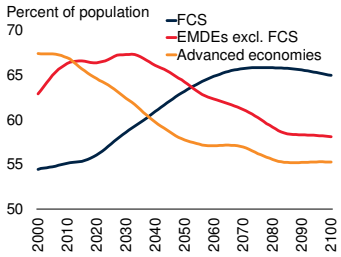
B. GDP in FCS economies: Three growth scenarios



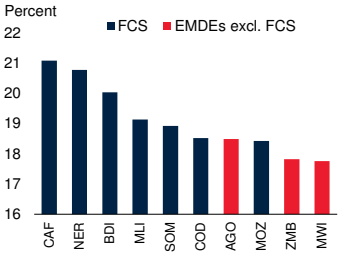
C. Fertility rates



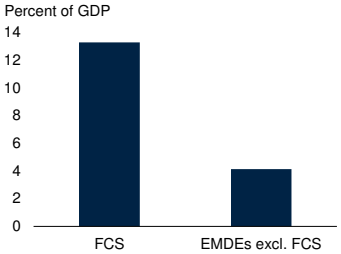
D. Working-age population



E. Top 10 EMDEs by projected working-age population growth, 2025-30



F. Natural resource rents, 2017-21



Sources: UN World Population Prospects (database); WDI (database); World Bank.

Note: AEs = advanced economies; AGO = Angola; BDI = Burundi; CAF = Central African Republic; COD = Congo, Dem. Rep.; EMDEs = emerging market and developing economies; f= forecast; FCS = fragile and conflict-affected situations; MLI = Mali; MOZ = Mozambique; MWI = Malawi; NER = Niger; SOM = Federal Republic of Somalia; ZMB = Zambia. The FCS group is based on the current World Bank classification.

A. Bars show the difference between a growth scenario based on the 2010-19 average growth rate and 2030 projections from the January 2020 *Global Economic Prospects*. For 2023, the baseline is extended with a trend using 2022 projected growth. Sample includes 179 economies, of which 37 are advanced economies and 142 are EMDEs, including up to 39 FCS.

B. Lines show three growth scenarios through 2030, applying average growth rates from 2000-09 (high), 2010-19 (medium), and 2021-24 (low), based on a sample of up to 39 FCS.

C. Panel shows average total fertility rate by group. Sample includes 36 advanced economies, 39 FCS, and up to 115 EMDEs excluding FCS.

D. Lines show working-age population as a share of the total population. Sample includes 38 advanced economies and 150 EMDEs, of which 36 are FCS.

E. Bars show the 10 EMDEs with largest projected increases in working-age population, 2025-30.

F. Bars show simple averages by economy group for 2017-21. Natural resources rents include oil, gas, coal, mineral, and forest rents. Sample includes up to 151 EMDEs, including up to 37 are FCS.

unemployment and under-employment, exacerbating existing fragilities. Therefore, policies are needed to promote the creation and growth of private sector enterprises and improve employability through better education, training, and healthcare. For example, policies that promote proper nutrition can boost labor force participation, while improved access to reproductive healthcare and family planning can enable women to engage in productive employment (Development Committee 2025; Fornino and Tiffin 2024; Hanmer et al. 2024). Complementary investments in infrastructure, such as for the provision of water, transport, and energy, are also important to expand access to jobs and economic opportunities (Development Committee 2025; Rohner 2024; World Bank 2025b).

If productive employment grows in line with population growth, declining dependency ratios could also present an opportunity to boost domestic savings and improve fiscal balances. However, financial systems in FCS economies must be strengthened to effectively mobilize and allocate these savings toward productive investment that supports growth and job creation.

Natural resource endowments

A significant share of FCS economies are commodity exporters with substantial natural resources, including agricultural land, mineral deposits, and oil and gas reserves. Natural resource rents accounted for 13 percent of GDP in FCS economies during 2017-21, three times higher than the average for other EMDEs (figure 4.13.F). The growing adoption of renewable-energy technologies—such as solar panels, wind turbines, electric vehicles, and energy storage—is likely to continue increasing both demand and prices for the minerals essential to their production. Several FCS economies, including the Democratic Republic of Congo, Mozambique, and Zimbabwe, possess substantial mineral endowments and are well positioned to capitalize on these trends (Church and Crawford 2020; World Bank 2018a).

Resource wealth alone does not guarantee broad-based, inclusive per capita income growth; without strong institutions, it can exacerbate fragility. If

governance is weak and institutions defending the rule of law are ineffective—and if property rights are poorly defined, with unresolved disputes over resource ownership—instability can be exacerbated, and conflicts can be fueled. Mitigating these risks and harnessing natural resource wealth for sustainable development require transparent, accountable governance and policies that direct resource revenues toward equitable development (Nkoa, Song, and Bikoula 2024; Same 2009; World Bank 2025c). Investments in infrastructure and human capital, along with the promotion of local content are also necessary to enable technological improvements, including through technology transfer, to increase domestic value added and create jobs (El Saghir and Maur 2023).

With roughly one-third of FCS economies classified as agricultural exporters, and agriculture accounting for outsized shares of employment, this sector has substantial potential to contribute to faster economic growth—particularly through improvements in labor productivity that would facilitate the redeployment of workers to the industrial and services sectors. Thus, FCS economies' large-scale employment in agriculture potentially offers them a further demographic dividend, beyond that stemming from the growth of the working-age population. However, growth in agricultural output, as well as improvements in its productivity and resilience is also important, including for enhancing food security and promoting development in rural areas, where alternative employment opportunities are limited (Townsend et al. 2021).

Many FCS economies—including, for example, those in SSA and Pacific island economies such as Papua New Guinea and the Solomon Islands—have strong potential for enhanced productivity and economic returns in agriculture through well-targeted, tailored reforms (World Bank 2015a, 2017a, 2018b). These may include improving access to fertilizers to boost yields; investing in transport infrastructure to enhance market access; making it easier to secure land tenure; expanding credit availability; and scaling up agricultural extension services (World Bank 2016a, 2018b). The adoption of locally adapted technologies—such as drought-resistant seeds, sustainable irrigation systems, and mobile-based advisory tools—is also crucial to unlock broad-based growth (Kassem et al. 2020; Townsend et al. 2021; World Bank 2015b).

Tourism

In FCS economies, international tourism receipts, relative to GDP, are only half the level seen in other EMDEs, indicating the sector's untapped potential (Kenworthy, Mawejje, and Steinbach 2025). Many FCS economies possess cultural and natural assets with potential for tourism-driven growth of output and jobs, though realizing this will depend on improved security, institutional capacity, and infrastructure (Safi, Safi, and Mujeeb 2024). Fragile small island states, such as Papua New Guinea and the Solomon Islands, have strong potential in niche tourism markets, particularly in adventure and cultural tourism (IFC 2019a). Growth in tourism, a labor-intensive sector, can create jobs—many of them suitable for women and young people—foster entrepreneurship, and attract investment in infrastructure and services (World Bank 2017b). In addition, sustainable tourism, when paired with effective governance and community engagement, can enhance social cohesion and aid post-conflict recovery (Novelli, Morgan, and Nibigira 2012). However, with insecurity and institutional fragility being major constraints in many FCS economies, tourism development must be approached pragmatically. Where conditions permit, targeted efforts to strengthen security, governance, and infrastructure can help unlock the sector's potential. For example, tourism formed an important part of Sri Lanka's recovery from its 1983-2009 civil war, with global promotion and targeted infrastructure investments helping to quadruple tourist arrivals by 2015, with positive spillovers elsewhere in the economy, including in conflict-affected areas (box 4.1).

Policy priorities in FCS economies

Policies in FCS economies are typically shaped by complex political dynamics, involving both formal institutions and informal power structures—such as patronage networks and clientelism—set against enduring legacies of violence and external intervention (Brinkerhoff 2005; World Bank 2018a).

BOX 4.1 Post-conflict recoveries: Lessons from country experiences

Strong recoveries following severe conflict—characterized by faster growth, falling poverty, and improvements in other development metrics—have typically been driven by targeted reforms and institution-building efforts. These recoveries were often anchored in political transitions, including peace agreements, which helped stabilize the security environment and strengthened state legitimacy. Sustained progress often involved the restoration of basic services, reforms to core institutions, and the reconstruction of infrastructure, backed by financial and technical support from the international community. Macroeconomic and structural reforms to improve public financial management, liberalize trade, and attract investment in strategic sectors such as natural resources and tourism were critical to boosting growth, productivity, and private sector confidence. Equally important were investments in human capital, including education, health, and social protection, to ensure that recovery benefits reached those affected by conflict and vulnerable populations. In several cases, international peace-keeping efforts reinforced peace and stability, both essential for sustaining progress, by supporting the implementation of peace agreements and helping to prevent a relapse into conflict. These experiences highlight that while conflict leaves deep and lasting scars, recovery is achievable when reforms are well sequenced, domestically led, tailored to local conditions, and backed by the international community.

The analysis in this chapter highlights the significant costs associated with conflict, and a tendency for conflict-affected economies to experience weak and incomplete recoveries once fighting ends. However, experiences vary considerably. Some economies have achieved strong, sustained post-conflict growth that has supported broad improvements in living standards, including marked declines in poverty rates. This box examines several of these episodes in detail. It focuses on recoveries from severe conflict, defined by high levels of conflict-related fatalities, in the decade following the end of fighting in five diverse economies: Bosnia and Herzegovina, Cambodia, Nepal, Rwanda, and Sri Lanka.[a] The box addresses the following questions:

- How do economies evolve after conflict?
- What policies support favorable economic outcomes and helped to promote peace and stability?

Bosnia and Herzegovina (1992-95)

Conflict and economic performance. Bosnia and Herzegovina experienced severe economic turmoil during the 1992-95 conflict, marked by extensive infrastructure destruction, loss of productive capacity, and an average of nearly 4,000 conflict-related deaths per million people annually (figure B4.1.A). By the end of the war, the country had lost about 60 percent of its housing, 50 percent of its schools, and 30 percent of its hospitals, while industrial output fell to just 5 percent of its pre-conflict level (Bisogno and Chong 2002).

Following the end of conflict and the signing of the 1995 Dayton Peace Agreement, the economy rebounded, with GDP per capita growth averaging four percentage points higher in the decade that followed than during the conflict period (figure B4.1.B). In the three years after the conflict, GDP per capita nearly doubled from $1,013 in 1995 to $1,973 in 1997. Continued strong growth pushed it higher to $3,217 in 2005. This rapid expansion helped the country regain upper-middle-income status in 2008, marking one of the strongest post-conflict recoveries globally.

The remarkable economic recovery led to significant poverty reduction and improved living standards. The poverty rate at the lower-middle-income threshold plummeted from 31 percent during the conflict period to 1.7 percent in 2000, and fell further to 0.8 percent in 2005 (figure B4.1.C). Beyond poverty reduction, broader socioeconomic indicators also improved substantially. Life expectancy at birth increased by about 15 years—from 60 years during the conflict period to just over 75 years in 2005—while tertiary enrollment rates jumped from 15.8 percent in 2000 to 24.7 percent by 2005.

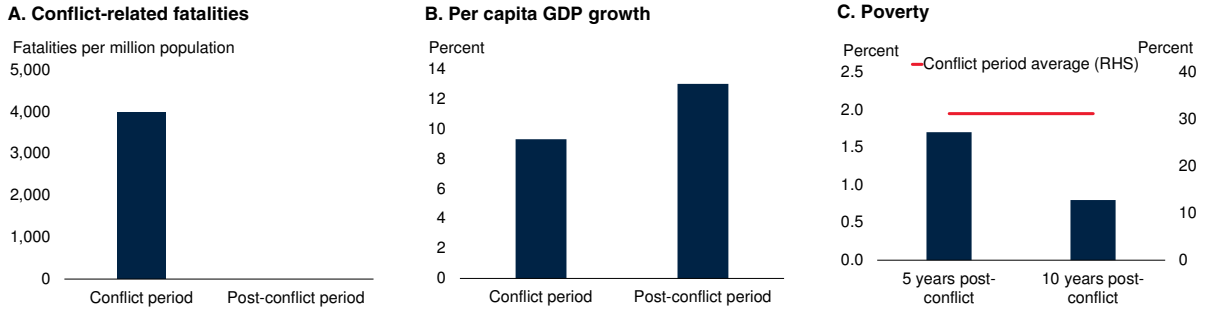
Policy drivers. Bosnia and Herzegovina's successful post-conflict recovery was driven by strategic policy interventions alongside substantial international support. Between 1996 and 1999, international donors provided approximately $6 billion (constant 2021 U.S. dollars) in reconstruction aid—equivalent to about 20 percent of GDP annually. These funds were primarily

Note: This box was prepared by Samuel Hill, Jeetendra Khadan, Gitanjali Kumar, Mathilde Lebrand, Jiwon Lee, Edoardo Palombo, and Peter Selcuk.

a. None of these economies are currently classified as FCS by the World Bank.

BOX 4.1 Post-conflict recoveries: Lessons from country experiences (*continued*)

FIGURE B4.1.1 Bosnia and Herzegovina's conflict recovery



Sources: Mahler, Yonzan, and Lakner (2022); Uppsala Conflict Data Program; World Bank Poverty and Inequality Platform (database); WDI (database); World Bank.
Note: A.B. Bars show annual averages for conflict and post-conflict periods.
A. Average annual number of fatalities per million population for the conflict period (1992-95) and the post-conflict period (1996-2005).
B. Average annual growth rate of GDP per capita in 2015 constant U.S. dollars during the conflict period (1992-95) and the post-conflict period (1996-2005).
C. Line shows the average poverty rate during the conflict period (1992-95), based on a poverty threshold of $4.20 per day in 2021 purchasing power parity (PPP). Bars show the poverty rate in 2000 (5 years post-conflict) and 2005 (10 years post-conflict).

allocated to rebuilding critical infrastructure, restoring basic services, and strengthening institutional capacity. Technical assistance from global partners was key to facilitating effective and timely policy implementation (Collier and Hoeffler 2004b; Dobbins et al. 2003). In addition, international peace-keeping, initially led by the North Atlantic Treaty Organization (NATO) and later by the European Union (EU), safeguarded economic recovery and prevented a relapse into conflict. As a result, conflict-related deaths fell to zero (figure B4.1.A).

Early macroeconomic and structural reforms were crucial to economic stabilization. In 1997, two years after the war, the country adopted a currency board, pegging the Bosnian convertible mark to the Deutsche mark—later transitioning to the euro—to curb inflation and restore monetary stability (Kovačević 2003). Despite reconstruction pressures, credible monetary and fiscal policies kept inflation contained. Structural reforms in the banking sector, including the privatization of state-owned banks and entry of foreign banks, helped to restore financial intermediation and supported private sector growth (Tesche 2000). These measures were foundational to the recovery, driving investment-led growth—investment more than doubled, rising from 12 percent of GDP in 1995 to an average of 28 percent between 1998 and 2005. In addition, Bosnia and Herzegovina benefited from preferential trade agreements with the EU, while the prospect of eventual EU accession anchored policy reforms and institutional development (Bartlett 2008; World Bank 2000). For example, exports to the euro area surged from 2.4 percent of GDP in 1995 to 14 percent in 2005. FDI increased significantly from 1.6 percent of GDP in 1998 to 5.6 percent in 2005.

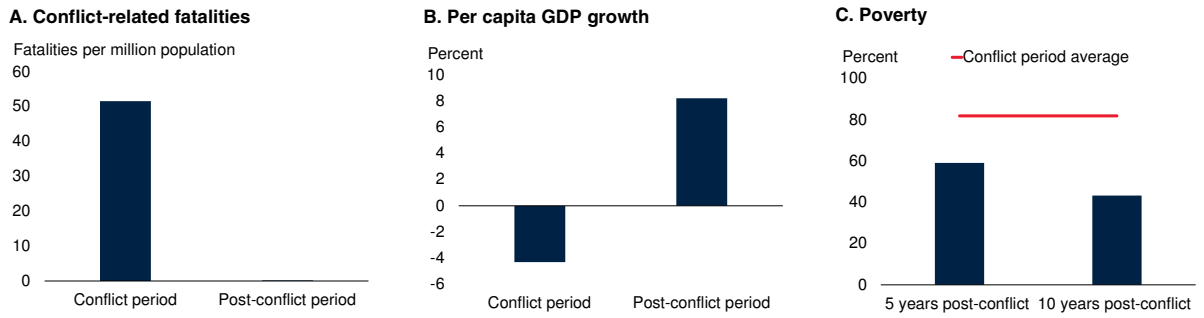
Bosnia and Herzegovina's institutional capacity was weak in 1995 but improved markedly by 2001. Although the Dayton Agreement's governance structure was complex, it nonetheless laid the foundation for more effective economic management, and the gradual strengthening of state capacity supported the recovery process (Kathuria 2008). Targeted social protection programs also ensured that economic growth translated into broader welfare gains, contributing to significant poverty reduction. Bosnia and Herzegovina's experience highlights the importance of a balanced post-conflict recovery strategy that promotes both growth and equity (Del Castillo 2008).

Cambodia (1989-98)

Conflict and economic performance. Following years of conflict, Cambodia's transition to peace began in the late 1980s and was formalized by the 1991 Paris Peace Accords. Despite the establishment of a coalition government following the UN-sponsored elections in 1993, internal tensions persisted and ultimately erupted into violent conflict in 1997. Military challenges to

BOX 4.1 Post-conflict recoveries: Lessons from country experiences (*continued*)

FIGURE B4.1.2 Cambodia's conflict recovery



Sources: Mahler, Yonzan, and Lakner (2022); Uppsala Conflict Data Program; World Bank Poverty and Inequality Platform (database); WDI (database); World Bank.
Note: A.B. Bars show annual averages for conflict and post-conflict periods.
A. Average annual number of fatalities per million population for the conflict period (1989-98) and the post-conflict period (1999-2008).
B. Average annual growth rate of GDP per capita in 2015 constant U.S. dollars during the conflict period (1989-98) and the post-conflict period (1999-2008).
C. Line shows the average poverty rate during the conflict period (1989-98), based on a poverty threshold of $4.20 per day in 2021 purchasing power parity (PPP). Bars show the poverty rate in 2003 (5 years post-conflict) and 2008 (10 years post-conflict).

political rivals ended only after a new coalition government emerged from the 1998 national elections, bringing an end to three decades of war.[b] The prolonged conflict devastated infrastructure, human capital, and institutions, leaving Cambodia among the world's poorest countries. Between 1989 and 1998, GDP per capita fell by an average of 4.3 percent annually, reaching a historical low in 1997, with 80 percent of the population living in poverty, alongside a substantial loss of life (figure B4.2.A).

Cambodia's economy grew rapidly after the end of conflict in 1999 and as it recovered from the Asian financial crisis. In the decade that followed, GDP per capita increased by an average of 8.2 percent annually, doubling living standards (figure B4.2.B). The poverty rate fell sharply from 59 percent in 2003 to 43 percent in 2008—down from 82 percent during the conflict period—marking one of the fastest reductions among low-income countries (figure B4.2.C; Leo and Barmeier 2010). Stronger growth also drove improvements in health and education—primary education became nearly universal and child and maternal mortality rates declined significantly in the post-conflict period.

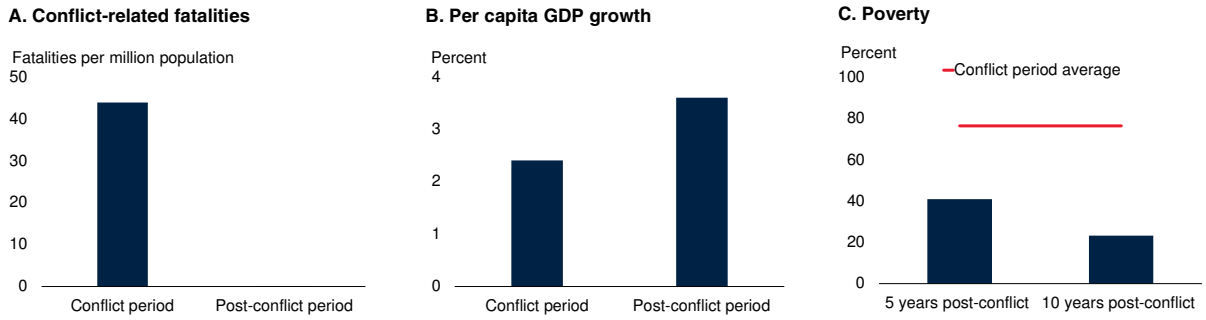
Policy drivers. Cambodia's strong economic performance following the end of conflict was driven by policies that promoted peace, macroeconomic stability, trade liberalization, and investment—fostering expansion in tourism, construction, and the garment industry. After the 1998 elections, the new government established key institutions, including the legislature and judiciary, and enacted laws to support growth and fiscal sustainability. The 1999 Financial Institutions Law enabled relicensing of banks, the adoption of new accounting standards, and strengthening of banking regulations. At the same time, prudent fiscal and monetary policies supported macroeconomic stability and strengthened the economy's resilience to shocks. For instance, improved customs and tax administration, supported by substantial foreign assistance, boosted fiscal revenues, while reduced reliance on bank financing helped maintain single-digit inflation (IMF 2007). In 2004, the government launched the "Rectangular Strategy" to accelerate reforms focused on agricultural development, private sector growth, human capital, and infrastructure. Sustained political stability also fueled tourism growth, enabling Cambodia to capitalize on its rich natural and cultural assets (Coe et al. 2009).

The end of conflict paved the way for Cambodia's integration into global markets, spurring industrial

b. After a coup d'état in 1970, Cambodia underwent multiple internal conflicts, the most devastating being the Khmer Rouge revolution from 1975 to 1979. This period was marked by the abolition of personal property, forced labor, mass displacement, imprisonment, and widespread executions. Throughout the 1980s, Cambodia remained trapped in low-intensity conflict and international isolation. Estimates of the death toll from 1970 to 1987 vary widely, ranging from approximately 2.4 to 4.0 million people—nearly one-third to one-half of Cambodia's population of 7.1 million in 1970 (Rummel 1994).

BOX 4.1 Post-conflict recoveries: Lessons from country experiences (*continued*)

FIGURE B4.1.3 Nepal's conflict recovery



Sources: Mahler, Yonzan, and Lakner (2022); Uppsala Conflict Data Program; World Bank Poverty and Inequality Platform (database); WDI (database); World Bank.
Note: A.B. Bars show annual averages for conflict and post-conflict periods.
A. Average annual number of fatalities per million population for the conflict period (1996-2006) and the post-conflict period (2007-2016).
B. Average annual growth rate of GDP per capita in 2015 constant U.S. dollars during the conflict period (1996-2006) and the post-conflict period (2007-2016).
C. Line shows the average rate during the conflict period (1996-2006), based on a poverty threshold of $4.20 per day in 2021 purchasing power parity (PPP). Bars show the poverty rate in 2011 (5 years post-conflict) and 2016 (10 years post-conflict).

expansion, particularly in the apparel industry. Cambodia joined the Association of Southeast Asian Nations (ASEAN) in 1999 and the World Trade Organization in 2004. From the mid-1990s, the country benefited from preferential trade access to the United States and EU markets under the Multifiber Agreement (MFA), reinforcing its commitment to trade -led growth. The MFA was phased out in 2005. This growth generated employment—especially for low-skilled workers—and accelerated poverty reduction. In addition, the transition to a market-oriented economy brought significant economic benefits, including increased foreign direct investment and official development assistance, which fueled activity in the construction sector (Hughes 2003; World Bank 2006, 2013). A pro-investment policy framework—offering equal treatment for domestic and foreign investors, tax incentives, and an open trade regime with low tariff rates—further attracted foreign investment (Guimbert 2010).

Nepal (1996-2006)

Conflict and economic performance. Nepal endured a violent conflict between 1996 and 2006, driven by the Maoist insurgency against the government. The conflict caused a substantial loss of life, widespread instability, and economic turmoil, leading to severe infrastructure damage and mass displacement. During this period, conflict-related deaths averaged 44 per million people annually, while GDP per capita grew modestly at 2.4 percent, with over 75 percent of the population living in poverty (figure B4.3.A-C).

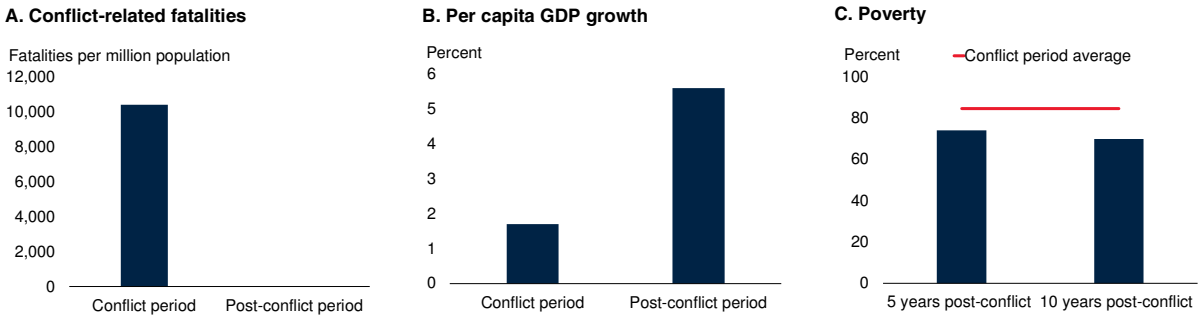
The Comprehensive Peace Accord in 2006 ended the conflict, paving the way for Nepal's social and economic recovery. GDP per capita growth averaged 1.2 percentage points higher in the decade after the conflict ended, compared to the conflict period. Poverty fell by about two-thirds within a decade. Nepal also made significant strides in human capital development, with rising life expectancy, declining infant mortality, and increased school enrollment at all levels—primary, secondary, and tertiary—for both boys and girls.

Policy drivers. The end of the Maoist insurgency in 2006, followed by the abolition of the monarchy in 2008, ushered in a new political order that fostered stability and supported sustained development gains. This transition was reinforced by key governance reforms, including Nepal's transition to a federal democratic republic, which culminated in the 2015 Constitution and decentralization of power to local and provincial governments.

Structural policies were instrumental in fostering economic resilience, strengthening governance, and promoting inclusive growth in Nepal's post-conflict period. Financial sector reforms enhanced stability and broadened financial inclusion, with the central bank

BOX 4.1 Post-conflict recoveries: Lessons from country experiences (*continued*)

FIGURE B4.1.4 Rwanda's conflict recovery



Sources: Mahler, Yonzan, and Lakner (2022); Uppsala Conflict Data Program; World Bank Poverty and Inequality Platform (database); WDI (database); World Bank.
Note: A.B. Bars show annual averages for conflict and post-conflict periods.
A. Average annual number of fatalities per million population for the conflict period (1990-2001) and the post-conflict period (2002-2011).
B. Average annual growth rate of GDP per capita in 2015 constant U.S. dollars during the conflict period (1990-2001) and the post-conflict period (2002-2011).
C. Line shows the average poverty rate during the conflict period (1990-2001), based on a poverty threshold of $3.00 per day in 2021 purchasing power parity (PPP). Bars show the poverty rate in 2006 (5 years post-conflict) and 2011 (10 years post-conflict).

strengthening governance of state-owned banks and encouraging consolidation among private institutions. The expansion of banks and microfinance firms significantly improved access to credit in both urban and rural areas.

Infrastructure investment played a critical role in supporting economic development, particularly in hydropower, which helped address power shortages and enabled exports of surplus electricity. Additionally, improved road networks connected previously isolated districts, enhancing mobility and economic participation (IMF 2020). Social sector reforms, such as the school sector reform plan and the expansion of basic health services, improved access to education and healthcare, contributing to long-term social and economic progress (Ezemenari and Joshi 2019).

Building on the liberalization policies of the 1990s, Nepal pursued post-conflict reforms to attract foreign capital and expand exports. These included reducing trade barriers and improving trade facilitation, which allowed Nepal to leverage the growth of its neighbors and key trading partners, particularly India. Their economic ties were further strengthened by the South Asian Free Trade Area agreement, signed in 2004 and ratified by India in 2009.

Rwanda (1990-2001)

Conflict and economic performance. Rwanda experienced repeated conflict from the 1990s to 2001. During this period, conflict-related deaths were staggering, estimated to average over 10,000 per million people annually, underscoring the scale of human loss (figure B4.4.A). Rwanda's GDP per capita growth averaged less than 2 percent during the conflict period, making it one of the poorest countries in the world by 2001 (figure B4.4.B). As conflict subsided, an initially tentative recovery saw mostly positive annual per capita GDP growth in the first half of the 2000s, breaking a cycle of stop-start growth. In the decade following the end of the conflict, GDP per capita growth averaged 5.6 percent—substantially higher than in the pre-conflict period.

The period of sustained growth was associated with broad improvements in development outcomes. Ten years after the conflict ended, the poverty rate in Rwanda had declined by 15 percentage points to about 70 percent, compared to the conflict period (figure B4.4.C). Stronger growth also led to significant improvements in non-monetary measures of well-being, particularly in maternal and child health, as well as life expectancy. In parallel, primary and secondary school enrollment rose sharply for both boys and girls in the post-conflict period.

Policy drivers. Following over a decade of conflict—rooted in a long history of escalating ethnic tension and violence—Rwanda restored peace through a comprehensive strategy combining political, judicial, and social reforms. Early efforts focused on re-establishing the

BOX 4.1 Post-conflict recoveries: Lessons from country experiences (*continued*)

legitimacy of public institutions and rebuilding trust among the population. These initiatives included implementing a zero-tolerance policy for corruption, creating an efficient and transparent justice system, and reintegrating former combatants into society and government. The international community played a key role by providing financing, policy advice, and technical assistance to strengthen state capacity (Redifer et al. 2020).

Broader institutional reforms—such as decentralizing governance, introducing merit-based civil service recruitment, and modernizing public administration—further enhanced the public sector's effectiveness. Rwanda's reforms enabled the country to build a bureaucracy that not only maintained order but also delivered services more efficiently while keeping corruption low (Chemouni 2017). These gains endured well beyond the conflict; indeed, according to the 2024 Business Ready report by the World Bank, Rwanda ranked among the top 10 of 50 evaluated economies in public services and operational efficiency (World Bank 2024d).

Rwanda adopted a public investment strategy aimed at restructuring its economy toward high-return sectors, focusing on three primary areas. These included investment in health and education services to improve the country's human capital; expanding growth-enhancing public infrastructure such as electricity, water, and roads; and promoting new enterprises in sectors with strong potential, notably agro-processing and tourism services (Redifer et al. 2020). This strategic focus was carefully tailored to reflect Rwanda's challenges, including its landlocked geography, persistently low labor productivity, and high input costs.

Various macroeconomic and structural reforms were implemented to improve efficiency in the banking sector, liberalize the capital account, and reduce trade barriers (Malunda and Musana 2012). These reforms raised productivity by steering the economy from an administered one to a market-based one (Coulibaly, Ezemenari, and Duffy 2008). Other policy measures sought to improve the business environment by eliminating excessive tax, legal, and regulatory burdens on firms. In parallel, well-targeted social protection programs and efforts to advance gender equality—such as gender-focused budgeting, inclusive educational and financial opportunities, and empowering women—not only unlocked previously underused resources to drive economic growth but also sped up the reduction of poverty and income inequality (Redifer et al. 2020). The country's private sector has become one of the most competitive in the region, ranking above peers on various measures of doing business (Schwab 2019). Rwanda has also been successful in developing some services-led export sectors, particularly tourism, information and communication technology, and transport (Newfarmer, Page, and Tarp 2018).

Debt relief initiatives and development assistance supported by the international community also played a significant role in supporting Rwanda's growth acceleration (IMF 2005). Rwanda's participation in these initiatives helped to expand fiscal space, enabling increased investment in long-term growth enhancing sectors such as education and healthcare.

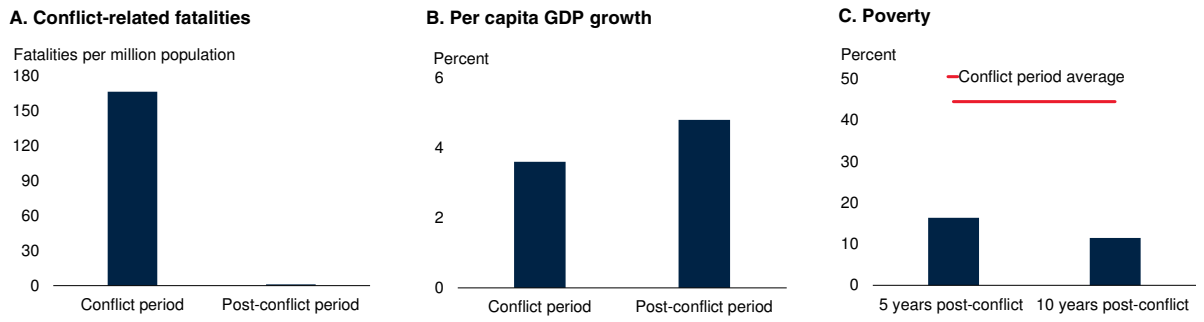
Sri Lanka (1983-2009)

Conflict and economic performance. Sri Lanka endured a protracted civil war from 1983 to 2009 (figure B4.5.A). The conflict had a profound impact on poverty and economic growth. Although GDP per capita growth averaged 3.6 percent during the conflict period, over two-fifths of the population lived in poverty (figure B4.5.B). The destruction of infrastructure and embargoes enacted during the war led to significantly higher poverty rates in conflict-affected areas compared to the rest of the country (World Bank 2007).

After the civil war ended in 2009, Sri Lanka's economy rebounded with GDP per capita growth averaging 5 percent a year in the post-conflict period. Post-conflict growth was accompanied by broad-based improvements in development outcomes with poverty falling sharply to about 16 percent five years after the conflict, and to around 12 percent a decade later (figure B4.5.C). Other key markers of well-being and health also showed significant improvements, with infant mortality declining from 13 to 8 deaths per 1,000 live births and undernutrition declining from 30 to 25 percent between 2002 and 2012 (Newhouse, Suarez-Becerra, and Doan 2016). Sri Lanka demonstrated educational resilience during the conflict, maintaining healthy school enrollment rates, which helped cultivate one of

BOX 4.1 Post-conflict recoveries: Lessons from country experiences (*continued*)

FIGURE B4.1.5 Sri Lanka's conflict recovery



Sources: Mahler, Yonzan, and Lakner (2022); Uppsala Conflict Data Program; World Bank Poverty and Inequality Platform (database); WDI (database); World Bank.
Note: Although Sri Lanka's civil conflict is widely recognized to have begun in 1983, figure B4.1.5A uses 1989-2009 as the reference period for conflict-related fatalities due to data limitations. A.B. Bars show annual averages for conflict and post-conflict periods.
A. Average annual number of fatalities per million population for the conflict period (1989-2009) and the post-conflict period (2010-19).
B. Average annual growth rate of GDP per capita in 2015 constant U.S. dollars during the conflict period (1983-2009) and the post-conflict period (2010-19).
C. Line shows the average poverty rate during the conflict period (1983-2009), based on poverty threshold of $4.20 per day in 2021 purchasing power parity (PPP). Bars show the poverty rate in 2014 (5 years post-conflict) and 2019 (10 years post-conflict).

South Asia's most educated workforces—an asset that contributed significantly to its post-conflict recovery (Dundar et al. 2014).

Policy drivers. Sri Lanka's post-conflict recovery focused on infrastructure investment, tourism, and poverty reduction—with support from the international community (IMF 2009). Early reconstruction efforts focused on infrastructure development in the conflict-affected Northern and Eastern provinces, with the aim of promoting peace and supporting economic recovery. This included major investments in roads, schools, hospitals, highways, railways, bridges, power plants, and ports to reconnect these regions with the rest of the country. Government borrowing increased substantially as a result, which was facilitated by low interest rates globally in the aftermath of the global financial crisis of 2008-09.

These investments not only improved access to basic services and economic opportunities, but also helped stimulate local job creation, facilitated trade and mobility, and laid the groundwork for inclusive development. In parallel, poverty reduction was aided by increased labor earnings, across both agricultural and non-agricultural sectors, including construction, commerce, transport, and communications. These efforts were backed by the international community through macroeconomic stabilization, structural reform, and poverty reduction programs supported by the IMF and the World Bank (World Bank 2016b). However, high debt burdens, insufficient institutional reforms, political instability, and loose fiscal and monetary policies led to an economic crisis in 2022 when Sri Lanka defaulted on its foreign debt.

Tourism was part of the recovery efforts, with Sri Lanka introducing the Tourism Development Strategy in 2011. This included aggressive marketing campaigns to promote the country as a safe destination, alongside investments in hospitality infrastructure to support the sector's growth. As a result, tourist arrivals quadrupled between 2009 and 2015. Infrastructure investments in conflict-affected provinces were also aimed at stimulating tourism, and were complemented by targeted subsidies to support fisheries and restore livelihoods in these regions.

Economic and political power typically rests with entrenched elites, and while external stakeholders—such as donors, lenders, and peacekeeping missions—may influence reform agendas, including through technical assistance and conditional concessional resources, these elites may resist reforms that threaten their interests, strengthen governance, and increase incentives to support inclusive development (IDS 2010; World Bank 2018a). Deep societal cleavages—typically along ethnic, religious, or regional lines—as well as contested sovereignty, and persistent insecurity further hinder effective reform and increase the risks of elite capture and reform reversals (World Bank 2011, 2015b).

Despite these constraints, transition moments—often triggered by natural disasters, economic shocks, leadership changes, or shifting public sentiment—can disrupt entrenched dynamics and create opportunities for reform. When seized effectively by policy makers, they can provide scope to address grievances, recalibrate institutions, and rally support for reforms that can promote inclusive growth and political stability (LSE-Oxford Commission on State Fragility, Growth and Development 2018; United Nations and World Bank 2018). It is notable that reforms that build state legitimacy and stability, and that promote growth and development, have often emerged from negotiated political settlements balancing elite interests with broader societal demands (John and Putzel 2009; OECD 2011).

Reforms in fragile contexts are inevitably shaped by deep-rooted structural factors—such as colonial legacies and deeply embedded social divisions—and by more proximate drivers, including political institutions, social norms, and elite incentives (Acemoglu, Johnson, and Robinson 2001). The former are difficult to address directly, but the latter are more amenable to policy intervention. However, progress even in these areas is usually constrained by path dependencies and institutional inertia (Acemoglu 2003; Acemoglu, Johnson, and Robinson 2001). Reforms to strengthen institutions and governance must take these constraints into account and may require an iterative process that allows for learning from setbacks (Andrews, Pritchett, and Woolcock 2017; Booth and Unsworth 2014). This calls for context-sensitive approaches that build on local capabilities, align with political realities, and deliver early, visible gains. Effective reform sequencing in such settings also requires agile leadership, guided by fragility- and conflict-sensitivity analyses that reflect the complexities on the ground.

Taking into account these challenges, it is clear that mitigating the risks of violence and instability in FCS economies requires targeted efforts and careful prioritization to address the causes, particularly the proximate drivers of fragility and conflict. Such efforts include tailored interventions aimed at preventing conflict, reducing exclusion and inequality, and building long-term resilience. During periods of active conflict, efforts to safeguard critical infrastructure and institutions, alongside the provision of humanitarian relief, can help contain damage and future reconstruction costs and enable faster recoveries. To support durable transitions out of conflict, policies must be designed on the basis of a planned pathway toward growth and institution-building. Stability can be sustained through reintegration programs for former combatants, comprehensive institutional reforms, and investment in infrastructure and essential services. International support through concessional financing, debt relief, technical assistance, and policy advice is essential for the success of such efforts.

Conflict prevention

Preventing conflicts and addressing fragility are the foremost development priorities for FCS economies. Although the causes of conflicts are context-specific, they often include experiences or perceptions of exclusion and injustice (Abbs 2021; Rosen 2023; United Nations and World Bank 2018). In fragile settings, weak governance and economic inequality can fuel group-based grievances, increasing the likelihood of violence, conflict, and civil war (Abdel-Latif and El-Gamal 2024; Collier and Hoeffler 2004a; Østby 2008). Even the expectation of conflict can worsen fragility by fueling uncertainty, depressing asset values, and deterring investment (Chami, Espinoza, and Montiel 2021; García-Uribe, Mueller, and Sanz 2024; Tapsoba 2023).

Effective prevention of conflict demands policies to tackle its root causes. These policies should promote strong economic growth, financial stability, inclusive development, and job creation, which are critical for addressing the economic drivers of fragility and reducing the risk of violence (Collier and Hoeffler 2004a; United Nations and World Bank 2018c). Proactive implementation of such policies can help prevent conflict and reduce the likelihood of escalation when it occurs. These efforts should be reinforced by initiatives to reduce economic and political inequalities, promote peaceful conflict resolution, and rebuild public trust in government (Abbs 2021; Basedau and Roy 2020; Lessmann and Steinkraus 2019). Additionally, institutional reforms that enhance accountability and transparency, ensure fair access to resources—such as land, water, and extractives—and expand basic infrastructure are critical for building durable peace and strengthening state legitimacy (Rosen 2023; World Bank 2020a). Moreover, strong domestic leadership, reinforced by coordinated international support, is crucial for helping countries move from conflict and fragility to long-term stability, domestic peace, and resilience (Gowan and Ungar 2023; United Nations and World Bank 2018).

Investing in conflict prevention can yield high returns. FCS economies need robust systems to monitor, identify, and reduce fragility and conflict risks while enhancing resilience to a wide range of shocks through risk-informed policies and frameworks (IMF 2022; United Nations and World Bank 2018; World Bank 2020c). Recent research shows that integrating prevention strategies—such as strengthening state capacity, reducing exclusion, and improving tax compliance—into macroeconomic policies can deliver substantial returns in countries recently affected by violence (Mueller et al. 2024; World Bank 2020c). For instance, counter-cyclical policies that cushion downturns in fragile states can lower conflict risks, while job programs—including reintegration opportunities for former combatants—can help to reduce violence and instability (Akanbi et al. 2021; Blattman and Annan 2016; Fetzer 2020). Moreover, early conflict-warning systems—particularly those that detect real-time shifts in risks—can enable timely interventions, which are far more cost-effective than responding after violence erupts (Mueller and Rauh 2022).

Humanitarian relief and security

Recent conflicts—including those in Europe, the Middle East, and Sub-Saharan Africa—have caused extensive civilian fatalities and injuries (United Nations Security Council 2024). In such situations, strengthening security and stability, including through effective peace-keeping operations, can help protect civilians and aid workers, and can facilitate safe, sustained access to humanitarian aid (Fjelde, Hultman, and Nilsson 2019; Levin 2023; Scott 2022). At the same time, neutral actors must take proactive steps to ensure that all parties to a conflict comply with international humanitarian and human rights law, particularly regarding civilian protection (United Nations Security Council 2024). This includes establishing humanitarian corridors, protected zones, and no-fly zones to facilitate the movement of civilians and the delivery of humanitarian assistance. In addition, establishing humanitarian notification arrangements to safeguard civilians and aid workers, facilitate the evacuation of civilians from dangerous areas, and implementing ceasefires or temporary suspensions of hostilities can save lives and reduce injuries (Gillard 2024).

Investing in effective disarmament, demobilization, and reintegration (DDR) programs can support the disarmament of combatants, the dismantling of military structures, and social and economic reintegration of former fighters into civilian life—especially in post-conflict settings (Ayissi 2021; Banholzer 2014; World Bank 2009). Well-designed DDR programs also help rebuild trust between communities and former combatants, strengthen local stability, and contribute to broader peace-building goals after conflict ends (United Nations 2010; World Bank 2020c). These efforts can be complemented by inclusive dialogue that brings together governments, civil society, and other stakeholders to resolve disputes, ease tensions, and foster social cohesion—even in active conflict settings (Marley 2020).

Conflicts can damage infrastructure, disrupt essential services, and lead to acute food insecurity and mass displacement (HLPE-FSN 2024; World

Bank 2017c). In such circumstances, fragile government institutions can be overwhelmed both in conflict-affected countries and their neighbors. Sudan, for example, now hosts about 11 million displaced persons—more than any other country—nearly half of whom are children (HLPE-FSN 2024; IOM 2024). The destruction of health systems can be particularly alarming. In Gaza, more than 80 percent of health facilities, including three-quarters of hospitals, were damaged or destroyed in the early months of conflict with Israel that began in late 2023, leaving the remaining facilities struggling with severe shortages of electricity, fuel, and medicine (World Bank, European Union, and United Nations 2024; United Nations Security Council 2024). Such conditions underscore the urgent need for international and national actors to prioritize rapid emergency relief—including food, medical care, shelter, and safe drinking water—to meet immediate humanitarian needs, especially for vulnerable populations, and prevent escalation (UNOCHA 2024).

Beyond immediate relief, meeting the needs of forcibly displaced populations requires pairing humanitarian assistance with sustained development support backed by strong coordination between humanitarian and development actors (World Bank 2024e). Without sufficient and well-coordinated support, initial displacements can evolve into protracted humanitarian crises, disproportionately affecting women and children (Bendavid et al. 2021; Ghobarah, Huth, and Russett 2003). Inclusive policies and sustained investment in durable solutions—such as job creation and training, local integration, and safe and voluntary return—can help mitigate the challenges faced by displaced populations and promote social cohesion (Harild, Christensen, and Zetter 2015; World Bank 2022b). Where feasible, national institutions can play a central role in delivering humanitarian assistance directly or through contracting arrangements, thereby reinforcing domestic capacity and aligning emergency responses with long-term development objectives. These measures must be carefully tailored to the specific context of each country and fully embedded within broader conflict response and recovery strategies.

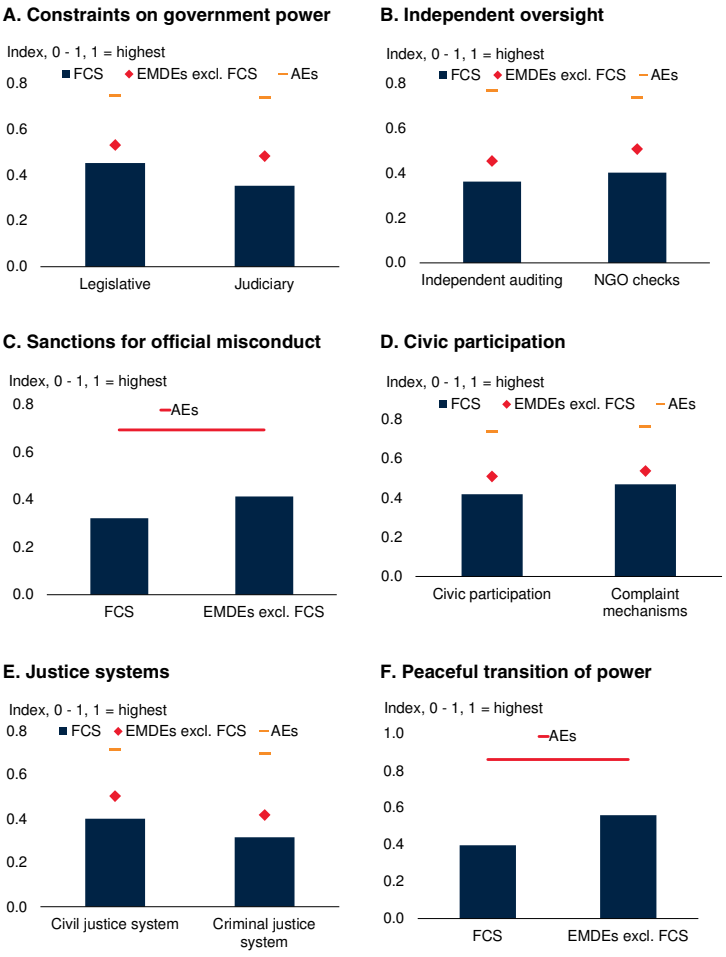
Efforts to safeguard legitimate institutions during conflict—such as service-oriented government ministries, central banks, small and medium enterprises, and social investment funds—are both a humanitarian imperative and a strategic investment in post-conflict recovery (World Bank 2020c). Functioning institutions, even in the midst of conflict, can help preserve social cohesion, reduce grievances, and mitigate the risk of conflict recurrence (World Bank 2011). Equally important is the protection of human capital, particularly for vulnerable populations, through sustained access to healthcare, education, and social protection systems (Rutkowski and Bousquet 2019; Vandeninden, Grun, and Semlali 2019). Disruptions to education and healthcare, including in conflict settings, can have severe long-term consequences for inclusive economic recovery and human development (Garry and Checchi 2020; George, Adelaja, and Weatherspoon 2020; Vesco et al. 2025). Additionally, preserving the operations of the justice system and legal institutions, including the adoption of transitional justice measures can help resolve disputes peacefully, foster trust in government, and lay foundations for post-conflict reconciliation (Loyle and Appel 2017; Naumkina, Kokoriev, and Yatveska 2024). Finally, protecting critical infrastructure—including schools, hospitals, transportation networks, and basic utilities—during conflict can reduce reconstruction costs, support faster recovery, and restore livelihoods.

Overcoming fragility

"Fragility" refers to a state of severely limited governance and institutional capacity, in which a government's ability to operate effectively, sustain peace, and promote economic and social progress is critically undermined (World Bank 2024a). Addressing fragility necessitates comprehensive, context-specific reforms that take into account the underlying sources of fragility, the domestic political system, and sociocultural constraints. Strategic sequencing of reforms is often crucial for success and should be informed by economic opportunities, institutional capacity, and political commitment. An inclusive, participatory approach, such as structured public-private dialogue, can further

FIGURE 4.14 Governance and the rule of law

FCS economies face significant governance challenges that hinder political and economic stability and the establishment of a predictable environment for investment and growth. Compared to other EMDEs, these economies have lower constraints on government power, weaker sanctions for official misconduct, less accessible justice systems, a lower likelihood of peaceful transition of power, and less civic participation.



Sources: World Justice Project; World Bank.

Note: AEs = advanced economies; EMDEs = emerging market and developing economies; FCS = fragile and conflict-affected situations; NGO = nongovernmental organization. The FCS group is based on the current World Bank classification. Panels show simple averages of each index for 2024. Sample includes 33 advanced economies, 91 EMDEs excluding FCS, and 18 FCS.

A. The legislative index measures how effectively legislative bodies oversee government actions. The judiciary index assesses judicial independence and its ability to check government power.

B. The independent auditing index measures whether auditors and ombudsman agencies are independent and can oversee the government effectively. The NGO checks index assesses whether the media, civil society, political parties, and individuals can freely report on government actions without fear of retaliation.

C. The sanctions for official misconduct index measures whether officials in the executive, legislature, judiciary, and the police are investigated and punished for misconduct.

D. The civic participation index measures the effectiveness of civic participation mechanisms, including freedoms of expression, assembly, association, and the right to petition the government. The complaint mechanisms index measures whether people can file complaints to the government about public services or officials and whether these are addressed.

E. The civil justice system index measures access to courts, including affordability, legal support, and freedom from physical and linguistic barriers. The criminal justice system index measures effectiveness and integrity of law enforcement and prosecution.

F. The peaceful transition of power index measures whether government officials are elected or appointed in accordance with constitutional rules.

enhance the legitimacy, feasibility, and durability of reform efforts.

Improving governance

FCS governments face significant accountability challenges because of weak legislative and judicial oversight, poor law enforcement, and limited civil society engagement compared to levels seen in other EMDEs (figure 4.14.A; Pompe and Turkewitz 2022; World Bank 2020d). Strengthening governance systems to build public trust is central to addressing these shortcomings (World Bank 2017d). Targeted reforms should focus on bolstering legislative and judicial institutions, which can lay the foundation for establishing effective checks on executive power, a necessary step in combating corruption (Stapenhurst, Johnston, and Pelizzo 2006). These efforts should be complemented by reinforcing oversight bodies, enforcing accountability measures, and empowering civil society to play a more active role in governance (figures 4.14.B-D; World Bank 2020d). Strengthening these mechanisms can reduce corruption, enhance public trust in institutions, and help put countries on a path toward more inclusive and sustained growth (Newiak, Segura-Ubiergo, and Wane 2022). For example, after conflict ended in Rwanda, the country prioritized restoring institutional legitimacy and public trust through anti-corruption efforts and broader governance measures. These contributed to more effective institutions, a stronger rule of law, and renewed confidence among the public and investors (box 4.11).

Strengthening justice and electoral systems

Justice systems in FCS economies are generally weaker than in other EMDEs, with more limited access and affordability, lower judicial independence, and weaker law enforcement (figure 4.14.E; Bosio and Palacio 2023). Building a more impartial, fair, and independent justice system could strengthen state legitimacy, facilitate conflict resolution, better protect human and property rights, and foster a more predictable business environment—all essential for recovery and for long-term stability (World Bank 2020d). Making executive and legislative processes more inclusive

through independent election mechanisms and active civil society participation can also help facilitate peaceful political transitions (figure 4.14.F). This is especially critical in FCS economies, where political instability has been an important source of fragility and violence, undermining investment and economic growth (Polachek and Sevastianova 2011).

Investing in human capital

FCS economies spend less on education, healthcare, and social protection than other EMDEs, despite their more severe human development challenges. In particular, they have far fewer healthcare professionals relative to their populations (figures 4.15.A-D; Longhurst and Slater 2022; UNICEF 2024). Successful transition from fragility demands increasing investment in human capital, including in quality education, healthcare, and skills development, as well as social protection programs for vulnerable populations (Burde et al. 2023; Forichon 2020; Ovadiya 2015). Gender inequality also remains a pressing issue in FCS economies, with women and girls in many cases facing limited access to education, jobs, and political participation; this is apart from the higher risk of violence faced by women during conflicts (World Bank 2023b, 2024f, 2024g). Investments in human capital, particularly in social protection programs, have to be tailored to each country's development needs and demographic challenges (Bruck, Cuesta, De Hoop, et al. 2019). These investments are key not only to supporting economic recovery and building resilience to shocks, but also to reducing inequalities and mitigating risks of relapsing into conflict (UNDP 2008).

Increasing access to basic services

Conflicts often cause significant damage to critical infrastructure, severely disrupting the supply of essential public services. However, fragility alone, marked by weak governance and corruption, tends to erode the state's ability to deliver basic services. A smaller share of FCS populations has access to basic utilities—such as safe drinking water, electricity, and sanitation—than in other EMDEs, which increases their vulnerability to disease and reduces productivity and quality of life. Expanded access to basic services, including those provided in schools, has been linked to reduced hygiene-related diseases and increased school attendance, particularly among girls (figure 4.15.E).[13] Similarly, expanding access to electricity, telecommunications, and transport networks can spur economic growth and reduce violence by attracting investment, fostering small business development, and creating opportunities for youth entrepreneurship—thereby helping to integrate the large inactive youth population in FCS economies into employment (figure 4.15.F; Lebrand et al. 2025; World Bank 2022c). For instance, in Nepal, post-conflict investments in hydropower and road infrastructure helped alleviate power shortages, expand electricity access, and improve connectivity, fostering broader economic participation (box 4.1).

Unlocking private sector potential

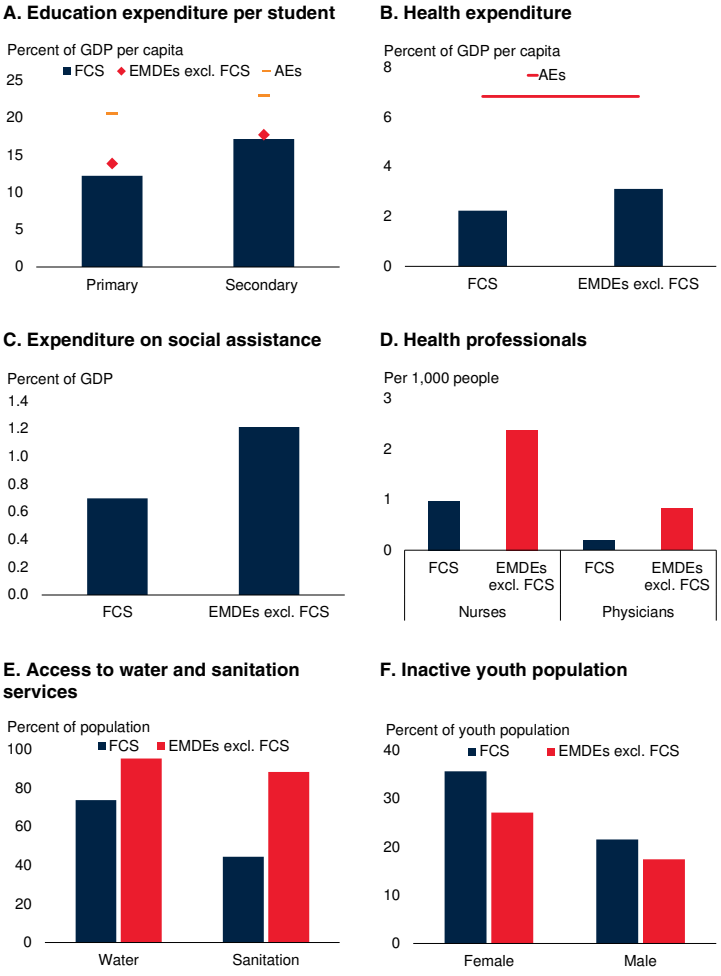
Supporting business resilience and growth can help break cycles of fragility, conflict, and poverty (IFC 2019a). Private enterprises are often a key source of resilience in FCS economies, given that government capacity tends to be limited. They may provide essential goods and services—such as food, education, healthcare, financial services, and infrastructure—while also sustaining economic activity and tax revenue generation (Assaf et al. 2021).

Reforms that improve security, political and financial stability, governance, and the rule of law can foster a conducive business climate—critical for attracting private investment and unlocking broader development opportunities (figure 4.16.A; Ghossein and Rana 2022). Policies that enhance access to finance, electricity, property rights, and digital connectivity can also promote sustained and inclusive private sector growth (figures 4.16.B-E; Calice 2023). Nepal's post-conflict experience shows how structural reforms, particularly in the financial sector, can strengthen economic resilience, with expanded microfinance and improved bank governance helping to boost access to credit and support private enterprise in both

[13] See for example, Dreibelbis et al. (2013), Morgan et al. (2017), Nauges and Strand (2013), and Rohner (2024).

FIGURE 4.15 Health, education, and social protection

Strengthening human capital in FCS economies demands greater investment in quality education, skills development, and healthcare alongside tailored social protection programs to support vulnerable populations. Expanding access to essential services is crucial for improving human development and expanding economic opportunities in FCS economies, including for their large inactive youth populations.



Sources: WDI (database); World Bank.

Note: AEs = advanced economies; EMDEs = emerging market and developing economies; FCS = fragile and conflict-affected situations. The FCS group is based on the current World Bank classification.

A. Panel shows simple averages of government expenditure on primary and secondary education per student as a percent of GDP per capita for the latest available year. Sample includes 36 advanced economies, 98 EMDEs excluding FCS, and 26 FCS.

B. Bars show simple averages of domestic general government health expenditure as percentage of GDP per capita for FCS and EMDEs excluding FCS for 2022. The line shows the simple averages of AEs. Sample includes 36 advanced economies and 115 EMDEs excluding FCS, and 37 FCS.

C. Bars show median of annual social assistance spending as a percentage of GDP for the latest available year between 2015-21. Sample includes 83 EMDEs excluding FCS and 25 FCS.

D. Bars show group medians of countries' average number of nurses and physicians (per 1,000 people) for the period 2018-22. Sample includes 153 EMDEs excluding FCS and 38 FCS.

E. Bars show group medians based on countries' average share of the population using basic drinking water and sanitation services for the period 2018-22. Sample includes 146 EMDEs, of which 37 are FCS.

F. Bars show the average share of individuals ages 15-24 who are not in education, employment, or training in each group of economies for the period 2019-23 in a sample of 108 EMDEs excluding FCS and 34 FCS.

urban and rural areas (box 4.1). Artificial intelligence (AI) offers significant productivity gains. FCS economies could harness its potential by investing in foundational reforms to strengthen digital infrastructure and human capital (figure 4.16.F; Bakker et al. 2024; Cazzaniga et al. 2024).

The private sector can support post-conflict reconstruction by investing in infrastructure, including roads, electricity, telecommunications, and sanitation. Public-private partnerships can accelerate recovery by leveraging private sector expertise and financing. Businesses can also take a leading role in increasing trust and social cohesion—key ingredients for long-term peace—by adopting inclusive employment practices and promoting good governance. In several economies, including Nepal, Rwanda, and Sri Lanka, the private sector has played a stabilizing role by engaging in mediation, conflict prevention, and peace-building efforts (IFC 2019a; Porter 2011).

Leveraging international trade

Global and regional integration through multilateral trade systems and agreements can boost exports, attract investment, create jobs, and promote peace, thereby supporting recovery and political stability in FCS economies (WTO 2025). Participation in multilateral organizations, such as the World Trade Organization (WTO), can reinforce these gains by strengthening institutions, reducing corruption, improving the business climate, and fostering regional cooperation (WTO 2025). For instance, following the end of conflict, Cambodia's integration into ASEAN in 1999 and the WTO in 2004 spurred investment in manufacturing and garment exports, contributing to strong growth, job creation, and poverty reduction (box 4.1). Trade agreements can also support credible reform commitments and strengthen governance, as demonstrated by Bosnia and Herzegovina's preferential trade arrangements with the European Union since 2015 (box 4.1).

However, concerns about global trade fragmentation, including recent increases in tariffs, pose growing risks for FCS economies. They can reduce their access to global markets, disrupt supply chains, heighten uncertainty (thereby deterring much needed investment), and weaken reform

incentives tied to trade integration. These effects are particularly threatening for FCS economies that rely on a narrow range of exports, generally primary commodities. Protectionist policies and associated fragmentation can also raise import costs in FCS economies, exacerbating inflation, poverty, and social unrest. These developments underscore the importance of safeguarding an open, rules-based trading system, not only to preserve FCS economies' access to global markets and sustain their recoveries, but also to strengthen reform momentum and long-term development.

Increasing financial inclusion

Financial systems in FCS economies remain largely underdeveloped, with significant gaps in access, depth, and efficiency compared to other EMDEs (Barajas, Chami, and Fullenkamp 2021). Strengthening financial sector development, including through digital financial inclusion, can help address both the drivers and the effects of fragility by promoting stronger and more inclusive growth (IMF 2022). Realizing this potential will likely require investment in enabling infrastructure, including reliable electricity, broadband internet, and access to digital devices—areas where FCS economies often lag behind (Mahmood 2024; Pazarbasioglu et al. 2020). Expanding tailored financial services and fintech solutions can further improve economic resilience and create opportunities for vulnerable populations.

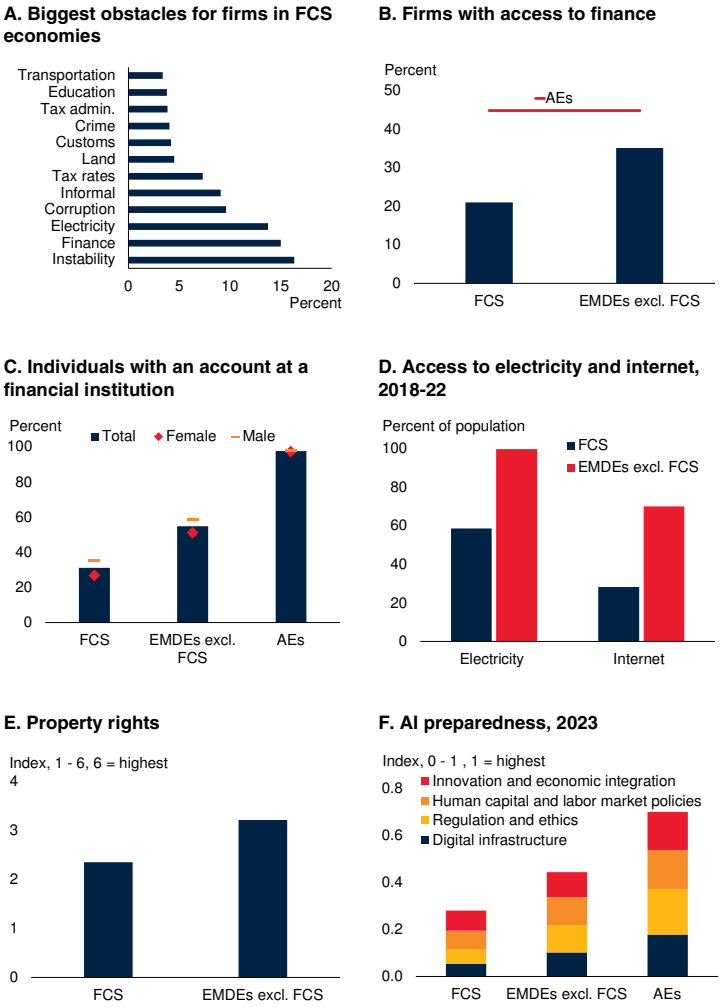
Remittances, which reached record levels across FCS economies after the pandemic, are a key source of household income and financial resilience (Ratha et al. 2022). Their benefits can be amplified by policies that reduce transaction costs and enhance the resilience of remittance flows, such as measures that make remittance pricing more transparent, improve financial literacy, and advance digital infrastructure (Kpodar and Imam 2024).

Building macroeconomic resilience

Macroeconomic stability in FCS economies is commonly undermined by a wide range of shocks—including conflict, natural disasters, commodity price swings, and population displacement. It is also weakened by poor policy manage-

FIGURE 4.16 Conditions facing the private sector

Businesses in FCS economies commonly face challenges such as instability, limited access to finance, basic infrastructure, corruption, and weak property rights. Strengthening private sector resilience and growth requires policies to improve the business climate and attract investment. These economies must also address gaps in digital development, which hinder firms and workers from harnessing productivity gains from new technology, including AI.



Sources: Cazzaniga et al. 2024; World Bank Enterprise Surveys (database); WDI (database); World Bank.

Note: AEs = advanced economies; EMDEs = emerging market and developing economies; FCS = fragile and conflict-affected situations. The FCS group is based on the current World Bank classification.

A. Bars show the percentage of firms in FCS that identify each aspect of the business environment as the biggest obstacle to their operations. Sample includes 30 FCS.

B. Panel shows the percent of firms with a bank loan or line of credit. Sample includes 16 advanced economies, 100 EMDEs excluding FCS, and 30 FCS.

C. Panel shows the percent of respondents who report having an account (by themselves or together with someone else) at a bank or another type of financial institution, based on the latest data available. Sample includes 37 advanced economies, 92 EMDEs excluding FCS, and 26 FCS.

D. Bars show group medians of the countries' average share of the population with access to electricity and internet for the period 2018-22. Sample includes 144 EMDEs, of which 37 are FCS.

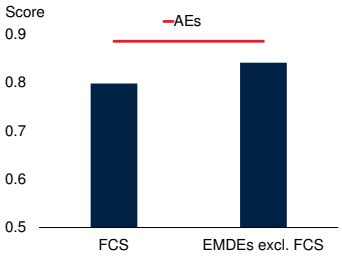
E. Bars show the average of the World Bank's Country Policy and Institutional Assessment (CPIA) property rights and rule-based governance rating for the latest available year. Sample includes 44 EMDEs excluding FCS and 32 FCS.

F. Bars show the average score for the four components of AI Preparedness Index for each country group, reflecting factors relevant for AI adoption. Sample includes 37 advanced economies, 31 FCS, and 104 EMDEs excluding FCS for 2023.

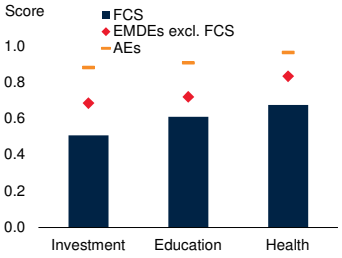
FIGURE 4.17 Macroeconomic policies and frameworks

Strengthening fiscal capacity in FCS economies requires improved tax and expenditure policies, the establishment of clear frameworks for fiscal and debt management, and effective donor coordination. As institutional capacity improves, these economies need to adopt debt management frameworks and strengthen budget processes to enhance transparency. Where feasible, the introduction of fiscal rules, independent fiscal councils, and sovereign wealth funds could also be beneficial. Macroeconomic stability would benefit from greater central bank independence, which is currently more limited in FCS economies than elsewhere.

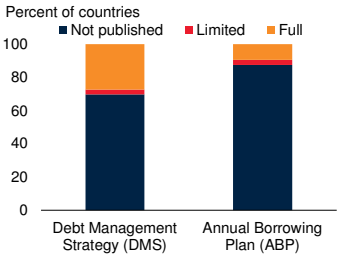
A. Tax effort: Potential vs. actual tax revenue



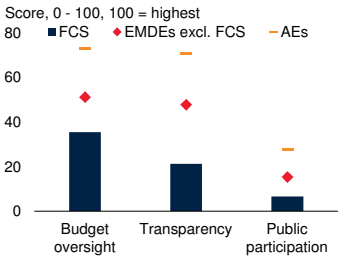
B. Expenditure efficiency, 2010-20



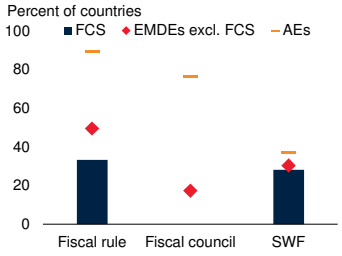
C. Debt management and transparency in FCS economies



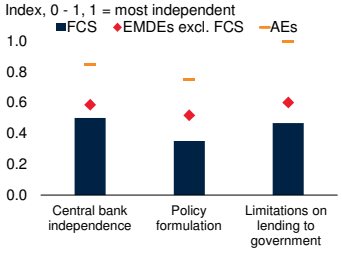
D. Fiscal transparency, 2023



E. Fiscal frameworks, 2021



F. Central bank independence, 2019-23



Sources: Davoodi et al. (2022); Garriga (2025); Global SWF; Herrera et al. (forthcoming); International Budget Partnership (database); McNabb, Danquah, and Tagem (2021); World Bank.
Note: AEs = advanced economies; EMDEs = emerging market and developing economies; FCS = fragile and conflict-affected situations; SWF= Sovereign Wealth Funds. The FCS group is based on the current World Bank classification.

A. Tax effort is the gap between actual and potential tax revenue based on the true random effects method reported in McNabb, Danquah, and Tagem (2021). Sample includes 35 advanced economies, 101 EMDEs excluding FCS, and 25 FCS.

B. Bars show average efficiency score for the period 2010-20 using up to five different methods for investment and education (13 FCS), and health (31 FCS) from Herrera et al. (forthcoming). Sample includes up to 115 EMDEs excluding FCS and up to 37 advanced economies.

C. Bars show the share of FCS classified as "full," "limited," and "not available" based on the publicly available Debt Management Strategy and Annual Borrowing Plan indicators. Sample includes up to 33 FCS.

D. Indices are unweighted averages of responses to questions in the 2023 Open Budget Survey. Sample includes 28 FCS, 79 EMDEs excluding FCS, and 18 advanced economies.

E. Share of economies with fiscal rules, fiscal council and Sovereign Wealth Funds as of 2021. Sample includes 38 advanced economies, 115 EMDEs excluding FCS and 39 FCS.

F. Panel shows the median scores over the period of 2019-23 in each group of economies. Sample includes 38 advanced economies, 115 EMDEs excluding FCS, and 39 FCS.

ment, such as procyclical fiscal policies, inadequate public expenditure controls, weak government revenue collection, limited access to financing, and politically driven monetary policy (Boussard et al. 2024; IDMC 2022; Jaramillo et al. 2023). Reforms of the conduct of fiscal, monetary, and financial sector policies are generally needed both to improve the management of shocks and to help establish stable, sustainable financial conditions that support medium- to long-term growth.

Strengthening fiscal policy in FCS economies typically requires establishing a clearer legal framework for fiscal management and a central fiscal authority with responsibility for conducting sound tax and expenditure policies, implementing related reforms, and coordinating effectively with donors (IMF 2017). Sound fiscal policy is particularly important for FCS economies because some shocks—for example, negative commodity terms of trade and extreme weather events—if not mitigated by policy action, can reinforce each other and increase the risk of conflict (Leepipatpiboon, Castrovillari, and Mineyama 2023; Rehman and Jaramillo 2024). Reforms are typically needed to improve tax revenues, increase the efficiency of public expenditure, and reinforce fiscal frameworks.

Tax revenue in FCS economies is generally well below its potential—more so than in other EMDEs—highlighting the need and opportunity for stronger revenue administration (figure 4.17.A; Akitoby, Honda, and Primus 2020). FCS economies should prioritize taxing high-revenue sectors and implementing quick-win measures to meet immediate financing needs while developing a medium-term revenue strategy that prioritizes well-sequenced reforms (IMF 2017; Mansour and Schneider 2019). For FCS economies, simple taxes that are broad but require low administrative capacity—such as taxes on gross values, including turnover or imports—offer the greatest potential, as they have a broad base and are relatively easy to collect. Such taxes can also pave the way for introducing an effective value-added tax. These efforts should be supported by the establishment of simple organizational structures and processes in tax and customs administrations. As institutional capacity improves, FCS economies should aim to gradually modernize tax administration, including

through the use of electronic tax services (World Bank 2025b). Maintaining reform momentum, however, will heavily depend on sustained political commitment, supported by effective engagement with the international community.

FCS economies also need to strengthen expenditure policies. A key priority in many cases is to strengthen basic budget and payment practices, such as spending controls and to consolidate cash resources to meet financial obligations. As institutional capacity develops, FCS economies should enhance public financial management (PFM) systems to increase the efficiency of spending, which has been markedly lower than in other EMDEs in key areas (figure 4.17.B). This requires bolstering accountability mechanisms to combat corruption, including in state-owned enterprises. In fragile contexts, efficient public spending can play a key role not only in delivering essential services but also in rebuilding public trust, fostering social cohesion, and supporting long-term peace. To maximize these broader social benefits, spending and subsidies should be allocated equitably (Chami et al. 2021). In addition, early action to protect incomes and consumption during adverse shocks is not only socially beneficial but also fiscally prudent, as it reduces the cost of crisis response and supports faster recovery. Finally, gradually reallocating public expenditures toward social programs and infrastructure—away from unproductive outlays, public sector wages and, where feasible, security—can help achieve more balanced, equitable, and socially responsive budgets (Baer et al. 2021).

Strengthening fiscal frameworks and institutions can improve the credibility of policy, boost confidence in government, and build resilience to future shocks (IMF 2021). As FCS economies' institutional capacity improves, they should strengthen debt management frameworks to monitor borrowing risks more effectively, while enhancing budget processes to strengthen planning, transparency, and execution (figures 4.17.C-D). Where feasible, fiscal rules, independent fiscal councils, and sovereign wealth funds can be introduced to reinforce fiscal discipline and resilience (figure 4.17.E; Besley and Mueller 2021; Fatas, Gootjes, and Mawejje 2025).

Integrated and well-sequenced reforms that align tax policy, revenue administration, and public financial management into a cohesive strategy—tailored to each country's institutional and administrative capacity—will be important for success.

Bolstering central bank independence can promote not only macroeconomic and financial stability but also trust in policy-making and government (Chami et al. 2021). An independent central bank can anchor inflation expectations, prevent politically driven monetary interventions, and enhance the credibility of economic policy—key challenges in many FCS economies (figure 4.17.F; Jácome and Pienknagura 2025; Masciandaro and Romelli 2018). Although the primary objective of monetary policy is low inflation and price stability, it can be used to support demand and employment when inflationary pressures are low, including in fragile settings where high unemployment poses risks to social and political stability (Diallo, Gui-Diby, and Imam 2023).

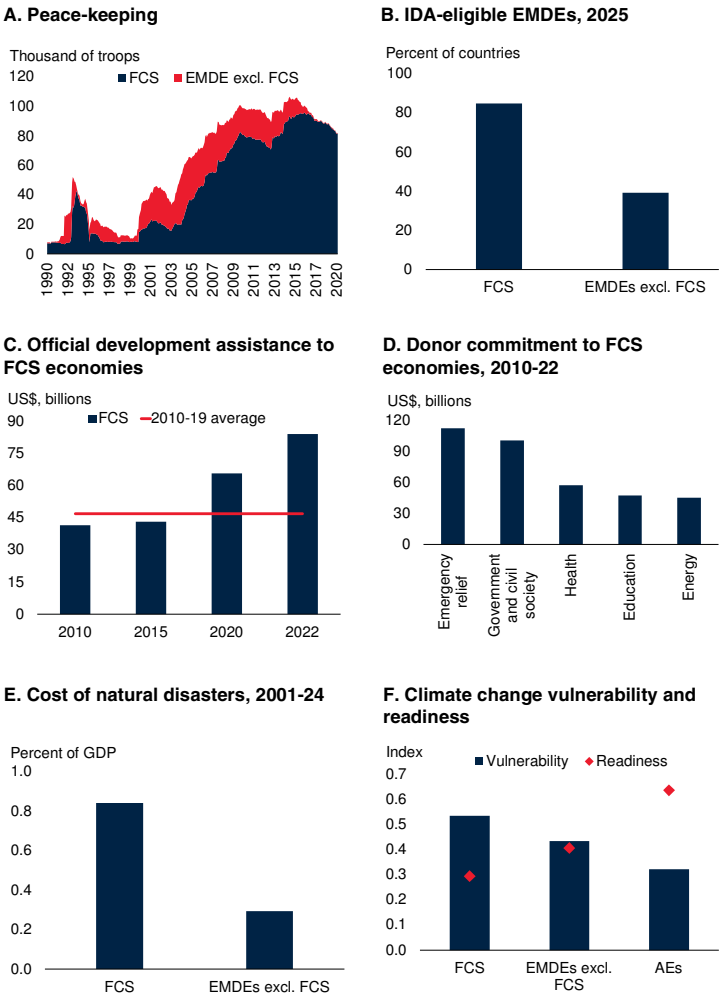
Reforms that strengthen regulatory and supervisory frameworks for banks and nonbank financial intermediaries—particularly in combating money laundering and the financing of terrorism—can help deter corruption and illicit financial flows while restoring confidence in financial institutions (Barajas, Chami, and Fullenkamp 2021). By aligning with international standards, such reforms can also facilitate smoother access to global financial markets, boost investor confidence and foster private sector development (Antwi et al. 2023; IFC 2019b). Complementary efforts to develop deep and well-regulated domestic capital markets can further strengthen financial resilience, improve resource mobilization, and reduce reliance on external financing (World Bank 2025b).

International support

Fragility and conflict present complex, long-term challenges that require sustained international engagement to support conflict resolution and prevention, recovery, stability, and development. The international community must strengthen its engagement with FCS economies to help them overcome challenges and build long-term resilience. Sustained international assistance is needed

FIGURE 4.18 International support

FCS economies will continue to rely on international support for peace-keeping and emergency relief. Sustained and well-coordinated global assistance, including concessional financing, debt relief, and technical assistance, will also be essential to help these economies invest in inclusive development initiatives, strengthen governance and institutions, and create conditions for private sector-led growth. In addition, support to help FCS economies enhance resilience, including to climate-related disasters, is key to mitigating the impact of conflicts and other types of shocks.



Sources: EM-DAT (database); International Monetary Fund; Notre Dame Global Adaptation Initiative (ND-GAIN); OECD CRS; United Nations Department of Peacekeeping Operations; WDI (database); World Bank (2024h); World Bank.

Note: AEs = advanced economies; EMDEs = emerging market and developing economies; FCS = fragile and conflict-affected situations; IDA = International Development Association. The FCS group is based on the current World Bank classification.

A. Areas show the number of deployed UN peace-keeping forces. Sample includes up to 13 FCS and up to 8 EMDEs excluding FCS. Last observation is February 2020.

B. Bars show the share of economies eligible for IDA resources. Sample includes 154 EMDEs, of which 39 are FCS.

C. Panel shows net official development assistance (constant 2021 U.S. dollars) for 37 FCS.

D. Bars show the top five sectors receiving donor commitments in FCS during the period 2010-22, in US$ billions at 2022 prices.

E. Panel shows weighted average natural disaster costs as percent of GDP (2001-24), using nominal U.S. dollar GDP as weights. Disaster types include droughts, storms, floods, extreme temperatures, and others. Sample includes up to 121 EMDEs, of which 28 are FCS.

F. Panel shows averages of climate change adaptation measures. Vulnerability measures a country's exposure to the negative effects of climate change. Readiness measures a country's ability to convert investments into adaptation actions. Lower values are desirable for vulnerability (bars), higher values are preferable for readiness (diamonds). Sample include up to 36 advanced economies, up to 115 EMDEs excluding FCS, and up to 36 FCS. Last observation is 2022.

in several key areas—peace-building, concessional finance, humanitarian aid, climate change adaptation, technical assistance, and debt relief.

Supporting peace-building and conflict prevention

Peacekeeping missions, which in recent years have primarily been deployed in FCS economies, can help resolve conflicts, protect civilians, and facilitate the safe return of displaced populations (figure 4.18.A; Bove, Di Salvatore, and Elia 2024; Collier, Hoeffler, and Söderbom 2008). In many cases, they have effectively contained the spread of violence, including into neighboring countries; shortened its duration; and reduced the risk of recurrence.[14] For example, international peacekeeping efforts were crucial in restoring peace and preventing renewed conflict in Bosnia and Herzegovina after the 1992-95 war (box 4.1). With strong mandates and resources, multidimensional peace-keeping missions that support political processes, protect civilians, aid disarmament and reintegration, and restore the rule of law provide a cost-effective way of restoring peace and supporting stability (Hegre, Hultman, and Nygard 2019). However, evolving challenges call for more coordinated and context-specific approaches to strengthen the global community's effectiveness in preventing conflict, supporting recovery, and fostering long-term stability in FCS economies.

Increasing concessional financing

Many FCS economies are unlikely to meet key Sustainable Development Goals (SDGs) related to basic needs by 2030 (Samman et al. 2018). Financing gaps remain substantial, including for climate adaptation (Jones et al. 2024). Fiscal constraints, together with limited access to domestic and international credit markets, highlight the need for concessional financial support as well as improving the effectiveness of aid (World Bank 2025b). Reflecting this, 27 of the 39 current FCS economies are IDA-eligible, with 6 more classified as IDA-blend economies (figure 4.18.B).

[14] See Beardsley (2011), Beardsley and Gleditsch (2015), Doyle and Sambanis (2000), Fortna (2008), and Ruggeri, Dorussen, and Gizelis (2017).

The exceptional needs of FCS economies, which have increased in recent years, call for the international community to continue prioritizing official development assistance (ODA) to them, building on an increase of about 80 percent, in real U.S. dollar terms, between 2010-19 and 2022 (figure 4.18.C; World Bank 2024h). An example of ODA's role is provided by Bosnia and Herzegovina, where, following the end of conflict in 1995, international financial assistance was critical to rebuilding infrastructure, restoring essential services, and strengthening resilience (box 4.1).

International financial institutions can also help FCS economies attract private investment by mitigating risk through guarantees, blended finance, and political risk insurance, and by leveraging public-private partnerships (PPPs) and concessional capital to catalyze investment in high-risk markets (World Bank 2022d). For example, in 2023, the Multilateral Investment Guarantee Agency, supported private investment in a hybrid solar power plant in the Federal Republic of Somalia by providing political risk guarantees to mitigate expropriation and conflict-related risks (MIGA 2023). Similarly, through the Africa Fragility Initiative, the International Finance Corporation is working to mobilize private investment and support job creation across fragile African economies by providing targeted advisory services and investment support tailored to high-risk environments (IFC 2022).

Supporting emergency relief efforts

Civilians bear the brunt of violent conflicts, especially since hostilities have increasingly shifted to urban areas (Muhammedally 2022; United Nations 2022). Conflicts can result in mass casualties, severe injuries, destruction of infrastructure, and the collapse of essential services (Gillard 2024). Displaced populations, including refugees, asylum seekers, and the internally displaced, face heightened security risks and limited access to essential services. To mitigate these impacts, the international community should prioritize sustained, well-coordinated humanitarian responses that deliver life-saving assistance, including food, clean water, healthcare, shelter, sanitation, and protection to conflict-affected and forcibly displaced populations (figure 4.18.D). For instance, in response to Yemen's 2017 conflict-induced food emergency, food aid was quickly scaled up and strategically allocated to the most severely affected areas, helping to mitigate the impact of the crisis (Tandon and Vishwanath 2021). However, such assistance must be carefully targeted to prevent unintended consequences, such as exacerbating violence or inadvertently prolonging hostilities, as has occurred in some cases (Crost, Felter, and Johnston 2014).

Accelerating adaptation to climate change

Many FCS economies lack the capacity for sufficient investment in climate adaptation and receive less financial assistance than some other low-income countries (Jones et al. 2024). Yet, FCS economies are generally more vulnerable to natural disasters such as droughts, floods, and storms, and have faced larger economic costs from them than other EMDEs (figure 4.18.E). Such disasters have worsened humanitarian crises in many of these economies, particularly by increasing food insecurity and hunger (Townsend et al. 2021). Extreme weather affects three times more people annually in FCS economies than in other countries, with related displacements twice as high and accounting for 10 percent of all internal population displacements (Jaramillo et al. 2023).

As climate-related disasters become more frequent and intense, FCS economies are expected to face increasingly severe weather events. Common fragilities—such as conflict, dependence on agriculture, geographical locations, limited access to basic services, weak infrastructure, and weak state capacity—exacerbate the damage to livelihoods and economies that extreme weather events cause (Jaramillo et al. 2023). Moreover, climate-related shocks can fuel conflict in fragile contexts, underscoring the need to embed climate resilience and adaptation policies into peace and conflict prevention efforts (Rehman and Jaramillo 2024).

Given the vulnerability of FCS economies to the growing threats of climate change, sustained global support for their adaptation efforts—through grants, concessional financing, and capacity-building—is needed to strengthen resilience (figure 4.18.F). These efforts include climate-

smart agriculture—such as the use of drought-resistant crops and efficient irrigation systems—to enhance food security, and adaptive social protection programs that can rapidly scale up in response to weather and other shocks. They also include policies to help workers adapt to shifting labor market demands in the green transition (for example, through active labor market programs and reskilling initiatives); expanding financial inclusion to women and other vulnerable groups; investing in green infrastructure to strengthen household and community resilience; and enhancing fiscal sustainability, including, where feasible, through catastrophe risk insurance instruments to reduce the fiscal burden of disaster response.[15] Most importantly, climate resilience must be embedded into peace plans and broader governance efforts to ensure that adaptation strategies are conflict-sensitive and supportive of long-term stability.

Providing technical assistance

FCS economies are characterized by substantial deficiencies in state capacity, including shortages of skilled personnel in critical sectors, inadequate technical expertise to implement reforms effectively, and insufficient data for evidence-based policies (IMF 2022; World Bank 2020c). By providing tailored technical assistance and support for capacity building, the international community can help FCS economies overcome these difficulties (Adrian et al. 2023; Cas, Alem, and Shirakawa 2022; World Bank 2020c). Strengthening statistical capacity is important because data gaps can significantly hinder effective policy-making. While technical assistance has helped improve national accounts and government finance statistics in some FCS economies, such as Haiti and Myanmar, more coordinated and tailored donor efforts are needed to better reflect these economies' weak absorptive capacity (Cas, Alem, and Shirakawa 2022).

Support for the training of public financial management professionals is another key area, given the importance of helping FCS economies improve the management of their public finances (Charaoui, Frank, and Wiest 2023; Keller and Nogueira-Budny 2022). In addition, technical support from international financial institutions can help the private sector in FCS economies capitalize on investment opportunities through investment and advisory services (IFC 2019a). More broadly, technical assistance by the international community can help rebuild trust in public institutions—a key condition for sustainable peace and inclusive development (United Nations Economic and Social Council 2024).

Responding to debt sustainability challenges

FCS economies face mounting debt sustainability challenges. For FCS economies where debt is unsustainable, the G20 Common Framework should provide the basis for debt treatments by official creditors. Recently, with the active coordination of major creditor and debtor countries, along with support of the Global Sovereign Debt Roundtable, case-by-case debt treatment under the Common Framework has improved. Among FCS economies, Chad finalized an agreement on debt treatment under the framework in 2022, and Ethiopia is expected to finalize an agreement soon. Recent experiences with debt restructuring, including in FCS economies, underscore the need for faster coordination, greater transparency, and improved information-sharing to accelerate restructuring and secure adequate debt relief for long-term sustainability (Chen and Hart 2025; IMF 2021). At the same time, debtor countries must ensure that public resource utilization is efficient and that there is sufficient governance capacity to manage sovereign debt. When effectively implemented, debt relief has enabled countries such as Rwanda to expand fiscal space in the aftermath of conflict, supporting investment and growth (box 4.1).

Conclusion

FCS economies face an array of daunting development challenges stemming from the intertwined issues of volatility, fragility, and conflict. Weak state capacity, political instability, and insecurity hinder investment, limit labor market participation, and are detrimental to economic growth.

[15] See for example, Jaramillo et al. (2023), Azour and Selassie (2023), World Bank (2024i), World Bank (2014).

Continuing reliance on the production and export of primary commodities increases FCS economies' vulnerability to adverse shocks and limits opportunities for productivity gains. Limited fiscal capacity—evidenced by weak revenue mobilization, constrained public spending, large deficits, and rising debt burdens—continues to impede economic progress. Moreover, conflict and fragility have had pernicious effects on health, education, and other development outcomes. Since the 2010s, progress on reducing the rate of severe poverty in FCS economies has stalled, while the number of people experiencing food insecurity has risen markedly.

Conflict imposes especially heavy costs on FCS economies, including loss of life, physical and mental injury, destruction of capital, and lost economic output. More intense conflicts are associated with deeper, more persistent losses and weaker economic recoveries. The COVID-19 pandemic and subsequent global shocks have added to these challenges, exacerbating vulnerabilities in areas such as poverty, food insecurity, and debt and contributing to incomplete recoveries. However, FCS economies also have notable opportunities for growth, including favorable demographics, abundant natural resources, and potential for tourism. In particular, their growing working-age populations can support economic growth and fiscal sustainability. Yet well-functioning labor markets and investment in education, training, healthcare, and infrastructure, are needed to support the creation of sufficient productive jobs and avoid a rise in unemployment that would exacerbate existing fragilities.

Many FCS economies are rich in natural resources and are well placed to benefit from the increasing demand for critical minerals needed for the energy transition. Additionally, the end of conflict can create opportunities to harness tourism for economic diversification, growth, and employment in many FCS economies.

With targeted policies and sustained international support, policy makers in FCS economies can prevent conflict, strengthen governance, and build resilience. Effective conflict prevention requires tackling the root causes, including, in many cases, exclusion and injustice; strengthening governance and institutional capacity; and investing in early-warning systems to mitigate risks before they escalate. Safeguarding critical infrastructure, protecting institutions, and ensuring humanitarian access during conflicts are crucial for minimizing disruption and reducing human and economic costs. As countries transition out of conflict, reintegration programs for former combatants, institutional reforms, and the strengthening of electoral and justice systems can support stability. Lasting peace and development will also depend on continued international support for peacebuilding, climate adaptation, and economic resilience in FCS economies.

TABLE 4.1 List of FCS economies

	Fragile	Conflict	Commodity exporter	Income group	World Bank lending category	Risk of overall debt distress
Afghanistan		X		LIC	IDA	High
Burkina Faso		X	X	LIC	IDA	Moderate
Burundi	X		X	LIC	IDA	High
Cameroon		X	X	LMC	Blend	High
Central African Republic		X	X	LIC	IDA	High
Chad	X		X	LIC	IDA	High
Comoros	X		X	LMC	IDA	High
Congo, Dem. Rep.		X	X	LIC	IDA	Moderate
Congo, Rep.	X		X	LMC	Blend	In distress
Eritrea	X		X	LIC	IDA	
Ethiopia		X	X	LIC	IDA	In distress
Guinea-Bissau	X		X	LIC	IDA	High
Haiti		X		LMC	IDA	High
Iraq		X	X	UMC	IBRD	
Kiribati	X			LMC	IDA	High
Kosovo	X		X	UMC	IDA	
Lebanon		X		LMC	IBRD	
Libya	X		X	UMC	IBRD	
Mali		X	X	LIC	IDA	Moderate
Marshall Islands	X			UMC	IDA	High
Micronesia, Fed. Sts.	X			LMC	IDA	Moderate
Mozambique		X	X	LIC	IDA	High
Myanmar		X	X	LMC	IDA	Low
Niger		X	X	LIC	IDA	High
Nigeria		X	X	LMC	Blend	
Papua New Guinea	X		X	LMC	Blend	High
São Tomé and Príncipe	X		X	LMC	IDA	In distress
Solomon Islands	X		X	LMC	IDA	Moderate
Somalia, Fed. Rep.		X		LIC	IDA	Moderate
South Sudan		X	X	LIC	IDA	High
Sudan		X	X	LIC	IDA	In distress
Syrian Arab Republic		X		LIC	IDA	
Timor-Leste	X		X	LMC	Blend	Moderate
Tuvalu	X			UMC	IDA	High
Ukraine		X	X	LMC	IBRD	
Venezuela, RB	X		X		IBRD	
West Bank and Gaza		X	X	UMC	Not classified	
Yemen, Rep.		X	X	LIC	IDA	
Zimbabwe	X		X	LMC	Blend	In distress

Note: FCS=Fragile and conflict affected situations; IBRD = International Bank for Reconstruction and Development; IDA = International Development Association; LIC = low-income country; LMC = lower middle-income country; UMC = upper middle-income country. The identification of fragile and conflict situations is based on the World Bank's list of fragile and conflict-affected situations as of June 2024. This list is updated annually. Some economies classified as conflict-affected are also potentially fragile. Additional details about the classification of FCS are available at: https://thedocs.worldbank.org/en/doc/fb0f93e8e3375803bce211ab1218ef2a-0090082023/original/Classification-of-Fragility-and-Conflict-Situations-FY24.pdf. Commodity exporters are defined as economies where, on average in 2017-19, either (1) total commodities exports accounted for 30 percent or more of total exports or (2) exports of any single commodity accounted for 20 percent or more of total exports. Economies meeting these thresholds due to re-exports are excluded. The "blend" income group category indicates that an economy has access to both IBRD and IDA financing. Debt distress risk ratings reflect the latest published IMF-World Bank Debt Sustainability Analyses under the Joint Debt Sustainability Framework for Low-Income Countries (LIC-DSF) available as of March 2025. Economies without a debt distress indicator were either not analyzed under the LIC-DSF or do not have a publicly available Debt Sustainability Analysis as of March 2025.

ANNEX 4.1 Counterfactual analysis

The counterfactual analysis considers how per capita GDP growth evolved following the onset of conflicts, relative to forecasts made prior to their start. A conflict event is considered to have started in a given year if conflict-related fatalities per million surpass the thresholds of at least 50 (for medium intensity) and at least 150 (for high intensity), provided that fatalities remained below the corresponding thresholds during the preceding four years (Novta and Pugacheva 2021). The year of conflict onset is marked as an event, represented by a categorical variable set to one. In subsequent years where conflict-related deaths remain above the threshold, the variable also takes a value of one, for up to four years following the initial onset.

In a second step, the analysis compares the realized path of GDP per capita to the forecast made in the year prior to the outbreak of conflict to estimate the cumulative output losses associated with conflict. These forecasts are drawn from the World Bank's *Global Economic Prospects*. This exercise is not intended to identify causal relationships. Instead, the objective is to illustrate how per capita GDP evolved following the onset of conflict compared to the pre-conflict forecast.

The sample of EMDEs covered in this exercise is limited to those that experienced at least medium intensity conflicts and for which forecast vintages from the year prior to conflict onset are available. For conflicts commencing after 2021, forecasts from the January 2025 *Global Economic Prospects* for 2025 onward were used if realized GDP per capita outturns were not available. The sample includes a total of 21 EMDEs at the medium-intensity conflict threshold, and 14 at the high intensity threshold. The exercise is applied to annual data, and is limited to conflicts that commenced between 2006 and 2023. The sample includes both economies currently classified as conflict-affected by the World Bank and those that are not currently classified as such but that may have been previously.

TABLE A4.1 Conflicts used in the counterfactual analysis

Onset at medium-intensity conflict threshold			Onset at high-intensity conflict threshold		
	FCS	Year of onset		FCS	Year of onset
Armenia		2022	Azerbaijan		2020
Azerbaijan		2020	Burkina Faso	x	2023
Burkina Faso	x	2019	Central African Republic	x	2013
Cameroon	x	2015	Chad	x	2006
Central African Republic	x	2009	Ethiopia	x	2020
Chad	x	2006	Georgia		2008
Congo, Dem. Rep.	x	2022	Mali	x	2022
Côte d'Ivoire		2011	South Sudan	x	2013
Ethiopia	x	2020	Sri Lanka		2008
Georgia		2008	Sudan	x	2023
Israel		2023	Syrian Arab Republic	x	2011
Mali	x	2013, 2018	Ukraine	x	2022
Mozambique	x	2020	West Bank and Gaza	x	2023
Myanmar	x	2022	Yemen, Rep.	x	2015
Nigeria	x	2014			
Sri Lanka		2006			
Sudan	x	2023			
Syrian Arab Republic	x	2011			
Ukraine	x	2014, 2022			
West Bank and Gaza	x	2021			
Yemen, Rep.	x	2011			

Sources: Uppsala Conflict Data Program; World Bank.
Note: FCS = fragile and conflict-affected situations. The year of conflict onset at the medium (high) intensity threshold is defined as the first year in which there are at least 50 (150) conflict-related fatalities per million people, following four consecutive years without conflict at the corresponding intensity.

ANNEX 4.2 Event analysis

The event analysis considers the evolution of per capita GDP growth around the onset of medium- and high-intensity conflicts. The onset of a conflict event is determined by using the methodology described in annex 4.1, applying thresholds of 50 (for medium-intensity) and 150 (for high-intensity) conflict-related fatalities per million people. In a second step, the average per capita GDP growth rates before, during, and after a conflict are compared. Specifically, average growth rates of per capita GDP are computed for the three years prior to conflict onset and for the three years following the end of hostilities. The average per capita GDP growth rate for the conflict period is computed on a country-by-country basis, considering only the years in which a conflict is considered to be occurring by the methodology outlined in annex 4.1. This exercise is not intended to uncover causal relationships. Rather, its objective is to describe how macroeconomic variables evolve over the course of a conflict.

The sample consists of EMDEs that experienced medium or high-intensity conflicts, between 2006 and 2020, and for which at least three years have elapsed since the conflict ended. Specifically, the sample includes a total of 12 medium-intensity conflicts (in 12 EMDEs), and nine high-intensity conflicts (in eight EMDEs). The analysis uses annual data and is restricted to conflicts that commenced between 2006 and 2020. The country sample includes economies currently classified as conflict affected by the World Bank as well as those not currently in this category but that may have been previously.

TABLE A4.2 Conflicts included in the event analysis

Onset at medium-intensity conflict threshold			Onset at high-intensity conflict threshold		
	FCS	Year of onset		FCS	Year of onset
Azerbaijan		2020	Azerbaijan		2020
Central African Republic	x	2009	Chad	x	2006
Cameroon	x	2015	Georgia		2008
Congo, Dem. Rep.	x	2009	Iraq	x	2014
Côte d'Ivoire		2011	Lebanon	x	2006
Georgia		2008	South Sudan	x	2013
Lebanon	x	2006	Sri Lanka		2008
Mali	x	2013	West Bank and Gaza	x	2008, 2014
Mozambique	x	2020			
Nigeria	x	2014			
Sri Lanka		2006			
Ukraine	x	2014			

Sources: Uppsala Conflict Data Program; World Bank.
Note: FCS= Fragile and conflict afflicted situations. The year conflict onset at the medium (high) intensity threshold is denoted when there are at least 50 (150) conflict-related fatalities per million people in a given year, and in the four years prior, there was no conflict at that corresponding intensity

ANNEX 4.3 Heterogeneous panel VAR

This annex outlines the data and methodological framework used to estimate the economic cost of conflict discussed in the chapter.

Data

The sample includes all economies that have experienced conflict-related fatalities and for which relevant economic data are available. This includes a maximum sample of 80 economies, including 74 EMDEs—28 of which are FCS—with annual data spanning 1989 to 2024 (table A4.3). Data on conflict-related fatalities are sourced from the Uppsala Conflict Data Program while GDP per capita and its expenditure and production components are drawn from the World Bank. Country-specific data—including governance and institutional indicators, private sector credit, natural resource rents, and manufacturing exports—are drawn from the World Bank's Development Indicators, while climate change adaptation indicators are sourced from the Notre Dame Global Adaptation Initiative, and the Human Development Index from the United Nations.

Estimation framework

The economic cost of conflict is estimated using the heterogeneous panel VAR methodology developed by Pedroni (2013). This approach is particularly well-suited to capturing the complex dynamics and cross-country variation in conflict-affected contexts. It addresses several limitations of conventional approaches used in earlier studies to estimate the macroeconomic cost of conflict. In particular, it accounts for cross-country heterogeneity in the economic effects of conflict and the issue of dual causality—where conflict affects variables such as per capita GDP, and economic deterioration may in turn increase the risk of conflict. Ignoring these factors can lead to inconsistent or imprecise estimates. The cost of conflict often unfolds over an extended period of time following its onset, with the magnitude varying depending on how much time has elapsed since the conflict began. These costs also tend to differ across country experiences. Accounting for such cross-country heterogeneity improves the accuracy of estimates by addressing latent variation in lagged dependent variables. If unaddressed, latent heterogeneity in the lagged dependent variables of the VAR could result in inconsistent estimates. In addition, this framework can be applied to relatively short annual time series—a key constraint for EMDEs—and especially some low-income countries and FCS—unlike approaches that require estimating individual country VAR models.

The estimation approach first derives country-specific impulse responses to conflict using the heterogeneous panel VAR model and then explains the heterogeneity among countries through cross-sectional regressions on country attributes. In the first stage, the baseline estimations make use of a bivariate heterogeneous PVAR system, including up to 80 economies, employing a parsimonious specification that includes the pseudo-log of conflict related fatalities per million (CRF) and the pseudo log of per capita gross domestic product (PCGDP) or other macroeconomic variables such as agricultural and industry gross value added. The baseline equations are estimated in demeaned, log-differenced forms. For example, the initial two-variable system can be represented by the vector below, for countries i = 1, …, N and years t= 1, …, T: $\Delta Z_{it} = (\Delta \ln CRF_t, \Delta \ln PCGDP_{it})'$. The estimation procedure applies the following steps:

Step 1. A VAR model based on these variables is estimated individually for each country i of the sample. This can be represented as:

$R_i(L)\Delta Z_{it} = \mu_{it}$

where $R_i(L) = I - \sum_{j=1}^{P_i} R_{ij}$

$R_{i,j}$ represents the country-specific matrices of VAR coefficient estimates for lags j = 1,..,P_i where the country-specific lag lengths are chosen using the standard Akaike information criterion.

Step 2. These country-level VAR models are supplemented with one additional global-level VAR based on the cross-sectional averages of the same variables:

$$\Delta \bar{Z}_t = \frac{1}{N} \sum_{i=1}^{N} \Delta Z_{it}$$

The VAR for the cross-sectional averages takes the analogous form:

$$\bar{R}(L)\Delta \bar{Z}_t = \bar{\mu}_t$$

Step 3. Each of these VAR systems is then inverted into their respective orthogonalized vector moving average representation to obtain impulse responses as follows.

For the country-specific VAR models:

$$\Delta Z_{it} = A_i(L)\varepsilon_{it}$$

where $A_i(L) = \sum_{j=1}^{Q_i} A_{ij}L^j$

And analogously, for the global VAR model based on the cross-sectional average:

$$\Delta \overline{Z}_t = \overline{A}(L)\overline{\varepsilon}_t$$

The objects of interest are the responses of the log levels. The VAR estimation is conducted in the stationary, log-differenced form, and the responses of the variables of interest are then recovered by accumulating the resulting impulse responses.

The baseline analysis uses the standard Cholesky decomposition of the short-run covariance matrix, which implies a recursive short-run impact matrix. The order of the variables implies that conflict-related fatalities impact output in the same year. For any given orthogonalization of the shocks, the correlation between country-specific shocks ε_{it} and global shocks $\overline{\varepsilon}_t$ is used to obtain consistent estimates of the loading vector Λ_i and decompose the composite shocks ε_{it} into common global shocks $\overline{\varepsilon}_t$ and idiosyncratic country-specific shocks $\widetilde{\varepsilon}_{it}$ in a standard factor representation form:

$$\varepsilon_{it} = \Lambda_i\overline{\varepsilon}_t + \tilde{\varepsilon}_{it}$$

These Λ_i loadings are then used to derive country-specific impulse responses to the idiosyncratic and common shocks as follows:

$$\overline{A_1}(L) = A_i(L)(I - \Lambda_i\Lambda_i')^{1/2}$$

and $\overline{A_1}(L) = A_i(L)\Lambda_i$

This yields a cross-sectional sample distribution of N country-specific impulse responses to each shock.

To give the impulse responses a standard interpretation as dynamic elasticities, they are accumulated and transformed to represent the percentage response of per capita GDP (or of other variables) to shocks that increase conflict-related deaths by 1 percent. A one-percent increase is measured relative to a country's average rate of conflict-related fatalities per million, which corresponds on average to about 2.15 fatalities per million in FCS, and 0.4 per million in EMDEs excluding FCS.

Although broadly comparable, the estimates of the impact of conflict on GDP per capita are somewhat larger than those reported in similar studies employing alternative methodologies. The heterogeneous panel VAR approach used here treats conflict as a continuous variable, capturing the impact of varying levels of violence on macroeconomic variables, and not just after violence has exceeded a prespecified and arbitrary "threshold" as in many other studies. This feature may partly explain the larger estimated impact of conflict on GDP per capita, as tensions and violence often escalate years before the number of fatalities surpass a given conflict intensity threshold, negatively impacting confidence, expectations and macroeconomic performance. Another potential factor is the more recent sample used in this study (which ends in 2024), and includes several particularly large and costly conflicts not considered in earlier studies.

In the second stage, the cross-sectional distribution of impulse responses at each response horizon is projected in a regression with country-specific attributes that potentially interact with the effect of conflict on economic variables such as per capita GDP. This stage facilitates identifying which attributes are associated with either an attenuation or amplification of the economic costs induced by conflict at various time horizons.

TABLE A4.3 Sample of economies included in the PVAR analysis

Afghanistan	Egypt, Arab Rep.	Madagascar	Somalia, Fed. Rep.
Algeria	Eritrea	Mali	South Africa
Angola	Ethiopia	Mauritania	South Sudan
Armenia	France	Mexico	Spain
Azerbaijan	Georgia	Mozambique	Sri Lanka
Bangladesh	Ghana	Myanmar	Sudan
Brazil	Guatemala	Namibia	Syria Arab Republic
Burkina Faso	Guinea	Nepal	Tajikistan
Burundi	Haiti	Niger	Tanzania
Cambodia	Honduras	Nigeria	Thailand
Cameroon	India	Pakistan	Tunisia
Canada	Indonesia	Papua New Guinea	Türkiye
Central African Republic	Iran, Islamic Rep.	Paraguay	Uganda
Chad	Iraq	Peru	Ukraine
China	Israel	Philippines	United Kingdom
Colombia	Kenya	Russian Federation	United States
Congo, Dem. Rep.	Lao PDR	Rwanda	Uzbekistan
Congo, Rep.	Lebanon	Saudi Arabia	West Bank and Gaza
Côte d'Ivoire	Liberia	Senegal	Yemen, Rep.
Djibouti	Libya	Sierra Leone	Zimbabwe

Source: World Bank.

References

Abbs, L. 2021. "The Language of the Unheard? Ethno-Political Exclusion and Ethnic Riots in Africa." *Journal of Global Security Studies* 6 (2).

Abdel-Latif, H., A. C. David, R. Ouedraogo, and M. Specht. 2024. "Echoes Across Borders: Macroeconomic Spillover Effects of Conflict in Sub-Saharan African Countries." IMF Working Paper 24/100, International Monetary Fund, Washington, DC.

Abdel-Latif, H., and M. El-Gamal. 2024. "Fraying Threads: Exclusion and Conflict in Sub-Saharan Africa." IMF Working Paper 2024/4, International Monetary Fund, Washington, DC.

Acemoglu, D. 2003. "Root Causes: A Historical Approach to Assessing the Role of Institutions in Economic Development." *Finance & Development* 40 (2): 27-30.

Acemoglu, D., and S. Johnson. 2007. "Disease and Development: The Effect of Life Expectancy on Economic Growth." *Journal of Political Economy* 115 (6): 925-85.

Acemoglu, D., S. Johnson, and J. A. Robinson. 2001. "The Colonial Origins of Comparative Development: An Empirical Investigation. " *American Economic Review* 91 (5): 1369-401.

Adam, C., and J. Wilson. 2021. "Monetary and Exchange Rate Policy in Fragile States." In *Macroeconomic Policy in Fragile States*, edited by R. Chami, R. Espinoza, and P. J. Montiel, 367-405. Oxford, U.K.: Oxford University Press.

Adelaja, A., and J. George. 2019. "Effects of Conflict on Agriculture: Evidence from the Boko Haram Insurgency." *World Development* 117 (May): 184-95.

Adrian, T., F. Bousquet, D. Desruelle, V. Gaspar, and B. Kroese. 2023. "Fragile States Need Customized Support to Strengthen Institutions." *IMF Blog*. September 21, 2023. www.imf.org/en/Blogs/Articles/2023/09/21/fragile-states-need-customized-support-to-strengthen-institutions.

Akanbi, O. A., N. Gueorguiev, J. Honda, P. Mehta, K. Moriyama, K. Primus, and M. Sy. 2021. "Avoid a Fall or Fly Again: Turning Points of State Fragility." IMF Working Paper 2021/133, International Monetary Fund, Washington, DC.

Akitoby, B., J. Honda, and K. Primus. 2020. "Tax Revenues in Fragile and Conflict-Affected States—Why Are They Low and How Can We Raise Them?" IMF Working Paper 2020/143, International Monetary Fund, Washington, DC.

Akresh, R., S. Bhalotra, M. Leone, and U. O. Osili. 2012. "War and Stature: Growing Up during the Nigerian Civil War." *American Economic Review* 102 (3): 273-77.

Alfar, A. J., M. Elheddad, and N. Doytch. 2024. "Impact of Political Conflict on Foreign Direct Investments in the Mining Sector: Evidence from the Event Study and Spatial Estimation." *Journal of Environmental Management* 350 (January): 119590.

Alfaro, L. 2017. "Gains from Foreign Direct Investment: Macro and Micro Approaches." *The World Bank Economic Review* 30 (1): S2-S15.

Alkhalil, M., A. Abbara, C. Grangier, and E. Abdulkarim. 2024. "AI in Conflict Zones: The Potential to Revitalize Healthcare in Syria and Beyond." *BMJ Global Health* 9 (8): e015755.

Almond, D., J. Currie, and V. Duque. 2018. "Childhood Circumstances and Adult Outcomes: Act II." *Journal of Economic Literature* 56 (4): 1360-446.

Andrews, M., L. Pritchett, and M. Woolcock. 2017. *Building State Capability: Evidence, Analysis, Action*. New York: Oxford University Press.

Antwi, S., A. B. Tetteh, P. Armah, and E. O. Dankwah. 2023. "Anti-Money Laundering Measures and Financial Sector Development: Empirical Evidence from Africa." *Cogent Economics and Finance* 11 (1): 2209957.

Artuc, E., G. Porto, and B. Rijkers. 2025. "Crops, Conflict and Climate Change." Policy Research Working Paper 11018, World Bank, Washington, DC.

Assaf, N., M. Engman, A. Ragoussis, and S. Agrawal. 2021. "The Private Sector in Fragile Situations." In *Macroeconomic Policy in Fragile States*, edited by R. Chami, R. Espinoza, and P. J. Montiel. 127-85. Oxford, U.K.: Oxford University Press.

Ayissi, A. 2021. "Three Decades of Disarmament, Demobilization, and Reintegration of Ex-Combatants in Africa: Lessons Learned and Challenges Ahead." In *The State of Peacebuilding in Africa,* edited by T. McNamee, M. Muyangwa, 141-62. Cham, Switzerland: Palgrave Macmillan.

Azour, J., and A. Selassie. 2023. "Africa's Fragile States Are Greatest Climate Change Casualties." *IMF Blog*. August 30, 2023. www.imf.org/en/Blogs/Articles/2023/08/30/africas-fragile-states-are-greatest-climate-change-casualties.

Baer, K., S. Gupta, M. Mansour, and S. Pattanayak. 2021. "Building Fiscal Institutions in Fragile States: A Two-Step Approach." In *Macroeconomic Policy in Fragile States*, edited by R. Chami, R. Espinoza, and P. J. Montiel. 297-333. Oxford, U.K.: Oxford University Press.

Bakker, B. B., S. Chen, D. Vasilyev, O. Bespalova, M. Chin, D. Kolpakova, A. Singhal, et al. 2024. "What Can Artificial Intelligence Do for Stagnant Productivity in Latin America and the Caribbean?" IMF Working Paper 2024/219, International Monetary Fund, Washington, DC.

Bandula-Irwin, T., M. Gallien, A. Jackson, V. van den Boogaard, and F. Weigand. 2024. "Beyond Greed: Why Armed Groups Tax." *Studies in Conflict & Terrorism* 47(12): 1599-622.

Banholzer, L. 2014. "When Do Disarmament, Demobilisation and Reintegration Programmes Succeed?" Discussion Paper 8/2014, Deutsches Institut für Entwicklungspolitik, Bonn.

Barajas, A., R. Chami, and C. Fullenkamp. 2021. "The State of Finance in Fragile States." In *Macroeconomic Policy in Fragile States*, edited by R. Chami, R. Espinoza, and P. J. Montiel, 186-208. Oxford, U.K: Oxford University Press.

Bartlett, W. 2008. *Europe's Troubled Region: Economic Development, Institutional Reform and Social Welfare in the Western Balkans*. London: Routledge.

Basedau, M., and V. Roy. 2020. "Sleep, Bark, or Bite: Do Natural Resources Make the Difference Regarding Peaceful or Violent Conflict?" *International Area Studies Review* 23 (1): 73-92.

Beardsley, K. 2011. "Peacekeeping and the Contagion of Armed Conflict." *The Journal of Politics* 73 (4): 1051-64.

Beardsley, K., and K. S. Gleditsch. 2015. "Peacekeeping as Conflict Containment." *International Studies Review* 17 (1): 67-89.

Bendavid, E., T. Boerma, N. Akseer, A. Langer, E. Bwenge Malembaka, E. A. Okiro, P. H. Wise et al. 2021. "The Effects of Armed Conflict on the Health of Women and Children." *The Lancet* 397 (10273): 522-32.

Bennett, D. S., and A. C. Stam. 1996. "The Duration of Interstate Wars, 1816–1985." *American Political Science Review* 90 (2): 239-57.

Besley, T., and H. Mueller. 2012. "Estimating the Peace Dividend: The Impact of Violence on House Prices in Northern Ireland." *American Economic Review* 102 (2): 810-33.

Besley, T., and H. Mueller. 2021. "Fiscal Capacity and State Fragility." In *Macroeconomic Policy in Fragile States*, edited by R. Chami, R. Espinoza, and P. J. Montiel, 235-70. Oxford, U.K.: Oxford University Press.

Biresselioglu, M. E., M. H. Demir, A. Gonca, O. Kolcu, and A. Yetim. 2019. "How Vulnerable Are Countries to Resource Curse? A Multidimensional Assessment." *Energy Research & Social Science* 47 (January): 93-101.

Bisogno, M., and A. Chong. 2002. "Poverty and Inequality in Bosnia and Herzegovina After the Civil War." *World Development* 30 (1): 61-75.

Blair, G., D. Christensen, and V. Wirtschafter. 2022. "How Does Armed Conflict Shape Investment? Evidence from the Mining Sector." *The Journal of Politics* 84 (1): 116-33.

Blattman, C., and J. Annan. 2016. "Can Employment Reduce Lawlessness and Rebellion? A Field Experiment with High-Risk Men in a Fragile State." *American Political Science Review* 110 (1): 1-17.

Boehmer, C., E. Gartzke, and T. Nordstrom. 2004. "Do Intergovernmental Organizations Promote Peace?" *World Politics* 57 (1): 1-38.

Bogale, B., S. Scambler, A. N. Mohd Khairuddin, and J. E. Gallagher. 2024. "Health System Strengthening in Fragile and Conflict-Affected States: A Review of Systematic Reviews." *PLOS One* 19 (6): 0305234.

Booth, D., and S. Unsworth. 2014. *Politically Smart, Locally Led Development*. London: Overseas Development Institute.

Bosio, E., and A. Palacio. 2023. *Increasing Access to Justice in Fragile Settings*. Washington, DC: World Bank.

Boussard, J., C. Castrovillari, T. Mineyama, M. Spinella, B. Tabti, and M. Tuuli. 2024. "Global Shocks Unfolding: Lessons from Fragile and Conflict-affected States." IMF Working Paper 2024/214, International Monetary Fund, Washington, DC.

Bove, V., J. Di Salvatore, and L. Elia. 2024. "What It Takes to Return: UN Peacekeeping and the Safe Return of Displaced People." *Journal of Conflict Resolution* 69 (5): 898-924.

Brinkerhoff, D. W. 2005. "Rebuilding Governance in Failed States and Post-Conflict Societies: Core Con-

cepts and Cross-Cutting Themes." *Public Administration and Development* 25 (1): 3-14.

Brück, T., J. Cuesta, J. De Hoop, U. Gentilini, and A. Peterman. 2019. "Social Protection in Contexts of Fragility and Forced Displacement: Introduction to a Special Issue." *The Journal of Development Studies* 55 (1): 1-6.

Brück, T., M. Di Maio, and S. H. Miaari. 2019. "Learning the Hard Way: The Effect of Violent Conflict on Student Academic Achievement." *Journal of the European Economic Association* 17 (5): 1502-37.

Buhaug, H., and K. S. Gleditsch. 2008. "Contagion or Confusion? Why Conflicts Cluster in Space." *International Studies Quarterly* 52 (2): 215-33.

Burde, D., A. Coombes, T. Hoop, O. Guven, O. Okhido, H. Ring, V. Rothbard, and C. Udayakumar Holla. 2023. *Forced Displacement and Education: Building the Evidence for What Works–Case Study Summary*. Washington, DC: World Bank.

Cabra-Ruiz, N., S. Rozo, and M. M. Sviatschi. 2025. "Forced Displacement, the Perpetuation of Autocratic Leadership, and Development in Origin Countries." Policy Research Working Paper 11049, World Bank, Washington, DC.

Cali, M. 2015. *Trading Away from Conflict: Using Trade to Increase Resilience in Fragile States.* Washington, DC: World Bank.

Calice, P. 2023. "Unlocking SME Finance in Fragile and Conflict Affected Situations." *Let's Talk Development (blog)*. April 4, 2023. www.blogs.worldbank.org/en/developmenttalk/unlocking-sme-finance-fragile-and-conflict-affected-situations.

Canning, D., J. S. Raja, and A. S. Yazbeck, eds. 2015. *Africa's Demographic Transition: Dividend or Disaster?* Africa Development Forum Series. Washington, DC: World Bank.

Cas S. M., Y. Alem, and J. B. Shirakawa. 2022. "Building Statistical Capacity in Fragile and Conflict-Affected States." IMF Working Paper 2022/045, International Monetary Fund, Washington, DC.

Cazzaniga, M., F. Jaumotte, L. Li, G. Melina, A. J. Panton, C. Pizzinelli, E. J. Rockall, et al. 2024. "Gen-AI: Artificial Intelligence and the Future of Work." Staff Discussion Note 2024/001, International Monetary Fund, Washington, DC.

Cederman, L. E., K. S. Gleditsch, and H. Buhaug. 2014. *Inequality, Grievances and Civil War*. Cambridge, U.K.: Cambridge University Press.

Chacha, P. W., and L. Edwards. 2019. "Exporting to Fragile States in Africa: Firm level Evidence." *Review of Development Economics* 23 (3): 1177-201.

Chami, R., M. Coppo, R. Espinoza, and P. Montiel. 2021. "Macroeconomic Policy Issues in Fragile States: A Framework." In *Macroeconomic Policy in Fragile States*, edited by: R. Chami, R. Espinoza, and P. Montiel, 1-38. Oxford U.K.: International Monetary Fund.

Chami, R., E. Ernst, C. Fullenkamp, and A. Oeking. 2018. "Are Remittances Good for Labor Markets in LICs, MICs and Fragile States? Evidence from Cross-Country Data." IMF Working Paper 2024/214, International Monetary Fund, Washington, DC.

Chami, R., R. Espinoza, and P. J. Montiel. eds. 2021. *Macroeconomic Policy in Fragile States*. Oxford U.K.: Oxford University Press.

Charaoui, J., J. Frank, and B. Wiest. 2023. "Delivering PFM Capacity Development in Fragile and Conflict-Affected States—Learning from Recent Experience." IMF-METAC Regional Note 2013/9, International Monetary Fund, Washington, DC.

Chaudoin, S., Z. Peskowitz, and C. Stanton. 2017. "Beyond Zeroes and Ones: The Intensity and Dynamics of Civil Conflict." *The Journal of Conflict Resolution* 61 (1): 56-83.

Chemouni, B. 2017. "The Politics of Core Public Sector Reform in Rwanda." Working Paper 88, Effective States and Inclusive Development Research Centre, University of Manchester, Manchester, England.

Chen, S., N. V. Loayza, and M. Reynal-Querol. 2008. "The Aftermath of Civil War." *The World Bank Economic Review* 22 (1): 63-85.

Chen, Y., and T. Hart. 2023. "Common Framework, Uncommon Challenges: Lessons from the Post-COVID Debt Restructuring Architecture." Insight, ODI Global, London.

Choudhary, R., F. Ulrich, and E. Skrok. 2024. "Taxing for Growth: Revisiting the 15 Percent Threshold." Policy Research Working Paper 10943, World Bank, Washington, DC.

Chrimes, T., B. Gootjes, M. A. Kose, and C. Wheeler. 2024. *The Great Reversal: Prospects, Risks, and Policies in International Development Association (IDA) Countries*. Washington, DC: World Bank.

Chrimes, T., M. A. Kose, and K. Stamm eds. (Forthcoming). *The Global Jobs Challenge*. Washington, DC: World Bank.

Chupilkin, M., and Z. Koczan. 2022. "The Economic Consequences of War: Estimates Using Synthetic Controls." EBRD Working Paper 271, European Bank for Reconstruction and Development, London.

Church, C., and A. Crawford. 2020. "Minerals and the Metals for the Energy Transition: Exploring the Conflict Implications for Mineral-Rich, Fragile States." In *The Geopolitics of the Global Energy Transition*, edited by M. Hafner, and S. Tagliapietra, 279-304. Cham, Switzerland: Springer.

Cingranelli, D., S. Mark, M. Gibney, P. Haschke, R. Wood, and D. Arnon. 2019. "Human Rights Violations and Violent Internal Conflict." *Social Sciences* 8 (2): 41.

Clark, D. H., and R. A. Hart. 1998. "Controlling Duration Dependence in Conflict Analyses: A Replication and Extension of 'Regime Types and Status Quo Evaluations.'" *American Journal of Political Science* 42 (4): 1335-42.

Coe, D. T., I. Lee, W. F. Abdelati, R. H. Eastman, S. Ishikawa, A. Lopez-Mejia, S. Mitra, and P. Collier. 2009. "The Political Economy of State Failure." *Oxford Review of Economic Policy* 25 (2): 219-40.

Collier, P., and A. Hoeffler. 1998. "On Economic Causes of Civil War." *Oxford Economic Papers* 50 (4): 563-73.

Collier, P., and A. Hoeffler. 2002. "On the Incidence of Civil War in Africa." *Journal of Conflict Resolution* 46 (1): 13-28.

Collier, P., and A. Hoeffler. 2004a. "Greed and Grievance in Civil War." *Oxford Economic Papers* 56 (4): 563-95.

Collier, P., and A. Hoeffler. 2004b. "Aid, Policy and Growth in Post-Conflict Societies." *European Economic Review* 48 (5): 1125-45.

Collier, P., and Hoeffler, A. 2005. "Resource Rents, Governance, and Conflict." *Journal of Conflict Resolution*, 49 (4): 625-33.

Collier, P., A. Hoeffler, and M. Söderbom. 2004. "On the Duration of Civil War." *Journal of Peace Research* 41 (3): 253-73.

Collier, P., A. Hoefler, and M. Söderbom. 2008. "Post-Conflict Risks." *Journal of Peace Research* 45 (4): 461-78.

Compaoré, A., M. Mlachila, R. Ouedraogo, and S. Sourouema. 2020. "The Impact of Conflict and Political Instability on Banking Crises in Developing Countries." IMF Working Paper 2020/41, International Monetary Fund, Washington, DC.

Corral, P., A. Irwin, N. Krishnan, D. N. Mahler, and T. Vishwanath. 2020. *Fragility and Conflict: On the Front Lines of the Fight against Poverty*. Washington, DC: World Bank.

Costalli, S., L. Moretti, and C. Pischedda. 2017. "The Economic Costs of Civil War: Synthetic Counterfactual Evidence and the Effects of Ethnic Fractionalization." *Journal of Peace Research* 54 (1): 80-98.

Coulibaly, K., K. Ezemenari, and N. E. Duffy. 2008. "Productivity Growth and Economic Reform: Evidence from Rwanda." Policy Research Working Paper 4552, World Bank, Washington DC.

Couttenier, M., J. Marcoux, T. Mayer, and M. Thoenig. 2024. "The Gravity of Violence." CEPR Discussion Paper 19527, Center for Economic and Policy Research, Paris and London.

Crost, B., J. Felter, and P. Johnston. 2014. "Aid Under Fire: Development Projects and Civil Conflict." *American Economic Review* 104 (6): 1833-56.

Currie, J., and T. Vogl. 2013. "Early-Life Health and Adult Circumstance in Developing Countries." *Annual Review of Economics* 5 (August): 1-36.

Custodio, C., B. Mendes, and D. Mendes. 2025. "Inventory Decisions under Political Violence." *Economics Letters* 247 (February): 112158.

Davoodi H. R., P. Elger, A. Fotiou, D. Garcia-Macia, X. Han, A. Lagerborg, W. R. Lam, and P. Medas. 2022. "Fiscal Rules and Fiscal Councils: Recent Trends and Performance during the Pandemic." IMF Working Paper 2022/11, International Monetary Fund, Washington, DC.

De Roux, N., and L.R. Martínez. 2022. "Forgone Investment Amid Conflict: Evidence from Credit Microdata in Colombia." STEG Working Paper 023, Structural Transformation and Economic Growth, Foreign, Commonwealth & Development Office, London.

Del Castillo, G. 2008. *Rebuilding War-Torn States: The Challenge of Post-Conflict Economic Reconstruction*. Oxford, U.K.: Oxford University Press.

Deming, D. J. 2022. "Four Facts about Human Capital." *Journal of Economic Perspectives* 36 (3): 75-102.

DeRouen, Jr., K. R., and D. Sobek. 2004. "The Dynamics of Civil War Duration and Outcome." *Journal of Peace Research* 41 (3): 303-20.

Development Committee. 2025. *2025 Development Committee Communiqué*. Washington, DC: World Bank and International Monetary Fund.

Diallo, O., S. L. Gui-Diby, and P. A. Imam. 2023. "Do Monetary Policy Outcomes Promote Stability in Fragile Settings?" *Applied Economics* 56 (4): 483-99.

Di Maio, M., and V. L Sciabolazza. 2023. "Conflict Exposure and Labour Market Outcomes: Evidence from Longitudinal Data for the Gaza Strip." *Labour Economics* 85 (December): 102439.

Dieppe, A., S. Kilic Celik, and C. Okou. 2020. "Implications of Major Adverse Events on Productivity." Policy Research Working Paper 9411, World Bank, Washington, DC.

Dobbins, J., J. G. McGinn, K. Crane, S. G. Jones, R. Lal, A. Rathmell, R. M. Swanger, and A. Timilsina. 2003. *America's Role in Nation-Building: From Germany to Iraq*. Santa Monica, CA: RAND Corporation.

Doyle, M. W., and N. Sambanis. 2000. "International Peacebuilding: A Theoretical and Quantitative Analysis." *American Political Science Review* 94 (4): 779-801.

Dreibelbis, R., L. E. Greene, M. C. Freeman, S. Saboori, R. P. Chase, and R. Rheingans. 2013. "Water, Sanitation, and Primary School Attendance: A Multi-Level Assessment of Determinants of Household-Reported Absence in Kenya." *International Journal of Educational Development* 33 (5): 457-65.

Dundar, H., B. Millot, Y. Savchenko, A. Harsha, and T. A. Piyasiri. 2014. *Building the Skills for Economic Growth and Competitiveness in Sri Lanka. Directions in Development*. Washington, DC: World Bank.

Dunne, J. P., and N. Tian. 2019. "Costs of Civil War and Fragile States in Africa." *Review of Development Economics* 23 (3): 1220-37.

Edwards, B., S. Yilmaz, and J. Boex. 2015. "Decentralization as a Post-Conflict Strategy: Local Government Discretion and Accountability in Sierra Leone." *Public Administration and Development* 35 (1): 46-60.

Eissa, N. O., A. Jensen, J. L. Weigel, J. Aguilera-Mesa, H. Gali, S. Logan, and C. Sacchetto. 2023. "Tax Capacity in Fragile States: Trends, Challenges, and Policy Options." Policy Brief, Tax and State Fragility Initiative, International Growth Centre, London.

El Saghir, S., and J. Maur. 2023. "Case Study 1: Mining (EV battery) Value Chains." Democratic Republic of the Congo Country Economic Memorandum, World Bank, Washington, DC.

Ezemenari, K. M., and N. K. Joshi. 2019. *Nepal Development Update: Investing in People to Close the Human Capital Gap.* Washington, DC: World Bank.

Ezeoha, A., A. Igwe, C. Okoyeuzu, and C. Uche. 2023. "The Fiscal Effects of Armed Conflicts in Africa." *African Development Review* 35 (4): 444-56.

Fang, X., S. Kothari, C. McLoughlin, and M. Yenice. 2020. "The Economic Consequences of Conflict in Sub-Saharan Africa." IMF Working Paper 20/221, International Monetary Fund, Washington, DC.

Fatas, A., B. Gootjes, and J. Mawejje. 2025. "Dynamic Effects of Fiscal Rules. Do Initial Conditions Matter?" Policy Research Working Paper 11066, World Bank, Washington, DC.

Fausett, E., and T. J. Volgy. 2010. "Intergovernmental Organizations (IGOs) and Interstate Conflict: Parsing Out IGO Effects for Alternative Dimensions of Conflict in Post communist Space." *International Studies Quarterly* 54 (1): 79-101.

Fearon, J. D. 2004. "Why Do Some Civil Wars Last So Much Longer Than Others?" *Journal of Peace Research* 41 (3): 275-301.

Federle, J., A. Meier, G. Müller, W. Mutschler, and M. Schularick. 2024. "The Price of War." CEPR Discussion Paper 18834, Center for Economic and Policy Research, Washington, DC.

Fetzer, T. 2020. "Can Workfare Programs Moderate Conflict? Evidence from India." *Journal of the European Economic Association* 18 (6): 3337-75.

Fjelde, H., L. Hultman, and D. Nilsson. 2019. "Protection Through Presence: UN Peacekeeping and the Costs of Targeting Civilians." *International Organization* 73 (1): 103-31.

Forichon, K. 2020. "Considering Human Capital in a Multidimensional Analysis of Fragility." *OECD Development Co-operation Working Paper* 80, Organisation for Economic Co-operation and Development, Paris.

Fornino, M., and A. Tiffin. 2024. "Sub-Saharan Africa's Growth Requires Quality Education for Growing Population." *IMF Blog*. April 25, 2024. www.imf.org/en/Blogs/Articles/2024/04/25/sub-saharan-africas-growth-requires-quality-education-for-growing-population.

Fortna, V. P. 2008. *Does Peacekeeping Work? Shaping Belligerents' Choices after Civil War*. Princeton, NJ: Princeton University Press.

FSIN (Food Security Information Network) and GNAFC (Global Network Against Food Crises). 2024. *Global Report on Food Crises 2024*. Rome: Food Security Information Network and Global Network Against Food Crises.

Galdo, V., G. L. Acevedo, and M. Rama. 2021. "Conflict and the Composition of Economic Activity in Afghanistan." *IZA Journal of Development and Migration* 12 (1).

Ganson, B., and K. Hoelscher. 2021. "Theorising MSMEs in Contexts of Urban Violence." *Journal of Illicit Economies and Development* 2 (2): 222-41.

Ganum, P., and C. Sever. 2025. "Frayed Societies: Decoding the Interplay between Conflicts and Gender Inequality." IMF Working Paper 25/12, International Monetary Fund, Washington, DC.

García-Uribe, S., H. Mueller, and C. Sanz. 2024. "Economic Uncertainty and Divisive Politics: Evidence from the Dos Españas." *The Journal of Economic History* 84 (1): 40-73.

Garriga, A. C. 2025. "Revisiting Central Bank Independence in the World: An Extended Dataset." *International Studies Quarterly* 69 (2): sqaf024.

Garry, S., and F. Checchi. 2020. "Armed Conflict and Public Health: Into the 21st Century." *Journal of Public Health* 42 (3): 287-98.

Gatti, R., J. Torres, N. Elmallakh, G. Mele, D. Faurès, M. E. Mousa, and I. Suvanov. 2024. *Growth in the Middle East and North Africa*. MENA Economic Update, October. Washington, DC: World Bank.

George, J., A. Adelaja, and D. Weatherspoon. 2020. "Armed Conflicts and Food Insecurity: Evidence from Boko Haram's Attacks." *American Journal of Agricultural Economics* 102 (1): 114-31.

Ghobarah, H. A., P. Huth, and B. Russet. 2003. "Civil Wars Kill and Maim People—Long After the Shooting Stops." *American Political Science Review* 97 (2): 189-202.

Ghossein, T., and A. N. Rana. 2022. *Business Environment Reforms in Fragile and Conflict-Affected Situations: What Works and Why?* Washington, DC: World Bank.

Gillard, E. 2024. "Enhancing the Security of Civilians in Conflict: Notifications, Evacuations, Humanitarian Corridors, Suspensions of Hostilities and Other Humanitarian Arrangements." Research Paper, Royal Institute of International Affairs, London.

Gollin, D., R. Jedwab, and D. Vollrath. 2016. "Urbanization with and without Industrialization." *Journal of Economic Growth* 21 (November): 35-70.

Gowan, R., and M. Ungar. 2023. *Pathways for Peace: Regional Trends in Conflict and Prevention.* Washington, DC: World Bank.

Guimbert, S. 2010. "Cambodia 1998–2008: An Episode of Rapid Growth." Policy Research Working Paper 5271, World Bank, Washington DC.

Hanmer, L., U. Ekhator-Mobayode, A. Al-Ahmadi, and L. Rawlings. 2024. "Increasing Gender Equality in Fragile, Conflict, and Violence Settings." Gender Thematic Policy Notes Series: Evidence and Practice Note, World Bank, Washington, DC.

Harild, N., A. Christensen, and R. Zetter. 2015. "Sustainable Refugee Return: Triggers, Constraints, and Lessons on Addressing the Development Challenges of Forced Displacement." GPFD Issue Note Series, August, World Bank, Washington, DC.

Hegre, H., L. Hultman, and H. M. Nygård. 2019. "Evaluating the Conflict-Reducing Effect of UN Peacekeeping Operations." *The Journal of Politics* 81 (1): 215-32.

Herrera, S., M. Massimo, J. N. D. Francois, H. Isaka, and H. Sahibzada. Forthcoming. "Global Database on Spending Efficiency" (database). World Bank, Washington, DC.

Hidalgo-Aréstegui, A., C. Porter, A. Sánchez., and S. Singhal. 2025. "The Long Shadow of Conflict on Human Capital: Intergenerational Evidence from Peru." *Journal of Development Economics* 174 (May): 103468.

Hill, S., and J. Khadan. 2024. "Fiscal Challenges in Small States: Weathering Storms, Rebuilding Resilience." Policy Research Working Paper 10913, World Bank, Washington, DC.

HLPE-FSN (High Level Panel of Experts on Food Security and Nutrition). 2024. "Conflict-Induced Acute Food Crises: Potential Policy Responses in Light of Current Emergencies." Rome: CFS HLPE-FSN.

Hoddinott, J., H. Alderman, J. R. Behrman, L. Haddad, and S. Horton. 2013. "The Economic Rationale for Investing in Stunting Reduction." *Maternal and Child Nutrition* 9 (S2): 69-82.

Hossain, I., D. Bazarkulova, and J. Compton. 2024. "Effects of Conflicts on Labor Market Outcome and Intimate Partner Violence: Evidence from Nepal." *Feminist Economics* 30 (4): 75-105.

Hughes, C. 2003. *The Political Economy of the Cambodian Transitions*. Abingdon, U.K.: Routledge.

IDMC (Internal Displacement Monitoring Center). 2022. *Global Report on Internal Displacement 2022: Children and Youth in Internal Displacement*. Geneva: Internal Displacement Monitoring Center.

IDS (Institute of Development Studies). 2010. *An Upside-down View of Governance*. Brighton, U.K.: Institute of Development Studies.

IFC (International Finance Corporation). 2019a. *Generating Private Investment in Fragile and Conflict-affected Areas*. Washington, DC: International Finance Corporation.

IFC (International Finance Corporation). 2019b. "Anti-Money-Laundering (AML) and Countering Financing of Terrorism (CFT) Risk Management in Emerging Market Banks." Good Practice Note, IFC, Washington, DC.

IFC (International Finance Corporation). 2019c. *Shaping the Future of Adventure and Cultural Travel*. Washington, DC: International Finance Corporation.

IFC (International Finance Corporation). 2022. "IFC Launches Africa Fragility Initiative to Promote Responsible Private Sector Development in Fragile and Conflict-Affected Countries." Press Release, International Finance Corporation, Washington, DC.

IMF (International Monetary Fund). 2005. "Rwanda: Enhanced Initiative for Heavily Indebted Poor Countries—Completion Point Document." IMF Country Report 05/173, International Monetary Fund, Washington, DC.

IMF (International Monetary Fund). 2007. *Cambodia: 2007 Article IV Consultation*. Washington, DC: International Monetary Fund.

IMF (International Monetary Fund). 2009. *Sri Lanka: First Review Under the Stand-By Arrangement—Staff Report*. Washington, DC: International Monetary Fund.

IMF (International Monetary Fund). 2015. *Fiscal Monitor: Strengthening the Credibility of Public Finances. Chapter 2*. October. Washington, DC: International Monetary Fund.

IMF (International Monetary Fund). 2017. "Building Fiscal Capacity in Fragile States." Policy Paper, International Monetary Fund, Washington, DC.

IMF (International Monetary Fund). 2019. *Regional Economic Outlook: Sub-Saharan Africa—Recovery Amid Elevated Uncertainty*. April. Washington, DC: International Monetary Fund.

IMF (International Monetary Fund). 2020. *Nepal Selected Issues*. Washington, DC: International Monetary Fund.

IMF (International Monetary Fund). 2021. "Macroeconomic Developments and Prospects in Low-Income Countries—2021." International Monetary Fund, Washington, DC.

IMF (International Monetary Fund). 2022. *The IMF Strategy for Fragile and Conflict-Affected States*. Washington, DC: International Monetary Fund.

IMF (International Monetary Fund). 2024. *Regional Economic Outlook: Middle East and Central Asia—An Uneven Recovery Amid High Uncertainty*. April. Washington, DC: International Monetary Fund.

IOM (International Organization for Migration). 2024. "Displacement in Sudan Crosses 11 Million as Devastating Crisis Reaches New Heights: IOM Chief." International Organization for Migration, March 27, 2024. www.iom.int/news/displacement-sudan-crosses-11-million-devastating-crisis-reaches-new-heights-iom-chief.

Ito, T., J. Li, R. Usoof-Thowfeek, and K. Yamazaki. 2024. "Educational Consequences of Firsthand Exposure to Armed Conflict: The Case of the Sri Lankan Civil War." *World Development* 173 (January): 106430.

Jácome, L., and S. Pienknagura. 2025. "Central Bank Independence and Inflation Tail Risks—Evidence from Emerging Markets." *Journal of International Money and Finance* 153 (March): 103285.

Jawad, M., T. Hone, E. P. Vamos, P. Roderick, R. Sullivan, and C. Millet. 2020. "Estimating Indirect Mortality Impacts of Armed Conflict in Civilian Populations: Panel Regression Analyses of 193 Countries, 1990–2017." *BMC Medicine* 18 (266).

Jaramillo, L., A. Cebotari, Y. Diallo, R. Gupta, Y. Koshima, C. Kularatne, J. D. Lee, et al. 2023. "Climate Challenges in Fragile and Conflict-Affected States." IMF Staff Climate Note 2023/001, International Monetary Fund, Washington, DC.

John, J. D., and J. Putzel. 2009. *Political Settlements*. Birmingham, U.K.: University of Birmingham.

Jones, L., J. Banga, B. Notkin, and A. Brochen. 2024. *Closing the Gap: Trends in Adaptation Finance for Fragile and Conflict-affected Settings.* Washington, DC: World Bank.

Kaminski, B., and M. de la Rocha. 2003. "Stabilization and Association Process in the Balkans: Integration Options and their Assessment." Policy Research Working Paper 3108, World Bank, Washington DC.

Karbownik, K., and A. Wray. 2025. "Lifetime and Intergenerational Consequences of Poor Childhood Health." *Journal of Human Resources* 60 (1): 187-223.

Karreth, J. 2017. "The Economic Leverage of International Organizations in Interstate Disputes." *International Interactions* 44 (3): 463-90.

Kassem, H. S., B. A. Alotaibi, Y. A. Ghoneim, and A. M. Diab. 2020. "Mobile-Based Advisory Services for Sustainable Agriculture: Assessing Farmers' Information Behavior." *Information Development* 37 (3): 483-95.

Kathuria, S., ed. 2008. *Western Balkan Integration and the EU: An Agenda for Trade and Growth*. Washington, DC: World Bank.

Keller, J., and D. Nogueira-Budny. 2022. "Debt Sustainability in Fragile and Conflict-Affected States: Heightened Risks and Needs." *IEG Blog*, February 23, 2022. www.ieg.worldbankgroup.org/blog/debt-sustainability-fragile-and-conflict-affected-states-heightened-risks-and-needs.

Kenworthy, P., J. Mawejje, and M. R. Steinbach. 2025. "Falling Graduation Prospects: Low-Income Countries in the Twenty-First Century " In *Global Economic Prospects*, January. Washington, DC: World Bank.

Korovkin, V., and A. Makarin. 2023. "Conflict and Intergroup Trade: Evidence from the 2014 Russia-Ukraine Crisis." *American Economic Review* 113 (1): 34-70.

Kovačević, D. 2003. "The Currency Board and Monetary Stability in Bosnia and Herzegovina." *BIS Papers 17* (May): 59-61.

Kpodar, K., and P. A. Imam. 2024. "How Do Transaction Costs Influence Remittances?" *World Development* 177 (May): 106537.

Ksoll, C., R. Macchiavello, and A. Morjaria. 2023. "Electoral Violence and Supply Chain Disruptions in Kenya's Floriculture Industry." *Review of Economics and Statistics* 105 (6): 1335-51.

Lebrand, M., H. Mueller, P. Schouten, and J. Steinbuks. 2025. "Road Investment and Violence in DRC: Perishable Peace Dividends." Policy Research Working Paper Series 11071, World Bank, Washington, DC.

Leepipatpiboon, P., C. Castrovillari, and T. Mineyama. 2023. "Macroeconomic Shocks and Conflict." IMF Working Paper 2023/068, International Monetary Fund, Washington, DC.

Leo, B., and J. Barmeier. 2010. "Who Are the MDG Trailblazers? A New MDG Progress Index." CGD Working Paper 222, Center for Global Development, Washington, DC.

Lessmann, C., and A. Steinkraus. 2019. "The Geography of Natural Resources, Ethnic Inequality and Civil Conflicts." *European Journal of Political Economy* 59 (September): 33-51.

Levin, A. 2023. "The Composition of UN Peacekeeping Operations and Aid Worker Security." *Journal of Peace Research* 61 (5): 726-43.

Lin, F., X. Li, N. Jia, F. Feng, H. Huang, J. Huang, S. Fan, P. Ciais, and X. P. Song. 2023. "The Impact of Russia-Ukraine Conflict on Global Food Security." *Global Food Security* 36 (March): 100661.

Longhurst, D., and R. Slater. 2022. "Financing in Fragile and Conflict Contexts: Evidence, Opportunities, and Barriers". BASIC Research Working Paper 15, Institute of Development Studies, University of Sussex, Brighton, U.K.

Loungani, P., E. E. Luttini, and H. M. Pallan. 2025. "Buffering Recessions: Labor Market Asymmetries and the Role of Self-Employment." Policy Research Working Paper 11089, World Bank, Washington, DC.

Loyle, C. E., and B. J. Appel. 2017. "Conflict Recurrence and Post-Conflict Justice: Addressing Motivations and Opportunities for Sustainable Peace." *International Studies Quarterly* 61 (3): 690-703.

LSE-Oxford Commission on State Fragility, Growth and Development. 2018. *Escaping the Fragility Trap*. London: International Growth Centre.

Maconachie, R. 2016. "The Extractive Industries, Mineral Sector Reform and Post-Conflict Reconstruction in Developing Countries." *The Extractive Industries and Society* 3 (2): 313-15.

McNabb, K., M. Danquah, and A. Tagem. 2021. "Tax Effort Revisited: New Estimates from The Government Revenue Dataset." WIDER Working Paper 170, United Nations University World Institute for Development Economics Research, Helsinki.

Mahler, D. G., N. Yonzan, and C. Lakner. 2022. "The Impact of COVID-19 on Global Inequality and Poverty." Policy Research Working Paper 10198, World Bank, Washington, DC.

Mahmood, S. 2024. *Policy Toolkit on Challenges and Opportunities for Solar Mini-Grids*. London: International Growth Center.

Makinde, O. A., E. Olamijuwon, I. Mgbachi, and R. Sato. 2023. "Childhood Exposure to Armed Conflict and Nutritional Health Outcomes in Nigeria." *Conflict and Health* 17 (15): 1-12.

Malunda, D., and S. Musana. 2012. "Rwanda Case Study on Economic Transformation." Report for the African Centre for Economic Transformation (ACET), Institute of Policy Analysis and Research, Kigali, Rwanda.

Mandon, P., V. Nossek, and D. Sandjong Tomi. 2024. "Stuck in a Fragility Trap: The Case of the Central African Republic Civil War." *Defence and Peace Economics* 36 (4): 1-34.

Mansour, M., and J. Schneider. 2019. "How to Design Tax Policy in Fragile States." IMF How-to Note 2019/004, International Monetary Fund, Washington, DC.

Marley, J. 2020. "Peacebuilding in Fragile Contexts." OECD Development Co-operation Working Papers 83, Organisation for Economic Co-operation and Development, Paris.

Masciandaro, D., and D. Romelli. 2018. "Beyond the Central Bank Independence Veil: New Evidence." BAFFI CAREFIN Working Paper 1871, Centre for Applied Research on International Markets Banking Finance and Regulation, Bocconi University, Milan.

Mawejje, J. 2025. *Fiscal Vulnerability in Low-Income Countries: Evolution, Drivers, and Policies*. Washington, DC: World Bank.

Mawejje, J., and P. McSharry. 2021. "The Economic Cost of Conflict: Evidence from South Sudan." *Review of Development Economics* 25 (4): 1969-90.

Michaelsen, M. M., and P. Salardi. 2020. "Violence, Psychological Stress and Educational Performance During the 'War on Drugs' in Mexico." *Journal of Development Economics* 143 (March): 102387.

MIGA (Multilateral Investment Guarantee Agency). 2023. "MIGA Supports Ground-Breaking Solar Project in Somalia." Press Release, Multilateral Investment Guarantee Agency, Washington, DC.

Mijiyawa, A.G., 2017. "Drivers of Structural Transformation: The Case of the Manufacturing Sector in Africa." *World Development* 99 (November): 141-59.

Miklian, J., and K. Hoelscher. 2022. "SMEs and Exogenous Shocks: A Conceptual Literature Review and Forward Research Agenda." *International Small Business Journal* 40 (2): 178-204.

Morgan, C., M. Bowling, J. Bartram, and G. L. Kayser. 2017. "Water, Sanitation, and Hygiene in Schools: Status and Implications of Low Coverage in Ethiopia, Kenya, Mozambique, Rwanda, Uganda, and Zambia." *International Journal of Hygiene and Environmental Health* 220 (6): 950-59.

Morsy, H., A. Shimeles, and T. Nabassaga. 2023. "Structural Change and Inequality in Africa." *Journal of African Economies* 32 (2): 228-45.

Mueller, H., and C. Rauh. 2022. "The Hard Problem of Prediction for Conflict Prevention." *Journal of the European Economic Association* 20 (6): 2440-67.

Mueller, H., C. Rauh, B. R. Seimon, and R. A. Espinoza. 2024. "The Urgency of Conflict Prevention—A Macroeconomic Perspective." IMF Working Paper 2024/256, International Monetary Fund, Washington, DC.

Muhammedally, S. 2022. *A Primer on Civilian Harm Mitigation in Urban Operations*. Washington, DC: Center for Civilians in Conflict.

Munoz, S., K. Nakamura, N. Rendak, and S. Yelten. 2006. *Cambodia: Rebuilding for a Challenging Future*. Washington DC: International Monetary Fund.

Nauges, C., and J. Strand. 2013. "Water Hauling and Girls' School Attendance: Some New Evidence from Ghana." Policy Research Working Paper 6443, World Bank, Washington DC.

Naumkina, S., O. Kokoriev, and H. Yatvetska. 2024. "Transitional Justice as an Efficient Mechanism for Overcoming the Consequences of Armed Conflicts: World Experience." *European Political and Law Discourse* 11 (3): 13-23.

ND-GAIN (Notre Dame Global Adaptation Initiative Country Index) database. Accessed on November 8, 2024. www.gain.nd.edu/our-work/country-index/download-data/.

Newfarmer, R., J. Page, and F. Tarp, eds. 2018. *Industries without Smokestacks Industrialization in Africa Reconsidered*. Oxford: Oxford University Press.

Newhouse, D. L., P. Suarez-Becerra, and D. Doan. 2016. *Sri Lanka—Poverty and Welfare: Recent Progress and Remaining Challenges.* Washington, DC: World Bank.

Newiak, M., A. Segura-Ubiergo, and A. A. Wayne. ed. 2022. *Good Governance in Sub-Saharan Africa: Opportunities and Lessons*. Wahington, DC: International Monetary Fund.

Nkoa, B., J. S. Song, and B. M. Bikoula. 2024. "Natural Resource Rents in Developing Countries: Is the Positive Influence on the Fragilities Real?" *Resources Policy* 89 (February): 104541.

Novelli, M., N. Morgan, and C. Nibigira. 2012. "Tourism in a Post-Conflict Situation of Fragility." *Annals of Tourism Research* 39 (3): 1446-69.

Novta, N., and E. Pugacheva. 2021. "The Macroeconomic Costs of Conflict." *Journal of Macroeconomics* 68 (June): 103286.

OECD (Organisation for Economic Cooperation and Development). 2011. *Supporting Statebuilding in Situations of Conflict and Fragility: Policy Guidance*. DAC Guidelines and Reference Series. Paris: Organisation for Economic Cooperation and Development.

Ohnsorge, F., and S. Yu, eds. 2022. *The Long Shadow of Informality: Challenges and Policies.* Washington, DC: World Bank.

Østby, G. 2008. "Polarization, Horizontal Inequalities and Violent Civil Conflict." *Journal of Peace Research* 45 (2): 143-62.

Østby, G. 2013. "Inequality and Political Violence: A Review of the Literature." *International Area Studies Review* 16 (2): 206-31.

Ovadiya, M., A. Kryeziu, S. Masood, and E. Zapatero. 2015. "Social Protection in Fragile and Conflict-Affected Countries: Trends and Challenges." Social Protection and Labor Discussion Paper 1502, World Bank, Washington, DC.

Pazarbasioglu, C., A. Garcia, M. Uttamchandani, H. Natarajan, E. Feyen, and M. Saal. 2020. *Digital Financial Services*. Washington, DC: World Bank.

Pedroni, P. 2013. "Structural Panel VARs." *Econometrics* 1 (2): 180-206.

Polachek, S. W., and D. Sevastianova. 2011. "Does Conflict Disrupt Growth? Evidence of the Relationship between Political Instability and National Economic Performance." *The Journal of International Trade and Economic Development* 21 (3): 361-88.

Pompe, S., and J. Turkewitz. 2022. "Addressing Corruption in Fragile Country Settings." In *Good Governance in Sub-Saharan Africa: Opportunities and Lessons*, edited by M. Newiak, A. Segura-Ubiergo, and A. A. Wane, 125-52. Washington, DC: International Monetary Fund.

Porter, M. 2011. "The Role of the Private Sector in Fragile and Conflict-Affected States." *World Development Report 2011* Background Paper, World Bank, Washington, DC.

Ratha, D., E. J. Kim, S. Plaza, E. J. Riordan, V. Chandra, and W. Shaw. 2022. "Remittances Brave Global Headwinds. Special Focus: Climate Migration." Migration and Development Brief 37, KNOMAD-World Bank, Washington, DC.

Rauschendorfer, J., and B. Shepherd. 2022. "Trade, Conflict and Informality: Evidence from the South Sudanese Civil War." *The World Economy* 45 (3): 867-94.

Redifer, L., E. Alper, N. Meads, N. Gursoy, T. Newiak, M. Thomas, and S. Kwalingana. 2020. *The Development Path Less Traveled: The Experience of Rwanda.* Washington, DC: International Monetary Fund.

Regan, P. M., and A. C. Stam. 2002. "In the Nick of Time: Conflict Management, Mediation Timing, and the Duration of Interstate Disputes." *International Studies Quarterly* 44 (2): 239-60.

Rehman, S., and L. Jaramillo. 2024. "Adding Fuel to the Fire: How Weather Shocks Intensify Conflict." IMF Working Paper 2024/112, International Monetary Fund, Washington, DC.

Rogall, T., I. Rudolfsen, and P. Vesco. 2025. "Conflict Worsens the Impact of Flood on Food Insecurity: Evidence from the Nargis Cyclone in Myanmar." *VIEWS Forecasting*. March 20, 2025. www.viewsforecasting.org/news/conflict-worsens-the-impact-of-flood-on-food-insecurity-evidence-from-the-nargis-cyclone-in-myanmar/.

Rohner, D. 2024. *The Peace Formula: Voice, Work and Warranties, Not Violence*. Cambridge, U.K.: Cambridge University Press.

Rosen, N. 2023. "Five Years After Pathways: Evolving Research on Inequality, Grievance, and Inclusion." Pathways for Peace, World Bank, Washington, DC; United Nations, New York.

Rother, B., G. Pierre, D. Lombardo, R. Herrala, P. Toffano, E. Roos, G. Auclair, and K. Manasseh. 2016. "The Economic Impact of Conflicts and the Refugee Crisis in the Middle East and North Africa." IMF Staff Discussion Note 2016/008, International Monetary Fund, Washington, DC.

Ruggeri, A., H. Dorussen, and T. Gizelis. 2017. "Winning the Peace Locally: UN Peacekeeping and Local Conflict." *International Organization* 71 (1): 163-85.

Rummel, R. J. 1994. *Death by Government*. New Brunswick, N.J.: Transaction Publishers.

Rutkowski, M., and F. Bousquet. 2019. "Social Protection: Protecting the Poor and Vulnerable During Crises." *Development for Peace* (blog). December 12, 2019. www.blogs.worldbank.org/en/dev4peace/social-protection-protecting-poor-and-vulnerable-during-crises.

Safi, L., A. G. Safi, and M. Mujeeb. 2024. "Identifying Afghanistan's Extraordinary Natural Sites for Ecotourism: A Review of Ideal Ecosystems." *Journal of Natural Science Review* 2 (4): 147-68.

Same, A. T. 2009. "Transforming Natural Resource Wealth into Sustained Growth and Poverty Reduction: A Conceptual Framework for Sub-Saharan African Oil Exporting Countries." Policy Research Working Paper 4852, World Bank, Washington, DC.

Samman, E., P. Lucci, J. Hagen-Zanker, T. Bhatkal, A. T. Simunovic, S. Nicolai, E. Stuart, et al. 2018. *SDG Progress: Fragility, Crisis and Leaving No One Behind*. London: Overseas Development Institute and International Rescue Committee.

Schady, N., A. Holla, S. Sabarwal, J. Silva, and A. Y. Chang. 2023. *Collapse and Recovery: How the COVID-19 Pandemic Eroded Human Capital and What to Do about It*. Washington, DC: World Bank.

Schlogl, L., and A. Sumner. 2020. "Economic Development and Structural Transformation." In *Disrupted Development and the Future of Inequality in the Age of Automation*. Rethinking International Development Series, 11-20. Cham, Switzerland: Palgrave Pivot.

Schwab, K. 2019. *The Global Competitiveness Report*. Geneva: World Economic Forum.

Scott, E. K. M. 2022. "Compromising Aid to Protect International Staff: The Politics of Humanitarian Threat Perception after the Arab Uprisings." *Journal of Global Security Studies* 7 (1): ogab024.

Serikbayeva, B., K. Abdulla, and Y. Oskenbayev. 2021. "State Capacity in Responding to COVID-19." *International Journal of Public Administration* 44 (11-12): 920-30.

Sesay, F. L. 2004. "Conflict in Neighbouring (Developing) Countries: Direct and Indirect Effects on Economic Growth." TIGER Working Paper Series 68, Transformation, Integration and Globalization Economic Research (TIGER), Warsaw, Poland.

Siberdt, B. 2024. "Why Onset Matters: Warfare, Intensity, and Duration in Civil War." *Journal of Conflict Resolution* 0 (0): 1-35.

Singh, M. K. 2023. "What Is State Capacity and How Does It Matter for Energy Transition?" *Energy Policy* 183 (December): 113799.

Stapenhurst, R., N. Johnston, and R. Pelizzo. eds. 2006. *The Role of Parliament in Curbing Corruption.* Washington, DC: World Bank.

Szayna, T. S., A. O'Mahony, J. Kavanagh, S. Watts, B. Frederick, T. C. Norlen, and P. Voorhies. 2017. *Conflict Trends and Conflict Drivers: An Empirical Assessment of Historical Conflict Patterns and Future Conflict Projections*. Santa Monica, CA: RAND Corporation.

Tandon, S., and T. Vishwanath. 2021. "How Well Is Humanitarian Assistance Targeted in Fragile Environments? Evidence from the Announcement of a Food Emergency in Yemen." *Food Policy* 102 (July): 102071.

Tapsoba, A. 2023. "The Cost of Fear: Impact of Violence Risk on Child Health during Conflict." *Journal of Development Economics* 160 (January): 102975.

Tesche, J. 2000. "Banking in Bosnia and Herzegovina." *MOCT-MOST: Economic Policy in Transitional Economies* 10 (3): 311-24.

Townsend, R., D. Verner, A. Adubi, J. Saint-Geours, I. Leao, A. Juergenliemk, T. Robertson, et al. 2021. *Future of Food: Building Stronger Food Systems in Fragility, Conflict, and Violence Settings*. Washington, DC: World Bank.

UCDP (Uppsala Universitet). 2024. "Record Number of Armed Conflicts in the World–Press Release." Uppsala Universitet, Uppsala, Sweden.

UN (United Nations). 2010. "Second Generation Disarmament, Demobilization and Reintegration (DDR) Practices in Peace Operations: A Contribution to the New Horizon Discussion on Challenges and Opportunities for UN Peacekeeping." New York: United Nations.

UN (United Nations). 2022. "Urban Warfare Devastates 50 Million People Worldwide, Speakers Tell Security Council, Calling for Effective Tools to End Impunity, Improve Humanitarian Response." Meeting Coverage and Press Releases, United Nations, New York.

UN (United Nations) and World Bank. 2018. *Pathways for Peace: Inclusive Approaches to Preventing Violent Conflict*. Washington, DC: World Bank.

UNICEF (United Nations Children's Fund). 2024. "Financing Social Services in Humanitarian Settings." Social Spending Monitor Series: Policy Brief 4. United Nations Children's Fund, New York.

UNDP (United Nations Development Programme). 2008. *Crisis Prevention and Recovery Report 2008: Post-Conflict Economic Recovery—Enabling Local Ingenuity.* New York: United Nations Development Programme.

UN (United Nations) Economic and Social Council. 2024. "Sound Public Financial Management in Fragile and Conflict-Affected Settings to Eradicate Poverty in All its Forms." Note by the Secretariat, E/C16/2024/8. United Nations, New York.

UNOCHA (United Nations Office for the Coordination of Humanitarian Affairs). 2024. "Global Humanitarian Overview 2025." United Nations Office for the Coordination of Humanitarian Affairs, Geneva.

UN (United Nations) Security Council. 2024. "Protection of Civilians in Armed Conflicts." Report of the Secretary-General, S/2024/385. United Nations, New York.

Utar, H., 2024. "Firms and Labor in Times of Violence: Evidence from the Mexican Drug War." *The World Bank Economic Review* 0 (0): 1-31.

Vandeninden, F., R. Grun, and A. Semlali. 2019. *The Way Forward for Social Safety Nets in Burkina Faso*. Washington, DC: World Bank.

Vesco, P., G. Baliki, T. Brück, S. Döring, A. Eriksson, H. Fjelde, D. Guha-Sapir, et al. 2025. "The Impacts of Armed Conflict on Human Development: A Review of the Literature." *World Development* 187 (March): 106806.

World Bank. 2000. *Bosnia and Herzegovina: Post-Conflict Reconstruction and the Transition to a Market Economy*. Washington, DC: World Bank.

World Bank. 2006. *Cambodia: Halving Poverty by 2015? Poverty Assessment 2006*. Washington, DC: World Bank.

World Bank. 2007. *Sri Lanka—Poverty Assessment: Engendering Growth with Equity: Opportunities and Challenges*. Washington, DC: World Bank.

World Bank. 2009. "Disarmament, Demobilization and Reintegration." World Bank Conflict, Crime and Violence Note 119, Washington, DC: World Bank, Washington, DC.

World Bank. 2011. *World Development Report 2011: Conflict, Security, and Development*. Washington, DC: World Bank.

World Bank. 2013. *Where Have All the Poor Gone? Cambodia Poverty Assessment 2013*. Washington, DC: World Bank.

World Bank. 2014. *Financial Protection Against Natural Disasters: An Operational Framework for Disaster Risk Financing and Insurance*. Washington, DC: World Bank.

World Bank. 2015a. *Democratic Republic of Congo Systematic Country Diagnostic*. Washington, DC: World Bank.

World Bank. 2015b. *Republic of South Sudan Systematic Country Diagnostic*. Washington, DC: World Bank.

World Bank. 2016a. *Afghanistan Systematic Country Diagnostic*. Washington, DC: World Bank.

World Bank. 2016b. *Sri Lanka Development Update*. September. Washington, DC: World Bank.

World Bank. 2017a. *Priorities for Supporting Poverty Reduction and Promoting Shared Prosperity. Solomon Islands Systematic Country Diagnostic*. Washington, DC: World Bank.

World Bank. 2017b. *Tourism for Development: 20 Reasons Sustainable Tourism Counts for Development*. Washington, DC: World Bank.

World Bank. 2017c. *Forcibly Displaced: Toward a Development Approach Supporting Refugees, the Internally Displaced, and Their Hosts*. Washington, DC: World Bank.

World Bank. 2017d. *World Development Report 2017: Governance and the Law*. Washington, DC: World Bank.

World Bank. 2018a. *Policy Priorities for Poverty Reduction and Shared Prosperity in a Post-Conflict Country and Fragile State. Democratic Republic of Congo Systematic Country Diagnostic*. Washington, DC: World Bank.

World Bank. 2018b. *The Independent State of Papua New Guinea Systematic Country Diagnostic*. Washington, DC: World Bank.

World Bank. 2020a. *Global Economic Prospects*. January. Washington, DC: World Bank.

World Bank. 2020b. *Global Investment Competitiveness Report 2019/2020: Rebuilding Investor Confidence in Times of Uncertainty*. Washington, DC: World Bank.

World Bank. 2020c. *World Bank Group Strategy for Fragility, Conflict, and Violence 2020–2025*. Washington, DC: World Bank.

World Bank. 2020d. *Enhancing Government Effectiveness and Transparency: The Fight Against Corruption*. Washington, DC: World Bank.

World Bank. 2022a. *The International Finance Corporation's and Multilateral Investment Guarantee Agency's Support for Private Investment in Fragile and Conflict-Affected Situations, Fiscal Years 2010–21*. Independent Evaluation Group. Washington, DC: World Bank.

World Bank. 2022b. *Social Cohesion and Forced Displacement: A Synthesis of New Research*. Washington, DC: World Bank.

World Bank. 2022c. *Boosting Shared Prosperity in a Landlocked Country Beset by Fragility and Conflict. Chad Systematic Country Diagnostic*. Washington, DC: World Bank.

World Bank. 2022d. *The International Finance Corporation's and Multilateral Investment Guarantee Agency's Support for Private Investment in Fragile and Conflict-Affected Situations, Fiscal Years 2010–21*. Independent Evaluation Group. Washington, DC: World Bank.

World Bank. 2023a. *World Development Report 2023: Migrants, Refugees, and Societies*. Washington, DC: World Bank.

World Bank. 2023b. *Accelerating the Building of Inclusive Institutions for Resilience and Jobs. Somalia Systematic Country Diagnostic*. Washington, DC: World Bank.

World Bank. 2024a. "Classification of Fragility and Conflict Situations (FCS) for World Bank Group Engagement." Brief, World Bank, Washington, DC.

World Bank. 2024b. *Global Economic Prospects*. January. Washington, DC: World Bank.

World Bank. 2024c. *Global Economic Prospects*. June. Washington, DC: World Bank.

World Bank. 2024d. *Business Ready 2024*. Washington, DC: World Bank.

World Bank. 2024e. "Learning from the Evidence on Forced Displacement: Program Brief." World Bank, Washington, DC.

World Bank. 2024f. *A Development Approach to Advancing Gender Engagement and Addressing Gender Inequalities in Fragile, Conflict and Violent Situations*. Washington, DC: World Bank.

World Bank. 2024g. *Women, Business and the Law 2024*. Washington, DC: World Bank.

World Bank. 2024h. *Empowering Fragile States: IDA's Strategic Role in Conflict-Affected Areas and Vulnerable Countries*. Washington, DC: World Bank.

World Bank. 2024i. "Preparing the Workforce for the Green Transition: How to Promote the Green Transition, Competitiveness, and Employability by Focusing on Skills Development in South Africa." Synthesis Note July, 2024, World Bank, Washington, DC.

World Bank. 2025a. *Global Economic Prospects*. January. Washington, DC: World Bank.

World Bank. 2025b. "Financing for Development. The World Bank Group's Contribution to the International Financing for Development Agenda." World Bank, Washington, DC.

World Bank. 2025c. "Note on the Impacts of the Conflict in the Middle East on the Palestinian Economy." World Bank, Washington, DC.

World Bank. 2025d. *Prosperity Unearthed: Wealth-Sharing Mechanisms for Peace and Equitable Growth in the Middle East and North Africa*. International Development in Focus. Washington, DC: World Bank.

World Bank-WDI (World Development Indicators) database. "World Development Indicators." Accessed on December 18, 2024. www.databank.worldbank.org/source/world-development-indicators.

World Bank, European Union, and United Nations. 2024. "Gaza Strip Interim Damage Assessment." Summary Note, World Bank, Washington, DC.

World Bank, UNESCO, and UNICEF. 2021. *The State of the Global Education Crisis: A Path to Recovery.* Washington, DC: World Bank.

WCO (World Customs Organization). 2022. "Secretariat Note on the Role of Customs in Fragile and Conflict-Affected Situations." World Customs Organization, Brussels, Belgium.

WTO (World Trade Organization). 2025. *Trade for Peace: Pathways to Sustainable Trade and Peace*. Geneva: World Trade Organization.

Yolchi, J., H. Wang, and V. Pede. 2024. "Impact of Floods on Food Security in Rural Afghanistan." *International Journal of Disaster Risk Reduction* 112 (October): 104746.

Economies in fragile and conflict-affected situations (FCS) are burdened by weak institutions and are particularly vulnerable to adverse shocks—including conflict, natural disasters, commodity price swings, and global downturns. Nearly three-quarters of FCS economies have remained classified as such for over a decade, highlighting the persistence of their challenges and underlying fragility. Limited fiscal space further constrains these economies from responding to shocks and investing in essential services such as education, health, and infrastructure.

Conflict is surging, and its effects are devastating. On a five-year basis, the frequency and lethality of conflicts have more than tripled since the early 2000s. Beyond the immense human toll, the economic impact is staggering: high-intensity conflicts are typically followed by a cumulative drop of about 20 percent in GDP per capita after five years, relative to pre-conflict projections.

Nearly 40 percent of the population of FCS economies lives in extreme poverty. By 2030, these economies are projected to account for nearly 60 percent of the world's extreme poor, up from 50 percent in 2024. They also bear a growing burden of hunger: around 200 million people—nearly one in five—now face acute food insecurity.

Life expectancy in FCS economies is seven years shorter and infant mortality is more than double the rate in other developing countries. On average, children receive just six years of schooling, and learning poverty remains widespread. Health systems are under severe strain, further weakened by conflict-related disruptions.

Repeated shocks and sluggish growth have contributed to rising debt vulnerabilities in FCS economies. Around 70 percent are now in or at high risk of debt distress. Yet these economies also possess considerable untapped potential, including abundant natural resources, expanding working-age populations, and—once peace is established—promising prospects for tourism.

With tailored policies and sustained international support, policy makers in FCS economies can prevent conflict, strengthen governance, accelerate growth, and create jobs—laying the foundation for more resilient and inclusive development. Targeted assistance—including concessional financing, debt relief, and investments in state capacity and governance—will be crucial. Equally important are efforts to expand access to quality education, healthcare, and infrastructure, and promote private sector development to meet the needs of growing working-age populations.