Extension of the End-Disbursement Date for the State and Peacebuilding Multi donor Trust fund (TF071021 and TF072722)

Information Note
I. Introduction

1. This note provides information to Executive Directors of the World Bank Board on the extension of the end-disbursement date of the State and Peacebuilding Multi-donor Trust Fund (SPF) from September 30, 2021 to December 31, 2022.

II. Background

2. The SPF was established in 2008 via World Bank Board resolution (IBRD 2008-0002 and No. IDA 2008-0001) with two broad state- and peace-building objectives: (i) improving governance and institutional performance in fragility, conflict & violence (FCV) affected regions to boost resilience to internal and external stresses; and (ii) developing the socio-economic conditions that foster peaceful, stable, and sustainable development. The SPF is organized around five focus areas: (i) financing solutions; (ii) prevention and recovery; (iii) crisis response; (iv) forced displacement; and (v) the humanitarian-development-peace nexus.

3. The SPF provides flexible financing for innovative state- and peacebuilding activities. Funding from the SPF is available to all World Bank member countries facing fragility, conflict, and violence challenges as well as countries in arrears and, on a case-by-case basis, to non-members. As of June 30, 2019, the SPF is active in 48 countries, including under regional and global initiatives. The SPF has provided financing to all regions, with Africa and the Middle East and North Africa representing the largest shares. The SPF responds to a range of FCV challenges across regions—from crises and transitions, subnational conflict, small island state fragility, and urban crime and violence.

4. The SPF was established with an initial contribution from the World Bank of US$100 million over three fiscal years (2009-2012). Since this initial pledge, the SPF has received annual contributions from the Bank as one of the Grant-Making Facilities (GMFs) that have been a “below-the-line” component of the Bank’s administrative budget. Total World Bank contributions to the SPF through FY19 are US$237 million, representing 69 percent of overall contributions to the SPF; this has been complemented by an additional US$104 million from bilateral donors. SPF donors include Australia, Denmark, France, Germany, Netherlands, Norway, Switzerland, Sweden, and the United Kingdom. At the end of FY19, the total value of the SPF, including investment income, was US$349 million. The SPF Technical Advisory Committee has approved 237 grants and multi-donor trust fund (MDTF) transfers for a total of over US$309 million.

5. The Board resolution authorizing establishment of the SPF did not specify an End Disbursement Date; however, the Administration Agreements between the Bank and donors have set End Disbursement Dates. In 2014, Management approved the extension of the End Disbursement Date of the SPF to September 30, 2021, after notifying the Board of the proposed extension.

III. Rationale for extending the end-disbursement date

6. An independent evaluation carried out in 2019 found that in the context of increased World Bank engagement and investments in FCV situations in the last decade, SPF has maintained strong relevance and plays a strategic role in the FCV architecture within the Bank. Furthermore, it is likely that the SPF’s relevance will continue in the next five years, given that global extreme poverty is increasingly concentrated in fragile and conflict-affected situations, and the World Bank Group has accordingly increased its engagement in FCV settings, as demonstrated by the scale-up under IDA19 and the first WBG Strategy for FCV. The limited lifetime of the SPF currently constrains the SPF’s ability to commit to support grants in FCS contexts requiring implementation periods beyond 12 months, especially larger recipient-executed
grants. One of the recommendations of the evaluation was that the SPF Council, comprised of the World Bank and contributing development partners, should commence discussions on extension of the end disbursement date.

7. SPF donors and management agreed to establish a new SPF Umbrella (SPF 2.0) in order to support the WBG’s engagement on FCV through the new WBG FCV Strategy and IDA19. SPF 2.0 will be in full alignment with the four pillars of the Strategy: (i) preventing violent conflict and interpersonal violence; (ii) remaining engaged during crises and active conflicts; (iii) helping countries transition out of fragility; and (iv) mitigating the spillover of FCV. It is estimated that design of SPF 2.0 Umbrella would be finalized by end calendar year 2020.

8. The current closing date of the SPF is September 30, 2021. It is proposed that the SPF will be extended until December 31, 2022. This extension would allow the SPF to provide recipient-executed grants as well as provide a bridge while SPF 2.0 is designed and established.

9. Management will approve this extension with the approval of all the donors to the SPF.