

## 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.

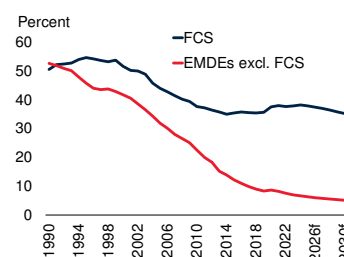
**FCS economies have become the epicenter of global poverty and food insecurity, a situation increasingly shaped by the frequency and intensity of conflict.** Progress on poverty reduction has stalled since the mid-2010s, reflecting the compounded effects of intensifying conflict, economic fragility, 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

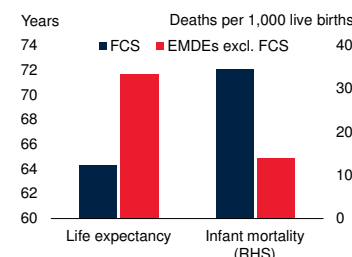
## FIGURE ES Development challenges in FCS economies

*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.*

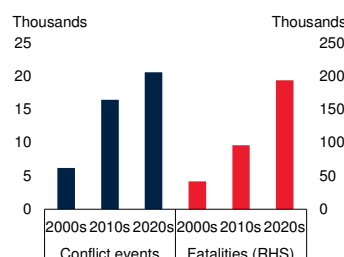
**A. Extreme poverty rate**



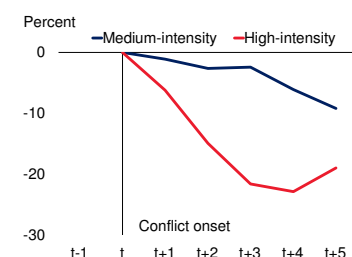
**B. Life expectancy and infant mortality, 2022**



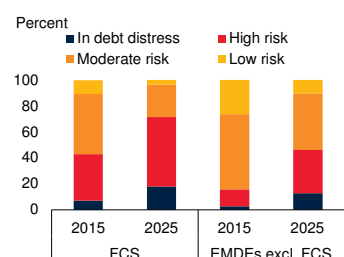
**C. Global conflict and fatalities**



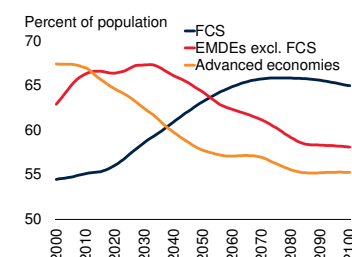
**D. Cumulative loss of per capita GDP following the onset of conflict**



**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.