FROM: The Corporate Secretary

The State- and Peace-Building Fund (SPF)
Promoting Development Solutions in Countries Impacted by Fragility, Conflict and Violence

Update on SPF Progress and Proposed SPF Reforms

1. Attached is a Memorandum of the President and a report entitled “The State- and Peace-Building Fund (SPF) – Promoting Development Solutions in Countries Impacted by Fragility, Conflict and Violence – Update on SPF Progress and Proposed SPF Reforms.

2. This proposal is being processed on an absence-of-objection basis. An Executive Director may submit a written statement, request a discussion, request an extension of the closing date, or register an abstention or opposition on this proposal via the eCenter system. In the absence of any such request, or objection from a majority of voting Executive Directors by the close of business on the Closing Date noted above, the recommendation in the President's memorandum, paragraph 4, will be deemed approved and so recorded, along with any abstention or opposition, in a subsequent set of minutes.

3. Questions on this document should be addressed to Ms. Benner (ext. 80352).

Distribution:

Executive Directors and Alternates
President
Bank Group Senior Management
Vice Presidents, Bank, IFC and MIGA
Directors and Department Heads, Bank, IFC and MIGA
MEMORANDUM TO THE EXECUTIVE DIRECTORS

THE STATE- AND PEACE-BUILDING FUND (SPF): PROMOTING DEVELOPMENT SOLUTIONS IN COUNTRIES IMPACTED BY FRAGILITY, CONFLICT AND VIOLENCE

UPDATE ON SPF PROGRESS AND PROPOSED SPF REFORMS

1. The World Bank Group (WBG) has made a strong commitment to its clients and shareholders to strengthen its response to fragility, conflict and violence (FCV). Achievement of the WBG’s goals of ending poverty and promoting shared prosperity in a sustainable matter will require significant progress on development outcomes in countries impacted by FCV. The State- and Peace-building Fund (SPF), established in 2008, is the World Bank’s largest global multi donor trust fund (MDTF) for FCV response and is an important complement to other sources of WBG support. The SPF provides flexible financing for innovative state- and peace-building programs, particularly in countries with limited or no access to other sources of WBG financing, special FCV cases in IBRD countries and regional or global initiatives.

2. The attached paper presents an overview of the SPF and its achievements to date and sets out the rationale for, and principles of, an effort to reposition the Fund to further enhance its responsiveness and flexibility. The proposed SPF reforms build on the findings of the 2012 Mid Term Review of the Fund and position the Fund for maximum impact in the new WBG operating model and to leverage enhanced WBG commitments and financing to address FCV challenges.

3. Since it requires an amendment to the SPF’s founding Board resolution, this paper seeks Board approval for the SPF to provide Bank-executed grants for purposes other than program management to respond to challenging FCV contexts. It also informs the Board of the other elements of the reform package: i) improve the speed and responsiveness of the SPF grant-making; ii) revise the SPF governance arrangements in line with the WBG’s new operating model; iii) align the SPF’s program management costs with the value and scope of the Fund; iv) extend the SPF for five years until September 30, 2021; and v) use the SPF as a platform to continue strategic management of global FCV-focused Trust Funds housed in the FCV Group (this includes the SPF,
UN-WB Partnership Trust Fund, the Global Program on Forced Displacement and the Korea Trust Fund for Economic and Peacebuilding Transitions).

4. **Recommendations:** I recommend that the Executive Directors approve the proposed State and Peace-building Fund reform package and an amendment to Resolution Nos. IBRD 2008-0002 and IDA 2008-0001 to allow the SPF to provide Bank-executed grants for purposes other than program management to respond to challenging FCV contexts, as set forth in the draft Resolution included as Annex 2 to the attached paper.

Jim Yong Kim  
President

Sri Mulyani Indrawati  
Managing Director
THE STATE AND PEACE-BUILDING FUND (SPF): PROMOTING DEVELOPMENT SOLUTIONS IN COUNTRIES IMPACTED BY FRAGILITY, CONFLICT AND VIOLENCE

UPDATE ON SPF PROGRESS AND PROPOSED SPF REFORMS

Fragility, Conflict and Violence Group
September 2014
### ABBREVIATIONS AND ACRONYMS

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<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>AfDB</td>
<td>African Development Bank</td>
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<td>AFR</td>
<td>Africa Region</td>
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<td>BB</td>
<td>Bank budget</td>
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<td>CCSA</td>
<td>Cross Cutting Solutions Area</td>
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<td>CDD</td>
<td>Community-driven development</td>
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<td>CSO</td>
<td>Civil society organization</td>
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<td>EAP</td>
<td>East Asia and Pacific Region</td>
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<td>ECA</td>
<td>Eastern Europe and Central Asia Region</td>
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<td>EU</td>
<td>European Union</td>
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<td>FAO</td>
<td>Food and Agriculture Organization</td>
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<td>FCV</td>
<td>Fragility, conflict, and violence</td>
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<td>FCS</td>
<td>Fragile and conflict-affected situations</td>
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<td>GP</td>
<td>Global Practice</td>
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<td>HIPC</td>
<td>Heavily indebted poor countries</td>
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<td>IBRD</td>
<td>International Bank for Reconstruction and Development</td>
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<td>IDP</td>
<td>Internally displaced persons</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>IDA</td>
<td>International Development Association</td>
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<td>IEG</td>
<td>Independent Evaluation Group</td>
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<td>KTF</td>
<td>Korean Trust Fund for Economic and Peace-Building Transitions</td>
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<td>LAC</td>
<td>Latin American and Caribbean Region</td>
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<td>LICUS TF</td>
<td>Low-Income Countries Under Stress Implementation Trust Fund</td>
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<td>MENA</td>
<td>Middle East and North Africa Region</td>
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<td>MDTF</td>
<td>Multi-Donor Trust Fund</td>
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<td>MICs</td>
<td>Middle-income countries</td>
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<td>MTR</td>
<td>Mid-Term Review</td>
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<td>NGO</td>
<td>Non-governmental organization</td>
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<td>RKL</td>
<td>Research, knowledge, and learning</td>
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<td>SAR</td>
<td>South Asia Region</td>
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<td>SGBV</td>
<td>Sexual and gender-based violence</td>
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<td>SPF</td>
<td>State- and Peace-Building Fund</td>
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<td>UN</td>
<td>United Nations</td>
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THE STATE AND PEACE-BUILDING FUND (SPF):
PROMOTING DEVELOPMENT SOLUTIONS IN COUNTRIES IMPACTED BY
FRAGILITY, CONFLICT AND VIOLENCE

UPDATE ON SPF PROGRESS AND PROPOSED SPF REFORMS

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THE STATE AND PEACE-BUILDING FUND (SPF):
PROMOTING DEVELOPMENT SOLUTIONS IN COUNTRIES IMPACTED BY FRAGILITY, CONFLICT AND VIOLENCE

UPDATE ON SPF PROGRESS AND PROPOSED SPF REFORMS

I. Introduction

1. Achievement of the World Bank Group’s (WBG) goals of ending poverty and promoting shared prosperity will require significant progress on development outcomes in countries impacted by fragility, conflict, and violence (FCV). People living in extreme poverty (under US$1.25 per day) are increasingly concentrated in fragile and conflict-affected states\(^1\) (FCS) that are lagging in achievement of the Millennium Development Goals (MDGs). One-third of the world’s poor live in countries affected by fragility.\(^2\) Subnational regions and urban centers experiencing conflict and violence are also being left behind.

2. The *2011 World Development Report: Conflict, Security, and Development* (2011 WDR) argued that cycles of conflict and violence can only be broken by strengthening legitimate institutions to deliver citizen security, justice, and jobs.\(^3\) Without this, peace, stability, and gains in poverty reduction can be quickly and unexpectedly reversed, taking years to recover. The recent wave of conflicts in Africa and the Middle East illustrates these challenges and the development impacts in both low- and middle-income countries (including Egypt, Somalia, South Sudan, and Syria). In addition, there are significant global and regional economic, political and social spillover effects (for example, Mali on the Sahel region; Syria on Lebanon and Jordon; Eastern Congo on the Great Lakes; Somalia on the Horn of Africa).

3. The WBG made a strong commitment to its clients and shareholders to strengthen its response and financing to respond to FCV following the publication of the 2011 WDR and the release of the Independent Evaluation Group’s *Evaluation of WBG Assistance to Low-Income Fragile and Conflict-Affected States*.\(^4\) Between IDA 11 and IDA 16, IDA commitments to FCS states more than quadrupled (from US$1.5 billion to US$8.1 billion)\(^5\). In IDA 17, Management committed to further scale up support for FCS through the introduction of an exceptional allocation regime for countries facing turn-around situations and an increase in the poverty orientation of the regular Performance-Based Allocation system. Subject to country performance, these changes are expected to result in a 50 percent increase in the percentage allocated to FCS relative to the IDA allocation under the previous formula. Bank budget to support FCS grew by 18 percent compared to 4 percent for non-FCS between FY13-FY14 and will continue to grow in FY15. The International Finance Corporation (IFC) has committed to increase the volume of

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\(^1\) Global Monitoring Report, Ending Poverty and Sharing Prosperity, 2014 (SecM2014-0417).
\(^4\) 2013: *An Independent Evaluation of World Bank Group Assistance to Low-Income Fragile and Conflict-Affected States*
\(^5\) The amounts include the core allocation to fragile states, including financing through the post-conflict and re-engaging regimes since IDA12, the exceptional arrears clearance support provided in IDA14 and support provided through the Crisis Response Window since IDA15.
investments in FCS by 50 percent over FY12 levels by the end of FY16 and the Multilateral Investment Guarantee Agency (MIGA) has approved the Conflict-Affected and Fragile Economies Facility (CAFEF) to support enhanced risk guarantees.

4. The major shift in WBG business toward FCV is articulated in the new strategy of the World Bank and is a focus of the reform of the WBG operating model, which aims to create a stronger, more integrated and solutions-oriented WBG that will help clients tackle pressing global development challenges in pursuit of the WBG’s goals. The FCV Cross-Cutting Solutions Area (CCSA – formerly the Center on Conflict Security and Development and now known as the FCV Group), has been established to foster this strategic integration, improve coordination and knowledge creation, establish global leadership on FCV, transform the way the WBG works in FCV settings, and develop global partnerships, including with the g7+ group of fragile states.

5. The State- and Peace-building Fund (SPF), established in 2008, is the World Bank’s largest global multi-donor trust fund (MDTF) for FCV response and serves as a key complementary tool as part of the WBG’s overall engagement on FCV issues across all client segments. The SPF has provided flexible support for innovative state- and peace-building programming to countries with limited or no access to other sources of Bank financing for FCV-related activities, pioneered frontier development approaches that have been brought to scale, and fostered new partnerships for more effective responses on FCV. Many of the recommendations of the 2011 WDR and the Bank’s current operational work in FCV settings are rooted in pilot grants financed by the SPF and its predecessor trust funds (the Post-Conflict Fund and the Low-Income Countries Under Stress Trust Fund). The SPF, along with other FCV-focused trust funds, will be housed in the FCV Group and will work closely with country and regional units, Global Practices (GPs), and CCSAs to deploy resources to meet the growing challenges of FCV.

6. With new corporate commitments on FCV and the rise of urgent FCV priorities across regions, the WBG is increasing its support through a variety of complementary instruments. Alongside new IDA investments and enhanced Bank budget, the SPF is well-positioned to provide flexible support as a “frontier” fund to push the boundaries of WBG engagement and to pilot new and innovative approaches to FCV challenges that can be brought to scale. Building on the Fund’s successes and lessons to date, and as the new GPs, Groups, CCSAs, and regional and country teams scale up their efforts, the provision of flexible financing through the SPF will

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6 IFC also committed to increasing advisory services expenditure in FCS by 20 percent (FY 2014-2016 IFC Road Map).
8 The WBG has committed to support the New Deal for Engagement in Fragile States, an agreement between the g7+ and donors.
9 Valued as US$222 million at the close of FY14.
10 Includes countries in arrears, non-members, countries with an annual IDA allocation that averaged less than US$13 million between FY9-12, special FCV cases in IBRD countries, and regional/global FCV-related initiatives.
11 Other FCV-focused trust funds include the UN-WB Partnership Trust Fund (UN-WB Trust Fund), the Korean Trust Fund for Economic and Peace-building Transitions (KTF), and the Global Program on Forced Displacement (GPFD). These trust funds will deploy resources across the Global Practices and other CCSAs to address FCV challenges. The FCV Group will also deepen collaboration with IFC and MIGA, including enhanced cooperation with the IFC’s Conflict Affected States in Africa program (CASA) and MIGA’s Conflict-Affected and Fragile Economies Facility (CAFEF) to ensure strategic coherence and maximize development impact.
remain an essential component of WBG response in some of the world’s most challenging operating environments.

7. This paper presents an overview of the SPF and its achievements and sets out the rationale for, and principles of, an effort to reposition the Fund to enhance its responsiveness and flexibility. The proposed SPF reforms build on the findings of a 2012 Mid-Term Review and position the Fund for maximum impact in the new WBG operating model and to leverage enhanced IDA, Bank budget, IFC, and MIGA commitments to address FCV challenges.

8. Since it requires an amendment to the SPF’s founding Board Resolution, this Paper seeks Board approval to give the SPF the flexibility to provide Bank-executed grants for purposes other than Program Management to respond in the most challenging FCV contexts. Five other reform areas are presented for Board notification since they are management changes that do not require adjustments to the SPF Board resolution, or they seek to carry out existing Bank policy as approved by the Board. The five reforms are: (i) improve the speed and responsiveness of SPF grant-making; (ii) revise the SPF’s governance arrangements in line with the WBG’s new operating model; (iii) align the SPF’s program management costs with the value and scope of the Fund; (iv) extend the SPF for five years until September 2021; and (v) use the SPF as a platform for a more strategic and coordinated approach for the WBG’s FCV-focused trust funds.

II. Background and the SPF’s Role in FCV Response

9. **Background:** The SPF was established in 2008 with two broad state- and peace-building goals:

   - To support measures to improve governance and institutional performance in countries emerging from, in, or at risk of sliding into crisis or arrears; and
   - To support the reconstruction and development of countries prone to, in, or emerging from conflict.

10. The flexibility of SPF makes it a versatile source of financing and it has evolved with the Bank’s FCV agenda to meet diverse client needs. 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-member countries. The Fund is active in 34 countries and also finances 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 (Figure 1). The Fund responds to a range of FCV challenges across regions—from crises and political transitions in the Middle East and North Africa and subnational conflict and small island state fragility in East Asia and Pacific to urban crime and violence in Latin America and multiple forms of FCV across Sub-Saharan Africa (Figure 2).
11. As a trust fund with flexible procedures and financing arrangements, including the ability to use the United Nations Fiduciary Principles Accord (FPA), the SPF is able to engage with a variety of partners and grant recipients, including government, non-governmental organizations (NGOs), universities and think tanks, and regional and international institutions. In exceptional circumstances, due to severe capacity constraints and crises, the Bank is also able to execute activities on behalf of SPF grant recipients. The SPF can also provide seed funding to country-level MDTFs in fragile and conflict-affected states (Figure 3).

12. **Financial Status:** 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 FY14 are US$167 million, representing 76 percent of overall contributions to the Fund; this has been complemented by an additional US$52 million from bilateral donors, whose contributions have steadily increased since the SPF’s founding in 2008. SPF donors include Australia, Denmark, Germany, Netherlands (until FY13), Norway, Sweden, and the United Kingdom (Figure 4). At the end of FY14, the total value of the SPF, including investment income, was US$222 million. The SPF Committee has approved 96 grants and MDTF transfers for a total of US$212 million. Ninety-nine percent (all but US$2 million of approved grants) have been legally committed. As dictated in the SPD’s Administrative Agreements, US$8.4 million has also been committed to cover SPF program management costs, including knowledge and learning activities.
13. As part of the new Strategic Planning and Budgeting process, the GMF budget line is being phased out to better align the WBG budget with corporate priorities and the WBG goals. In light of the priority given to FCV and urgent demands on the Fund, the World Bank has pledged a further US$60 million to the SPF for FY15-17 (past the SPF’s current closing date) and will consider any future contributions to the SPF as part of the strategic budget process. The FY15 budget included an allocation of US$25 million to the State- and Peace-building Fund. The SPF’s current FY15 pipeline consists of over US$45 million in projects under preparation (for example, to respond to regional challenges in the Horn of Africa and the Sahel, for Somalia, Sudan, and Zimbabwe, and a package of projects to address gender-based violence).

14. The SPF’s Role in FCV Response: Seventy-four percent of SPF grants have been for innovative state- and peace-building programming in countries with limited or no access to other types of financing for FCV-related activities or for IBRD countries that would not borrow for conflict and crisis response (Figure 5). This includes: (i) countries in arrears, such as Somalia and Zimbabwe; (ii) non-members, such as West Bank and Gaza; (iii) countries whose average annual IDA allocation for FY09-12 were less than US$13 million per year, such as Guinea Bissau; (iv) “special case” IBRD countries, such as Lebanon and Jordan for the Syrian refugee crisis; and (v) regional or global initiatives. The remaining 26 percent of SPF grants have responded to urgent needs or financed pilot initiatives—for example, addressing gender-based violence (GBV) in Côte d’Ivoire, improving access to justice in Liberia, or piloting social cohesion approaches through community-driven development (CDD) in Kyrgyz Republic. The SPF was designed as a “laboratory” to experiment with relatively small grants to explore new development approaches to FCV challenges that can be brought to scale.
16. As Table 1 shows, SPF support plays a range of important roles—from allowing for Bank engagement when no other funding avenues are available to piloting new approaches that can be brought to scale through follow-on financing to leveraging new investments for FCV response.

Table 1: The SPF’s Catalytic Role in FCV Response

| Bank engagement (no other programming) | • The Strategic Initiative for Somalia Re-engagement builds on previous SPF grants to Somalia and is at the heart of the Bank’s efforts to support a fragile post-conflict recovery (Box 2).
 | • A local governance and service delivery project in Zimbabwe (a country in arrears to the Bank)—the Beitbridge Water Supply and Sanitation Project—was one of a handful of trust-funded projects that tests support through national and local institutions. |
| Piloting and learning for scale-up | • In Tunisia, the SPF is piloting participatory approaches in social service delivery and job creation, as well as providing a basis for input to the post-revolution Bank partnership strategy for Tunisia.
 | • The Democratic Republic of the Congo (DRC) Community Recovery and Resilience Project contributes to stabilization efforts in eastern DRC, piloting CDD and job creation activities through small grants that, if successful, will be scaled up through a follow-on IDA project.
 | • In Iraq, pilot CDD models that expand opportunities for government-citizen collaboration have now been scaled up by Kurdistan Regional Government financing. |
| Advancing the Bank’s work on FCV issues | • In Kosovo, an SPF grant for social inclusion and local development is improving the quality and availability of basic community infrastructure and supporting small and micro-enterprise development. The grant enhances Bank resources for working in Kosovo by complementing IDA funding available for the country.
 | • In Côte d’Ivoire, the SPF supports young entrepreneurs and urban job creation in response to a rise in youth unemployment. The grant identifies new approaches to employment generation that informed the design of a follow-on IDA operation. |
| Complementarity co-financing | • SPF-financed economic governance support in Guinea Bissau is complementing European Union (EU) and Portuguese assistance aimed at boosting the capacity of the Finance Control Directorate through the acquisition of equipment and funding of training for its staff.
 | • SPF support for the Solomon Islands Rapid Employment project has helped the government boost job creation and facilitate community reconciliation. Co-financing is provided by the Bank-administered Pacific Region Infrastructure Facility, and coordinated with the development agencies of Australia and New Zealand, the Asian Development Bank and the EU, all of which have interests in, and activities closely linked to this project. |
III. SPF Results

17. **Findings from the SPF’s Mid-Term Review:** The most recent external review of the SPF was a comprehensive Mid-Term Review (MTR) that was conducted in 2012, and found the overall performance of the SPF portfolio to be moderately satisfactory. The MTR highlighted the effectiveness of the SPF in supporting development interventions in a range of challenging FCV settings and noted that proactive improvements in portfolio management and performance measurement were increasing the effectiveness and the relevance of the Fund. The MTR pointed to the SPF’s critical role in complementing IDA investments, working where IDA cannot and serving as a catalyst by piloting approaches that could be brought to scale.

18. Based on its findings, the MTR team put forward the following SPF vision for engagement, “Support the operationalization of the WDR 2011 by financing strategic and catalytic interventions and leveraging internal and external partnerships to inform and improve development effectiveness in countries impacted by fragility, conflict, and violence” (See Box 1 for MTR recommendations).

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<th>Box 1: SPF Mid-Term review headline recommendations</th>
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<td><strong>1. Strategic and Catalytic Impact:</strong> Ensure the SPF prioritizes support for transformative approaches that impact the broader Bank portfolio and are directly tied to state- and peace-building results, including a focus on strategic initiative applications to the Fund (packages of assistance in support of a WDR 2011-informed strategy).</td>
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<td><strong>2. Knowledge and Learning:</strong> Bolster the SPF’s knowledge and learning agenda to capture lessons from new approaches and piloting and ensure that these are applied more broadly to Bank operations. The MTR also underscored the SPF’s limited research, knowledge, and learning (RKL) budget (RKL costs are a part of the Secretariat’s limited Program Management budget).</td>
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<td><strong>3. Operational Flexibilities:</strong> Utilize the Fund to pilot “how” the Bank can operate differently in FCV settings, with greater flexibility for risk-taking and rapid response. The MTR called for the SPF to simplify and align processing to reduce transaction time, experiment with streamlined procedures and new approaches to portfolio management, and to seek necessary exemptions to ensure the flexible nature of the Fund.</td>
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<td><strong>4. Partnerships:</strong> Leverage partnerships with other FCV-focused funds and the g7+ to deliver improved results.</td>
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<td><strong>5. Governance and portfolio management:</strong> Revise SPF governance arrangements to strike a balance between providing strategic direction for the Fund and technical support. Develop a Fund-level monitoring system alongside the revised SPF results framework to track results and performance.</td>
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The MTR also highlighted the need for possible changes in expenditure categories in the SPF to focus additional attention and resources on systematic monitoring and evaluation and “frontier” knowledge and learning initiatives. SPF task teams also emphasized throughout MTR consultations the need for supplemental project preparation and implementation support resources to promote successful SPF project delivery in difficult FCV environments.

Since release of the MTR, the SPF has sought to operationalize its recommendations.

19. **Move toward more strategic financing:** Since the MTR reinforced the value of strategic initiatives, such initiatives have increased in the SPF portfolio. Seven strategic initiatives packages (country-based, regional, and thematic) worth over US$71 million have been endorsed by the SPF Committee, they include:
Somalia Re-engagement—a package of SPF grants and support to the newly established Programmatic Multi-Partner Fund is spearheading the Bank’s expanding support for Somalia’s transition, building on a foundation of past SPF engagement and in close coordination with the United Nations and other partners (Box 2).

Peace Consolidation in Eastern DRC—a package of SPF grants is supporting the conflict-sensitive design of new IDA operations (on job creation and natural resource management) and the realignment of existing Bank projects, and supporting reform initiatives to promote peace and stability at a subnational level.

Consolidating Peace and Supporting Opportunities for Participatory Governance and Growth in Sudan—a package of SPF grants is promoting economic management and diversification, and strengthening local governance and conflict management in areas emerging from conflict.

Eastern Europe and Central Asia Regional Initiative on Fragility and Conflict—SPF grants are promoting a conflict-sensitive approach to World Bank strategy and operations in the Europe and Central Asia Region across all client segments, including for innovative pilots on youth engagement and CDD to promote social cohesion.

Peace Transformation in Colombia—an SPF transfer to a newly established MDTF is leveraging government and donor resources to strengthen capacity for peace agreement implementation by enhancing knowledge services and financing rapid “demonstration” interventions at the municipal level, with a focus on victim’s reparations.

Transforming Citizen Security Institutions in Central America’s Northern Triangle—this regional initiative is tackling rising urban violence in Central America by combining education, social services, job creation, youth outreach, and judicial activities in an integrated approach.

Addressing Sexual and Gender-based Violence (SGBV) in Fragile and Conflict-affected Situations—the SPF supports a thematic, multi-country strategic initiative that contributes to SGBV prevention and provision of services to survivors and fosters south-

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**Box 2: SPF Strategic Initiative for Somalia Re-Engagement**

Since the collapse of the state in 1991, Somalia has experienced protracted civil conflict, political fragmentation, and strong internal divisions. But after years of failed attempts to establish peace and undertake national reconciliation, the country has finally embarked on a precarious transition process. Today, amid signs of political and economic revitalization, Somalia has established a sovereign federal government and passed a provisional constitution. It has also rallied the support of a broad coalition of regional and international partners who are committed to its security and development.

As a country in arrears, Bank financing to Somalia is restricted. Because of its flexibility, the SPF is at the heart of the Bank’s emerging role in Somalia through its support to the Strategy Initiative for Somalia Re-Engagement (SISR). One of the principal ambitions of the initiative is to finance the objectives of the Interim Strategy Note (ISN) for Somalia and to support implementation of the New Deal for Engagement in Fragile States. SISR also builds on a series of earlier SPF projects operating in Somalia since 2008. This new interim strategy, the first of its kind since 2007, is the basis of the World Bank’s broader support to the new government in Mogadishu and project activities across the country. The SISR is providing support in areas such as governance, private sector development, information and communications technologies (ICT), and public finance management (PFM). The SPF has also provided US$8 million in seed funding to the new Somalia Multi-Donor Partnership Fund.
south knowledge sharing to strengthen client capacity to address SGBV in Nepal, DRC, Georgia, and Papua New Guinea.

20. **Focus on selective grant-making as part of surge in demand:** As the SPF has implemented the MTR recommendations, the Fund has also seen a significant surge in grant-making. Figure 6 shows new grants to SPF regions by fiscal year—reflecting rising demand across almost all regions and the increased attention and focus on FCV issues across the Bank. During this increase in grant-making, the SPF has focused on the selectivity principles outlined in MTR recommendations. In FY14, 87 percent of funding has gone to countries with no access to other sources of WBG support (countries in arrears or non-members) or IBRD countries that would not borrow for crisis response (figure 7). This includes US$20 million to Jordan and Lebanon to respond to the Syrian refugee crisis and nearly US$20 million to support Somalia. The SPF’s portfolio in East Asia and the Pacific, Latin America, and Europe and Central Asia also continues to grow.

![Figure 6: New grants by region (FY09-FY14) in US$](image)

21. **Increased emphasis on SPF state- and peace-building results:** In FY12, the SPF introduced a Fund-level results framework based on the goals and target results of the SPF outlined at its founding and drawing from the 2011 WDR. Figure 8 maps SPF Project Development Objectives to the SPF Fund-level results framework. As shown, the SPF portfolio contributes to a diverse mix of state- and peace-building objectives. The most common areas of state-building programming contribute to public confidence in the management of resources, build government capacity for policy formulation, and improve state-society relations and responsiveness to the demands of citizens. The most common areas of peace-building programming contribute to employment generation and private sector development, promote social cohesion and reintegration of conflict-affected population, and build resilience to external stresses such as refugee flows.

![Figure 7: Surge in FY14 grant making to countries with limited or no access to other Bank financing for FCV activities or IBRD countries that would not borrow for crisis response in US$](image)
22. In FY14, the SPF has seen a surge in support to projects that promote budget transparency and public financial management, including extractive industries (in eastern DRC, Sudan, and Somalia); use CDD and service delivery models to enhance social cohesion and state-society relations (in southern Thailand, Kyrgyz Republic, Sudan, and in supporting communities in Lebanon and Jordan hosting Syrian refugees—see Box 3); and youth engagement projects (in the Northern and Southern Caucuses). FY14 has also seen an increase in justice-related programming with SPF investments in urban violence prevention in Central America and job creation and livelihood development for conflict-affected populations (in eastern DRC, West Bank and Gaza, Somalia, and Sudan).

**Box 3: SPF support to respond to the Syrian refugee crisis**

The Syrian refugee crisis is the worst humanitarian catastrophe in recent memory and has had social, economic, political, and security impacts across the region. In Jordan, more than 70 percent of refugees currently live with Jordanian hosts putting tremendous pressure on individual households and on communities. In Lebanon, the arrival of an estimated 1.2 million refugees—over 25 percent of Lebanon’s population—has further challenged an already delicate societal and inter-communal balance. In Jordan, the SPF, together with the United Kingdom, Switzerland, and Canada, funded a program to help host communities deal with urgent service delivery needs and support local economic development. In Lebanon, the SPF approved a US$10 million contribution to the Lebanon Syrian Conflict Trust Fund (LSCTF) to help address basic service delivery needs and enhance social cohesion in towns most affected by the influx of refugees. An early SPF transfer to the LSCTF leveraged additional contributions from bilateral donors to the trust fund. Lessons from early SPF pilot interventions are now informing the design of larger follow-on investments to address development impacts of the crisis on host communities as a complement to humanitarian response.

**Figure 8: Mapping SPF project development objectives to Fund-level state- and peace-building results**

<table>
<thead>
<tr>
<th>State-building</th>
<th>Peace-building</th>
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<tr>
<td>Justice</td>
<td>Peace and transition agreements</td>
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<tr>
<td>Policy formulation</td>
<td>Social cohesion</td>
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<td>State-society relations</td>
<td>Gender</td>
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<td>Service delivery</td>
<td>Resilience to external stress</td>
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<tr>
<td>Jobs &amp; private sector development</td>
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23. Examples of project-level peace- and state-building results include:

- In the Philippines/Mindanao, “just-in-time” technical inputs and the development of a subnational conflict monitoring system have contributed to a successful peace process.

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12 See SPF Pilot Monitoring Dashboard for further details on SPF results.
• Support for land reform and restitution of patrimonial assets for displaced persons in Colombia contributed to the passage of a victim’s law in 2011 and the protection of over 175,000 internally displaced people.
• In Guinea, an action plan for public financial management including pilot information technology systems paved the way to Guinea’s achievement of the Heavily Indebted Poor Countries Completion Point.
• In DRC, a project targeting gender-based violence provided services to nearly 4,000 survivors of GBV and an innovative referral system between community-based organizations and service providers.
• Technical inputs and south-south exchanges on fiscal decentralization and labor market development funded by the SPF informed Libya’s Reconciliation, Reconstruction, and Recovery Vision for 2012-2017.
• CDD and civil society engagement activities in conflict-affected southern Thailand have contributed to improved trust between local authorities and citizens.

24. Enhanced partnerships: Since the MTR, the SPF has also worked in greater cooperation with the other global funds focused on FCV issues to increase coherence and enhance collective strategic response. Externally, this has included initiating an FCV Financing Instrument dialogue series with the UN Peacebuilding Fund, the African Development Bank’s Fragile States Facility, the EU’s Instrument for Stability, and the United Nations Development Programme Thematic Trust Fund. Internally, this has included improved collaboration with the Korea Trust Fund for Economic and Peacebuilding Transitions (KTF), the UN-WB Partnership Trust Fund (UN-WB Trust Fund), and the Global Program on Forced Displacement (GPFD). An example of this collaboration is in coordinated financing across the Funds to respond to the Syrian refugee crisis. The SPF is also supporting implementation of the New Deal for Engagement in Fragile States in countries such as Somalia as part of a broader effort to deliver on commitments to greater use of country systems, more risk-taking, and less fragmented international assistance.

25. Progress on the SPF’s knowledge and learning agenda: At establishment, the SPF, through the Secretariat, was given a mandate to carry out knowledge and learning activities to advance the Bank’s work on FCV issues and to learn from the SPF’s portfolio. Since the release of the MTR, the SPF Secretariat has focused additional attention on RKL efforts—organizing knowledge exchange events on subnational conflict and CDD in FCV-affected countries, developing a new initiative, Evidence for Peace, to promote more evaluation work of state- and peace-building interventions, providing small RKL grants from limited Secretariat funds, and promoting RKL components within SPF projects. There is scope for the SPF to support further “frontier” knowledge and learning work on FCV across the WBG and capture and disseminate lessons from the SPF portfolio’s recipient-executed grants.

26. Revised governance arrangements: Following the MTR, the SPF’s governance arrangements were revised to establish a Technical Advisory Committee, with FCV experts nominated by the Vice Presidents of the Networks and Regions, and Corporate Units, and with a broader mandate to help set SPF priorities and approve annual engagement strategies, catalyze and support preparation of SPF initiatives in committee members’ respective regions and networks, review and approve SPF grants, and review portfolio progress and results. With the new governance arrangements in place, the SPF has benefited from the expertise of dedicated
committee members with deep FCV experience, with regular attendance at meetings and high-quality feedback to project teams and to the Secretariat.

27. **Focus on portfolio management**: Since the MTR, the SPF Secretariat has taken steps to improve portfolio performance. As the SPF portfolio has matured, disbursements have increased—the SPF is 66 percent disbursed, including MDTF transfers, with its current closing date of 2016. On average, SPF projects take 10 months to move from SPF Committee approval to first disbursement of funds due to a variety of internal and external factors. However, processing timelines shortened in FY14 (to four months average) compared to FY12-13, as Bank regions and central units disseminated the new small RE grant guidelines and the Secretariat focused more attention on support to task teams preparing SPF applications. Currently, 99 percent of approved SPF grants have been legally committed. Ninety-six percent of SPF projects reporting have ratings of satisfactory or moderately satisfactory (figure 9).\(^\text{13}\) Three projects are considered “stalled” in Guinea, Guinea Bissau, and South Sudan, with long delays in project start-up due to a combination of country contextual factors (political changes and crises) as well as program management difficulties. Since the MTR, and to improve portfolio tracking, the SPF Secretariat has also focused on pushing for enhanced reporting from project teams and has developed a pilot SPF Fund-level dashboard to track results and impact.

![Figure 9: Distribution of ratings for SPF projects reporting](image)

IV. **SPF Repositioning and Reform**

28. The WBG has committed to addressing the challenges of FCV in pursuit of the WBG’s goals and will use the full array of technical expertise, financing instruments, and convening power to support clients as they develop their strategies and programs. Hence, continuing to provide complementary, flexible, and timely financing through the SPF (and other FCV trust funds) is an essential part of the Bank’s overall FCV response and will help deliver on WBG FCV commitments (see annex 5). Even with increased IDA, Bank budget, IBRD, IFC, and MIGA resources, without catalytic and flexible trust fund resources there is a risk that opportunities to push the frontiers or pilot innovations will be missed, particularly in those countries with limited or no access to other WBG support. As the WBG reforms its operating model and scales up its efforts on FCV, the time is ripe to reposition the SPF for maximum impact.

29. As it repositions itself, the SPF will continue to exercise selectivity in grant-making—focusing its support for innovative state- and peace-building programming in countries with limited or no access to other funds for FCV-related activities, in cases where SPF piloting can be brought to scale, and where “frontier” initiatives in knowledge and learning and evaluation can

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\(^\text{13}\) Two projects (in Nigeria and the Central African Republic) have a moderately unsatisfactory rating due to implementation and design challenges. Several projects were recently approved and thus are too early to rate.
expand the WBG’s effectiveness and impact in FCV settings. The following additional principles will underpin the reform:

- Boosting the SPF’s role as a laboratory for pioneering new approaches to FCV by advancing systematic monitoring and evaluation and knowledge and learning activities on “frontier” FCV themes;
- Working with the new GPs and CCSAs to energize and incentivize multi-sectoral work on FCV across the WBG;
- Advancing the “science of delivery” in FCV through piloting fast and flexible operating procedures and capturing and disseminating knowledge on approaches that can be brought to scale; and
- Deepening diverse partnerships, including with FCV clients (including through the g7+), UN and other multilateral institutions, bilateral agencies, regional organizations, international and local non-governmental organizations (NGOs), and research institutions.

30. The principles are reflected in the six proposed reform areas. Together the reforms described below are expected to enhance the broad and flexible mandate granted to the SPF in the founding Board resolution.

Reform Area 1. Enhanced Bank execution to promote development solutions and transformational programming

31. Currently, the SPF allows for Bank execution only as part of SPF Program Management activities. This significantly limits the opportunity for advancing global learning and frontier research on FCV themes, responding to urgent demands from FCV clients for rapid technical assistance and capacity building, and providing enhanced implementation support to SPF teams. The SPF therefore seeks the flexibility for enhanced Bank execution. This will complement the SPF’s recipient-executed grant-making to maximize the effectiveness of FCV interventions and to boost the Fund’s role as a laboratory for pioneering new approaches to FCV challenges. Bank-executed grants will aim to leverage and incentivize rather than replace Bank budget and GP/CCSA investments in FCV response for the following types of activities:

- Systematic data collection and monitoring on global, regional, and country-level FCV trends and development impacts to inform operations;
- Frontier analytic work and filling strategic knowledge gaps on themes fundamental to FCV progress;
- Rapid technical assistance, training, and capacity building in response to FCV client demand and to lay the groundwork for follow-on recipient-executed investments;
- Rigorous monitoring and evaluation of FCV interventions—particularly to promote the transformative impact of new IDA 17 resources for FCV;
- Key partnerships and joint analytic work, for example, with the United Nations, g7+, regional organization, and academic institutions, and south-south learning and exchanges;
- Rapid project preparation and enhanced implementation support for SPF recipient-executed grants matched to the common access, security, and capacity challenges of FCV environments. This would include for activities such as FCV-sensitive project design, supervision and monitoring and evaluation to improve the delivery of SPF RE grants.
32. SPF grants are managed by task teams across the WBG’s GPs, CCSAs, and regions and thus flexible SPF financing has the potential to catalyze work on FCV across the WBG’s new operating model. The SPF can help push the Bank in new directions that can be mainstreamed through larger IDA and Bank budget investments in FCV response. Bank-executed grant-making through a reformed SPF will be highly selective—teams will have to present a case for how the activity complements and leverages other investments in FCV; have a strong global public good rationale; demonstrate how financing will spur innovation on key themes and persistent gaps; or represents new ways of engaging with development partners, research institutions, and civil society organizations.

33. Since flexibility for Bank-executed grant-making represents a change in eligible cost categories as outlined in the SPF’s original Board resolution, this reform is submitted for Board approval.

Reform Area 2. Improve the speed and responsiveness of grant-making

34. The SPF was designed as a flexible fund that could pilot activities, take risks, and ensure innovation in projects in difficult FCV settings. As part of SPF reform, the Fund will continue its efforts (as outlined in the SPF’s founding Board paper) to “simplify the procedures for applying for, activating, and managing SPF grants in cooperation with other relevant Bank units to ensure rapid response and project delivery.” It will continue to provide enhanced support to SPF task teams, which would include, for example, providing limited Bank-executed support for project preparation, providing surge support from the FCV Group-housed Operations Solutions Team, and aligning the SPF review and approval procedures with the revised small RE grant instructions and regional reviews to streamline processing.

35. The SPF will continue to collaborate with Operations Policy and Country Services (OPCS), Development Finance Department (DFi), the Legal Department (LEG) and the FCV Group-housed Operational Solutions Team to focus on speed and responsiveness, results-based grant-making, and balancing risks and results in implementing SPF projects.

36. Because this recommendation is in line with the SPF’s commitment to “simplify the procedures for applying for, activating, and managing SPF grants in cooperation with other relevant Bank units to ensure rapid response and project delivery,” this reform is submitted for Board notification.

Reform Area 3. Align governance arrangements with the WBG’s new operating model

37. The SPF is currently governed by a Technical Advisory Committee with FCV experts from diverse regions and sectors across the Bank and Corporate Units. As per the SPF Board Paper, the Committee is chaired by an individual nominated by the Vice President for OPCS. The reform will realign the SPF governance structure with the Bank’s new institutional structure and its mapping of the Fund to the new FCV Group, with oversight by the GP/CCSA Vice Presidency. The principle will be to ensure the Committee continues to maximize diverse regional experience and technical and operational background in FCV issues while maintaining
efficiency. The Committee can also be used to energize work on FCV across the new GPs and CCSAs.

38. Since the FCV Group is mandated to champion cross-WBG work on FCV, it is proposed that the FCV Group Senior Director serve as the SPF Committee Chair. The Committee will then be drawn from the pool of FCV Leads and FCV Experts across the GPs, CCSAs, and regions including a diverse group of committee members with a balance of regional and sectoral experience, and that also reflects existing FCV expertise and ensures Committee continuity. The Legal, DfI, and OPCS Vice Presidents will also be asked to nominate a Committee member and MIGA and IFC will be given the option to participate as Committee member(s) based on the relevance of the applications being considered.

39. The SPF Committee will retain responsibility for the review of applications and decisions on funding in line with the objectives and target results of the Fund as well as setting priorities and monitoring portfolio achievements. In line with a move toward more coherence across the global FCV-focused trust funds (see reform area 6), the Committee will also continue to oversee KTF grant-making, and, over time, provide strategic direction and support to the UN-WB Trust Fund.

40. A Steering Group Meeting of SPF donors and partners will also be held annually to discuss the strategic direction of the Fund and to ensure its continual alignment with dialogue and debate on FCV issues across the international community. The Steering Group meeting would: 1) provide a venue for dialogue on SPF strategic goals and on Fund priorities and direction for a given year; 2) review and make recommendations regarding the overall allocation of Fund resources across SPF windows; and 3) review Fund progress and outcomes and previous year performance and exchange on portfolio challenges. This forum will also allow for an exchange with donors and FCV clients, including the g7+, on preferences for priority country and regional engagements and FCV themes.

41. The SPF’s Board Paper and Board resolution specifies that OPCS appoints the Committee Chair and that Committee membership ensures that “Regional, Network, Legal, and other relevant vice presidencies are represented.” With the WBG’s new operating model, the SPF is mapped to the new GP/CCSA VPU and the proposed new governance structure is in line with the SPF’s founding principles. This reform is therefore submitted for Board notification.

Reform Area 4. Align program management costs with the value and scope of the Fund

42. The SPF Secretariat will be housed in the new FCV Group and will continue to be responsible for program management activities, including:

- Developing and implementing SPF-specific management tools, procedures, and systems;
- Soliciting and evaluating SPF activity proposals and allocating program funds;
- Proposing priorities and directions for Fund windows;
- Preparing annual work programs, resource planning, and budgeting;
- Coordinating SPF Committee and SPF Steering Group Meetings;
- Managing outreach and communicating with SPF donors and stakeholders;
- Carrying out Fund-level monitoring and evaluation; and
- Providing hands-on support to SPF task teams working in difficult FCV environments.

43. At the SPF’s founding in 2008, program management costs were set at US$8.4 million—7.25 percent of the estimated initial contributions to the SPF of US$115 million. In addition, a 2 percent fee was charged to donors for central administration of the Fund. It was noted at the SPF’s founding that donors would be approached again regarding program management costs with significant increases in SPF contributions.

44. Moving forward, and in line with trust fund reform and full cost recovery as well as the continued growth of the SPF (the SPF has almost doubled in size since the original Program Management budget was set), it is proposed that the Managing Unit’s share of cost recovery be capped at 7.25 percent of all funds received into the MDTF from SPF inception to the SPF’s end date. This percentage ceiling would be complemented by the Secretariat developing an annual operating budget for Committee endorsement based on SPF priorities and grant-making status. The goal is to ensure the Program Management budget is commensurate with cost recovery trends and the size and scope of the SPF so the Secretariat can continue to provide high-quality administration of the Fund. The 2 percent fee charged for central administration would remain unchanged.\(^{14}\)

45. This reform does not represent a change to the SPF’s Board Paper or Board resolution and is therefore submitted for Board notification.

Reform Area 5. Extend the SPF closing date

46. The current closing date of the SPF is September 30, 2016. It is proposed that the reformed SPF be extended for five years until September 30, 2021. This extension would allow sufficient time for the SPF to contribute to fulfillment of IDA 17 commitments on FCV, the continuation of current SPF projects and extensions as required, and the further mainstreaming of FCV work into Bank operations and IDA/IBRD lending. The SPF will continue to conduct regular reviews of Fund-level progress, including an in-depth evaluation of the SPF before its current 2016 closing date to inform operations during the five year extension period.

47. As a request for extension of closing date for a programmatic MDTF, this reform is submitted for Board notification.

Reform Area 6. Continue to advance strategic management of global FCV trust funds

48. The new FCV Group will continue its efforts to bring together global FCV-focused trust funds housed in the unit (the SPF, UN-WB Trust Fund, KTF, and GPFD) as well as strategic links with IFC’s Conflict-Affected States in Africa (CASA) and MIGA’s CAFEF. The FCV Group will continue to find opportunities to maximize economies of scale and manage the funds in line with the principles of the WBG’s trust fund reform effort, which encourages strategic alignment and consolidation.

\(^{14}\) In accordance with financial accounting rules and the Bank’s trust fund fee policy, contributions from WB funds are not subject to administrative cost recovery.
49. A reformed SPF will also have the flexibility to support design of country-level MDTFs in countries affected by conflict and fragility and to continue to provide seed funding for MDTF establishment. This will allow the FCV Group to continue to bring global experience on MDTFs to advance partnership approaches at a country level.

50. This management and policy reform does not require any changes in the SPF’s (or other trust funds’ legal agreements) and is therefore is submitted for Board notification.

51. Annex 1 summarizes the legal and policy implications of the proposed SPF reforms and approvals required from the Board as well as from current donors to the SPF. Annex 2 is a draft SPF Board resolution addendum including the reforms as required. Annex 3 provides a draft Amendment to SPF donor Administrative Agreements with reforms included.

V. Conclusions and Next steps

52. The above reform proposals aim to build on the SPF’s flexibility, strengths, and experience toward a new generation fund that is able to support clients and Bank regional and country teams to scale up their work on FCV alongside IDA 17 and other investments. The reforms focus on increasing the speed, flexibility, and responsiveness of the SPF so that it can better address the needs of client countries and support Bank teams working on FCV to innovate, develop, and design fragility-sensitive operations, find solutions, and have a transformational impact on state- and peace-building goals and priorities.

53. Upon approval of the SPF reform package by the Bank’s Board of Executive Directors, the SPF Secretariat will:

- Conclude negotiations on draft Administrative Agreement amendments with the SPF’s current donors;
- Operationalize key reforms including constituting the new SPF Committee, improving the speed and responsiveness of SPF grant-making, and advancing the Fund’s knowledge and learning mandate;
- Seek replenishment of a reformed SPF to maximize its impact as part of the WBG’s overall surge in support for FCV response; and
- Convene an SPF Steering Group meeting by the close of fiscal year 2015.
## Annex 1: SPF Proposed Reform Areas and Changes Required

<table>
<thead>
<tr>
<th>Proposed reform area</th>
<th>Reform details</th>
<th>Board process</th>
<th>Administrative Agreement</th>
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<tr>
<td><strong>For Board Approval</strong></td>
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<tr>
<td>1) Enhanced Bank execution to promote development solutions in FCV settings</td>
<td>Flexibility for enhanced Bank execution to: (i) respond to urgent demands from FCV clients for rapid technical assistance and capacity building, (ii) advance frontier research and systematic evaluation on FCV themes and catalyze work on FCV across the GPs/CCSAs, and (iii) support the successful implementation of the SPF’s recipient-executed grants.</td>
<td>Board approval of enhanced Bank execution modalities</td>
<td>Amended Administration Agreement with adjustments to activities that may be financed and to eligible expenditures</td>
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<td><strong>For Board Notification</strong></td>
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<td>2) Enhanced speed and flexibility</td>
<td>Aligning SPF procedures with the new small RE grant instructions to maximize efficiencies, promote rapid processing and reduce burdens on task teams; providing enhanced SPF operational support; continuing to advocate for operating procedures tailored to the risks, challenges, and opportunities of FCV contexts.</td>
<td>Board notification</td>
<td>No change needed to Administration Agreement</td>
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<td>3) New governance arrangements in line with Bank re-organization</td>
<td>FCV CCSA Senior Director serves as Committee chair; Committee continues to include diverse representation from across the Bank; governance that balances efficiency with representation and leverages the new Bank operating model; Steering Group meeting annually to engage donors, partners and set priorities and direction for the SPF.</td>
<td>Board notification</td>
<td>No change needed to Administration Agreement</td>
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<tr>
<td>4) Align program management costs with SPF’s size scope</td>
<td>At the SPF’s founding in 2008, program management costs were set at 8.4 million, which represented 7.25% of initial estimated contributions of US$115 million. In line with the principle of full cost recovery and to ensure Program Management budget is aligned with the size/ scope of the SPF, a ceiling of 7.25% of Fund value is set for program management complemented by the Secretariat preparing an annual budget for Committee endorsement.</td>
<td>Board notification</td>
<td>Amended Administration Agreement to reflect proposed change.</td>
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<tr>
<td>5) 5 year extension of SPF closing date (currently 2016)</td>
<td>Extend SPF closing date for five years (until Sept. 2021) to allow sufficient time for project implementation and to utilize SPF to support delivery on IDA 17 and corporate commitments on FCV response.</td>
<td>Board notification</td>
<td>Amended Administration Agreement with revised closing date.</td>
</tr>
<tr>
<td>6) Continue to advance strategic management of global FCV Trust Funds</td>
<td>In line with trust fund reform and to maximize impact and economies of scale, continue to advance greater alignment of the SPF, KTF, UN-WB Trust Fund, GPFD and linkages with IFC/MIGA’s CASA/CAFEF including strategic engagement with donors, coordinated Secretariats, joint results reporting, aligning grant-making in priority countries/regions. Also strategic links to country-level MDTFs in FCS.</td>
<td>Board notification (in line with trust fund reform)</td>
<td>No change needed to Administration Agreement</td>
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Annex 2: Draft Resolution of the Executive Directors of IBRD and IDA

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT ASSOCIATION

(DRAFT)

RESOLUTION No. ______

RESOLUTION No. IDA ______

Amending Resolution No. IBRD 2008-0002 and No. IDA 2008-0001

WHEREAS:

(A) the International Bank for Reconstruction and Development and the International Development Association have determined, pursuant to Resolution No. IBRD 2008-0002 and No. IDA 2008-0001, adopted by the Executive Directors on April 22, 2008, to establish the State- and Peace-Building Trust Fund (the “Trust Fund” or “SPF”); and

(B) it is now desirable to allow limited SPF investments in Bank-executed work to promote the enhanced quality and impact of SPF activities, improve client performance, catalyze operational work in settings of fragility, conflict, and violence (FCV), and allow for the capture and exchange of knowledge on cutting edge FCV approaches.

NOW, THEREFORE, it is hereby resolved that:

1. Paragraph 4 of Resolution No. IBRD 2008-0002 and No. IDA 2008-0001 is amended by inserting after the words “Low-Income Countries under Stress Implementation Trust Funds” the words “, to finance Bank-executed activities to design and advance development solutions in complex and volatile settings of fragility, conflict, and violence,”.

2. Paragraph 7 of Resolution No. IBRD 2008-0002 and No. IDA 2008-0001 is amended by inserting after the words “Secretariat costs” the words “and eligible expenditures for Bank-executed activities”.

3. In all other respects the said Resolution shall remain in full force and effect.

4. This Resolution will enter into effect on the date of its adoption by the Executive Directors.
Annex 3: Proposed Amendments to Administration Agreement

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<th>Amended</th>
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<tr>
<td>3.1 In order to assist in the defrayment of the costs of administration and other expenses incurred by the Bank under this Agreement, the Bank may, following deposit of the Contribution by the Donor, deduct from the total Contribution of the Donor and retain for the Bank’s own account an amount equal to two percent (2%) of the Contribution. In addition, staff costs for program management and supervision up to a maximum of Eight Million Four Hundred Thousand United States Dollars (US$ 8,400,000) will be charged to the trust fund. Should additional funds be required, any increase to costs for supervision and program management will be agreed with the donors.</td>
<td>3.1 In order to assist in the defrayment of the costs of administration and other expenses incurred by the Bank under this Agreement, the Bank may, following deposit of the Contribution by the Donor, deduct from the total Contribution of the Donor and retain for the Bank’s own account an amount equal to two percent (2%) of the Contribution. In addition, staff costs for program management and supervision up to a maximum of seven and 25/100 percent of the total Contributions under all Administration Agreements will be charged to the trust fund. The Secretariat will also submit an annual Program Management budget for SPF Committee approval. Should additional funds be required, any increase to costs for supervision and program management will be agreed with the donors.</td>
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<th>Original</th>
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<td>8.1 It is expected that the Contribution funds will be fully disbursed by the Bank in accordance with the provisions of this Agreement by September 30, 2016. The Bank shall only disburse Contribution funds for the purposes of this Agreement after such date with the written approval of the Donors.</td>
<td>8.1 It is expected that the Contribution funds will be fully disbursed by the Bank in accordance with the provisions of this Agreement by September 30, 2019. The Bank shall only disburse Contribution funds for the purposes of this Agreement after such date with the written approval of the Donors.</td>
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<tr>
<td>Activities to be financed include, but are not limited to the following: (a) Strengthening of governance at national and subnational levels; activities relating to the transparent and accountability collection, management, and use of public resources for all government functions, including the security sector, within the Bank’s mandate; creating inclusive, cohesive, and accountable institutions; support for the establishment of property rights and asset restitution mechanisms; providing initial salary support to alleviate fiscal pressure in weak states; providing; leadership and technical training; and establishing</td>
<td>New sub-paragraph to be added: (c) Bank-executed activities to design and advance development solutions for complex and volatile settings of fragility, conflict, and violence (FCV), including, but not limited to, rapid technical assistance and capacity building, promoting systematic evaluation of FCV interventions, data collection and monitoring on FCV trends, building FCV sensitivity into country diagnostic exercises, strategies and sectoral programming, advancing key global partnerships and joint analytic work (e.g. with the United Nations, G7+, regional organizations, and academic institutions), south-south learning, and filling strategic knowledge gaps on themes fundamental to</td>
<td></td>
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</tbody>
</table>
assistance programs that attract diasporas, develop human capital, and facilitate south-south exchanges.

(b) Additionally, activities to be financed to support the reconstruction and development of countries prone to, immersed in, or emerging from crisis, or conflict, or arrears include, but are not limited to the following: investment in social and economic infrastructure, community-driven development-type mechanisms and funds; social and economic integration of conflict-affected populations, including cash transfers; providing technical assistance on economic issues to peace mediation processes; employment creation and support to the private sector; access to justice and establishment of the rule of law; developing watching briefs; support to cross-border public goods (such as regional integration); and support to victims of violence or conflict enduring psychological duress.

| Annex 2, Section C | Categories of eligible expenditures include: Bank staff costs (direct and indirect costs), temporary staff costs and benefits, short term consultant fees, extended term consultant salaries and benefits, field benefits, contractual services, travel expenses, media and workshop costs, associated overheads; the financing of taxes; goods, works and services procured by grant Recipients; and when the provisions of the Bank’s operational policy on rapid response to crises and emergencies apply for Bank execution of start-up activities, small contracts for start-up goods (including equipment costs) and works necessary to enable the Recipient to undertake the execution of subsequent project activities. | Categories of eligible expenditures for Bank-executed activities include: (a) Associated Overheads; (b) Short Term Consultant Costs - with Indirect Costs; (c) Contractual Services; (d) Extended Term Consultants - with Indirect Costs; (e) Field Assignment Benefits; (f) Media, Workshop, Conference and Meeting; (g) Staff Costs - with Indirect Costs; (h) Temporary Support Staff Costs - with Indirect Costs; (i) Travel Expenses; (j) consultant fees for Firms and when the Bank’s operational policy on rapid response to crises and emergencies apply for Bank execution of start-up activities, small contracts for start-up goods (including equipment costs) and works necessary to enable the Recipient to undertake the execution of subsequent project activities. Eligible categories for Recipient-executed activities include: the financing of taxes, and goods, works and services procured by grant Recipients. |
Annex 4: Indicative Windows of a Reformed SPF

If SPF reforms move forward, the below table provides indicative Fund windows, goals, and sample activities. The cost ceiling for each window would be set annually as part of the SPF’s Steering Group meeting.

Table: Indicative Windows and Sample Activities of a Reformed SPF

<table>
<thead>
<tr>
<th>Window 1</th>
<th>Window 2</th>
<th>Window 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic engagements, piloting and crisis response (country/regional)</strong></td>
<td><strong>Advancing development solutions in FCV contexts</strong></td>
<td><strong>Program management</strong></td>
</tr>
<tr>
<td><em>Goal:</em> Provide selective and flexible project financing to countries/regions with limited/no access to other sources of Bank funding for FCV response; for pilots likely to be scaled (e.g., in IDA17)</td>
<td><em>Goal:</em> Advance global knowledge and learning and systematic monitoring and evaluation on development approaches in FCV contexts</td>
<td><em>Goal:</em> Provide high-quality Fund administration; enhanced implementation support; Fund-level monitoring and evaluation</td>
</tr>
<tr>
<td><strong>Sample Activities:</strong> Similar to existing SPF recipient-executed window to include strategic initiative applications and stand-alone projects that represent urgent need or innovative pilots with scalability</td>
<td><strong>Sample Activities:</strong> Promoting systematic evaluation of FCV interventions; data collection and monitoring on global FCV trends; advancing key global partnerships and joint analytic work, for example, with the United Nations, g7+, regional organization, and academic institutions; south-south learning; filling strategic knowledge gaps on themes fundamental to FCV progress.</td>
<td><strong>Sample Activities:</strong> Drafting annual work programs and terms of reference for Fund functioning and proposing priorities and directions for Fund windows; preparing SPF Committee and SPF Steering Group Meetings; donor/partner engagement; Fund-level monitoring and evaluation; hands-on support to SPF task teams working in difficult FCV environments.</td>
</tr>
<tr>
<td><strong>Modalities:</strong> recipient-executed trust fund grants; Bank-executed on behalf of recipient; MDTF transfers; use of UNFPA (Small and complementary Bank-executed grants for rapid technical assistance/capacity building or enhanced FCV project preparation, implementation, MDTF design support)</td>
<td><strong>Modalities:</strong> Bank-executed grants that leverage IDA, Bank budget, and Window 1 commitments; small “FCV Catalyst Grants” to GPs/CCSAs/regions to promote FCV-sensitive programming and frontier research on FCV themes</td>
<td><strong>Modalities:</strong> Bank-executed; annual program management budget presented for Committee approval (costs capped at 7.25% over life of Fund)</td>
</tr>
</tbody>
</table>
Annex 5: SPF Role in Supporting Achievement of FCV-related Policy Commitments

The following table highlights key policy commitments within IDA 17 and as part of Management response to the Independent Evaluation Group Evaluation of the WBG’s Work in Low-Income FCS—-and includes notes on possible role of a reformed SPF in operationalizing these commitments alongside IDA, Bank budget, IFC, and MIGA investments.

<table>
<thead>
<tr>
<th>Policy Commitments</th>
<th>IDA 17</th>
<th>IEG</th>
<th>Role of Reformed SPF</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>All Country Partnership Frameworks in IDA FCSs be informed by analysis of drivers of fragility and conflict</strong></td>
<td>X</td>
<td>X</td>
<td>Diagnostics, FCV-sensitive strategy and project design support; strategic initiatives</td>
</tr>
<tr>
<td>Work with partners to review the definition of FCS status to better integrate indicators of fragility, conflict and violence</td>
<td></td>
<td>X</td>
<td>Investments in cutting edge research on regional/global FCV trends and development impacts</td>
</tr>
<tr>
<td>IDA-IFC-MIGA joint implementation plans in 10 IDA FCS</td>
<td>X</td>
<td>X</td>
<td>Enhanced collaboration with IFC</td>
</tr>
<tr>
<td>Analytical work on job creation in FCSs, including by rolling out a “job diagnostic tool” in at least 5 FCSs</td>
<td>X</td>
<td>X</td>
<td>Pilot job creation projects and RKL initiatives through SPF</td>
</tr>
<tr>
<td>Implementing the new strategic and results framework for the UN/WB partnership in FCSs to strengthen collaboration among the UN, WB, MDBs and other partners, including the g7+</td>
<td>X</td>
<td></td>
<td>Partnership approach in SPF project implementation; use of UNFPA; support for New Deal implementation</td>
</tr>
<tr>
<td>Support efforts for addressing gender-based violence issues</td>
<td>X</td>
<td>X</td>
<td>SPF multi-country strategic initiative on GBV</td>
</tr>
<tr>
<td>Strengthen monitoring and evaluation, including impact evaluations, tracking of results</td>
<td>X</td>
<td></td>
<td>SPF support for Evidence for Peace Initiative to promote enhanced evaluation</td>
</tr>
<tr>
<td>Prepare tools and guidance notes to enable staff to better engage in supporting the enhancement and use of country-systems in IDA FCS.</td>
<td></td>
<td>X</td>
<td>SPF projects piloting support through country systems</td>
</tr>
<tr>
<td><strong>IFC/MIGA Commitments on increasing investments, incentives, CAFEF investments, knowledge notes on FCS</strong></td>
<td></td>
<td>X</td>
<td>Strategic approach to management of FCV-focused TFS, including links between the SPF and CASA/CAFEF</td>
</tr>
</tbody>
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