The World Bank Financial Intermediary Funds as a Multilateral Mechanism to Channel Assistance to Politically Unstable Regions: The Case of the Middle East and North Africa Transition Fund[1][2]

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Abstract

In recent years there has been a steady growth of "multi-bilateral aid," or voluntary earmarked contributions transferred by international donors through multilateral organizations. The World Bank Group's financial intermediary funds (FIFs) and trust funds have gained an especially wide recognition and have been particularly instrumental in channelling aid to fragile states — a priority group of partners for achieving the United Nations' sustainable development goals. But researchers have paid much less attention to FIFs than to trust funds.

This article identifies characteristic features of World Bank IFIs as a multilateral mechanism to channel aid to politically unstable regions, focusing on the Middle East and North Africa Transition Fund (MENA TF) established in 2012 to support Arab countries undergoing political transitions as a result of the Arab Awakening. The introductory section examines the particularities, benefits and risks of establishing FIFs as multilateral mechanisms to transfer development assistance. These parameters are illustrated in subsequent sections which discuss the MENA TF's establishment procedures, governance structure, and mobilization and allocation of funds.

The article concludes that for each of the parties involved, hypothetically, World Bank FIFs are a quite convenient mechanism for supporting fragile states. However, the example of the MENA TF conclusively shows that everything depends on the concrete political context of their establishment and operation. In terms of some key parameters (establishment procedure, governance structure) the MENA TF mechanism is very similar to other funds of the same type, but its operation is strongly affected by challenges uncommon to the majority of FIFs, which are focused on more politically neutral sectors. These challenges stem from several factors, including the predominance of political decisions within the Deauville Partnership, a unique list of contributors, and a severity of discord

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among them given the drastic deterioration of the political climate in the Arab world and beyond in 2014. This not only disrupted plans to engage more donors and mobilize the planned amount of funds, but it also stipulated a visible politicization of aid allocation. Political risks which materialized in the MENA TF operations might occur in other FIFs focused on fragile states and situations. The establishment of additional multilateral mechanisms, thus, requires learning from experience and prioritizing risk assessment and mitigation.

Key words: World Bank; financial intermediary fund; trust fund; international development cooperation; multi-bilateral aid; Deauville Partnership; Group of Seven; Group of Eight; Arab Awakening; Middle East and North Africa

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Introduction

Over the last 10 years, international development cooperation has seen a substantial increase in "multi-bilateral aid," that is, non-core financing channelled by donors through special purpose mechanisms of multilateral organizations, primarily through the World Bank Group (WBG) trust funds (TFs) and financial intermediary funds (FIFs).[3] Over FY 2015–19, donors have contributed $17.5 billion to the WBG TFs and $37.3 billion to the WBG FIFs [World Bank, 2019a].

Trust funds and financial intermediary funds hosted by the WBG often focus on helping low-income and fragile countries and are widely used in case of various emergencies. The Arab Awakening of 2011 was one such extraordinary development, requiring a prompt response from the international community. It became a major shock for a vast region of the Middle East and North Africa (MENA) leading to a deterioration of the situation in already "deeply divided societies" [Naumkin, 2015] in the region and triggering processes of multilevel and multistage fragmentation of states in which members of the Russian Academy of Sciences Vladimir Baranovskij and Vitaly Naumkin see "a catharsis of the centuries-long development process" [Baranovskij, Naumkin, 2018, p. 6]. The fall of the regime of the Tunisian president Zine al-Abidine Ben Ali as a result of mass protests was followed by a revolution in Egypt in February 2011 which ousted President Hosni Mubarak and unrest in Libya which led to a civil war, the

[3] The volume of earmarked contributions channelled through the World Bank amounts to $3 billion yearly, which makes it the largest channel of "multi-bilateral aid" among non-humanitarian multilaterals [Barder et al., 2019, p. 5].

killing of Muammar Gaddafi, and the spread of turmoil which continues today. People also took to the streets in Jordan and Morocco in January 2011 but both monarchies responded to protests with reforms, while in Bahrain a crackdown on protesters led to a number of casualties, and Yemen and Syria plunged into multi-year deadly conflicts.

Reacting to the Arab Spring, the Group of 8 (G8) countries launched a global initiative called the Deauville Partnership with Arab Countries in Transition at the Deauville summit on 26–7 May 2011. One of its practical outcomes was the establishment of a novel financial intermediary fund — the Middle East and North Africa Transition Fund (MENA TF).

In many respects this fund differs from other FIFs hosted by the World Bank.[4] First, it is one of few FIFs launched to support Group of 7/8 (G7/G8)[5] initiatives; second, it is the first full-scale financial intermediary fund established specifically to help countries affected by instability and armed conflicts; third, it is a rare example of a regional FIF; and fourth, as one of three already closed funds,[6] a complete assessment of its activities is possible.

Thus, there are several reasons to examine the specifics of the World Bank Group's FIFs as a multilateral instrument of channelling aid to politically unstable regions drawing on the example of this particular fund.

The research objective will be attained in several steps. First, based on an analysis of the World Bank's official documents and the work of leading western scholars, the distinctive features of FIFs as a multilateral mechanism of international development assistance are laid out, as well as the benefits and risks of its use. These are illustrated with the example of the establishment procedure, governance structure, and specifics of the MENA TF's resource mobilization and allocation. To pinpoint the differences between financial intermediary funds and trust funds, the MENA TF is compared with the Middle East and North Africa Multi-Donor Trust Fund (MENA MDTF), which was established nearly simultaneously in 2012 and resembles the MENA TF in terms of purpose and range of beneficiary countries. Due to the strong political component of the Deauville Partnership, special attention is paid to displaying the dissimilarities between the leading donor countries' views on participation in the Fund. To

[4] From this point onward this will refer to the World Bank in a narrow sense as the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA).

[5] Two others are the Pilot Auction Facility for Methane and Climate Change Mitigation (PAF) (established in 2015) and the Pandemic Emergency Financing Facility (PEF) (established in 2016).

[6] Other examples include the European bank for Reconstruction and Development's Southern and Eastern Mediterranean Trust Fund (EBSM), the African Programme for Onchocerciasis Control (APOC) and the Global Alliance for Vaccination and Immunization (GAVI).

that end, this analysis studies qualitative and quantitative data available in the minutes of the steering committee (SC) meetings, its annual reports, and the independent full-scale evaluation of the MENA TF prepared in 2019 by Ecorys, one of the oldest European economic research and consulting companies. It also traces mentions of the MENA TF in the Deauville Partnership and G7/8 documents of various years. This methodology and selection of sources will produce the most rigorous results possible.

The Russian bibliography lacks studies devoted specifically to either intermediary or trust funds hosted by the World Bank Group. The first western studies on the subject appeared in the 2000s [e.g. Guder, 2007], but only in the last five to seven years has a distinctive research area emerged with several prolific authors, including Bernhard Reinsberg from the University of Cambridge (UK), Vera Eichenauer from ETH Zurich (Switzerland) and Stephen Knack from the World Bank. Working individually or in collaboration they have written more than ten research papers on the common features of trust funds [Reinsberg, 2017a, 2017b] and different aspects of the World Bank Group trust funds such as bureaucratic politics [Reinsberg, 2016a], the implications of multi-bi financing for multilateral agencies [Reinsberg, 2016b]; bilateral donors' choice of multilateral funds [Reinsberg et al., 2017], and the specifics of aid allocation [Eichenauer, Knack, 2015, 2016]. Also worth mentioning is the research conducted with the participation of Bernhard Reinsberg examining the participation of selected donors such as Germany [Herrmann et al., 2014], France [Eichenauer, Reinsberg, 2015] and Central and Eastern European countries [Szent-Iványi et al., 2019] in the World Bank trust funds. A number of interesting assessments of the benefits and drawbacks of trust funds have been published by other researchers [Barder et al., 2019; Wagner, 2014; Winters, Sridhar, 2017]. This study is the first devoted specifically to the FIFs designed to channel assistance to fragile states.

Two other factors make this research highly relevant but are not related to the political dynamics in the Arab world, which remains volatile and at risk of experiencing severe crises. On the one hand, politically unstable states form a top priority group of aid recipients for achieving the sustainable development goals as, according to experts, around two thirds of people living below poverty line will live in such countries by year 2030. On the other hand, we have seen the beginning of a large-scale reform of World Bank trust funds aimed at "improving their alignment with the World Bank's priorities and their integration with the World Bank's strategy, planning, budgeting, and staffing processes" [World Bank, 2019a]. Finally, this study has a great practical significance in light of the active involvement of Russia, itself a contributor to the MENA TF, in different funds hosted by the World Bank and in providing assistance to fragile and conflict-affected states around the globe.

Financial Intermediary Funds: Characteristic Features, Benefits and Drawbacks

The World Bank hosts two categories of funds established under its trusteeship — trust funds (TFs) and financial intermediary funds (FIFs). They have both commonalities and distinctive features.

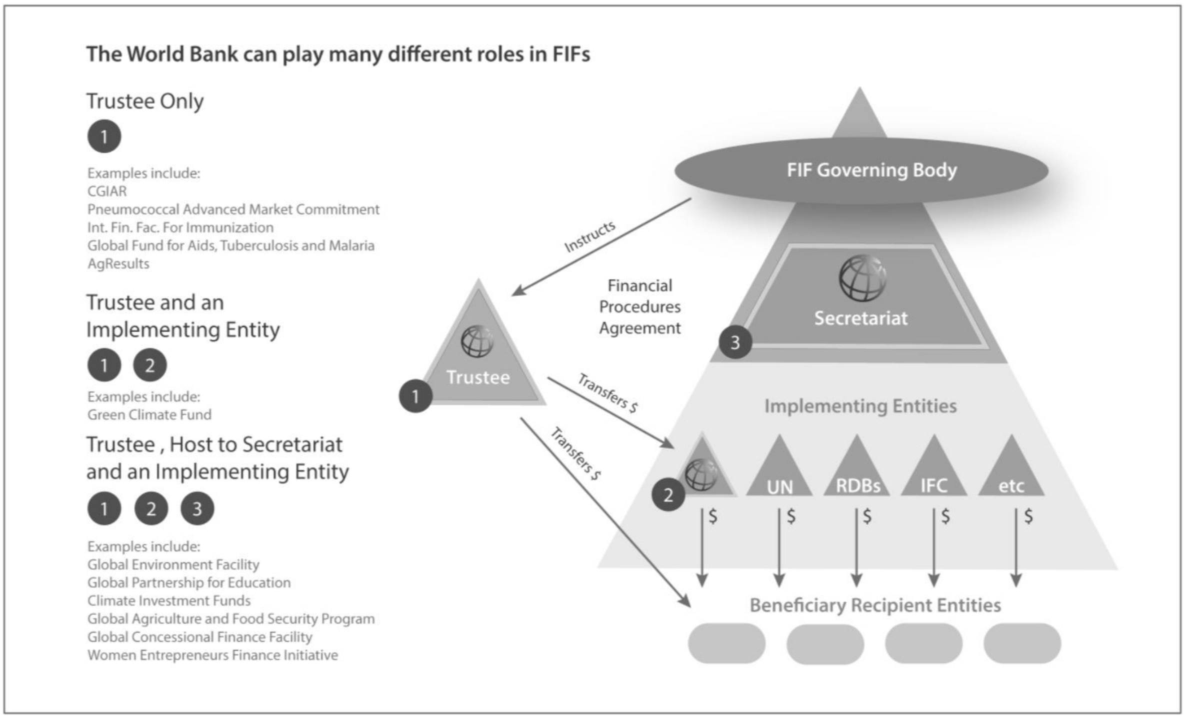
The World Bank outlines three parameters common to both types of funds: first, donors can "pool funds and harmonize approaches to address specific development challenges"; second, the Bank serves as trustee; and third, both mechanisms "can underpin partnership programs and financing mechanisms that support collective action around global public goods and other highly visible international commitments" [World Bank, 2019b, p. 6]. Both FIFs and TFs may focus on a single country or have a regional or (more often) global reach.

However, financial intermediary funds fundamentally differ from trust funds. In the case of a trust fund the Bank is responsible for disbursement and use of allocated funds while in the case of a FIF it only plays an intermediary role in transferring the funds from donors to implementation support agencies (ISAs) or to beneficiary recipient entities. FIF structures are established without conferring on the World Bank authority to make decisions.

Hypothetically the WB can perform three roles in a FIF:

1) Trustee — the Bank provides a set of agreed financial services involving receiving, holding and investing contributed funds and transfers them when instructed by the FIF governing body.
2) Secretariat — the Bank ensures the operational activities of a fund, manages paperwork, coordinates cooperation between stakeholders, and so on.
3) Implementation support agency (ISA) — along with other international financial institutions (IFIs) the Bank can implement the projects financed through FIFs [Ibid., p. 1]. When the FIF governing body chooses the Bank as an ISA the WB can allocate the financial resources from this FIF through IBRD or IDA trust funds [World Bank, 2020]. These roles are illustrated in Figure 1.

Figure 1: Potential World Bank Roles in Financial Intermediary Funds



Note: CGIAR = Consultative Group for International Agricultural Research; IFC = International Finance Corporation; RDBs = Regional Development Banks.
Source: [World Bank, 2019b, p. 1].

In addition, the World Bank may function as an independent evaluation office for a number of funds (for example, the Global Environment Facility (GEF) and the Least Developed Countries Fund for Climate Change) [World Bank, 2019b, p. 32]. Specific note should be made of the CGIAR, in which the World Bank is both a trustee and a donor. In some FIFs the Bank provides capacity building assistance for local organizations in partner countries which implement development projects [World Bank, 2020].

The trustee function is a sine qua non for the functioning of all FIFs hosted by the World Bank. The Bank provides technical, financial and legal expertise including treasury services, managing donor contributions, accounting, development of financial management policy, internal procedures, and control mechanisms. The Bank also organizes the exchange of information between the governing body, the secretariat and ISAs.

Other functions are optional. There are a number of global FIFs in which the WB executes only the trustee role (for example, the International Food Policy Research Institute (IFPRI), the International Finance Facility for Immunization (IFFI), and the Global Fund to Fight AIDS, Tuberculosis and Malaria), or both the trustee and ISA roles (for example, Green Climate Fund (GCF)). However, the Bank mainly seeks to combine all three functions as, for example, in the Global Environmental Facility (GEF), the Global Partnership for Education

(GPE), the Climate Investment Funds (CIF), and the Global Agriculture and Food Security Program (GAFSP). [World Bank, 2019b, p. 32].

FIFs often use innovative financing methods and have a flexible governance structure which helps them quickly mobilize funds from different public and private sources.

The World Bank practices two basic models of trusteeship in FIFs. Within the first model the Bank concludes a transfer agreement with implementing or supervising organizations and transfers funds to these agencies upon instruction from the governing body. The implementing or supervising agencies, in turn, disburse funds to beneficiary recipients. Under this model these agencies "appraise and supervise the implementation of projects and are responsible for monitoring and evaluation." Within the second model the Bank transfers money directly to recipient entities upon instruction from a governing body which oversees and assumes legal responsibility for the effective use of funds [World Bank, 2020].

The processes of establishing a FIF and a trust fund are quite different. A new trust fund is often a reflection of the mutual interest of donors and the World Bank, while the establishment of a FIF is promoted by donors, often following the launching of special-purpose initiatives on international forums, such as G7/G8 or Group of 20 (G20) summits. However, when assessing donors' proposals for launching a new mechanism, Bank staff need to be guided by its internal operational rules [World Bank, 2015c].

First, the donors and WB officials discuss the objectives and governance structure of a new financial mechanism; second, they work out a conception of the fund and send it to donors for approval. Third, they discuss it inside the Bank and with recipient countries. Finally, the Bank signs a trust fund agreement with donors [See Herrmann et al., 2014, pp. 14–5].

An important aspect in establishing and executing a trust fund is the alignment of a given fund's objectives with the priorities of the Bank and recipient countries. Prior to 2013, each intended trust fund had to meet following criteria in accordance with the operational rules:

1) consistency with the Bank's purposes and mandate;
2) strategic relevance;
3) risk management and controls (related to conflict of interests or limitations on use of funds);
4) governance;
5) nationality restrictions on procurement (the Bank does not accept any contribution to a trust fund that imposes nationality restrictions on procurement);
6) operational efficiency and sustainability [World Bank, 2008, p. 1].

After 2013, these criteria disappeared from the regulatory documents for unknown reasons.

In cases where intended ways of financing the projects, governance arrangements or partnerships seem to be too difficult or risky, the suggested concept of a new fund needs to be approved by the Bank's senior management or even by the board of governors. The latter should get involved in those cases involving allocation of funds to the new fund from the core Bank budget or from its revenue, providing aid to a non-member country or to a country not in good standing with the Bank, and the choice of a new or a particularly important policy which, according to the management, requires a separate decision by the board of governors. Such a decision should be taken consensually [World Bank, 2015c].

After the concept is approved, the Bank and donors conclude official agreements. After receiving donor funds, the Bank announces a call for proposals, receives them and then adopts budgets for approved projects. At the later stages, the Bank concludes grant agreements directly with recipients or with ISAs and transfers the funds to contractors (or, in cases where the Bank functions as an ISA, transfers the funds internally from one account to another).

FIFs (just like trust funds) have undeniable advantages but their use poses risks for donors, recipients, the World Bank and other organizations (Table 1).

Table 1. Benefits and Risks of FIFs

No	Benefits	Risks
1	Predictability of financing with additional large amounts of funds available on mid-/long-term basis	Aid fragmentation
2	Well-coordinated decision-making process	Complexity of achieving a strategic and operational coherence between FIF and ISA governing bodies
3	Collective implementation by several multilateral organizations	Multiplicity of roles of the WB and the correspondent conflict of interests ("The more roles the World Bank plays, the greater the potential confusion over the World Bank's actual limited authority and responsibility" [World Bank, 2019b, p. 8])
4	Scaling up assistance through pooling funds	"High propensity to evolve after initiation, requiring the World Bank to adapt to proposed changes which may significantly change the risk profile for the World Bank from what was anticipated at establishment of the FIF" [Ibid.]
5	Minimization of political, institutional and reputational risks for a donor	Increasing complexity of financial instruments portfolio and extended use of loans, bonds and guarantees in addition to grants
6	Comfortable political dialogue for donors with partner	Increasing dependence of aid allocation through

	countries and with other donors (simultaneous upgrade in alignment with national priorities of recipient countries)	the WB channels on strategic interests of donors contributing to a fund [Wagner, 2014]; "'bilateralization' of multilateral aid" [See: Eichenauer, Knack, 2015]
7	Transaction cost reduction both for donors and recipients, which is especially important for countries with weak institutional potential	
8	Opportunity to experiment and implement innovative ways of providing aid	
9	Faster mobilization and allocation of donor funds[7]	

Source: Compiled by the authors based on analysis of World Bank materials [2019b, pp. 1–3 in the Benefits column and pp.1–8 in the Risks column)] and other relevant literature.

However, regardless of the risks involved, the volume of funds channelled through the World Bank's FIFs keeps growing. Since the establishment of the first such mechanism in 1971 it has amounted to more than $104 billion, $7 billion of which were contributed in FY 2019 alone. The number of active FIFs has more than doubled over the last decade — from 12 at the end of FY 2008 to 27 at the end of FY 2019 [World Bank, 2019a]. The expansion of the FIFs is illustrated by the fact that 10 new funds were established in the five-year period between 2013 and 2018, half of which were related to environment and health [World Bank, 2019b]. Facing a constant growth of funds transferred through the FIFs, the World Bank is trying to improve its relevant policies. The last product of this effort is the Financial Intermediary Fund Management Framework prepared by the Development Finance Vice Presidency, Trust Funds and Partner Relations Department (DFTPR) in June 2019 [World Bank, 2019b].

These characteristic features, benefits and drawbacks of FIFs are applicable to all such funds regardless of their thematic or geographic focus. But even a basic knowledge of the risks of aiding fragile states [Bartenev, 2018] suggests that a FIF is a convenient mechanism to channel assistance to such beneficiaries. Factors such as transaction cost reduction, flexibility, and faster allocation of donor funds can be of crucial importance in engagement with fragile and conflict-affected states given that traditional ways of aid allocation to these recipients are often associated with institutional and legal constraints.

When comparing the flexibility of financial intermediary and trust funds and standard Bank procedures, one has to keep in mind that these funds' resources are allocated without taking into consideration the country policy and institutional assessment (CPIA) scoring, which is the main criterion for allocating funds from IBRD and IDA budgets. This is why trust funds

[7] Their transfer is executed faster than through the IBRD or IDA — primarily, because the board of governors of the World Bank does not need to approve decisions of the TF and FIF governing bodies.

and financial intermediary funds have served as an essential mechanism of channelling aid to fragile and low-income countries [Wagner, 2014]. And, there are good reasons to assume that they will play this crucial role even after a revolutionary decision to double the volume of aid to fragile states (from $7 to $14 billion in just three years) in the 18th replenishment of IDA in 2018.

However, the number of FIFs focused on providing assistance to politically unstable countries is fewer than the number of trust funds with the same focus. There are only a few of these funds in each of three general categories (single-country, regional and global mechanisms). Therefore, there is a significant value-added from an in-depth study of the Middle East and North Africa Transition Fund, which was established as a result of a tectonic shift in one of the most geo-economically and geostrategically important and turbulent regions of the planet.

The Middle East and North Africa Transition Fund: From Idea to Implementation

The establishment of the Middle East and North Africa Transition Fund (MENA TF) was a belated result of the G8 summit held in Deauville, France on 26–27 May 2011 and the launch of a global long-term international initiative called the Deauville Partnership with Arab Countries in Transition. It was designed to support partnership countries undertaking economic and social reforms, particularly to create jobs and enshrine the fair rule of law, while ensuring that economic stability underpins the challenge of transition to stable democracies [G8, 2011]. It was focused on providing the technical assistance to ensure "transparency and accountable government" and "an economic framework for sustainable and inclusive growth."

The partners planned to develop a programme catering to the needs of every partner country. Egypt and Tunisia were the first participants of the Partnership and were promised more than $20 billion from the G8 countries through international financial institutions after developing their reform programmes. Soon after, Jordan and Morocco joined the Partnership, and the volume of commitments for 2011–13 confirmed by the G8 finance ministers in Marseilles on 12 September 2011 increased to $28 billion. Libya was also invited to join the Partnership and was represented by the National Transitional Council which was emerging as victorious from the fight against Gaddafi loyalists.

These Arab countries partnered with actors in three categories: donors, including all G8 members, key Middle Eastern providers of development assistance (Kuwait, Qatar, Saudi Arabia, UAE, Turkey) and the EU; international financial institutions, including 10 global and regional financial organizations (the World Bank, the International Financial Corporation, the International Monetary Fund (IMF), the African Development Bank, the Arab Monetary Fund, the Arab Fund for Economic and Social Development, the European Bank for Reconstruction and Development (EBRD), the European Investment Bank, the Islamic Development Bank, the Organization of the Petroleum Exporting Countries (OPEC) Fund for International Development); and, international organizations such as the Organisation for Economic Co-operation and Development (OECD).

The Russian Federation played a very active role in the Deauville Partnership from the beginning. During the summit in Marseilles, Sergey Storchak, the deputy finance minister of Russia, emphasized the interest in providing educational aid to the MENA countries, training tech specialists and diplomats, improving the investment climate and expanding "an already working programme of assistance in strengthening public finances system and sharing experience in creating an effective treasury system" [Ministry of Finance of the Russian Federation, 2011].

The G8 declaration on 27 May 2011 initially focused on multilateral development banks, reflecting a general trend of intensification of cooperation between the G8 and multilateral institutions [Larionova, Rakhmangulov, 2012]. It called on them "to deliver enhanced, frontloaded and coordinated support to Partnership Countries" [G8, 2011]. The World Bank was supposed to play a key role in supporting the initiative and it met this expectation by not only granting large loans to the Arab Spring countries but also by managing multilateral mechanisms of providing technical assistance to the MENA countries on a grant basis.

In March 2012, the strategy for the MENA region was presented to the board of directors, and nearly simultaneously the Middle East and North Africa Multi-Donor Trust Fund (MENA MDTF) came into being. It was established by four OECD Development Assistance Committee (DAC) members — the United Kingdom, Denmark, Norway and Finland — of which only the UK was a member of the Deauville Partnership. The Bank played a key role in establishing the MENA MDTF, which was planned to be a Bank-executed fund with priorities aligned with the Bank's regional strategy. The activities financed from the Bank's budget were to "demonstrate clear linkages to relevant current and future Bank-funded operations and programs on the ground" [World Bank 2015b, p. 16]. Apparently for that very reason, this fund was established without a specific risk assessment [Ibid., p. 17] or decision by the board of governors.

The situation with the MENA TF was totally different. In April 2012, during the G8 Camp David summit chaired by the U.S., the ministers of finance of the Deauville Partnership countries approved the establishment of a new FIF for MENA countries. The fund was supposed to "complement other multilateral and bilateral initiatives by providing grants for technical cooperation and knowledge exchange to help transition countries strengthen their governance and social and economic institutions and develop and implement home-grown and country-owned reforms" [G8, 2012]. The G8 countries were supposed to cooperate with regional aid providers, the World Bank, and regional financial institutions, i.e. the Inter-American Development Bank (IDB), in order to establish a new fund with an initial target of $250 million. It is worth mentioning that the G8 documents did not specify that the fund would be hosted by the World Bank, and this amount was not considered to be final.

France, Italy, Saudi Arabia, the United Kingdom, the United States, and the European Union were to agree upon the parameters of the fund and to engage other partners [Ibid.]. But by August 2012, the list of interested countries had expanded significantly. Ten donors, including six G8 members (except Germany and Italy) and all the Gulf countries taking part in the Deauville Partnership, indicated their interest in contributing to the fund. Russian participation at this early stage is worth noting as Moscow clearly expressed its willingness to engage in the affairs of the MENA region not only with political and diplomatic toolkits but also with the instruments of development assistance.

The donors requested the World Bank's assistance in establishing a new fund (preparing documentation, conducting preliminary consultations, and so on) seeking to launch it as quickly as possible during the WB/IMF annual meetings in October 2012 and to begin mobilization of funds and project implementation before the end of the same year [World Bank, 2012, p. 3]. The Bank was supposed to act as trustee, manager of the coordination unit (Secretariat) of the Fund, ISA in some projects (alongside other IFIs), and observer on the steering committee of the Fund.

The idea was supported by the World Bank's two units — the MENA regional unit and the Concessional Finance and Global Partnerships general management unit — which presented the concept of the Fund to the board of directors of the WB in August 2012. This concept served as a basis for the agreement on the establishment of the Fund and is quite interesting in terms of the rationale for the Bank's participation in a new mechanism and, most importantly, in terms of risk assessment. These arguments were outlined according to relevant operational rules guiding the establishment of new funds.

The main arguments for the Bank's participation were the following:

1) A specific request from the Deauville Partnership member countries;
2) Alignment between the strategic focus of the Fund with the WB's strategy for the MENA region presented to the board of directors in March 2012;
3) Leveraging the Bank's key strengths and capacities through multiple roles in the Fund;
4) Effectiveness and flexibility of the intermediary fund mechanism for mobilization of financial resources from multiple donors to support activities to be implemented by a range of IFIs, each using its own policies and procedures (which would help it to

accommodate full and equal participation of a broad range of IFIs compared to other trust fund structures) [Ibid., pp. 3–4].

The description of risks to the Bank and the ways to mitigate them is even more interesting.

The first risk was seen in a fragmentation of the aid architecture due to the creation of another mechanism. But the authors of the concept revealed their intent to visibly demonstrate the additionality of the Deauville Partnership, complementing other Bank activities in support of country-owned reforms in the Arab Spring countries and focusing on strengthening local capacity to implement projects [Ibid., p. 12].

The second risk was "the political dimension of the Deauville Partnership and potential Bank's exposure to activities not aligned with its mandate, Articles or current policies." But the concept developers declared that the Bank, like other members of the Deauville Partnership without political mandate, would focus solely on promoting sustainable growth, economic and social inclusion, economic governance, and so on. They stated as well that the shareholders understood that these themes would be of a high priority and the Bank "would not be engaging in the activities that fall outside the scope of its purposes." If, in exceptional cases, the Bank saw a problem in transferring funds to an ISA, it could resign as trustee [Ibid.].

The third risk was a possibility that a set of operating policies developed by the steering committee (since the Bank lacked a decision-making authority) might contradict Bank policies. But the concept developers postulated that all the Deauville Partnership countries are represented in both the Bank's board of directors and the MENA TF steering committee, which minimized the likelihood that the Committee would induce the Bank to violate its mandate. Further, the Bank would use other mechanisms through binding agreements with every donor country and ISAs and would be able to agree to any amendments in the regulations. It would have a right to decline to be an ISA for proposed activities conflicting with its own policies [Ibid., pp. 12–3].

The fourth risk arose from the multiplicity of the Bank's roles. It was supposed to be balanced by the following factors. First, all responsibilities and accountabilities would be clearly articulated in the documents, and second, the Bank's responsibilities for acting as a trustee, coordination unit manager and one of the ISAs would be distributed along different departments (the MENA Regional Unit and the Concessional Finance and Global Partnerships Unit, which were supposed to collaboratively execute the function of an observer in the Fund's board). Third, the Bank will not take any decisions on the selection of technical assistance proposals or decisions on funding allocation which will reduce probability of promoting its preferences through the coordination unit, and finally, the steering committee will include representatives from the IFI Coordination Platform Secretariat of the Deauville Partnership in order to avoid any conflict of interest [Ibid., p. 13].

Reviewing the list of risks provides a more nuanced picture of how World Bank FIFs function.

On the one hand, a glaringly obvious predominance of substantive questions over procedural ones underlines the significance of political and strategic aspects in this type of fund, which were supposed to be reduced to minimum. When composing the "Request for Engagement by the World Bank" and presenting it to the Bank's management, the relevant units were trying to align the fund's objectives with regional and global priorities of the World Bank Group.

On the other hand, the authors of the request clearly understood the highly politicized nature of the Fund, and their arguments about non-admittance of "going beyond the Bank's mandate" did not seem convincing. The interest of the Bank in playing several roles in the Fund with such a clear political component could have at least three explanations. First, it fully corresponded with the process of politicization of the World Bank's activities at the end of 1990s, which accelerated in the 2000s when the Bank adopted the "securitization of development" discourse [Solomatin, 2016, 2018]. This trend culminated in the 2011 World Development Report [World Bank, 2011] exploring linkages between conflict, security and development. Second, the Bank had a clear interest in contributing to a politically significant initiative such as the Deauville Partnership and in strengthening its image as an organization better able to address global challenges than other multilateral institutions. And third, the importance of the personal interests of Bank officials should never be underestimated. For them, establishment of a new sufficiently large financial intermediary fund meant an influx of additional funds (indirect costs for executing the functions of the trustee and the Secretariat reached $4.3 million overall (2% of the contributed funds), not to mention expenses related to the Bank's activities as an ISA) [MENA TF, 2018]; it also provided the possibility of promotion if the new mechanism achieves success.

The establishment of the Fund was very swift; only one FIF was launched more quickly — the Haiti Reconstruction Fund, with only one beneficiary country and three ISAs involved [DAI, 2014]. At the same time, according to the independent full-scale of the MENA TF, the decision to establish the Fund was primarily political, and "its design was not preceded by a formal analysis of transition countries' needs, priorities or of designated implementation partner capacities" [Puetz et al., 2019, p. 17].

The request for engagement was approved at the annual meetings of the IMF and the World Bank Group. On 29 October 2012 the steering committee approved the operations manual. This document provided details of the governance arrangement and operating principles chosen for the new mechanism [MENA TF, 2012]. These require a separate examination.

Objectives, Scope and Governance Structure of the Fund

In the establishment documents the objective of the MENA TF was formulated as follows: "to improve the lives of citizens in transition countries, and to support the transformation currently underway in several countries in the region (the "Transition Countries") by providing grants for technical cooperation to strengthen governance and public institutions, and foster sustainable and inclusive economic growth by advancing country-led policy and institutional reforms" [Ibid.].

It was supposed that, thematically, the Fund would cover all three components of the Deauville Partnership (finance, trade and governance) and would be based on four pillars: investing in sustainable growth; inclusive development and job creation; enhancing economic governance; and competitiveness and integration. The first three pillars were nearly identical to those of the World Bank MENA regional strategy reflected in the MENA MDTF (Table 2). Due to the initial connection of the MENA TF's strategic priorities to political decisions made by the Deauville Partnership, these priorities were not revised despite significant changes in the region and in the recipient countries in 2013–14 — the overthrow of Mohammed Morsi in Egypt in 2013, an increased number of terrorist attacks in Tunisia and Egypt, a territorial expansion of the Islamic State of Iraq and Levant, a flight of refugees from Syria which caused a deterioration of the situation in Jordan and Lebanon, and, of course, a new escalation of violence in Libya and Yemen in 2014.

The rigidity of the strategic priorities of the MENA TF contrasted significantly with the flexibility of the MENA MDTF aligned with the Bank's regional strategy [World Bank, 2015a]. The priorities of the latter changed radically in 2015 to better reflect the situation on the ground [World Bank, 2015b].

Table 2. MENA TF vs MENA MDTF

	MENA TF	**MENA MDTF**
Year of Establishment	2012	2012
Initial End Approval Date	2015	2015
Real End Transfer Date	2018	2021 (two windows: 2012–17 and 2018–21)

Objective	To improve the lives of citizens in transition countries, and to support the transformation currently underway in several countries in the region (the "Transition Countries") by providing grants for technical cooperation to strengthen governance and public institutions, and foster sustainable and inclusive economic growth by advancing country-led policy and institutional reforms	To provide catalytic donor support to countries in the region that are currently undergoing historic transition and reform
Priorities	1) investing in sustainable growth 2) inclusive development and job creation 3) enhancing economic governance 4) competitiveness and integration	1) strengthening governance 2) increasing economic and social inclusion 3) creating jobs 4) accelerating sustainable growth (2012–15) 1) renewing social contract 2) refugees and resilience 3) rehabilitation and reconstruction 4) regional cooperation (2015–20)
Founding Donors	Ten countries (Canada, France, Japan, Kuwait, Qatar, the Russian Federation, Saudi Arabia, the United Arab Emirates, the United Kingdom, the United States)	Four countries (Denmark, Finland, Norway, United Kingdom)
Changes in the List of Donors	*Joined:* Turkey (2013) Denmark (2013) Germany (2014) Netherlands (2015) Italy (2016)	*Left:* Denmark (2017)
Recipient Countries	Six recipients (Egypt, Jordan, Libya, Morocco, Tunisia, Yemen)	Twelve recipients (10 from 2012: Djibouti, Egypt, Iraq, Jordan, Lebanon, Libya, Palestinian territories, Syria, Tunisia, Yemen + 2 from 2018: Algeria, Morocco)
Governance Arrangement	Steering committee Coordination unit Trustee Roster of experts	Program council Program coordination unit World Bank Technical Review Committee
Total Contributions	$242.4 million	$15.5 million (FY 2012–16) $8 million (FY 2017–19)
Number of Implemented Projects	90	45 (FY 2012–17) 28 (FY 2018–19)

Source: Compiled by the authors based on the MENA TF and the MENA MDTF materials.

The MENA TF could only provide grants, and the group of founding members included 10 countries — quite a high figure at that time, even for global funds. Other donors were free to join the mechanism pending a recommendation from the Deauville Partnership and approval by the steering committee (there were no additional decisions by external structures required for new donors to join the MENA MDTF). According to the standard Bank practices, donor contributions were pooled and donors could not earmark their funds or preference contributions for specific projects or transition countries [MENA TF, 2012].

Initially, MENA TF provided assistance to six countries: Egypt, Jordan, Libya, Morocco, Tunisia and Yemen. Other MENA countries could also become recipients if approved by the Deauville Partnership and the steering committee [Ibid., p. 9] (for reference, the list of recipients of funds from the MENA MDTF, not influenced by any external political decisions, was broader from the beginning and included 12 countries and territories, including even Djibouti). The projects were meant to be implemented by recipient countries in cooperation with ISAs and by ISAs in the case of parliamentary proposals and on occasion at the request of the transition country.

Projects could be approved for three years after the date of the first project approval, and funds could be transferred for six years after that date.

The governance structure of the Fund was quite complicated and differed from standard models depicted above. It consisted of four elements: a steering committee (SC), a trustee, a coordination unit (CU) and an independent callable roster of experts (ROE).

The steering committee was the main decision-making body of the Fund. It included both members with decision-making authority and observers. Only representatives from donor and transition countries could be SC decision-making members. That applied to two selected co-chairs — one representing donor countries and the other representing transition countries[8] (for reference, the MENA MDTF chair was reserved for the World Bank Group vice president for Middle East and North Africa, or designee).

Donor countries that signed a contribution agreement with the trustee and pledged at least $5 million would have a direct representation on the SC, and other countries could form a constituency with other donors and select one member to represent the constituency on the steering committee. Only donor countries or constituencies that actually contributed at least $5 million would have the authority to approve proposals for projects or budgets.

Observer members of the SC could not participate in decision-making but were allowed to participate fully in all of the relevant discussions. The observer members could include a representative from the secretariat of the Deauville Partnership IFI Coordination Platform, a representative of the trustee, the executive secretary of the steering committee, and

[8] Tellingly, the initial request for engagement submitted in August 2012 envisaged only one chair.

representatives of ISAs with project proposals being considered at the SC meeting in question. The chair of the steering committee could invite other observers (i.e. representatives of potential donors) to the meetings as deemed appropriate.

Decisions by the steering committee were supposed to be taken by consensus. Therefore, the SC did not have a right to change either the list of eligible transition countries or the duties of observer members [MENA TF, 2012, p. 12]. The committee meetings were to be conducted face-to-face (at least twice a year) and online if needed.

The World Bank served as a trustee for the Fund, received donor contributions, held them in trust and signed contribution agreements with all donor countries specifying the terms and conditions related to their contributions and the administration of these funds. The Bank also signed financial procedures agreements with all implementation support agencies. These agreements served as the basis for transferring funds on behalf of the steering committee. The World Bank did not have any responsibility to: review the appropriateness of the SC decisions; confirm that ISA funds were used for intended purposes; implement, monitor, supervise, evaluate or provide quality assurance for projects; collect funds from ISAs and grantees; or handle any alleged misuse or misprocurement that may arise with respect to ISA funds. Moreover, the Bank could play the role of an ISA itself, and in such projects it could transfer funds directly to recipient countries on behalf of the SC [Ibid., p. 16].

The coordination unit operated under World Bank management and applicable policies and procedures and was also accountable to the steering committee. The CU was established to support the work of the steering committee by serving as a liaison between the steering committee, the trustee, the roster of experts and the ISAs. It comprised a small team of professional and administrative staff headed by a programme manager in the MENA regional unit of the World Bank. The coordination unit was responsible for receiving funding proposals from transition countries for the steering committee's consideration, recommending to the steering committee individuals to participate in the callable roster of experts, preparing the materials for SC meetings, communicating with recipient countries, keeping track of progress in fulfilling the objectives, preparing annual reports, and publishing information about the Fund's activities on the website. The CU had the same limitations as the trustee — it did not have a right to provide donors information about the projects. Activities of the CU were financed from the administrative budget [Ibid., pp. 14–5].

The roster of experts provided the steering committee with independent technical advice on funding proposals and screened them based on the selection criteria. The ROE consisted of a network of experts independent of any institution involved in the Fund. The participants of this network were selected by the steering committee (based on a recommendation from the coordination unit in consultation with the ISAs) and had a high level of experience in domains relevant to the Fund's objectives and the MENA region. The experts on the roster were hired and compensated through the CU for services rendered. The costs of the experts' participation were borne by the budget allocated by the steering committee to the coordination unit, and their choice was based on the World Bank's applicable guidelines for selection and employment of consultants [Ibid., pp. 15–6].

The IFIs and the OECD, as members of the Deauville Partnership, could participate in the Fund by signing a financial procedures agreement with the trustee. After that, they could be designated by government agencies or a parliament of a transition country as an ISA for funding proposals submitted to the steering committee. The funds were to be administered in accordance with the ISA's applicable policies and procedures. They could as well help recipient countries prepare proposals, cooperate with the coordination platform of the Deauville Partnership, institutions of a partner country, provide inputs into annual reports, and so on [Ibid., pp. 17–8].

Recipient entities could be represented by all levels of governments, judicial bodies, central banks, other state agencies and parliaments. The proposals approved for parliaments were ISA-executed. Activities eligible for execution by a transition country included all recipient entities, with the exception of parliaments or when, on an exceptional basis, transition countries requested that specific projects or components of projects were executed by the ISAs. In the case where a project was executed by a recipient country, the latter would enter into a legal agreement with an ISA and abide by its policies and procedures [Ibid., p. 18].

The governance structure of the Fund received a high appraisal from Ecorys at the beginning of 2019, as 85% of donors, recipient countries and IFIs defined the governance structure of the Fund as effective or highly effective [Puetz et al., 2019, p. 56]. This applied also to SC activities, which provided a unique possibility for the western and non-western donors to communicate with one another, and to the effectiveness of the CU and the role of the WB in the Fund's activities. The evaluators did not find any evidence of conflict of interest despite the fact that the number of projects executed by the World Bank as an ISA was disproportionately high (39% of all projects and 49% of total value). That was explained by the Bank's verifiable competitive advantages and its rich experience in executing technical assistance projects [Ibid., p. 58].

But Ecorys noted that a "strategic ambiguity" had appeared because of lack of political involvement from the Deauville Partnership countries in the Fund's activities. To a significant extent they only defined general parameters, the lists of eligible recipient countries and implementing support agencies, and a focus on technical assistance. But, for example, the proportion between supporting more inclusive and transparent forms of governance and economic reforms was not codified in the Fund's documents [Ibid., p. 65]. Regardless of revolutionary changes in the region in 2014–15, the donor countries did not support the SC and the IFI-CP's "proposal for revised strategic direction to better anticipate the emerging transition pathways in the different countries and to stimulate fund-raising" [Ibid., p. 14].

The non-revision of the strategy after political changes in transition countries reflected the ambiguity of the Fund's activities, which manifested itself also in the mobilization of funds and their distribution between donors, recipients, thematic and sectoral areas.

Specifics of Mobilization and Allocation of Funds

Normally the country chairing the G8/G7 would co-chair the steering committee, although in 2012 and 2014 the G8 format ceased to exist because of the events in Ukraine. As for recipient countries, the force majeure occurred in 2014 when Egypt had to continue its duties as co-chair for a second year in a row because Libya could not perform this function, and Morocco was not ready to assume its responsibilities ahead of schedule. As a result, both conflict-ridden countries (Libya and Yemen) never assumed the role of co-chair of the MENA TF steering committee (Table 3).

Table 3. MENA TF Steering Committee Co-Chairs, 2012–18

Year	**Co-Chair Representative From Donor Countries**	**Co-Chair Representative From Transition Countries**
2012 (1st meeting)	Canada	Jordan
2013	United Kingdom	Jordan
2014	Canada	Egypt
2015	Germany	Egypt
2016	Japan	Morocco
2017	Italy	Tunisia
2018	Canada	Jordan

Source: Compiled by the authors based on MENA TF materials from 2012–18.

The co-chairs representing the donor countries did not pay equal attention to the Fund, as illustrated by amounts of their contributions (Table 4). Every donor contributed at least $5 million to become decision-making members.

Table 4. Contributions to the MENA TF by Donor

No	Donor Country	Contribution ($ Millions in 2018)	Share in total contributions (%)
1	United Kingdom	51	21.0
2	United States	40	16.5
3	Saudi Arabia	25	10.3
4	Germany	23.4	9.6
5	Canada	19.8	8.2
6	Japan	16.3	6.7
7	France	15.3	6.3
8	Russian Federation	10	4.1
9	Kuwait	10	4.1
10	Denmark	6.3	2.6
11	Italy	5.4	2.2
12	Netherlands	5	2.1
13	Qatar	5	2.1
14	Turkey	5	2.1
15	UAE	5	2.1
	Total	**242.4**	**100**
	G8 members	*181.2*	*74.7*
	DAC members	*182.5*	*75.3*
	Non-DAC countries	*60*	*24.7*

Source: Compiled by the authors based on MENA TF materials, 2018.

Three quarters of all contributions to the Fund were from G8/G7 members. DAC and non-DAC donors provided funds in roughly the same proportion, which was much higher than the figure that measured a distribution of funds between these two groups of donors on a global scale. This difference is explained by a regional focus of the MENA TF and by the fact that all major non-western donors except China and India participated in it. The specifics of the distribution of funds can be understood more clearly if one looks at the list of top-10 contributors to all FIFs hosted by the World Bank (FY 2013–17) [World Bank, 2017, p. 172]. This list includes no non-western donors and several countries whose contributions to the MENA TF were largely symbolic — Sweden, Netherlands, Norway and Italy (Table 5).

Table 5. Top-10 Contributors to the World Bank FIFs (FY 2013–17, Current Prices)

No	**Donor Country**	**Total Contributions ($**	**Share in Total**

		Billions)	**Contributions (%)**
1	United States	11.4	12.7
2	United Kingdom	6.3	7
3	Japan	2.9	3.2
4	Germany	2.8	3.1
5	France	2.3	2.6
6	Sweden	1.8	2
7	Canada	1.6	1.7
8	Netherlands	1.1	1.2
9	Norway	1.1	1.2
10	Italy	1.0	1.1
	Total	**89.7**	35.8

Source: [World Bank, 2017, p. 172].

A clear pattern can be observed: the donors paid greater attention to the Fund one year prior to, and during the year of, their tenure as chair in the G8/G7 and in the Deauville Partnership, which meant extra responsibility for mobilizing the funds pledged earlier.

As chair in 2012, the U. S. pledged $50 million to the Fund — more than any other country at the time. This trend was supported by the United Kingdom, which made the second-largest pledge of 16 million pounds in 2012 on the eve of assuming the position as chair of the G8 and pledged the same amount in 2013 after it formally assumed its responsibilities. Moreover, the United Kingdom put the success of the MENA TF at the heart of its tenure as chair of the Deauville Partnership [G8, 2013a], along with expansion of EBRD operations to the Southern and Eastern Mediterranean (SEMED), support for improved access to capital markets, and promotion of trade and economic integration. Despite the fact that the Fund had just been launched, it was not mentioned either in a regular Comprehensive G8 Accountability Report [G8, 2013~~a~~b] or in the G8's Lough Erne declaration [G8, 2013c].

From January 2014, the chairs of the G8 (for the second time in history) and the Deauville Partnership passed to the Russian Federation. Moscow chose as its slogan "managing risks to achieve sustainable growth in a safer world." Given that Russian authorities selected counterterrorism and conflict management as priorities, they had every reason to focus specifically on the Deauville Partnership agenda and the MENA TF as key instruments. By that point, the Russian Federation had already pledged $10 million to the Fund [Government of the Russian Federation, 2012] and transferred the first tranche of $4 million in 2013 and the second in February 2014. Russia continued to participate in Deauville Partnership activities and to stress the importance of participation in the MENA TF despite the G7 countries' decision of 3 March 2014 to suspend their participation in the preparation of the scheduled G8 summit in Sochi amid political crisis in Ukraine. But the Russian Federation promised to continue working in the MENA TF [TASS, 2014] and kept this promise. Despite the subsequent dissolution of the G8 format, Russian authorities provided the pledged amount to the Fund and clearly indicated both their interest in this mechanism and their intention to boost Russia's reputation as a key partner of the MENA countries, ready to help them both bilaterally and multilaterally. Furthermore, Russia became the only country that was not selected as the co-chair for the MENA TF prior to the start of its tenure as G8 chair. Canada assumed these responsibilities according to the decision taken during the SC meeting in December 2013, long before the crisis in Ukraine had reached its culmination [MENA TF, 2013b]. No open source information could be found that sheds light on the reasons for such discrimination, but it is reasonable to assume that the Russian tenure as co-chair in the MENA TF was blocked from the beginning by a number of western donors whose positions on key regional issues, primarily the war in Syria, were totally different from the Russian approach.

Engaging new donors became a priority in 2014 for Canada and Egypt as co-chairs of the Fund [MENA TF, 2014]. For example, the Canadian government tried to encourage other donors by contributing an additional CAD$5 million in the same manner as the British government had done in 2013.

Compared to Canada, Germany paid much more attention to the Fund. It became the donor of the Fund in 2014 and pledged 9 million euros in December 2014 and 9.4 million euros in 2015 after taking on the role of chair in the G7 and Deauville Partnership. Moreover, Germany successfully pushed a decision to extend the end of approval date by two years (until the end of 2017), tried to engage new countries in order to meet the initial target, and helped increase the quality of project implementation. It was while Germany was chair that the Fund was mentioned not only in the final report on the G7 presidency [Federal Government of Germany, 2015, p. 50] but also in the final leaders' declaration, which stated: "We reconfirm our strong commitment to the people of the Middle East and Northern Africa (MENA). Given the current challenges in the region, we renew our commitment to the Deauville Partnership with Arab countries in transition… The Transition Fund remains an important instrument for supporting country-led reform. We endorse measures to further enhance the Fund's effectiveness, future viability, and impact. We are committed to delivering on pledges made to date and welcome additional contributions to ensure the capitalization goal is met" [G7, 2015].

It is reasonable to suggest that the level of attention paid by Germany to the MENA TF and the Deauville Partnership, reinforced by its third contribution of 2 million euros in 2017, reflected both image-building concerns and an intention to take a responsible approach to key global challenges, characteristic of a country presiding in a large international format. Both the serious deterioration of the situation in the Middle East and the migration crisis, which affected Germany and induced it to activate its policies in the MENA region, might also have had an impact [Popova, 2019].

German activism is even more evident if compared to efforts by the countries chairing the G7 and the Deauville Partnership in 2016–17. Japan, located on the other side of the world from the MENA region, chaired the G7 after Germany and co-chaired the steering committee of the Fund in 2016. As had its predecessors, Japan contributed an additional $4.3 million but did not mention the Fund either in the final report [G7, 2016] nor in the leaders' declaration. Italy, a country with special concerns in the Southern Mediterranean, joined the list of MENA TF donors a year before it assumed the chairs of the G7 and the Deauville Partnership (following the German example) and contributed 5 million euros – just slightly above the minimum amount required to become a decision-making member. It also ensured the extension of the end of approval date by one extra year (until the end of 2018), which was mentioned specifically at the Deauville Partnership senior officials' meeting in Rome in November 2017 [G7, ~~Deauville Partnership,~~ 2017]. However, the MENA TF was not mentioned in any document related to Italy's tenure as chair of the G7. Finally, during Canada's time as chair in 2018, the Fund was discussed in Deauville Partnership events, most likely because of its expiration [G7, ~~Deauville Partnership,~~ 2018b], but it was not mentioned in other t~~he~~ G7 documents [G7, 2018]. The dissimilarities in the attention paid to the Fund while chaired by different donor countries are depicted in Table 6.

Table 6. References to the MENA TF in Documents of the Deauville Partnership Finance Ministers' Meetings and G8/G7 Leaders' Declarations and Final Reports, 2012–18

Year	**Chair of G8/G7/ Deauville Partnership**	**Deauville Partnership Finance Ministers' Meeting**	**G8/G7 Final Report**	**G8/G7 Leaders' Declaration**
2012	United States	+	-	+
2013	United Kingdom	+ (April) + (October)	+	-
2014	*Russian Federation/*			-

	European Union[9]			
2015	Germany	+	+	+
2016	Japan	+	-	-
2017	Italy	+	-	-
2018	Canada	+	-	-

Source: Compiled by the authors.

Despite some local successes, the United Kingdom, Germany and Italy failed to change the situation with contributions to the Fund. Only two DAC members that did not take part in the establishment of the Fund in 2012 joined it later — Denmark (making its first and only contribution in 2013) and the Netherlands (making its first and only contribution in 2015, justified by a statement that "the Arab Spring is not dead" [MENA TF, 2015] and presumably a direct result of German pressure). As for non-western donors, only Turkey joined the Fund after its establishment (the first contribution was made in 2013, facilitated by the Islamic Development Bank [MENA TF, 2013a]). In February 2013, there were some attempts to involve Australia, Malaysia, the European Union and Nordic countries in Rabat, but they did not bear any fruit. The United States suggested the addition of non-governmental actors to the list of donors of the Fund, but this idea was not supported [Ibid.]. The Nordic countries' reluctance to join the Fund might be explained by their participation in the MENA MDTF, although this was not a problem for Denmark, which contributed to both funds, while Norway took part in one of the SC meetings as an observer. Apparently, these countries' distancing from the Fund had something to do with the deterioration of the situation on the ground in the region.

Nonetheless, the total number of MENA TF donors — 15 countries — is quite impressive for a fund with a strictly regional focus; this puts the MENA TF in 10th place, tied with the Special Climate Change Fund, on the list of the largest FIFs hosted by the World Bank [World Bank, 2019b, pp. 28–31]. The Fund is among the top 10 of the WB FIFs in terms of the number of participating ISAs, and its scale can be considered truly massive — this can be explained by the political significance of its agenda.

However, the Deauville Partnership's members did not manage to fulfil all the obligations made in 2012. One reason was that the United States (which could have become the biggest donor of the Fund) refused in 2014 to deliver the pledged $50 million "due to the Transition Fund's inability to reach full capitalization of $250 million for the overall fund" [MENA TF, 2014, p. 5]. In the end, the U.S. did not transfer the pledged amount because of a

[9] Due to the suspension of the G8 format in March 2014

change of administration in Washington [Puetz et al., 2019, p. 59]. Japan and France did not provide the pledged amount in full either.

All in all, an attempt to achieve the initial target ($250 million) for the MENA TF set during the Deauville Partnership meeting in 2016 did not change the situation. This volume remained unattainable as the final contributions amounted to $242.4 million [G7, ~~Deauville Partnership,~~ 2016b].

An analysis of the dynamics of the contributions to the Fund shows a visible enthusiasm by donors in the early stages and a drastic slowdown in the following years, despite significant interest from recipient countries [G8, 2013, p. 25b]. Most funds were committed ($213.4 million) and disbursed ($177.7 million) by the end of 2014 [Puetz et al., 2019, p. 59]. Between 2015 and 2018 the G7 members co-chairing the Fund— Germany, Japan, Italy — contributed only $29 million, while the Netherlands contributed $5 million.

The minutes of SC meetings indicate that this dynamic reflected a dramatic change in the regional situation. Recipient countries faced a larger number of challenges in their political transition than expected by the Deauville Partnership countries [Ibid., p. 11]. As a result, the level of readiness to implement significant reforms was very low, and prospects of political transition were very uncertain [Ibid., p. 30].

The changing regional situation could not but have an impact on the allocation of funds between the recipients and on the dynamics of financing selected projects.

Starting from 2012, the SC of the MENA TF approved 90 projects, 17 of which were closed and 12 cancelled as of December 2018 [MENA TF, 2018, p. 5]. The “early birds” of the Arab Spring — Egypt and Tunisia — became the largest recipients of the MENA TF funds, accounting for 25% of all approved disbursements, followed by Jordan and Morocco (Table 7). In this context the co-chair played an important role. For example, in December 2012 in Amman the first approved project was “Reliable Quality Water for Jordan” in partnership with the EBRD.

At the same time, two countries affected by military conflicts — Yemen and Libya — accounted only for 15% of the allocated funds. The amount of financing depended on the stability of the political situation in a particular country: the largest projects were implemented in Jordan — one of the most stable transition countries — while the smallest amounts were disbursed to Yemen. The fact that Ecorys consultants had to evaluate the projects in Libya and Yemen remotely reveals that the situation in these countries did not favour the execution of the Fund’s projects at all [Puetz et al., 2019, p. 11].

Table 7. Disbursements of the MENA TF Funds by Recipient Country

No	Recipient Country	Funds Disbursed, $ Millions	Share in the Overall Volume (%)	Number of Projects	Share in the Number of Projects (%)
1	Egypt	52.8	24.5	18	20.0
2	Tunisia	50.6	23.5	21	23.3
3	Jordan	42.9	19.9	5	5.6
4	Morocco	39.8	18.5	16	17.8
5	Yemen	19.1	8.9	21	23.3
6	Libya	13.3	6.2	9	10.0
	TOTAL	**215.3**		**90**	

Source: [Puetz et al., 2019].

The cutbacks to MENA TF funding were accompanied by a reduction both in the number of approved projects — from 53 in 2012–14 to 37 in 2015–17 — and in the average project value — from $3.2 million to $2.4 million [Ibid., p. 28]. Moreover, the steering committee "looked more critically at project choice, rationale and design," and as a result, many of projects were rejected or only partially approved [Ibid., p. 28]. In the end, this likely ensured a sufficiently high effectiveness score — 41% of projects were rated as satisfactory, 51% as moderately satisfactory and only 8% were found moderately unsatisfactory [Ibid., p. 12]. The experts from Ecorys concluded that "the Fund has been able to contribute to the development of transition countries through the provision of technical expertise and achieved catalytic effects" [Ibid., p. 11].

Nonetheless, the distribution of projects between the main pillars demonstrated a clear imbalance in favour of economic governance, which became more visible in 2015–17. (Table 8).

Table 8. Distribution of the MENA TF Projects Between Four Main Pillars (%)

Pillar	The First Window (2012–14)	The Second Window (2015–17)	Overall
Economic Governance	28%	59%	41%
Inclusive Development	28%	22%	26 %
Sustainable Growth	28%	16%	23%
Competitiveness and Integration	15%	3%	10%

Source: [Puetz et al., 2019].

The dynamics of the Fund's projects by sector is even more representative (Table 9).

Table 9. Distribution of the MENA TF Funds by Sector (% of a Total Number of Projects)

Sector	**The First Window (2012–14)**	**The Second Window (2015–17)**	**Overall (2012–17)**
Governance	26	46	34
MSMEs/SMEs	21	5	14
Trade and Infrastructure	15	8	12
Social Safety Nets and Subsidy Reform	9	3	7
Investment and Business	9	14	11
Employment	9	14	11
Banking and Finance	9	11	10

Source: [Puetz et al., 2019, Annexes].

Finally, it is also important to display the dynamics of distribution of the projects between different subsectors within the governance sector (Table 10).

Table 10. Distribution of the MENA TF Funds Allocated to the Governance Sector by Subsectors (% of a Total Number of Projects)

Subsector	**The First Window (2012–14)**	**The Second Window (2015–17)**	**Overall (2012–17)**
Parliamentary Reforms	7	29	19
Fighting Against Corruption	14	24	19
Municipal Reforms	7	12	10
Investment Policy and Business Environment	0	18	10
Infrastructure	14	6	10
Banking and Finance (Including Microcredits)	21	0	10
Leadership	14	0	6

Judiciary Reform	14	0	6
Trade and Transport	0	6	3
Social Safety Nets and Subsidy Reform	0	6	3
Corporate Social Responsibility	7	0	3

Source: [Puetz et al., 2019, Annexes].

Table 10 conclusively shows that, in the context of a slowdown in the political transition of most countries, the focus of the Fund shifted from economic governance to more politicized sectors such as parliamentary and municipal reforms and fighting corruption. This fact contradicted the initial plans of the MENA TF architects who considered economic governance to be a central theme and assessed the risk of the Bank exceeding its mandate on that basis. But in reality, politicization of the Fund occurred — a logical outcome given the political nature of the Deauville Partnership.

Conclusions and Recommendations

Hypothetically, the World Bank's FIFs represent a convenient mechanism for supporting countries experiencing a state of fragility for all parties involved. Donors get an opportunity to coordinate their efforts, to reduce transaction costs, to delegate risks to a trustee and to report the allocated funds as "bilateral aid" (in accordance with OECD reporting guidelines). The countries experiencing a state of fragility, and in most cases struggling to obtain adequate amounts of financing from the IDA/IBRD budgets, receive additional grant financing — often in the form of much-needed technical assistance. The World Bank, for its part, confirms its status as a core institution of global governance, receives additional funds, and gets an opportunity to perform the role of ISA. However, everything depends on political context, and the example of the MENA TF — the first full-scale, regional World Bank FIF focused on aiding countries experiencing fragility — conclusively proves it.

On the one hand, the MENA TF did not differ much from other funds of the same type. For example, the establishing process involved all of the standard procedures, from an external request by the Deauville Partnership members to its approval by the board of directors of the World Bank in full compliance with internal policies and regulations. The general parameters of the governance arrangement were also quite standard.

On the other hand, the operations of the MENA TF were strongly affected by challenges uncommon to the majority of FIFs, which normally focus on more politically neutral sectors such as health, food security and climate change. These challenges stemmed from the predominance of political and strategic factors over a developmentalist logic both in the donors' operations and in their cooperation with the Bank and, above all else, from the situation in the recipient countries.

On the donors' side, the Deauville Partnership agreements clearly prevailed over operational decisions related to the Fund's activities (this was especially evident in comparison with the MENA MDTF, in which the World Bank played a leading role and had significantly greater freedom of manoeuvre that allowed it to adapt more easily to changing realities). This is explained apparently by both the structure of the Partnership and by the type of the Fund. The Deauville Partnership initially represented a conglomerate of actors that had not interacted as donors in such a format before. The interests of the key players diverged considerably after the establishment of the Fund because of the regional politics as well as factors outside the Arab world (a perfect example is the suspension of the G8 format as a result of the Ukrainian crisis). It comes as no surprise that a revision of strategic priorities in such a situation proved to be much more difficult than in the case of the MENA MDTF, which was executed by the Bank and was established by a group of like-minded donors.

The recipient countries experienced drastic changes during the time the Fund was operational. This curbed the initial enthusiasm of many donors and disrupted their plans to engage more countries or reach the initial target for contributions. In fact, interest in the Fund was maintained only by the countries chairing the G7 and the Deauville Partnership in a given year.

Changes in the situation "on the ground" resulted in the redistribution of funds between recipients and sectors, which led to the politicization of the MENA TF. Of course, this does not mean that the Fund's activities were doomed to fail — on the contrary, the catalytic effect of supported activities can be evaluated positively. However, it is a safe bet to argue that the risks which materialized in the MENA TF operations could occur in other FIFs focused on fragile states and situations. Thus, an increase of the IDA funds allocated to this group of recipients is very welcome.

That said, to achieve the sustainable development goals and implement the ideas incorporated in the World Bank Group Strategy for Fragility, Conflict and Violence (FCV) [World Bank Group, 2019] the key stakeholders should work at least in two directions.

First, they should thoroughly study the past experiences and pay greater attention to comparing the efficiency and performance levels of different FIFs depending on the procedure of their establishment, governance structure, specifics of mobilization and allocation of funds.

Second, they should pay more attention to assessing political risks when launching new FIFs susceptible to possible negative developments not only within recipient countries but also in the international arena and in relations between donor countries.

This second aspect becomes even more important in the context of certain negative trends that have emerged over the past several years. There is a serious risk that the largest global donor — the United States — is losing interest in channelling funds through multilateral organizations. Instead, the U.S. has been using unilateral restrictive measures (including extraterritorial ones) extensively toward both recipient and developing donor countries such as the Russian Federation, China and Iran.

In these conditions, it is highly important for the World Bank as a core institution of global governance to maintain interest in establishing new financial intermediary funds with as wide a spectrum of participants as possible (regardless of U.S. involvement). Only if the preparatory work for the establishment of such mechanisms includes a serious risk assessment and risk-mitigation measures will these FIFs will be financially stable and able to effectively play a role in channelling aid to developing countries in general and to politically unstable regions in particular.

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