Trust Fund Reforms: Progress to Date and Future Directions

June 12, 2013

Concessional Finance and Global Partnerships

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.
# Abbreviations and Acronyms

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADM</td>
<td>Accountability and Decision-Making Procedures</td>
</tr>
<tr>
<td>BB</td>
<td>Bank Budget</td>
</tr>
<tr>
<td>BETF</td>
<td>Bank-Executed Trust Fund</td>
</tr>
<tr>
<td>CAS</td>
<td>Country Assistance Strategy</td>
</tr>
<tr>
<td>CFP</td>
<td>Concessional Finance and Global Partnerships Vice-Presidency</td>
</tr>
<tr>
<td>CIF</td>
<td>Climate Investment Funds</td>
</tr>
<tr>
<td>CPS</td>
<td>Country Program Strategy</td>
</tr>
<tr>
<td>CSI</td>
<td>Core Sector Indicators</td>
</tr>
<tr>
<td>CTR</td>
<td>Controllers’ Vice-Presidency</td>
</tr>
<tr>
<td>DAC</td>
<td>Development Assistance Committee (of the OECD)</td>
</tr>
<tr>
<td>EFO</td>
<td>Externally Financed Output</td>
</tr>
<tr>
<td>ESW</td>
<td>Economic and Sector Work</td>
</tr>
<tr>
<td>FIF</td>
<td>Financial Intermediary Fund</td>
</tr>
<tr>
<td>FY</td>
<td>Fiscal Year</td>
</tr>
<tr>
<td>GEF</td>
<td>Global Environment Facility</td>
</tr>
<tr>
<td>GFDRR</td>
<td>Global Fund for Disaster Reduction and Recovery</td>
</tr>
<tr>
<td>GRPP</td>
<td>Global and Regional Partnership Programs</td>
</tr>
<tr>
<td>IAD</td>
<td>Internal Audit Department (World Bank)</td>
</tr>
<tr>
<td>IBRD</td>
<td>International Bank for Reconstruction and Development</td>
</tr>
<tr>
<td>IDA</td>
<td>International Development Association</td>
</tr>
<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
</tr>
<tr>
<td>IL</td>
<td>Investment Lending</td>
</tr>
<tr>
<td>ISN</td>
<td>Interim Strategy Note</td>
</tr>
<tr>
<td>ISR</td>
<td>Implementation Status and Results Report</td>
</tr>
<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>MDB</td>
<td>Multilateral Development Bank</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-governmental Organization</td>
</tr>
<tr>
<td>ODA</td>
<td>Official Development Assistance</td>
</tr>
<tr>
<td>OECD</td>
<td>Organization for Economic Co-operation and Development</td>
</tr>
<tr>
<td>OPCS</td>
<td>Operations Policy and Country Services Vice-Presidency</td>
</tr>
<tr>
<td>PPMF</td>
<td>Management Framework for Partnership Programs and FIFs</td>
</tr>
<tr>
<td>RETF</td>
<td>Recipient-Executed Trust Fund</td>
</tr>
<tr>
<td>TF</td>
<td>Trust Funds</td>
</tr>
<tr>
<td>TFMF</td>
<td>Trust Fund Management Framework</td>
</tr>
<tr>
<td>TLP</td>
<td>Trust Fund Learning and Accreditation Program</td>
</tr>
<tr>
<td>TQC</td>
<td>Trust Fund Quality Assurance and Compliance</td>
</tr>
<tr>
<td>UF</td>
<td>Umbrella Facility</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
<tr>
<td>VPU</td>
<td>Vice Presidential Unit</td>
</tr>
<tr>
<td>WBG</td>
<td>World Bank Group</td>
</tr>
<tr>
<td>WBI</td>
<td>World Bank Institute</td>
</tr>
</tbody>
</table>
CONTENTS

Executive Summary .............................................................................................................................................. 1
Chapter 1: Trust Funds and the World Bank Group ...................................................................................... 4
  Introduction .................................................................................................................................................. 4
  Trust Funds at the World Bank ................................................................................................................ 5
  The Future Demand for Trust Funds ................................................................................................... 8
Chapter 2: The Trust Fund Reform Road Map ............................................................................................ 10
  Strategic Alignment ................................................................................................................................. 10
  Integration into Bank Business and Budget Processes ...................................................................... 15
  Cost Recovery and Efficiency ................................................................................................................ 18
  Strengthening Oversight by Senior Management and the Board ....................................................... 20
Chapter 3: Future Directions ..................................................................................................................... 23
  Selectivity and Strategic Alignment ...................................................................................................... 23
  Strengthening the Lifecycle of Trust Funded Programs ................................................................... 25
  Budget Integration .................................................................................................................................... 27
  Fee Simplification ................................................................................................................................... 28
Annex A: Financial Trends of Trust Funds ................................................................................................. 29
Annex B: Statistics of the Trust Fund Portfolio .......................................................................................... 34
Annex C: Implementation Matrix of the TFMF (since FY11) .................................................................. 37
Annex D: IEG Recommendations and Management Action Record .................................................... 38
Annex E: The Bank’s Fiduciary Assurance Framework for Trust Funds .................................................. 41
Annex F: Trust Fund Data Integration ...................................................................................................... 43
Annex G: Trust Fund Achievements - Examples ..................................................................................... 45
Annex H: Analysis of BETF Trends ............................................................................................................ 53

Boxes
Box 1: Types of WBG Trust Funds ............................................................................................................. 7
Box 2: Update on Integration of Trust Funds in CASs and ISNs .............................................................. 11
Box 3: Organizing Principles of Umbrella Facilities .............................................................................. 13
Box 4: Trust Fund Business Process Integration ..................................................................................... 16
Box 5: Revised Trust Fund Learning Accreditation Program (TLAP 2.0) ................................................ 18
Box 6: Guidance Note on Mainstreaming Results in IBRD/IDA Trust Fund Programs ......................... 27

Figures
Figure 1: Multi-Bilateral ODA to Multilateral Institutions, FY07–FY10 .................................................. 5
Executive Summary

1. **Trust funds at the World Bank have become and will continue to be a mainstream instrument of development finance, delivering considerable benefits for partners at the global, regional and national level.** Trust funds account for one out of ten dollars disbursed by the Bank to client countries today,¹ and they support nearly one quarter of the Bank’s spending on operational and knowledge support.² The growth of trust funds over time has necessitated continuous changes to the way the Bank administers these funds on behalf of donors and for the benefit of clients. This paper provides an update on the reform of trust fund management at the Bank and discusses current challenges and the agenda forward, in the context of the emerging World Bank Group Strategy.

Trust Funds at the World Bank

2. **Trust funds are flexible arrangements that serve the interests of recipient countries, donor countries and the Bank.** Trust funds channel financial resources and analytical assistance to fragile states and conflict-affected situations. They also support rapid responses in urgent situations; assist in designing innovative and potentially transformative solutions; and help the international community to address complex global and regional policy challenges in priority sectors and themes. Donors rely on trust funds as a way to scale up bilateral programs where they lack in-country capacity and to engage in global programs where bilateral interventions would not be cost effective. Moreover, the strong fiduciary standards of the Bank are highly valued by donor partners.

3. **The Bank benefits from trust funds and the partnerships they bring to leverage its convening power and extend its financial reach in support of its core mission.** Trust funds enable the Bank to remain responsive to changes in client country demand for the Bank’s core products, through the provision of funding for knowledge generation and the piloting of new approaches and initiatives. Most trust funds are targeted at IDA countries, and all trust funds directly or indirectly target the development of client countries. At the same time, in leveraging these resources, the Bank has to ensure that their transformative potential is realized without distracting from the strategic directions of the organization.

4. **Trust funds have grown over the past decade in both size and diversity.** Many of the almost 700 trust funds accounts administered by IBRD and IDA are single-donor co-financing arrangements aligned with country priorities and linked to core Bank products and the associated development results. An increasing share of the portfolio are trust funds supporting thematic programs at the global and regional level, with a variety of objectives and governance arrangements and multiple in-country activities. As a result, the Bank’s diversified trust fund portfolio caters to many interests and demands inside and outside of the World Bank Group.

5. **Demand for programs financed by trust funds is likely to continue.** In an interconnected world, the demand for global and regional programs will continue to grow, such as in

¹ Through Recipient-executed Trust Funds (RETFs).
² Through Bank-executed Trust Funds (BETFs).
the areas of climate change, environmental commons, food security, fragility, or human
development. At the country level, trust funds increasingly serve as a tool to harmonize the
support of development partners to government programs and to finance some of the knowledge
and convening services which, in many cases, have become at least as important as financial
services. These changes in the Bank’s external context are compounded by an increasing
preference in donor countries for earmarked multilateral aid, or multi-bilateral aid, partly due to
administrative cuts in national aid agencies and the need to preserve the reach of bilateral official
development assistance (ODA).

Robust Management of Trust Funds

6. **The growing scale and diversity of trust funds requires continuous scrutiny by Bank
management and shareholders.** In the early part of the past decade, a series of controls and
safeguards was instituted to provide for consistent and effective procedures in the processing of
donor funds, including financial controls, independent audits and reporting. Certification in trust
fund administration was made mandatory for all Bank staff involved in managing donor funds.
Today, the Bank’s multi-faceted fiduciary assurance framework for trust funds is the foundation
for managing a large and diverse portfolio, supported by more than 200 donors.

7. **The subsequent phase of reforms focused on integrating the efficient and transparent
management of trust funds into regular Bank business processes.** The Trust Fund
Management Framework of 2007 recognized that trust funds had become a business line of the
Bank, necessitating their integration and mainstreaming into the Bank’s core operational
procedures. Trust funds are now integrated in country programs, although challenges remain to
include the network-managed multi-country and thematically-focused trust funds in country
assistance strategies. Most progress has been made with respect to oversight of trust funds by
senior management and the Board, including the Quarterly Business and Risk Report to the
Audit and Budget Committees, the development of integrated risk management tools, and the
improvement in transparency of — and access to — trust fund financial data. Cost recovery and
efficiency of trust funds has been strengthened, including by revising trust fund fees, raising the
minimum size for new trust funds, and consolidating existing trust funds accounts. Trust funds
are also well integrated in Bank procedures. Recipient-executed trust funds (RETFs) are subject
to lending policies, and compliance with operational policies — including results frameworks —
will be fully assured once RETF grants are integrated into the Operational Portal. Significant
progress has been made in increasing transparency and oversight of Bank-executed trust funds
(BETFs), which are now included in the Bank’s business planning and budgeting documents.

Alignment and Selectivity: Future Directions

8. **While trust funds are solidly embedded in the Bank’s fiduciary controls and
operational systems, the next phase in the evolution of trust fund management will center on
ensuring that trust funds support the emerging World Bank Group Strategy.** To align the trust
fund portfolio with the emerging corporate strategy, Management will integrate trust funds into
the dynamic selectivity framework currently under development. Selectivity for trust funds will
be based on the three lenses as formulated in the concept note for the WBG Strategy.3

3 (i) Line of sight with the two corporate goals; (ii) impact of our interventions; and (iii) comparative advantage.
Management will also apply a consistent lifecycle approach to the management of trust-funded programs, including robust results frameworks, ongoing risk management and clear entry- and exit decisions. In addition, a new strategy-driven Bank budgeting process will provide opportunities for integrated revenue and expenditure planning and therefore strengthen the strategic alignment of trust funds.

9. **These measures and tools should ensure more corporate guidance for trust fund management and resource mobilization.** Management aims to ensure that the leveraging and transformative potential of trust funds optimally serves the Bank’s corporate priorities and country-based business model. The Bank’s engagement with development partners on the structure and size of its trust fund portfolio will take place within the broader context of concessional finance managed by the Bank, thus maximizing the impact of these resources toward the achievement of the WBG’s goals of ending extreme poverty and promoting shared prosperity in a sustainable manner. Management will assess over the next months further implications of the emerging World Bank Group Strategy on the management of trust funds that may go beyond actions described in this report.

10. **The paper is organized as follows:** Chapter 1 describes the role of trust funds in the World Bank Group, with a specific focus on trust funds administered by IBRD and IDA. IFC trust funds have not been part of the Bank’s trust fund reform agenda and are therefore not within the scope of this paper. Chapter 2 provides an overview of the status and impact of the reforms of trust fund management. Chapter 3 concludes by describing future directions of trust fund management in the Bank. The paper complements proposals for a new “Management Framework for World Bank Partnership Programs and Financial Intermediary Funds” being presented to the Board concurrently with this paper. Together these papers describe the principles and management practices guiding the Bank’s future participation in trust-funded programs and partnerships, for the benefit of delivering innovative and transformative development solutions to our clients.

11. **Question for Discussion:**

- What are the views of Executive Directors on the progress made so far on trust fund reforms, as outlined in Chapters 1 and 2, and on future directions for trust fund management, as described in Chapter 3 of the paper?
Chapter 1: Trust Funds and the World Bank Group

Introduction

12. **Trust funds⁴ at the World Bank Group are not development programs in themselves.** Rather, they are funding accounts which source programs and activities agreed between the donor(s) and the trustee organization or the governing entity hosted by the trustee organization. Trust fund programs come in different shapes and sizes and the majority of financing through trust funds takes place in support of thematic programs. The programs and activities that trust funds support range from multi-year, multi-billion dollar global programs with complex partnership and governance structures to straightforward co-financing operations, often supported by single donors, and just-in-time knowledge and preparation activities with a short lifespan. While the trust funds related to large thematic programs make up a sizeable share of the funding, smaller trust funds, although lower in volume and with higher transaction costs, can facilitate important innovative and transformative contributions to core service delivery.

13. **In the past decade the World Bank Group and other multilateral organizations have experienced strong growth in multi-bilateral ODA,⁵ while the growth of core multilateral aid funding has slowed.⁶ Between 2007 and 2010, the share of earmarked funding in multilateral ODA increased from US$9 billion to US$16.7 billion, increasing from 9 percent of gross ODA in 2007 to 12 percent of gross ODA in 2011, excluding debt relief, while the share of core multilateral funding in total ODA fell from 29 percent to 28 percent in the same period. More than two-thirds of trust fund finance from Development Assistance Committee (DAC) donors flows through various UN funds and programs and one-fourth through the World Bank Group.

14. **The rapid expansion of multi-bilateral ODA has been driven primarily by DAC donors.** The new development partners — for example, China, Brazil, Saudi Arabia, and other emerging economies with large and growing foreign aid and investment programs — have primarily focused on their bilateral channels for the delivery of concessional resources to low income countries. Some emerging donors, such as Russia and Korea (both of which are recent members of the OECD–DAC), have started to contribute to trust funds.

15. **The growing importance of trust funds as a vehicle for delivering assistance is a reflection of an evolving and more complex global development architecture.** The past decade has seen an expansion of objectives for development assistance. Cross-border challenges, such as climate change, natural disasters, threats to global public health, the financial and food crises, and the increased global concern for regional fragility and conflict situations, have led to a growing demand to use multilateral organizations as implementing and financing platforms. Several significant partnership initiatives have sprung up as a result, such as the Climate Investment Funds (CIF) and the Global Facility for Disaster Reduction and Recovery (GFDRR).

---

⁴ A trust fund is a financing arrangement established with contributions from one or more external donor(s)/partners, and in some cases, from the World Bank Group, to support development-related activities. The World Bank’s policy and procedures on trust funds is set out in OP/BP 14.40.

⁵ Earmarked funding through trust funds.

These often trust-funded partnerships have become a defining and structuring feature of the multilateral system, strengthening ties between multilateral organizations, between the organizations and their members or shareholders, and increasingly with civil society and the private sector.

**Figure 1: Multi-Bilateral ODA to Multilateral Institutions, FY07–FY10**

Source: OECD-DAC

16. **The need for visibility of bilateral ODA and for securing public support has been another motivating factor behind the establishment of trust funds.** More visibility and results attribution of donor contributions is considered necessary in the effort to secure the support of domestic constituencies for development aid. Moreover, the drive for public efficiency amidst fiscal constraints has led to the consolidation of delivery mechanisms for bilateral aid. To compensate for a shrinking operational capacity in various bilateral development aid agencies, trust funds have become an attractive instrument for donors to deliver the amount of aid they have committed to provide and continue to realize bilateral development assistance objectives.

17. **The growing role of trust funds also poses challenges to receiving multilateral organizations.** Trust funds have two facets. They represent a “multilateralization” of bilateral aid, enhancing coordination and harmonization in recipient countries, yet they could also cause a “bilateralization” of multilateral operations and may contribute to fragmentation of a multilateral organization. Dealing with this tension requires strategic oversight, careful management and transparent operational procedures. This is a challenge for all multilateral organizations that manage a significant volume of trust funded programs, and the need to strike a sound balance becomes more important with the relative rise of multi-bilateral aid in recent years.

**Trust Funds at the World Bank**

18. **Trust funds have become an established funding source for the World Bank.** Trust funds not only complement the portfolio of lending and technical assistance, they also have been core instruments in several transformative processes of the Bank’s operational work. This is most

---

7 During the same period, the share of multilateral ODA has remained relatively stable at about 30 percent respectively, with multilateral ODA representing core contributions from DAC members to multilateral organizations such as IDA.
visible through the involvement of trust funds in supporting the Bank’s work in fragile states or emergencies, and in global themes such as climate change or public health. They help scale up the Bank’s work in knowledge generation and for experimental pilots to solve complex development problems. In addition, trust funds provide funding options to complement a country’s IBRD and IDA envelope and to increase the overall development effectiveness of concessional finance to a country. For work in non-member countries or countries in arrears, trust funds are the only vehicle through which the Bank can operate. Figure 2 indicates the different components of the Bank’s trust fund portfolio and the degree of support of trust funds to country and thematic programs. Annex A provides a summary of the financial trends in the portfolio.

**Figure 2: IBRD/IDA Trust Fund Portfolio and FIFs**

Notes: Includes global and regional partnership programs (GRPPs). Data are as of December 31, 2012. Trust fund accounts are established based on administration agreements signed between the Bank and a donor.

19. **From the perspective of development partners, trust funds administered by the Bank have generated important benefits.** Through trust funds, development partners have been able to provide targeted financial support in thematic areas where there is significant overlap between the Bank’s priorities and their own development objectives, or in countries where they have a limited presence or no delivery capacity of their own. Development partners have used IBRD or IDA-managed trust funds to enhance cost efficiency and the visibility of their financial contributions. Co-financing and parallel financing of trust fund activities under a Bank-supported project have enabled partners to reduce fragmentation of aid while scaling up their financial support in partnership with the Bank. Multi-donor trust funds are the primary source of finance for Bank-managed programs in fragile and conflict-affected situations. Donors also value the sector expertise of the Bank in a given geographic region, e.g. by financing an economic study in
a particular country. The Bank’s fiduciary systems for trust funds are strongly recognized by donors. This includes the Bank’s financial controls, IT systems, management oversight, investment management, monitoring of financial risks, as well as financial reporting.

20. **The 2007 paper on the “Management Framework for World Bank Administered Trust Funds” identified three broad categories of trust funds.** The portfolio consists of: IBRD/IDA trust funds, which finance activities under the Bank’s supervision or activities implemented by the Bank; financial intermediary funds (FIFs), large multilateral funds that typically support thematic global partnerships and transfer funds to external entities; and IFC trust funds, primarily in support of advisory services and IFC investments. Box 1 provides a short description of each category.

21. **Recipient-executed trust funds (RETFs) provide project and program financing that complements Bank operations, primarily at country level.** They often co-finance IBRD and IDA operations, support stand-alone investments or finance technical assistance. For recipient countries, these trust funds provide additional access to concessional funding, mostly in the form of grants. Because trust funds often co-finance existing Bank-supported projects, they can help reduce transaction costs for recipient governments who otherwise may be engaged in a separate, additional development project implemented through a bilateral aid agency. RETFs are integrated in the Bank’s country assistance strategies and thus aligned with country priorities.8

22. **Bank-executed trust funds (BETFs) support project preparation, program administration, and knowledge work.** BETF resources strongly contribute to the development of the Bank’s knowledge agenda and the quality of its non-lending technical assistance, in particular for addressing global public goods and promoting their uptake at the country level. They are also used to help prepare and supervise RETF-supported projects and in some cases IDA and IBRD operations. BETFs can help move these projects and operations along faster when needed and increase the quality of preparatory work, monitoring and evaluation and knowledge and dissemination activities. This is in particular useful in cases where speed is of essence, such as in disaster recovery or where quality may be at risk, such as in the case of a small island state when sufficient Bank resources are not

---

8 See Chapter 2 for an overview of the effort to integrate trust funds into the Bank’s CAS and CPS work.
available to ensure the same quality of preparatory work as in countries with a larger IDA portfolio. In such circumstances, BETFs have a leveraging function and enable the Bank to deliver to its clients quickly and with high quality. Annex H provides an overview of the latest trends in BETFs.

23. **In addition, the Bank provides financial trustee services for a number of global partnerships through the establishment of FIFs.** FIF resources are transferred to multiple implementing agencies, including the World Bank, on instructions from a governing entity. While the World Bank, through IBRD/IDA trust funds, receives a significant amount of funding from FIFs, in general it does not exercise an operational role in FIF governance. FIFs support partnership programs or other development initiatives when the scale of financing is expected to be large and requires implementation channels beyond those of the Bank (or instead of the Bank), and the Bank’s role as financial trustee can be clearly defined and separated from other roles. FIFs may also provide the financial platform for global initiatives involving new or complex financing instruments and draws on the Bank’s expertise and experience in areas such as innovative finance and treasury services. A total of 56 FIF accounts currently hold over US$19 billion in contributions, representing 62 percent of all funds held in trust by the Bank.

24. **IFC trust funds promote private sector development through advisory services.** IFC trust funds are the main instrument for financing its advisory services. Through its access to finance activities, IFC helps increase the availability and affordability of financial services to individuals, as well as to micro, small, and medium enterprises. IFC’s investment climate activities help governments implement reforms that improve the business environment and encourage and retain investment, thus fostering competitive markets, economic growth, and job creation. IFC also provides help to governments in the design and implementation of public — private partnerships in infrastructure and other basic services such as electricity, water, health, and education while enhancing their quality and efficiency. IFC trust funds are used to promote sustainable business by adopting environmental, social, and governance practices and technologies that create a competitive edge. Several trust funds are currently jointly managed by IBRD/IDA and IFC, yet more needs to be done to strengthen World Bank Group synergies and better align strategic and operational aspects of in-country trust fund activities across the WBG.

**The Future Demand for Trust Funds**

25. **Trust funds will continue to be an important feature of the Bank’s capacity to deliver its core products.** Through its support to country and thematic programs, IBRD/IDA trust funds have expanded the Bank’s ability to help client countries address development challenges. Today, one in ten dollars of Bank project disbursements is funded by trust funds. In many fragile and conflict-affected states, the role of trust funds towards financing development activities and results is even larger. In these challenging environments, characterized by political uncertainty as well as security and funding constraints, trust funds have proved to be reliable tools to consolidate policy advice and financial assistance and to contribute to internal processes of transformation. The example of a multi-donor trust fund like the Afghanistan Reconstruction Trust Fund (ARTF) demonstrates the value of trust funds, as a predictable financing mechanism and as a platform for sustained and coordinated policy support by the international community.

---

The BETF in the West Bank and Gaza which served as the “technical backbone” of political negotiations is another strong example of how analytical work can pave the way for overall development assistance and contribute to economic development and stability.10 These examples and achievements influence demand and demonstrate the solid place trust funds have acquired in the global development architecture. In Annex G, several achievements of trust funded programs are highlighted.

26. **The demand for trust funds to (co-)finance projects and programs is likely to continue in the near future.** Several interacting trends will determine a sustained or perhaps even an increased demand for trust funds. First, client countries are asking for more sophisticated and innovative forms of support and knowledge services. Second, the demand for global and regional programs — and therefore for trust funds as a source of financing — will continue to grow, particularly in the areas of climate change, environmental commons, food security and fragility. This trend has already transformed the multilateral arena into a more crowded and complex place. Third, the changes in the Bank’s external context are compounded by the increasing preference in donor countries for earmarked multilateral aid, or multi-bilateral aid, due to administrative cuts in bilateral agencies and the domestic need to increase visibility of bilateral ODA. This latter trend also increases the need to ensure that trust-funded programs can be used as a tool to harmonize donor support to government programs and help development partners and international organizations to adhere to the Paris Principles on Aid Effectiveness and the Accra Agenda for Action.

27. **A growing and diverse trust fund portfolio necessitates robust management to ensure compliance with standard Bank policies and fully capture the transformative potential of trust funds, for the quality of the Bank’s core products.** After a period of organic growth of trust funds, management took measures to review and reform fiduciary and oversight procedures and processes. With the launch of the Trust Fund Management Framework (TFMF) in 2007, the scope of reforms moved to a next phase: from an initial focus on ensuring sound financial management and risk controls to mainstreaming the rapidly expanding trust fund portfolio into Bank business processes. Chapter 2 describes how this iterative process of review and reform has strengthened accountability and corporate oversight, and has led to a trust fund portfolio that is predominantly integrated in the Bank’s business processes. Chapter 3 discusses the need to actively shape the portfolio to align with developments in the external context of the Bank and with the emerging strategy of the World Bank Group. It will also touch on the challenges ahead to ensure that the portfolio remains well-managed and financially sustainable.

---

Chapter 2: The Trust Fund Reform Road Map

28. The introduction of the Trust Fund Management Framework (TFMF) more than five years ago represented a watershed moment in the development of trust fund management at the World Bank. Reforms under the 2007 TFMF were organized along three pillars: (i) enhancing strategic alignment; (ii) strengthening controls and risk management; and (iii) ensuring cost recovery. An update of the TFMF was presented to the Board in June 2010. At the time, the Board reaffirmed the continued relevance of the 2007 TFMF pillars. This chapter will describe many of the actions that have contributed to embedding trust funds in the heart of the Bank’s operational management and business planning.

29. In May 2011, the Board discussed trust fund reforms in the context of the first IEG evaluation of the Bank’s trust fund portfolio. Management developed a Trust Fund Reform Road Map, drawing on the findings of the IEG evaluation of the World Bank Trust Fund Portfolio and on further guidance received by the Board. The Road Map, presented to the Board in October 2011, sought to continue comprehensive reforms along the earlier three pillars while adding a fourth pillar to underscore the need for greater oversight by senior management and the Board. The remainder of this section provides an overview of progress in each of these pillars since the June 2010 Board discussion, with a focus on actions taken since the Board update in October 2011. In Annex C, the summary timeline of trust fund reforms and cross-Bank activities undertaken under each of the four reform pillars is presented.

Strategic Alignment

30. Management has taken several actions to ensure that trust funds are aligned with the Bank’s strategic directions. Reforms initially focused on ensuring downstream alignment, through the integration of trust funds in CAS products, and more recently in sector and regional strategies. Following IEG’s recommendation, management launched new initiatives to enhance upstream selectivity, particularly of trust funds supporting sector/thematic programs. Alignment with the emerging World Bank Group Strategy is important for trust funds that support large, multi-donor programs, which are often multi-country in scope and oriented along thematic lines. The forthcoming Partnership Program Management Framework provides an important tool for selectivity in the case of trust funds that support partnership programs.

Integration of Trust Funds into CAS Products

31. Trust-funded activities have been actively integrated into CAS products. The CAS is an important instrument to ensure alignment between Bank support and country priorities. Management took action to ensure that trust-funded activities were included in CAS products as a more effective way to align trust funds with country priorities. In July 2008, the Guidance Note to Staff on CAS Integration was completed and used by staff for the preparation of CAS products. A revision of the guidance note was released in April 2012. Box 2 provides an update of the issues surrounding the Guidance Note.

---

12 Informal briefing to the Board, October 25, 2011.
In July 2008, the Bank issued a Guidance Note on Integration of trust funds into CAS Products. It advises on the integration of trust fund activities into country assistance strategies and interim strategy notes, according to six criteria: (i) role of trust funds in delivering Bank activities and their contribution to development strategies; (ii) integration of trust funded programs into the CAS Results Matrix; (iii) integration of the trust fund portfolio into broader portfolio performance discussions; (iv) review of trust fund implementation issues, including fiduciary, financial and safeguard issues; (v) integration of trust fund-related risks into overall portfolio risk assessments; and (vi) incorporation of trust fund activities on issues related to country, stakeholder, and partner consultations. The Guidance Note was revised in April 2012, adding trust fund integration for FIF activities implemented by the Bank at the country level, and for network-managed trust fund grants, particularly where these activities are relevant to CAS outcomes or there are significant trust fund implementation issues.

A review of the status of trust fund integration based on 29 CAS products between FY10–13 showed an improvement from the FY10 review, especially in the areas of (i) the role of trust funded activities and linkages to Bank country programs; (ii) integration of trust funded activities into results frameworks; and (iii) integration of the trust fund portfolio into a broader portfolio discussion. The review concludes that trust fund activities are better integrated into CASs and ISNs, as compared to 2008. Specifics findings were as follows:

- 83 percent offered a section dedicated to trust funds in the main document.
- 62 percent included a discussion of key trust fund programs.
- 76 percent included a trust fund discussion in the CAS Pillar.
- 86 percent discussed the Donor Partnership Framework.
- 76 percent integrated trust fund programs into the CAS Results Matrix.
- 52 percent listed trust funds as a separate annex.
- 3 percent integrated trust funds into the CAS Annexes.

Next steps are to (i) mainstream trust fund issues into broader portfolio risk discussions; (ii) ensure that CASs and ISNs cover trust fund implementation issues; and (iii) include trust funds as part of the CAS Annexes.

### Joint Trust Fund Portfolio Reviews

32. **Since 2010 new tools and platforms have been launched to ensure alignment of approaches to trust fund donor consultations.** The introduction of comprehensive joint donor portfolio reviews has improved oversight for many donors over their diverse trust fund portfolios, often carried out by decentralized and multiple aid agencies within a donor government. More than ten such reviews have been completed since 2011. As a result, the dialogue with the Bank has improved on the strategic focus of trust funds and their alignment with Bank and donor strategies.\(^\text{13}\)

33. **The joint Bank-donor portfolio reviews have resulted in concrete steps on the part of donors and the Bank.** Donors appreciate the “helicopter view” provided by portfolio reviews, facilitating strategic dialogue about trust fund engagement while improving efficiency and balance in the portfolio. Some donors have unilaterally increased their minimum threshold for setting up new trust funds. Moreover, revised approval processes and selectivity methodologies

---

\(^{13}\) Donor portfolio reviews were carried out between 2011 and mid-2013 for Australia, Canada, Denmark, European Commission, Finland, Italy, Korea, the Netherlands, Norway, the Russian Federation, Sweden, Switzerland, and the United Kingdom. Strategic consultations were conducted between 2011 and 2013 with several donors, including Denmark, Finland, Norway, Sweden, the United Kingdom, the European Commission, the Netherlands, and Korea.
for trust fund engagement have been set up in several donor agencies as a result of the dialogue with the Bank, while other donors have initiated internal guidelines to better govern their contributions to trust funds.

**Resource Mobilization Coordination Tools**

34. **The decentralized interaction between the Bank and donor agencies at the operational level produces coordination and alignment challenges.** At the operational level, the Bank and its donor partners engage through divergent and multifaceted mechanisms. Bank program managers and task team leaders negotiate specific programs with donor offices. While these mechanisms are often effective in terms of producing innovative and flexible trust funds, inconsistent corporate oversight can weaken alignment with strategic priorities of client countries, the Bank and the donors. Moreover, an uncoordinated approach to resource mobilization increases transaction costs. The growing demand for World Bank trust funds, combined with a stronger focus on results and value-for-money has brought attention to the complexity of a decentralized engagement with donors.

35. **Several initiatives have been taken to improve strategic alignment of trust funds while preserving the benefits of a decentralized resource mobilization for trust funds.** Trust fund resource mobilization planning was improved through the introduction of quarterly VPU reports on fundraising projections for trust funds, informing senior management. The information is available to trust fund coordinators on the intranet through the “Trust Fund Donor Dashboard,” along with other donor analytics. Further upgrades to these tools are underway.

36. **Several VPU’s have conducted “upstream” reviews** using the data and analytics in the quarterly VPU fundraising projections. These reviews are a management tool to ensure alignment and coordination within and between VPUs. A more consistent engagement between VPUs in the upstream stage will be an important next step, as discussed in Chapter 3. This is of high relevance in the case of network-managed trust funds that are implemented at the country level. Their alignment to country strategies and country priorities is important to strengthen the comparative advantage of the Bank as an actor at the global level with a business model that facilitates close alignment to country needs.

**Umbrella Approach to IBRD/IDA Trust Funds**

37. **As part of the trust fund reform roadmap, Management committed to exploring the establishment of umbrella facilities (UFs), in consultation with internal and external stakeholders.** IEG’s evaluation of the World Bank’s trust fund portfolio in 2011 recommended that the Bank establish UFs for multi-recipien trust funds, with the exception of funds supporting single country programs or global and regional partnerships with shared governance arrangements (see Annex D for more detail).

38. **In 2011, consultations on UFs were held within the Bank and with donor partners.** Both the May 2011 Donor Forum and a June 2011 brainstorming meeting in The Hague,

---

14 The term “upstream” refers to the trust fund resources flowing into the organization, as opposed to “downstream” which refers to the management of disbursing accounts to the recipients.
attended by sixteen donor agencies, were helpful in shaping the UF concept. Common areas of understanding were identified and summarized in a set of organizing principles for UFAs, which also draws from experience and good practices in current trust funds, as described in Box 3.

<table>
<thead>
<tr>
<th>Box 3: Organizing Principles of Umbrella Facilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Strategic Alignment and Results</td>
</tr>
<tr>
<td>• UFAs support a Bank’s Board endorsed sector/theme strategy with clearly articulated results frameworks for monitoring and reporting, thereby facilitating alignment of donor and Bank strategic priorities around specific results.</td>
</tr>
<tr>
<td>✓ Efficient Governance Structure</td>
</tr>
<tr>
<td>• UFAs use existing Bank governance structures to manage their operations. Donor guidance is to be provided at the strategic (upstream) stage, focusing on priorities within the Bank strategy, resource allocation criteria, and operationalizing the results framework and reporting arrangements.</td>
</tr>
<tr>
<td>✓ Cost Effective Management and Administration</td>
</tr>
<tr>
<td>• Cost effective management and administration of UFAs to be ensured by using existing Bank structures (Bank units and staff) and operational processes.</td>
</tr>
<tr>
<td>✓ Cost Effective and Transparent Allocation of Funds</td>
</tr>
<tr>
<td>• Due to the authorizing environment, regional and sector representation, and technical expertise of Bank sector boards, allocation decisions based on agreed criteria will reside with the relevant sector boards of the Bank.</td>
</tr>
<tr>
<td>• The allocation of resources will be aligned with the Bank budget and synchronized with the budget and work program planning cycles.</td>
</tr>
<tr>
<td>• Block allocations to regional VPUs by the Bank’s sector boards, based on transparent criteria, are deemed cost-effective.</td>
</tr>
<tr>
<td>✓ Coordinated Funding Approach</td>
</tr>
<tr>
<td>• Predictability of funding is a guiding principle. Fund-raising schedules will be agreed to up front (when establishing the UF, agreement is sought on a planned “pledging” schedule, similar to the IDA approach). This will ensure better funding predictability for the program and allow new donors to provide contributions within the implementation cycle of the UF.</td>
</tr>
<tr>
<td>• Fundraising activities will be reported and documented to senior Bank management.</td>
</tr>
</tbody>
</table>

39. **UFs aim to enhance alignment with Bank strategies, and at improving results focus and fundraising coordination.** These facilities serve as an effective tool to strengthen coordinated fundraising within the Bank and allow donors to better align their contributions with strategic priorities. They also enhance selectivity through the alignment with Bank approved strategies. The connection of UFAs to Bank sector strategies and to decision and oversight mechanisms such as sector boards is a core feature aimed to ensure strategic alignment, results orientation and cost-efficiency. In line with IEG’s recommendation, four pilot UFAs are in place as of end-FY13:

- **Umbrella Facility for Gender Equality (UFGE):** Supporting awareness, knowledge, and capacity for gender-informed policy making. This UF is aligned with the Bank’s gender strategy and the strategic directions laid out in the implications section of the

---

15 Block grants are *a priori*, principle-based funding allocations to Bank units that are then further managed in the context of VPUs’ strategic priorities and consistent with the trust funds’ objectives and results frameworks.

16 In its 2011-evaluation, IEG recommended the launch of two or more UFAs by July 2012.
World Development Report 2012. It supports priority areas identified in this report, and in regional gender action plans, and builds on the successes of the World Bank Gender Action Plan (2007–2011). It is anchored in the Bank's three-tiered Results Framework for Gender Mainstreaming, as laid out in the Corporate Scorecard (CSC) and IDA16 Results Measurement Systems. Intermediate outcomes are monitored at UF level.

- **Multi-donor Umbrella Facility for Capacity Development (MUFCF):** Supporting WBI’s strategy for capacity development approved by the Board of Executive Directors in 2009 with subsequent annual updates to the Board (2010, 2011, and 2012). This facility is anchored in WBI’s Capacity Development and Results Framework (CDRF), which defines and monitors results at two levels: institutional capacity changes and intermediate capacity outcomes. Both will be monitored and reported for the UF.

- **Umbrella Facility for Trade and Development (UFTD):** Supporting activities in regions, networks and other operational units related to trade. This UF responds to client demand for assistance and provides pro-active analysis of issues in anticipation of future demand through offering public goods (global analysis and advocacy), falling under the four pillars of the Bank’s trade strategy. The facility’s structure also includes a results framework, featuring indicators to measure the achievement of outcomes under the strategy’s four pillars.

- **Systems Approach for Better Education Results Umbrella Facility (SABER):** Helping countries improve learning for all by designing and deploying new tools to strengthen education system policies and institutions. The facility is aligned with the World Bank’s Education Strategy 2020. The Bank’s SABER program develops and launches system tools to assess the quality of the policy and institutional framework of education systems across core policy domains, such as teachers and workforce development. A robust results framework has been designed to guide UF implementation with development objectives and outcome indicators.

40. *The organizing principles for UFs will guide the design of a range of new trust funded initiatives, and help implement existing programs, even if they do not meet all of the criteria for UFs.* Many thematic areas are already covered by multi-recipient trust funds supporting global and regional programs with shared decision making. Even without retrofitting these into UFs, the application of the UF organizing principles to the governance of existing trust fund programs — in addition to guiding the design of new initiatives — will support alignment with corporate priorities and further strengthen the results focus and fundraising coordination for trust funds. The above-mentioned UF pilots will be subject to a mid-term evaluation, informing the Bank and donors about the applicability of the UF organizing principles and suggesting adjustments, if necessary.

**Partnerships and FIFs Management Framework**

41. *A new framework for Partnership Programs (PPs) and FIFs has been developed, focusing on governance aspects of the Bank’s engagement with development partners.* The Framework takes a “life-cycle” approach to participation in PPs and FIFs, based on three phases:

---

17 Management Framework for World Bank Partnership Programs and Financial Intermediary Funds, (June 2013).
(1) identification, preparation and approval; (2) operational and portfolio management of ongoing PPs; and (3) planning and managing possible exits. The Framework places an emphasis on consistent processes, strategic engagement, oversight, and risk management. The paper is being presented to the Board for guidance that will be taken into account in the subsequent drafting of a Management Directive with required procedures and corresponding guidelines to facilitate implementation, operating within existing Operational Policies for the underlying financing mechanisms for PPs (OP14.40 for IBRD/IDA Trust Funds and FIFs, and OP8.45 for DGF).

Integration into Bank Business and Budget Processes

42.  **Trust funds have become a main instrument for client engagement at the Bank, requiring their full integration into IBRD/IDA business procedures.** The objective is to ensure that trust funds are subject to the same quality and operational standards as regular operations financed by IBRD and IDA. To achieve this, various reform activities have been undertaken, such as:

   (a) Updating business processes for RETF small grants and additional financing.
   (b) Integrating RETF business processes into the Operations Portal.\(^{18}\)
   (c) Integrating BETFs into the Bank’s budgeting process.
   (d) Integrating trust fund financial data into SAP and the Business Warehouse.
   (e) Updated Trust Fund Learning and Accreditation Program.
   (f) Updated Trust Fund Proposal business process.

43.  **These activities have been integrated in the Bank’s Modernization Agenda\(^ {19}\) and contribute to the new systems and tools that are making the Bank a more results-oriented institution.** RETF implementation has been incorporated into the investment lending reform efforts, and RETF-funded activities follow the same guidelines as all Bank-funded activities, such as for investment project financing and program for results financing.

\(^{18}\) The Operations Portal provides task teams with an integrated web-based workspace to facilitate day to day project management.

\(^{19}\) A Common Vision for the World Bank Group, Background Annex, SecM2013-0123, Development Committee, April 20, 2013.
Box 4: Trust Fund Business Process Integration

Phase 1
- Simplification and integration of grant funding request (GFR) for large RE TFs into the Operations Portal.
- Simplification of small recipient-executed Grant Guidelines, and integration into the Operations Portal.

Phase 2
- Integration of Call for Proposal processes for Programmatic Trust Funds into the Operations Portal, resulting in gradual program process harmonization and streamlining.
- Integration of additional financing and restructuring process for small grants into Operations Portal.
- Full integration of Bank-executed product lines into the Operations Portal.
- Automatic activation of BETF GFRs.

Impact
- RE grants aligned with investment lending procedures, with simplification for small and micro grants.
- Potential elimination of duplicative approval processes – for example, 800 separate GFR approvals eliminated each year.
- Solidifying mainstreaming, alignment and integration efforts through use of one common platform (Operations Portal) for all activities and projects, regardless of financing source.

44. Updated processing procedures for small RETF grants (70 percent of RETFs, in terms of number of grants) are expected to reduce processing time per grant, especially for micro-grants of less than US$0.5 million. The revised OP14.40 “Trust Funds “ (2008) states that small grants (less than US$5 million) may be processed under simplified procedures. Lack of clarity on these procedures meant that grants below US$5 million would follow procedures applicable to regular Bank loans or credits. This raised concerns about heavy process and high administrative costs. As part of the mandate on harmonizing and streamlining business processes for trust funds, a Bank-wide working group proposed guidelines for processing small RETF grants. These were issued in March 2012, covering small RETF grants — that is below US$5 million, and micro grants — that is below US$500,000. The guidelines will be further updated and streamlined, building on the implementation experience.

45. The next step after simplification and harmonization of procedures is to integrate trust fund business processes fully into the Operations Portal, which the Bank uses for all its lending and knowledge products. In FY14, it is expected that significant progress will be made on the integration, access and processing of Grant Funding Requests (GFRs) and Grant Reporting and Monitoring tools (GRMs) through the Operations Portal. In addition to ensure compliance with Bank operational policies, this will ensure systematic reporting of results for RETF grants, which currently is done manually. The Trust Fund Proposal and other remaining business processes will follow later.

46. Over the last few years, the share of BETF to all Bank expenditures\(^{20}\) has risen from 14 percent in FY08 to 23 percent in FY13Q2. While the volume growth of BETFs broadly tracks the growth in RETFs, given the need for Bank-executed support activities (such as project preparation and supervision, analytical work) within RETF-funded programs, the relative importance of BETFs compared to the Bank’s own budget has increased. Annex H provides a

---

\(^{20}\) Sum of the World Bank’s net administrative spending, reimbursables, and BETFs.
detailed analysis of the build-up of the BETF portfolio and the latest trends in composition and
growth.

47. **Management is systematically integrating BETFs into the Bank’s budget and planning processes.** The integration of BETFs into the corporate planning and reporting systems, such as the Integrated Planning System (IPS), allows for better oversight and provides management with the tools to monitor the risk of dependency on BETFs for financing work programs and staff expenses. Significant progress has been made on the development of the IPS. The system enables VPU to plan country and sector work programs across all sources of funding (Bank budget, BETF, Reimbursable Advisory Services). Consistent and comprehensive monitoring and planning of BETFs will thus be guided by the same planning system as for all other sources of funding. In a strategy-driven budget from FY15 onwards, Bank budget and BETFs will be subject equally to alignment with the Bank’s strategy and corporate priorities through the budget allocation mechanism.

48. **There is also a need to plan staffing requirements for BETF-funded work and mainstream such plans into regular staff planning.** The use of BETFs for salaries and benefits increased to US$167 million in FY12, equivalent to 12.3 percent of total staff cost, up from US$145 million and 10.9 percent in the previous year. The IPS will aid monitoring staffing by funding sources. The need for integrated planning is compounded by the phase-out of “coterminous” appointments as of October 2013. Staff currently funded by trust funds and other sources will cease to be part of the separate coterminous staff category and continue to be employed at the Bank under regular Bank HR policies, as either term or open-ended staff according to their existing appointment type. This will increase flexibility to assign staff, reduce administrative costs, facilitate decision-making about staffing and reporting, and eliminate unnecessary distinction among staff.

49. **Challenges remain in accommodating alignment with country strategies of BETFs emanating from network-managed trust funds but executed in a country-specific context.** These trust funds account for disbursements of US$152 million in FY12. Alignment of the planning and monitoring of these trust funds with country-specific priorities and strategies is important. In Chapter 3, proposals to strengthen “upstream” review and approval by Management, including by country directors and country managers, are discussed.

50. **As part of mainstreaming efforts, the integration of World Bank trust fund financial data into the Bank’s main data systems was completed in FY12.** Access to trust fund data is now provided to relevant Bank staff via the Bank’s Business Warehouse. This has considerably shortened the amount of time required to source and compare trust fund data by offering direct data access and options for customizing reports. Also, in summer 2013, the VPU trust fund Dashboard will be launched, giving VPUs access to comprehensively tailored portfolio reviews. Annex F provides a detailed overview of the integration of trust fund financial data into the Bank’s systems.

51. **The goal of integrating and mainstreaming results measurement, monitoring and reporting on trust-funded activities with the results management systems of the Bank remains on the agenda.** In practice, the majority of trust funded activities currently have results
frameworks, but they vary in content and form. These frameworks range from a list of results indicators to full-fledged outcomes and quantified indicators and targets. In a survey of a representative sample of 54 trust-funded programs, it was found that only a quarter of these programs had indicators that were aligned with at least one of the Bank’s core sector indicators. As a result, many trust fund proposals do not provide the necessary information to shape the results frameworks required at the grant level; it is difficult to aggregate results from grant level activities to the program level; and any aggregation that exists contributes little to the overall assessment of achievement against the Bank’s Core Sector Indicators (CSI).

**Box 5: Revised Trust Fund Learning Accreditation Program (TLAP 2.0)**

TLAP 2.0 was launched in December 2012 and, by year end-FY13, over 2,000 Bank staff will be accredited. The update was necessary to ensure that the Bank’s main learning program for trust funds:

- Responds to trust fund policy and practice changes since 2002.
- Allows for coordination and alignment with the Bank’s Operational Core Curriculum.
- Reflects the growing importance of trust funds in the Bank’s work.
- Improves the user experience, drawing on advances in e-learning technology.

**Cost Recovery and Efficiency**

52. **The Bank manages trust funds under the principles of full cost recovery and efficient trust fund administration.** The Bank should avoid using its own budgetary resources to support administrative work related to trust funds and ensure cost recovery. To this end, IBRD/IDA Trust Fund fees were revised in 2011 and are under continued review. FIFs (with the exception of the Debt Relief Trust Fund established by the Bank in 1996) charge fees on a full cost-recovery basis; the last review and adjustment of the FIF cost calculation methodology was implemented in July 2011.

53. **There is scope to further simplify IBRD/IDA trust fund fees and thereby reduce the need for customized fee arrangements and achieve greater transparency.** In FY12, the Bank undertook a Trust Fund Fee Simplification Study which explored options for further simplification and standardization of trust fund fees while ensuring cost recovery of trust fund administrative costs. This study will be a building block for simplifying the Bank’s trust fund fee structure in the context of next year’s budget framework. In Chapter 3, trust fund fee simplification is discussed in more detail.

54. **Management is revisiting the approach for measuring the cost of administering these funds.** As mentioned earlier, the size and character of the trust fund portfolio has changed significantly over the past decade. When trust funds constituted a small addition to the Bank’s work program, a marginal cost approach was justified, limited to those incremental costs arising from administering a specific trust fund. In view of this, a total cost approach, or ‘full absorption costing’ will be more appropriate for the future. This work is being undertaken by CFR in the context of developing a budget framework that better supports the WBG’s new strategy.

55. **The reduction in the number of main level trust fund accounts has increased the efficiency of trust fund administration, for the Bank and for donors.** Over the past three years,
the number of trust fund accounts being closed has exceeded the number of new trust fund accounts being created, leading to a 10 percent decrease in the number of trust fund accounts compared to the peak of 780 accounts in FY10, while annual trust fund volumes have been steady or increasing. As of March 31, 2013, the number of active trust fund accounts fell further, now numbering just below 700 accounts.

Figure 3: Volume of Signed Contributions and Number of Trust Funds, by Size, FY12

56. **The minimum threshold to establish a main trust fund has been raised from US$1 million to US$2 million, effective July 2013.** The introduction of a minimum threshold of US$1 million for new TFs in 2008 contributed to consolidation of trust funds and an increase in the number of MDTFs. MDTFs now account for some 50 percent of trust fund accounts and 75 percent of TF disbursements. Raising the minimum threshold for new trust funds to US$2 million can over time, as current TFs expire and new TFs are created, reduce the number of total TF accounts by a further 12 percent without a significant impact on the volume of trust fund contributions (see Figure 3).

57. **Raising the minimum size for new trust funds is also expected to contribute to the application of the Paris Principles on aid effectiveness, by consolidating smaller aid interventions.** Moreover, the trust fund size increase will reduce the cost of managing a large number of trust fund accounts, as (i) administrative costs of proposing and setting up new trust funds would decrease, both for central units and managing units (i.e., in terms of drafting trust fund proposals, preparing legal documents, setting up trust fund accounts, donor contribution management, financial reporting, internal and external audits, trust fund account closure): (ii) managing units spend less resources on fundraising, creating possibilities for a more focused dialogue with donors; and (iii) staff time is reallocated towards ensuring trust fund quality and results, thus contributing to aid effectiveness. Net efficiency gains can be preserved if the increase in the minimum threshold does not lead to increased complexity and transaction costs.
for donors and Bank staff as some of the larger trust funds might need to deal with additional grant level accounts.

58. **Closing procedures for trust funds are being reviewed for consistency of application.** Consistently used closing procedures for trust funds will provide a more accurate picture of the active stock of trust funds and enable better staff planning and financial forecasting. After a review, management will propose a directive on trust fund closing to be instituted Bank-wide, to be included in the Trust Fund Handbook. This directive will help decrease the active stock of trust funds and will serve as a tool to ensure a regular policy cycle for trust funds and attention from management for extensions and redesign of trust funded programs and activities. Depending on the agreement with the donor, unspent funds after closure of trust funds will be returned to the donor or transferred to IDA. Dormant funds are held in the donor balance accounts and in the trust fund holding accounts. At present, some US$300 million is held in these accounts. They can drive up the costs of administering trust funds and jeopardize development effectiveness as these ODA funds could be used elsewhere. Several donors prefer to leave the funds with the World Bank in the expectation that they can be redirected to another future trust fund. However, this happens infrequently. At the time of the finalization of the trust funds administrative agreements, donors would need to specify the destination of unspent funds after closure. These funds could either be transferred to IDA as an additional contribution or returned to the donor. In the latter case, specific banking information would need to be included in the administrative agreement.

**Strengthening Oversight by Senior Management and the Board**

59. **Trust fund operational management requires regular review by senior management and the Board, to be supported by timely and comprehensive reports.** Senior Management and Board oversight have been strengthened since FY10 through a wide array of measures in the areas of financial risk management, investment management, transparency and accessibility of data. Management also has taken measures to ensure better decision making on trust fund issues through a Bank-wide High-Level Trust Fund Group since mid-2011.

60. **Two separate chapters on trust funds were added to the Quarterly Business and Risk Review Report (QBRR) to the Board in late 2011.** The additions provide a comprehensive quarterly overview of TF financial trends and the various risks involved in trust fund management, including currency risk, donor funding risk, liquidity risk and investment risk. Management developed the QBRR to rationalize and consolidate the numerous reports the Board received hitherto. The addition of trust funds has been instrumental in improving the information available and dialogue between Board and Management on the position of trust funds in the Bank’s business.

**Risk Management**

61. **Risk management in trust funds has been strengthened through multiple efforts and the development of new tools.** Risk tools for trust funds were enhanced to incorporate metrics and guiding questions and to align with the institutional risk taxonomy used by the Bank for the annual risks scan exercise. This facilitates easier aggregation across the institution of risk findings and improves reporting on institutional risks. Other measures to improve financial risk
management include a seven-point action plan initiated under the Strategy, Performance and Risk Subcommittee\(^\text{21}\) which addresses trust fund specific risks, such as the Basis of Commitment (BoC) Risk, Donor Funding Risk and Currency Risk. Similarly, a guidance note on Donor Funding Risk and Currency Risk was issued in 2011, which assists TTLs and program managers in managing these risks, complemented by quarterly reports to each VPU.

62. **In 2011, the Investment Strategy Review for IBRD/IDA trust funds and FIFs was updated and approved by the Bank’s Finance Committee.** The review responded to the evolving environment for trust funds — in terms of substantial asset growth and the changing market environment — after the global financial crisis. The review reiterated that the underlying investment objective is to optimize portfolio returns subject to capital preservation and liquidity requirements. Considering this objective and the challenges of the current low-yield market conditions, the paper also set forth plans to broaden the range of asset classes in emerging markets to achieve stronger diversification. This includes the possibility of offering a longer term tranche with a limited allocation to equities. In addition, the review proposed formalizing the governance process overseeing the implementation of trust funds investments. To accomplish this Management updated the Trust Fund Investment Guidelines in February 2013.

63. **Management has taken steps to ensure a more rigorous process for approval of Bank engagement in and management of FIFs, simplifying procedures, and improving risk management.** The process for identifying, preparing and approving new FIFs\(^\text{22}\) involves at least two primary points for cross-VPU review. First, an upstream Bank-wide Concept Note review, generally at VP level, provides Bank sponsoring units with clear institutional guidance on program design. Second, the final program document for most FIFs, due to their size, complexity or risk, will be subject to review by Senior Management and approval by Executive Directors.

**Improved Access to Trust Fund Data**

64. **The Bank’s data reporting and information technology systems underwent important upgrades and innovations in the past years.** Various new websites and online reporting tools have been launched and are under development to enhance transparency and improve access to information for stakeholders. IT systems are in continuous need of improvement and adaptation to reforms in investment lending and in analytical and advisory services. User feedback will therefore be important in order to further adjust to the needs of stakeholders.

65. **The Bank’s open data initiative increases transparency and accountability in development, in addition to providing greater opportunities for citizens participation in development.** In FY11 the World Bank and the OECD introduced AidFlows (www.aidflows.org), a new tool to visualize, by country, the sources and uses of development aid dollars. As a partnership of several multilateral organizations, the website is a unique source of data on donor contributions to the different development funding vehicles of the World Bank Group, including World Bank trust funds and FIFs. AidFlows makes data on development funding more accessible, supplies decision-critical information to policy makers and informs the global

\(^{21}\) A subcommittee which reports to the Finance Committee.

\(^{22}\) The new, enhanced approval process is presented in the accompanying Management Framework for Partnership Programs and FIFs.
dialogue on development-related funds. The tool is available free of charge to the public and was made possible as a result of the World Bank’s Open Data program.

66. **In FY12, the Bank as trustee launched a website catering to FIFs**, (www.worldbank.org/fiftrustee). For each FIF, the site contains: (i) financial information and trend analysis; (ii) scheduled reports; (iii) financial statements; (iv) governance documents; and (v) links to helpful resources. As part of the World Bank’s Open Financial Data initiative, the trustee launched a portal for FIFs on the World Bank Finances website. This website provides donor contribution data for each FIF as well as funding approvals, and trustee commitments and cash transfers to the MDBs.

**Conclusion**

67. **The Trust Fund Management Framework of 2007 recognized that trust funds had become a business line of the Bank, necessitating their integration and mainstreaming into the Bank’s core business processes.** Most progress has been made with respect to oversight of trust funds by Senior management and the Board, such as through the Quarterly Business and Risk Report to the Audit Committee, integrated risk management, and transparency of data. Cost recovery and efficiency of trust funds has been strengthened, including by revising trust funds fees, standardizing trust funds types and business processes, raising the minimum size for new trust funds, and consolidating existing trust funds accounts, including through application of the umbrella principles. Integration of the business processing of recipient-executed trust funds into the Bank’s Operations Portal will be launched in Q2FY14, and trust fund financial data have been integrated into the Bank’s data warehouse. Moreover, Bank business planning and budgeting includes spending supported by Bank-executed trust funds.

68. **The TFMF and the preceding reforms have established integrated controls and robust fiduciary frameworks for the management of trust funds.** Today, the Bank’s multi-faceted fiduciary assurance framework for trust funds is the foundation for managing a large portfolio supported by more than 200 donors and financing more than 1,500 in-country activities. After two iterative cycles of review and reform, trust fund management is solidly embedded in the Bank’s fiduciary control and operational systems and is gradually being integrated into the Bank’s business processes. The next challenge will be to secure the alignment of trust funds with the World Bank Group’s emerging new strategy.
Chapter 3: Future Directions

69. **The next phase in the evolution of the management of trust funds will center on the need for strategic alignment with the World Bank Group (WBG)’s emerging new strategy currently under preparation.** The 2011 IEG-evaluation and subsequent Board engagement on trust fund management have emphasized the need to adopt a more strategic approach to the mobilization of trust fund resources. The emerging WBG strategy and the ensuing strategy-driven business planning and budgeting process provide a unique opportunity to improve strategic alignment and selectivity of the trust fund portfolio also from a corporate perspective. This agenda will build on progress achieved, as described in Chapter 2, on the integration of trust funds in CAS products, VPU upstream reviews and the donor portfolio reviews which have contributed to strengthening alignment with strategic objectives at the country and VPU level. In addition, greater transparency and understanding of the entire portfolio will help facilitate enhanced selectivity for strategic alignment.

70. **Management will draw on several tools to align trust funds with the WBG’s core strategy and goals, while promoting further selectivity.** First, trust funds will be subject to the dynamic selectivity framework based on the three lenses as formulated in the concept note for the strategy supplemented by criteria that capture the innovative and transformative potential of trust funds. Second, based on the principles of the new Management Framework for World Bank Partnership Programs and Financial Intermediary Funds, a lifecycle approach to the management of all trust-funded programs will be followed, including robust results frameworks, stronger risk management and clear entry- and exit decision processes. Third, the new strategy-driven budget process will provide opportunities for integrated revenue and expenditure planning along the lines of the emerging strategy for the World Bank Group and therefore strengthen alignment of trust funds and partnership programs. And fourth, cost recovery measures and fee simplification are expected to accompany the integration of trust funds in the business planning and budget process.

71. **These tools will facilitate a more structured and disciplined approach to the mobilization and deployment of trust funds.** Using these tools will help to maximize the innovative and transformative potential of trust funds. Moreover, this change of management and operational practice will not only help reduce fragmentation of the Bank’s own portfolio, but also contribute to stemming the duplication of efforts and fragmentation of multi-bilateral aid in general.

**Selectivity and Strategic Alignment**

72. **Strengthening selectivity and strategic alignment with Bank, donor and client objectives will be the future focus of trust fund management.** In Chapter 2, several current practices are described, in particular around umbrella facilities and the trust fund resource mobilization process. These practices form the basis for further work. As also elaborated in the new Management Framework for World Bank Partnership Programs and Financial Intermediary Funds, the Bank will take a more structured approach to early engagement with partners.

---

(including donors) that may lead to new trust fund programs. Such early review would consider suitability and timing of a new initiative and determine the program design process. The early review will consist of the following features:

a. **Application of a dynamic selectivity framework along the three lenses of selectivity in the emerging WBG Strategy.** Dynamic selectivity is at the core of the new strategy. The strategy will articulate three lenses on which selectivity will be based: (i) line of sight with the Bank’s two corporate goals of ending extreme poverty and shared prosperity; (ii) impact of the Bank’s interventions; and (iii) comparative advantage. For selectivity in trust-funded programs the opportunities for leverage through innovation and scaling-up will need to be taken into account.

b. **Coordination among VPUs (Regions and Networks).** A region-led trust fund with a thematic focus needs to involve relevant networks in the early review, just as network-led trust funds with country-level implementation need to involve concerned regions. The new accountability and decision-making procedures (ADM) will help improve the coordination between these World Bank operators at the country and global level. This will strengthen the Bank’s comparative advantage as an institution that can combine its global and local knowledge in delivering services and solutions to the client.

c. **Expanded application of the umbrella principles.** The consistent application of the umbrella principles to the design and management of trust funds has transformative potential. Trust funds that operate according to the umbrella principles offer opportunities for strengthened strategic alignment and cooperation with development partners around explicit results. Umbrella principles provide for partners’ engagement on strategic and technical issues, while using the Bank’s own governance arrangements such as sector boards or similar cross-matrix structures for program implementation. Lessons learned from the umbrella facility pilots and from the application of the umbrella principles elsewhere will be integrated into the design of future umbrella facilities and multi-donor trust funds. The dialogue with development partners will focus on the mechanisms that make application of the principles attractive to them and emphasize the opportunity the umbrella principles offer to donors to apply the Paris, Accra, and Busan principles to their contributions to the Bank.

d. **Promoting “block grants” as effective allocation mechanism for trust funds.** Experience with allocating regional block grants under programmatic trust funds suggests that they offer a greater scope for accountability and alignment. Block grant models are considered a best practice and stimulate a degree of subsidiarity within the organization. They have become preferred over the funding allocation model based on a centralized call for proposals. The IEG evaluation identified several weaknesses in the call-for-proposals system such as (i) the lack of a Bank-wide standard approach and the occurrence of customized rules for the call for proposals process in trust funds; (ii) sometimes inefficient and nontransparent selection procedures; (iii) weak quality assurance; and (iv) diluted accountability at country, network and corporate level.

73. **Strengthening Bank engagement with donors is part of the effort to improve strategic alignment and selectivity of new trust funded programs.** As described in Chapter 2, joint reviews of trust fund portfolios with individual donors have contributed to trust fund
consolidation. This work is expanding progressively, involving periodic portfolio review updates.

74. *The recent introduction of the quarterly VPU trust fund and EFO fundraising report is an important element to strengthen transparency and information sharing.* The report helps the Bank to be more responsive and focused on client demand, and to better coordinate and streamline Bank fundraising activities and the associated workload for the Bank and donors to trust funds. These reports also help to strengthen strategic guidance and vetting processes at the VPU level.

75. *Management is undertaking efforts to review and harmonize resource mobilization for trust funds within the World Bank.* These activities aim to improve decision-making on new trust fund proposals and strengthen oversight during the initial inception phases of the trust fund lifecycle. Good practices already exist within many VPUs where processes of consistent upstream vetting of fundraising proposals for existing and new trust funds have been developed. Trust fund portfolio reviews at the VPU-level and a web-based donor dashboard supplement these efforts towards better coordination. A web-based trust fund program directory is now available for Bank staff searching for funding from existing trust fund programs. These tools will be further developed and should enable management to make better-informed decisions on whether — and how — to engage in a trust fund.

76. *High level, strategic Bank-wide consultations will be held periodically with each of the main trust fund donors, to foster better coordination of trust fund fundraising across VPUs.* For specific fundraising outreach, different forms of VPU-led donor consultations (single or multi donor; project, country, regional, or thematically driven) will be used, as is currently the case. Selectivity for alignment with the World Bank Group Strategy requires the engagement of Senior Management in decisions that affect the structure of the aggregate trust fund portfolio. Within the context of the ADM-Framework and the Management Framework for World Bank Partnership Programs and FIFs, management will discuss proposals to better ensure senior management’s involvement in decisions regarding the Bank’s engagement in multi-donor programs.

**Strengthening the Lifecycle of Trust Funded Programs**

77. *The reform efforts under the 2007 TFMF have introduced more structured forms of oversight of trust funds by senior management and the Board.* Through improved transparency and data availability and through strengthened risk management and risk reporting procedures the Bank’s management has more reliable information on trust funds and can take better informed decisions. However, trust fund oversight focuses on a few key decision moments in the lifespan of the trust fund account, and the oversight mechanisms and associated management information are less capable to oversee the health of the program associated with the trust fund.

78. *Oversight of trust-funded programs can be further improved by (i) strengthening results frameworks and improving overall results orientation; (ii) ongoing risk management; and (iii) improving entry- and exit decision processes.* Strengthening the lifecycle in this way should ensure that trust funds do not become dormant or lose their relevance during their lifecycle and that the programs they fund, guided by results frameworks, are continuously
monitored. This approach will contribute to the health of the entire trust fund portfolio and enable the Bank’s management to retain clear lines of sight not only at entry, but also during the implementation phase of a trust funded program. In Chapter 2, paragraphs 59–63, measures that have improved risk management are described. Similarly, the lifecycle of trust funded programs benefits from improved entry- and exit decision making, particularly in the context of the Bank’s ADM-procedures. Paragraph 58 of Chapter 2 details the measures that are underway to improve closing procedures.

An Increased Focus on Results

79. The ability to measure and report on results consistently is central to the effectiveness of the trust fund portfolio and to the responsiveness to client needs, and an essential part of the Bank’s accountability to its members. Trust funds are one of multiple financing sources that contribute to the Bank’s results. Given their increasing weight in total development financing, capturing their results is an important element of the Bank’s overall commitment to better results management. The integration of trust funds into current IBRD/IDA results frameworks is therefore the objective, while recognizing challenges due to the nature of trust funds (see Box 1). A guidance note has been drafted to ensure a more standardized approach towards results measurement and results-based management in trust funds (see Box 6).

80. In practice most trust fund programs report on results, but the degree to which they do varies. Results frameworks for trust funds differ significantly, ranging from a simple list of output indicators to fully-fledged tracking of outcomes and quantified targets. In some cases, the type of indicators may not be aligned with the Bank’s Core Sector Indicators (CSIs) due to various donor demands. The variability of results frameworks at the program level also means that some trust fund proposals do not provide the necessary information to shape the results framework required at the grant level, making it difficult to aggregate results from grant level activities upwards to the program level.

81. Results frameworks of trust funds need to capture the link between the key development objectives of the trust fund and specific results achieved through activities supported by trust fund grants. Not all trust funds lend themselves to results frameworks at the program level; some trust funds help to finance policy outcomes which warrant full-fledged frameworks; other trust funds help to finance individual outputs, as is the case of many BETFs. In general, results frameworks at the program level will ensure the policy linkage between the objectives of a new trust fund and the grant level where funds are spent to generate outputs and outcomes. Results frameworks are core to the quality of a lifecycle of a trust funded program and guide Bank staff and partners in the identification of areas of improvement during program implementation. Results frameworks will also lead to more consistent reporting on trust fund results at the program level for the Bank’s development partners. Moreover, standardized results frameworks will reduce transaction costs of customized results reports and ensure that trust fund result indicators are in line with the Bank’s CSIs, to the extent possible.

82. These principles for results frameworks will be introduced gradually, starting with new recipient-executed activities. The new generation of results frameworks should help ensure more consistent practice for all trust funds. Results reporting under Bank-executed trust fund activities will be strengthened at a later stage once more progress has been made on capturing results for
the Bank’s knowledge work. The process to introduce result frameworks will be supported by
the broader integration of trust funds into the Operations Portal.

<table>
<thead>
<tr>
<th>Box 6: Guidance Note on Mainstreaming Results in IBRD/IDA Trust Fund Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>CFP (Concessional Finance and Global Partnerships Vice Presidency) and OPCS (Operations Policy and Country Services Vice Presidency) are developing a set of guiding principles towards robust results framework for trust funded programs. These principles are designed in consultation with Development Effectiveness managers and Strategy Operations directors as well as with the help of representative focus groups. The guiding principles are as follows:</td>
</tr>
<tr>
<td>- All concept notes, trust fund proposals and associated grant funding requests should include a results framework.</td>
</tr>
<tr>
<td>　o The Bank’s guidance on results frameworks for investment operations should be followed, including the use of CSIs that are relevant for the trust funded program. Other relevant indicators customized to the trust funded program can be added. Result frameworks are drafted at the concept stage and are a helpful tool to guide the design of the programs. As more information on activities and scope becomes known, results frameworks can be improved and refined.</td>
</tr>
<tr>
<td>　o Where trust funds co-finance Bank-financed operations, the results frameworks for the associated Bank project should be adopted.</td>
</tr>
<tr>
<td>- Flexibility</td>
</tr>
<tr>
<td>　o Additional indicators (outside of the CSIs) may be used, provided that:</td>
</tr>
<tr>
<td>　 　▪ OPCS guidelines on use of indicators other than CSIs are followed;</td>
</tr>
<tr>
<td>　 　▪ These add materially to the indicators already included; and</td>
</tr>
<tr>
<td>　 　▪ These do not place unreasonable burden on the grant recipient.</td>
</tr>
<tr>
<td>　o No retrofitting of existing programs will occur unless new contributions are added or the program is amended.</td>
</tr>
<tr>
<td>- Reporting</td>
</tr>
<tr>
<td>　o There will be progress reports on the grant level indicators periodically through the Implementation Status and Results Reports (as done for IBRD/IDA operations) or the Grant Reporting and Monitoring (GRM) system; and</td>
</tr>
<tr>
<td>　o There will be full reporting at the trustee/program level after the Operations Portal for the trust fund proposal business process becomes operational.</td>
</tr>
</tbody>
</table>

**Budget Integration**

83. **Several measures are underway or envisioned to ensure further integration of trust fund management in the Bank’s business planning process and budget.** Management will address a number of core issues related to the integration of trust funds into the institution’s budget and business planning. The analysis will focus on better managing the use of BETFs, in particular where this concerns: (i) coordination of BETF activities managed by network anchors and executed in regions; (ii) the role of BETFs in financing preparation and supervision of non-co-financed IBRD/IDA projects; and (iii) classification of knowledge-related activities under partnerships and global programs that are not classified as core knowledge products. Moreover, the integration of BETFs into the Bank’s new strategy-driven budget planning process in FY15 will strongly support the objective of strategic alignment.
Fee Simplification

84. **The Bank needs to ensure that its trust funds business is cost-effective and financially sustainable.** During the last three decades, the Bank used standard fees to recover the costs of administering trust funds. Since 2007, standard fees were applied in combination with customized fees. By FY11, some 85 percent of all active trust funds had customized fee arrangements, leading to an increase in the recovery of the managing unit costs and allowing for direct allocation and control of funds by Task Team Leaders (TTLs). However, given the diversity of the portfolio, the application of customized fees has also proved to be costly in some cases. Many new trust funds are subject to lengthy discussions about the fees, leading to substantial transaction costs and sometimes operational delay. Moreover, it may be difficult for the donors to understand the variety in fees and charges.

85. **Management is currently assessing several options for a simplified fee approach, applied to new trust funds and across trust fund sizes.** Fee simplification would (i) provide incentives to create larger trust funds and improve aid effectiveness; (ii) cover the full cost of trust fund administration, including by Central Units; (iii) streamline allocations of trust fund fee income to the Bank’s different units involved in trust fund management; and (iv) increase transparency of fee charges.

Conclusion

86. **In summary, the past years have brought about substantial progress in the integration of trust funds into regular Bank processes.** Following successful efforts to establish a robust fiduciary assurance framework for the Bank’s administration of trust funds, these trust fund reforms since 2007 cover primarily the “downstream” side of the trust fund business, i.e. managing the flow of trust funds to client countries or for global and regional issues. Much has been accomplished to integrate and mainstream trust fund business processes into the Bank’s regular operational systems, with additional efforts currently underway. In the coming years the main challenge awaits “upstream”, i.e. on the inflow of resources and the selection of a standardized set of financing models that fit the objectives of the programs and partnerships they fund.

87. **Ensuring selectivity and strategic alignment of trust funds with the WBG strategy and goals will be an important challenge for the Bank.** The four pillars for trust fund reform provide a solid basis to deal with this challenge and to ensure that trust funds and their leveraging and transformative potential serve the WBG’s strategy and core country-based business model. Trust fund management and resource mobilization will benefit from more corporate guidance, through a selectivity framework and a robust lifecycle approach. The engagement of the Bank with its trust fund partners will be conducted in the broader context of the Bank’s concessional finance portfolio in order to maximize the impact of these public investments on the achievement of the WBG’s goals of ending extreme poverty and promoting shared prosperity in a sustainable manner. Management will assess over the next months further implications of the emerging World Bank Group strategy on the management of trust funds that may go beyond actions described in this report.
Annex A: Financial Trends of Trust Funds

Over the past five years, the World Bank Group’s trust fund assets have increased by some 50 percent. Total funds held in trust, comprising investments and donor promissory notes, rose from US$20.7 billion as of year-end FY08 to US$30.9 billion as of FY13Q2, with 85 percent of this volume growth attributable to FIFs.

At the same time, the total number of WBG trust fund accounts remained largely stable at just over 1,000 accounts. Notably, there has been a 10 percent decrease in the number of IBRD/IDA trust funds, from a peak of 780 accounts two years ago down to 698 accounts as of FY13Q3, reflecting consolidation efforts by donors and the Bank. At the same time, the number of IFC TFs increased from 213 accounts in FY08 to 284 accounts as of FY13Q2.

Overall there are more than 300 donors from 101 countries to WBG trust funds, with 90 percent of the volume of funding concentrated among some 20 sovereigns. For IBRD/IDA trust funds that complement the Bank’s work in client countries and the Bank’s expenditures, the main donors over FY08–FY13Q2 included the United States, the United Kingdom, Germany, France, Japan, Canada, the Netherlands, the European Commission, Norway, and Australia.

Financial Intermediary Funds

FIFs support development activities largely carried out by external partners and implementing agencies. The total amount held in trust increased from about US$10.6 billion in FY08 to US$19.2 billion by FY13Q2, accounting for 62 percent of total funds held in trust. More than 80 percent of the funds held in trust for FIFs were held for the Global Fund (29 percent), the Global Environment Facility (GEF) (26 percent), and the CIFs (25 percent). Although the health sector still accounts for the majority (53 percent) of cash contributions to FIFs in FY12, the share of the environment and climate change theme has seen its share increased from 19 percent in FY08 to 32 percent by FY12. The most recent FIFs to be established were: the Green Climate Trust Fund, the MENA Transition Fund and the AgResults initiative.
Trust Funds Administered by IBRD and IDA

Following a decline in FY11, cash contributions to IBRD/IDA trust funds recovered in FY12, reaching US$4.4 billion. The increase in cash contributions was accompanied by a consolidation of the number of active accounts by more than 10 percent as of FY13Q2. Importantly, there is an increasing share of multi-donor trust funds, accounting for about 80 percent of all contributions and some 50 percent of the number of accounts.

Recipient-executed trust funds support activities at country level. RETFs involve project financing for third-party recipients which are prepared and supervised by the Bank. As of end FY13Q2, RETF disbursements accounted for 10 percent of the World Bank’s total project financing (see Figure A-6), up from 7 percent in FY10. RETFs are an important financing source for investments and technical assistance in fragile and conflict-affected states (see Figure A-5). RETF disbursements to FCSs have increased from US$1 billion in FY08 to US$1.3 billion in FY12 and represented 37 percent of total RETF disbursements during FY12. Afghanistan accounted for 40 percent of disbursements to FCSs, followed by the West Bank and Gaza with a total of 22 percent. About 40 percent of RETF disbursements are concentrated in five areas: Afghanistan, West Bank and Gaza, Ethiopia, Vietnam, and Indonesia. Disbursements to fragile countries as of end FY13Q2 are on pace to exceed FY12 disbursements.
The ratio of disbursements between RETFs and BETFs has remained stable. In FY12, RETF disbursements of US$3.6 billion accounted for 85 percent of total disbursements under IBRD/IDA trust funds, while BETF disbursements of US$643 million in FY12 accounted for 15 percent of total trust fund disbursements. The same proportion continues into FY13. Therefore, most trust fund resources continue to be directed at — and implemented by — client countries.

The importance of BETFs in assisting the delivery of Bank products to clients continues to increase. In FY12, BETF disbursements reached US$643 million up from US$387 million in FY08. BETFs finance primarily knowledge-related activities (48 percent of all BETF disbursements in FY12), followed by external partnerships and outreach and by supervision and lending primarily related to RETF projects.

Bank-executed trust funds support delivery of knowledge services to clients. On average, 45 percent of total BETF disbursements in FY08–FY13Q2 were used to fund knowledge-related activities (see Figure A-7). Spending on knowledge for clients including for technical assistance, economic and sector work, and impact evaluation has driven the growth in BETFs for knowledge-related activities and continues to account for the bulk of BETF disbursements (see Table A-1). The share of BETF spending on external partnerships, outreach and resource mobilization continued to decline in FY13Q2; to 18 percent, down from 31 percent in FY08. The share of BETF disbursements to fund project preparation and supervision was stable over the
past five years at around 14 percent. These BETFs serve mainly to fund preparation and supervision of RETF-funded projects, and their growth over the past five years has broadly tracked with the increase in RETF disbursements. Box A-1 provides an overview of the core knowledge activities of the Bank.

Table A-1: Main Contributors to Growth of BETF Disbursements for Knowledge Related Activities FY08–13Q2

<table>
<thead>
<tr>
<th>General Category</th>
<th>Product Line</th>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>Grand Total</th>
<th>Share to Total (FY08–FY13Q2)</th>
<th>Contribution to Growth (FY08–FY12)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge for Clients</td>
<td>Non-lending TA</td>
<td>58</td>
<td>78</td>
<td>103</td>
<td>127</td>
<td>162</td>
<td>98</td>
<td>627</td>
<td>47%</td>
<td>67%</td>
</tr>
<tr>
<td>Knowledge for Clients</td>
<td>ESW</td>
<td>35</td>
<td>39</td>
<td>53</td>
<td>46</td>
<td>44</td>
<td>19</td>
<td>236</td>
<td>18%</td>
<td>6%</td>
</tr>
<tr>
<td>Knowledge for Internal Use</td>
<td>Knowledge Product</td>
<td>21</td>
<td>22</td>
<td>27</td>
<td>29</td>
<td>28</td>
<td>14</td>
<td>141</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Knowledge as Public Good</td>
<td>Research Services</td>
<td>7</td>
<td>13</td>
<td>14</td>
<td>21</td>
<td>19</td>
<td>7</td>
<td>80</td>
<td>6%</td>
<td>8%</td>
</tr>
<tr>
<td>Knowledge for Clients</td>
<td>Impact Evaluation</td>
<td>3</td>
<td>7</td>
<td>9</td>
<td>10</td>
<td>8</td>
<td>5</td>
<td>43</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>All Others</td>
<td></td>
<td>29</td>
<td>30</td>
<td>39</td>
<td>46</td>
<td>48</td>
<td>26</td>
<td>219</td>
<td>16%</td>
<td>12%</td>
</tr>
<tr>
<td>Total Knowledge Related Activities</td>
<td></td>
<td>154</td>
<td>189</td>
<td>245</td>
<td>278</td>
<td>310</td>
<td>169</td>
<td>1,346</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Box A-1: An Overview of Core Knowledge Activities

The Bank’s nine core knowledge activities or product lines are organized into three categories, by audience.

The share of trust funds and fee-based services in total spending has increased since 2002

IFC Trust Funds

IFC uses trust funds mainly to finance its advisory services business line, with a small but increasing share directed at IFC investments. IFC advisory services promote private sector development along four business lines: expanding access to finance (A2F), improving the investment climate, facilitating public-private partnerships, and promoting sustainable business. Funds held in IFC trust funds increased from US$531 million in FY08 to a high of US$966 million in FY12 before settling at US$787 million as of FY13Q2. Cash contributions rose from US$239 million in FY08 to a high of US$1.1 billion in FY10 before stabilizing to around US$320 million by FY12. Disbursements have likewise grown from US$241 million in FY08 to US$334 million by FY12, current data for FY13Q2 (US$154 million) show that disbursements are likely on a path to match the FY12 level. The largest disbursements in FY12 for advisory services went to the IFC Private Enterprise Partnership for Sub Saharan Africa, the Europe- and Central Asia Advisory Program and IFC Private Enterprise Partnership for Middle East and North Africa.

IFC trust funds promote private sector development through advisory services. In FY12, nearly 80 percent of IFC advisory service disbursements were made via trust funds. In the past five years, IFC program expenditures have grown by 50 percent to nearly US$200 million, with 65 percent concentrated in IDA countries and 17 percent in fragile and conflict-affected states.
## Annex B: Statistics of the Trust Fund Portfolio

**Table B-1: WBG-Administered Trust Funds, by Trust Fund Type and Fiscal Year, FY08-FY13 Q2**

<table>
<thead>
<tr>
<th>Number of Active Main TFs</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBRD/IDA TFs</td>
<td>757</td>
<td>761</td>
<td>780</td>
<td>748</td>
<td>720</td>
<td>706</td>
</tr>
<tr>
<td>Financial Intermediary Funds</td>
<td>49</td>
<td>50</td>
<td>48</td>
<td>51</td>
<td>54</td>
<td>56</td>
</tr>
<tr>
<td>IFC TFs</td>
<td>213</td>
<td>233</td>
<td>247</td>
<td>273</td>
<td>290</td>
<td>284</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>1,019</td>
<td>1,044</td>
<td>1,075</td>
<td>1,072</td>
<td>1,064</td>
<td>1,046</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash Contributions (US$ million)</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBRD/IDA TFs</td>
<td>4,012</td>
<td>3,645</td>
<td>4,344</td>
<td>3,862</td>
<td>4,393</td>
<td>2,030</td>
</tr>
<tr>
<td>Financial Intermediary Funds</td>
<td>4,493</td>
<td>4,525</td>
<td>5,957</td>
<td>6,111</td>
<td>7,155</td>
<td>4,746</td>
</tr>
<tr>
<td>IFC TFs</td>
<td>239</td>
<td>305</td>
<td>1,143</td>
<td>328</td>
<td>322</td>
<td>268</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>8,743</td>
<td>8,475</td>
<td>11,444</td>
<td>10,301</td>
<td>11,869</td>
<td>7,043</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Funds Held in Trust(^{1/}) (US$ million)</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBRD/IDA TFs</td>
<td>8,750</td>
<td>8,795</td>
<td>8,878</td>
<td>9,610</td>
<td>9,736</td>
<td>10,020</td>
</tr>
<tr>
<td>Financial Intermediary Funds</td>
<td>10,572</td>
<td>13,635</td>
<td>15,287</td>
<td>18,000</td>
<td>17,799</td>
<td>19,194</td>
</tr>
<tr>
<td>IFC TFs</td>
<td>531</td>
<td>571</td>
<td>727</td>
<td>635</td>
<td>966</td>
<td>787</td>
</tr>
<tr>
<td>Others</td>
<td>877</td>
<td>794</td>
<td>914</td>
<td>876</td>
<td>742</td>
<td>906</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>20,731</td>
<td>23,795</td>
<td>25,807</td>
<td>29,121</td>
<td>29,243</td>
<td>30,907</td>
</tr>
</tbody>
</table>

**Note:** 1/ Refers to the stock of cash and promissory notes held as of end of the year.

<table>
<thead>
<tr>
<th>Disbursements (US$ million)</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBRD/IDA TFs(^{1/})</td>
<td>3,268</td>
<td>3,618</td>
<td>3,686</td>
<td>3,769</td>
<td>4,250</td>
<td>1,953</td>
</tr>
<tr>
<td>BETF(^{1/})</td>
<td>387</td>
<td>445</td>
<td>534</td>
<td>591</td>
<td>643</td>
<td>297</td>
</tr>
<tr>
<td>RETF</td>
<td>2,868</td>
<td>3,164</td>
<td>3,126</td>
<td>3,152</td>
<td>3,571</td>
<td>1,649</td>
</tr>
<tr>
<td>Financial Intermediary Funds</td>
<td>3,208</td>
<td>3,027</td>
<td>4,786</td>
<td>4,542</td>
<td>5,156</td>
<td>3,476</td>
</tr>
<tr>
<td>IFC TFs</td>
<td>241</td>
<td>274</td>
<td>996</td>
<td>442</td>
<td>334</td>
<td>154</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>6,718</td>
<td>6,919</td>
<td>9,468</td>
<td>8,754</td>
<td>9,741</td>
<td>5,584</td>
</tr>
</tbody>
</table>

**Note:** 1/ Represents a subset of BETF disbursements and excludes grants managed by IFC and some reimbursable funds.
Figure B-1: Trust Fund Assets, end-December 2013

Figure B-2: Ten Largest Contributors to World Bank Group-Administered Trust Funds, FY08-FY13Q2
Table B-2: RETF and BETF Disbursements, by Fiscal Year, FY08–FY13 Q2 (in US$ million)

<table>
<thead>
<tr>
<th></th>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13–Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBRD</td>
<td>10,489.6</td>
<td>18,565.1</td>
<td>28,862.0</td>
<td>21,889.7</td>
<td>19,785.2</td>
<td>9,717.5</td>
</tr>
<tr>
<td>IDA</td>
<td>9,160.0</td>
<td>9,218.8</td>
<td>11,460.1</td>
<td>10,268.3</td>
<td>11,060.6</td>
<td>4,580.7</td>
</tr>
<tr>
<td>RETFs</td>
<td>2,868.2</td>
<td>3,163.9</td>
<td>3,125.6</td>
<td>3,152.2</td>
<td>3,570.9</td>
<td>1,648.6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>RETFs as % of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>FY08</td>
</tr>
<tr>
<td>Bank Budget 1/</td>
<td>1,870</td>
<td>1,957</td>
<td>2,085</td>
<td>2,116</td>
<td>2,171</td>
<td>1,002</td>
</tr>
<tr>
<td>BETF</td>
<td>387</td>
<td>445</td>
<td>534</td>
<td>591</td>
<td>643</td>
<td>297</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>BETF as % of BB Actuals + BETF</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>FY08</td>
</tr>
</tbody>
</table>
| Note: 1/ Bank budget includes net administrative spending and reimbursables

Table B-3: Breakdown of RETF Disbursements, FY08–FY13 Q2 (in US$ million)

<table>
<thead>
<tr>
<th>Region</th>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13Q2</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>5,513</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>31%</td>
</tr>
<tr>
<td>East Asia and Pacific</td>
<td>3,289</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>19%</td>
</tr>
<tr>
<td>Europe and Central Asia</td>
<td>1,104</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>6%</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>938</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5%</td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>2,115</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>12%</td>
</tr>
<tr>
<td>South Asia</td>
<td>4,043</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>23%</td>
</tr>
<tr>
<td>Global</td>
<td>528</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3%</td>
</tr>
<tr>
<td>Grand Total</td>
<td>17,529</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>100%</td>
</tr>
</tbody>
</table>

Note: Region based on country geographical scope perspective for RETF

<table>
<thead>
<tr>
<th>Fragile States</th>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13Q2</th>
<th>Grand Total</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fragile Situations</td>
<td>954</td>
<td>1,268</td>
<td>1,314</td>
<td>1,351</td>
<td>1,316</td>
<td>669</td>
<td>6,871</td>
<td>39%</td>
</tr>
<tr>
<td>Other Countries</td>
<td>1,914</td>
<td>1,896</td>
<td>1,812</td>
<td>1,802</td>
<td>2,255</td>
<td>980</td>
<td>10,659</td>
<td>61%</td>
</tr>
<tr>
<td>Grand Total</td>
<td>2,868</td>
<td>3,164</td>
<td>3,126</td>
<td>3,152</td>
<td>3,571</td>
<td>1,649</td>
<td>17,529</td>
<td>100%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>RETF Disbursements by Country Eligibility</th>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13Q2</th>
<th>Grand Total</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDA</td>
<td>1,652</td>
<td>1,904</td>
<td>1,775</td>
<td>1,814</td>
<td>2,083</td>
<td>1,021</td>
<td>10,249</td>
<td>58%</td>
</tr>
<tr>
<td>Blend</td>
<td>173</td>
<td>68</td>
<td>153</td>
<td>153</td>
<td>213</td>
<td>74</td>
<td>834</td>
<td>5%</td>
</tr>
<tr>
<td>IBRD</td>
<td>562</td>
<td>708</td>
<td>679</td>
<td>727</td>
<td>747</td>
<td>325</td>
<td>3,747</td>
<td>21%</td>
</tr>
<tr>
<td>Global/Regional/Others</td>
<td>481</td>
<td>485</td>
<td>518</td>
<td>458</td>
<td>529</td>
<td>229</td>
<td>2,699</td>
<td>15%</td>
</tr>
<tr>
<td>Grand Total</td>
<td>2,868</td>
<td>3,164</td>
<td>3,126</td>
<td>3,152</td>
<td>3,571</td>
<td>1,649</td>
<td>17,529</td>
<td>100%</td>
</tr>
</tbody>
</table>
Annex C: Implementation Matrix of the TFMF (since FY11)

<table>
<thead>
<tr>
<th>FY2010</th>
<th>FY2011</th>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2014 (planned)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic Alignment and Selectivity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Update on TF CAS Integration</td>
<td>TF &amp; EEO Fundraising Projections</td>
<td>Strategic TF-Fundraising: Upstream VPU Reviews</td>
<td>Strategic TF-Fundraising: Inter-VPU Coordination, Donor Client Officers, etc.</td>
<td></td>
</tr>
<tr>
<td>TF Donor Dashboard</td>
<td>TF Reviews &amp; Consultations: European Comm., Nordic, Netherlands, UK, APR</td>
<td>TF Reviews &amp; Consultations: Australia, Korea, Russia, Switzerland, EAP, LAC</td>
<td>More Umbrella Facilities</td>
<td></td>
</tr>
<tr>
<td><strong>Integration with Budget &amp; Business Processes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TF Financial Data into SAP/Business Warehouse</td>
<td>TF Financial Reports within Self-Service Reporting Portal</td>
<td>TF Results Reporting: Mainstreaming</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New TF Proposal Tool</td>
<td>New TF Accreditation Program</td>
<td>Integrated Planning System (BIETFs)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cost Recovery and Efficiency</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Fees: IFRD/IDA TPs</td>
<td>New Fees: IFs</td>
<td>MDTF Exit Procedures</td>
<td>Cofinancing Phase-Out</td>
<td></td>
</tr>
<tr>
<td>New TF: Study and Options</td>
<td></td>
<td>TF Closing Procedures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TP Fee Simplification:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Oversight by Senior Management &amp; the Board</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TF Investment Strategy Review</td>
<td>IEA Review of Partnership Programs</td>
<td>TF Reform Roadmap</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Board approval for new IFs</td>
</tr>
</tbody>
</table>
### Annex D: IEG Recommendations and Management Action Record

<table>
<thead>
<tr>
<th>Major IEG Recommendations Requiring Management Response</th>
<th>Management Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. For trust funds other than FIFs. To better align trust funds with recipient, donor, and Bank strategic priorities and improve their effectiveness, efficiency, and accountability for results, IEG recommends that the Bank adopt a three-pillar structure for trust funds, consisting of country-specific trust funds, GRPPs, and umbrella facilities.</td>
<td>Not Agreed. Management does not agree to this three-pillar structure. While management is interested in better understanding IEG’s perspective, it does not currently see the usefulness the proposed typology as presented. The three-pillar structure also does not take into account that trust funds are vehicles for channeling aid resources (that is, they are a funding source) and not programs in and of themselves. Management notes that regardless of the governance arrangement, the Bank is responsible for managing all IBRD/IBRD trust funds, including those supporting GRPPs, in accordance with Bank policies and procedures (for Bank Budget or IDA/IBRD lending). “Shared governance” in the case of GRPPs does not create shared accountability for the use of funds provided to the Bank in trust, (though it can mean that other partners — donors, and even other stakeholders — may join with the Bank in making decisions on the strategic direction or fund allocation within the program). Specific comments on the bullet points provided with the overall IEG recommendation are provided below.</td>
</tr>
<tr>
<td>Country-specific trust funds: The Bank should continue to accept trust funds created to support operations in a single country, because these funds have generally worked well in filling financing gaps and deploying donor funds in line with recipient priorities. They have allowed donors to target priority issues or countries, while at the same time helping mitigate the limits of bilateral aid expertise and enhance aid coordination. The funds should be managed and accounted for using the same processes as for Bank budget or IDA/IBRD lending, and the relevant vice presidential unit (VPU) should be accountable for their use and results in the context of country assistance strategies. If the existing trust fund portfolio were mapped to this proposed pillar, the pillar would account for nearly two-thirds of total IBRD/IDA trust fund disbursements.</td>
<td>Management does think that country specific (and thematic) trust funds should be managed using the same processes as for the Bank budget and IDA/IBRD lending, in line with the Trust Fund Management Framework and as stated in OP/BP 14.40. While much has been achieved in the past two years, further work is needed to better integrate trust funds with Bank policies as they are modernized. Work is under way, notably in the context of investment lending reform, and management will report on progress in integrating RETFs under investment lending operational policy in the coming months.</td>
</tr>
<tr>
<td>Global and Regional Partnership Programs: For trust-fund supported multiple- country programs in which donors want to be actively involved in governance and implementation, a formally structured partnership can foster stakeholder voice, transparency in governance and</td>
<td>Management does not believe that a separate charter or a governing body should be required for all GRPPs. While management does think that clear governance arrangements are needed, appropriate to the nature, scope, complexity and risks of the partnership program.</td>
</tr>
</tbody>
</table>
When partners select this option, the Bank should continue to participate and require that each partnership program have a charter, a governing body, a management unit, and terms of reference to guide the Bank’s participation. If the existing trust fund portfolio were mapped to this proposed pillar, the pillar would account for about one-quarter of total IBRD/IDA trust fund disbursements.

In some cases, this objective can be achieved through provisions within trust fund agreements. Management also thinks that Bank staff associated with GRPPs should operate under clear terms of reference and is working on guidance. (See the Management Response to IEG’s assessment of the World Bank’s involvement in Global and Regional Partnerships and Programs.)

Umbrella Facilities: The Bank and donors should phase out the other multiple-recipient-country funds (including both those that support Bank- and recipient-executed activities) and establish instead a small number of multidonor, multirecipient umbrella facilities to mobilize and deploy trust fund resources. This approach would help to solve the problems identified in the evaluation—operational inefficiency, inadequate accountability for results, and lack of objective and transparent allocation criteria.

Each such umbrella facility would be designed to support one or more of the strategic priorities agreed by the donors and the Bank. For example, the Bank might establish one facility focused on a priority theme such as governance or social development, which would receive trust fund contributions and allocate resources upfront to VPUs for work in the thematic area. The administrative arrangements for each facility would be designed to consolidate fundraising, allocate the funds predictably and efficiently, and hold Bank staff and management accountable for results. Arrangements need not be uniform across the facilities and could include subfacilities or windows to which donors could direct contributions. The Bank would provide a single annual report on each facility to the Bank’s Board and all the facility’s donors (rather than reporting to donors individually). If the existing trust fund portfolio were mapped to this proposed pillar, it would account for only about one-tenth of total IBRD/IDA trust fund disbursements.

Implementing this recommendation would entail a careful consultation process between donors and the Bank, addressing, for example, selection of themes, mobilization of resources, and the phase-out existing trust fund arrangements. IEG therefore recommends that senior management consult with the Bank’s shareholders and trust fund donors on the broad parameters of this change, and then structure and launch two or more umbrella facilities by July 2012, with the intention of making a full conversion by the end of 2016.

The bullet point is in principle consistent with current thinking in some parts of the Bank regarding the consolidation of its trust fund portfolio and to have a more structured approach to fund-raising. However, the practical application of this approach will still need to be determined, as well as whether such a concept will work better than existing thematic trust funds, which already embody many of the features suggested by IEG.

Given the political economy issues driving the creation of trust funds, management will work to identify a process whereby a consensus for change could be built. This would require systematic consultations not only with donors, but also with recipient countries.

2. For FIFs. In light of the distinctive nature of the Bank’s role in relation to FIFs and the FIF portfolio’s considerable size, heterogeneity, varied experience, and risks, the Bank should strengthen its framework for

| Partially Agreed. Management agrees to prepare a strengthened framework for guiding the Bank’s acceptance and management of FIFs and expects to present it to the Board in FY12. |
guiding its acceptance and management of FIFs going forward. To do so, Bank management should:

Review experience to date on the development effectiveness of the funds and their synergy with the Bank’s own operations, and, based on that review, revisit Operational Policy 14.40’s adequacy for guiding acceptance and management of FIFs as a distinct business line. Seek Board approval for each proposed new FIF. Report to the Board regularly on FIFs’ delivery of intended results and the implications for the Bank’s pursuit of its development mandate and strategies.

The review of FIFs and any resulting revisions of the Bank’s framework should be presented to the Board by the end of 2011.

In preparing the framework, management will review the Bank’s experience to date in accepting, establishing, and managing FIFs and it will revisit Operational Policy 14.40, including the definition of FIFs and the adequacy of Operational Policy 14.40 for guiding the acceptance and management of FIFs. In conducting this review, management will continue to treat FIFs as a separate business line, where the Bank provides financial intermediation services to shareholders and clients to support broader international development partnerships. In that context, FIFs for which the Bank’s role is that of trustee only cannot be expected to have full synergy with the Bank’s own operations, as implied in the IEG recommendation.

Management accepts the principle of Board approval for FIFs and will develop relevant criteria and procedures as part of the FIF framework referred to above.

Management does not agree to report to the Board regularly on FIF results. It notes that assessing development effectiveness is the responsibility of the FIF governing bodies. As such, the Bank has no mandate for conducting reviews of the development effectiveness of FIFs to report to the Board on the overall delivery of FIF results.

Partially Agreed. Management believes that it would not be appropriate for the Bank to initiate an assessment of the comparative advantage of multilateral and trust fund aid modalities. However, management does agree that it is important to better understand the factors driving donors’ decisions to use multilateral or trust fund modalities, including how they assess their respective comparative advantage. Through its work on IDA, trust funds, and FIFs, the Bank regularly engages donors on these complex issues. In the context of IDA 16, the Bank has worked to make the case for multilateralism and in the case of trust funds and FIFs, it is working toward greater selectivity and clarity on the type of gaps these mechanisms are filling, in line with the principle of “think twice” agreed in Accra. Furthermore, the Bank is actively involved in helping to shape the international agenda on aid effectiveness, including through active participation in the upcoming High Level Forum on Aid Effectiveness to be held in Busan this November.

3. Implications for aid architecture. Trust funds are helping to address bilateral aid limitations and fill operational gaps in traditional multilateral mechanisms, including IDA, notably by providing pooled financing for specific countries, targeted national development issues, and global public goods. They also serve to coordinate governmental and nongovernmental sources of aid and support programs with new forms of governance. But their potential added value, their aid effectiveness, and their coherence with other elements of the international aid architecture varies considerably across the many ways that they are currently used. It would be useful, therefore, for the international aid community to reflect on the reasons for the gaps in the multilateral system that lead donors to use trust funds and to assess the comparative advantages of the trust fund and other aid vehicles. Such reflection would help to identify opportunities for reforms in the multilateral aid architecture, including the World Bank, while allowing trust funds to specialize on situations where the multilateral institutions alone cannot be fully effective. The Bank should initiate such an assessment and a discussion with its shareholders to explore the comparative advantages of multilateral and trust fund aid modalities before the 2012 Annual Meeting.
Annex E: The Bank’s Fiduciary Assurance Framework for Trust Funds

- All Bank-financed operations undergo a **fiduciary risk assessment** as part of **project preparation**, combining **financial management** (FM), **procurement** (PR) and **disbursement management**. The Bank evaluates the capacity, by the project implementing entity, to maintain adequate controls over budgeting, accounting, financial reporting, procurement, funds of flow management, etc.; as well as the capacity to exercise acceptable external auditing and oversight. Country-level fiduciary assessments are also carried out in all partner countries.

- A **risk-based approach** is followed in carrying out fiduciary work, to focus management attention on higher risk operations and critical issues. The FM and PR risk is assessed for each operation — during **preparation** and then throughout **implementation**. The level and typology of risks inform mitigating and implementation support strategies, and guide the allocation of resources across operations and clients.

- In addition to regular **supervision** of Bank-financed projects, **mandatory ex-post self-evaluation**, followed by **independent evaluation**, are also carried out. Most non-deliberative implementation support reports and evaluation documents are made public.\(^{24}\)

- Moreover, all donor-supported TFs are subject to the WB’s annual **Single Audit** of TFs. As such, all TFs are audited by the WBG’s external auditors, through the auditors’ assessment of the Bank’s internal controls. The Bank’s external auditors have provided unqualified audit opinions on the Single Audit since it was introduced in the mid-1990s.

- Larger Recipient-executed TFs are subject to additional, separate **project-level audits**, with TF donors generally covering the audit cost. Audits done at the project level mirror those done on IDA/ IBRD-financed activities. The Bank applies the same audit standard to TFs as for its own loans and credits.

- The **Controllers’ Vice Presidency** (CTR) exercises controls over disbursements under TFs that are the same as those applicable to regular Bank-financed operations. CTR follows a risk-based approach, in line with international best practice. The Bank’s external auditors review the Bank’s disbursement procedures and controls on an annual basis, including with respect to the Bank’s handling of invoices and payment vouchers. Controllers’ also exercises oversight with respect to the establishment of new TFs and is responsible for financial reporting on TFs. Controls over trust fund financial reporting receive a separate attestation form the external auditors as part of the Single Audit.

- The **Integrity Vice Presidency** (INT) is responsible for investigating allegations of fraud and corruption in WBG-financed activities through a specialized team of investigators and forensic accountants. INT assesses any claim received that relates to fraud, corruption, collusion and other sanctionable practices, whether the allegation relates to contractors, WBG staff or others. There is a Fraud and Corruption Hotline available on 7x24 basis and all allegations are investigated. INT’s activities cover all operations, whether from the Bank’s own resources or from TFs. As an integral part of the Bank’s Governance and Anti-corruption agenda, INT serves a preventive function as well to mitigate risks through advice, training and outreach.

\(^{24}\) Aide-Memoires from “supervision missions” are publicly disclosed with the approval of the recipient.
An independent Trust Fund Quality Assurance and Compliance Unit (TQC), reporting to the WBG Chief Financial Officer, advises Bank units on TF matters and promotes compliance through a systematic compliance program that samples trust funded transactions. The Unit also has an extensive outreach program for staff and trust fund recipients on trusteeship and TF compliance obligations. The unit is also available to assist TF donors who are interested in specialized audits and reviews.

The Bank’s Independent Evaluation Group (IEG) reports to the Board of Executive Directors. Its mandate is to improve accountability and results through objective evaluation of programs, projects and corporate activities: establishing “what worked, what did not, and why.” During FY 2012, IEG delivered seven major evaluations and 40 Project Performance Assessment Reports. Recent evaluations (of 2011) also covered TF management and Partnership engagement by the Bank. The managements of the World Bank, IEG and MIGA cannot alter study findings or prevent their release.

The Internal Audit Vice Presidency (IAD) is an independent and objective assurance and advisory function, designed to add value by improving the operations of the WBG’s entities. It employs a systematic and disciplined approach to evaluate and improve the effectiveness of the organization’s governance, risk management, and control processes. IAD also focuses on raising awareness of risks and controls, providing advice to management in developing control solutions, and monitoring the implementation of management’s corrective actions to mitigate risks and enhance controls. IAD’s work is carried out in accordance with the Institute of Internal Auditors (IIA)’s International Professional Practices Framework.

The Inspection Panel provides an independent forum for people who believe that they may be adversely affected by World Bank-financed operations, by bringing their concerns directly to the Bank’s Board of Executive Directors. Created in 1993, it works as an impartial fact-finding body with power to review projects in response to requests by affected people and communities. The Panel comprises three members who serve five-year terms, and may not be employed by the WBG following the end of their service.

Each operational Vice Presidency at the Bank has a Trust Fund Coordinator. This role serves to oversee all trust-funded activities in the unit and provides guidance and advice to Bank staff managing trust funds and the associated grants.

The WBG’s policy on whistleblowing was revised and strengthened in 2008. It encourages Bank staff to report misconduct and provides explicit protection against retaliation for such reports. In developing the policy, the WBG reviewed its previous policies, those of other international institutions, and best practice in whistleblower protection from national jurisdictions.

The WBG is a leader on aid transparency, scoring the highest ratings among 30 leading multilateral and bilateral aid agencies, according to a study (October 2010) by Publish What You Fund. Since its new Access to Information Policy became effective in July 2010, more than 50,000 new documents have been disclosed publicly. In addition, the Bank has become more open and transparent through a number of Open Data and Open Development initiatives like the “Mapping for Results” website and the “AidFlows” website to promote better monitoring of project results, enhance transparency, and strengthen country dialogue and civic engagement.
Annex F: Trust Fund Data Integration

Launch of the Trust Fund Cube in Business Warehouse

The growth in size and complexity of the trust fund business has increased the need for improved information and transparency on trust funds, to enhance oversight by senior Bank management and the Board. Under the Road Map for Trust Fund reform, the main thrust is to mainstream trust fund operational processes and data further into the Bank’s operational processes and systems that apply to regular IBRD and IDA lending operations.

Comprehensive efforts have been undertaken over the past two years to enhance transparency and data integration for trust funds. These include the generation of new:

(i) Quarterly Board-level reports on trust funds;
(ii) Comprehensive tailored reporting to Bank VPs on their trust fund portfolios and associated financial risks;
(iii) The integration of trust fund data into the Bank’s Open Data websites such as AidFlows and WB Finances; and
(iv) An initial effort to make trust fund contribution data available to Bank staff on the Self-service Reporting Portal on the Intranet.

To make trust fund data available more consistently to Bank staff, Management, Donors and the Public, from a single data source, over the past several years the TFAST Project included the integration of trust fund data into the Bank’s Business Warehouse (BW). The new Trust Fund Data Cube in the Bank's BW was launched for Bank-wide use in March 2012. This project started on a pilot basis in December 2011 with six regional VPs and four Networks. CFP provided dedicated BW Trust Fund training sessions to all those who needed access to the system. Since the launch, more than 150 users have obtained access to the Trust Fund Data Cube in BW.

Impact: Simplified Financial Reporting and Data Analysis on Trust Funds

The integration of trust fund data into BW has laid the foundation for simplifying financial reporting for trust funds, and it has opened up new tools for data analysis on trust funds. The Trust Fund Cube joins the RM and Operational Cubes in BW to facilitate integrated reporting. Bank wide users have already benefited immensely from this implementation. For example, it has reduced the time required for monthly reports preparation from 10 days to 2 days for one of the Regions. Now that the trust fund data is readily available, time taken to produce corporate reports such as the QBRR, FIS and Country Reports has been reduced considerably.

Next Steps on Trust Fund Financial Reporting

Efforts are underway to integrate the Trust Fund Cube in BW with the Business Intelligence (BI) portal to make reporting on trust funds easy and intuitive for the end user. This effort will further simplify trust fund reporting and will offer the following benefits:
• Informative, graphical and intuitive reporting on trust fund financial data.
• Standardization and comparison of trust fund data across VPU’s.
• Cross comparison of trust fund data with other financial data (IBRD, IDA).
• Advanced reporting capabilities and tools for trust funds, at the corporate, VPU and unit levels.
• Self-service reporting capability for each VPU, using tailored reports.
• Reduction of staff time spent on preparation of periodic trust fund reports, allows greater focus on trust fund data analytics. This will improve efficiency and enhance the ability to make informed decisions.
• Availability of functionalities to all users, including those in Country Offices where TTLs for trust funds are often located.

As a first step, Trust Fund Country Reports were launched in the BI Portal in November 2012. Users will now be able to print a standard version of this report with the click of a button. Further efforts are underway to make these reports more dynamic, i.e. allow users to select the time period. The following deliverables are planned for completion in early FY14:

• VPU Trust Fund Dashboard — This is expected to become the primary management tool for VPU oversight of trust funds. It will allow for easy cross-comparisons of trust fund data.
• Trust Fund Section of Quarterly Business Review and Risk Report (QBRR) and Financial Information Summary (FIS) — This involves the automation of these reports, using a live office tool that will allow access to trust fund tables and charts with the click of a button.
• Donor Portfolio Reports and Regional Portfolio Reports — This will result in the automation of the standard data set required for Donor and Regional Portfolio reviews.
Annex G: Trust Fund Achievements - Examples

As discussed in Chapter 3, considerable attention is being given the development and integration of robust results frameworks into trust-funded programs. These provide the basis for reporting at the program level and at the corporate level. These results demonstrate the leveraging role that trust funds, programs and partnerships play in the Bank’s work, in particular at the country level. This Annex provides some examples, drawn from an exercise that analyzed the role of trust funds in co-financing IDA operations. As these stories demonstrate, trust funds play a crucial role in the support of donor harmonization in-country — commonly in close collaboration with government counterparts and other actors, including CSOs and the private sector. In addition, the Annex contains a description of the results and objectives of two FIF-programs, demonstrating the value of these instruments in facilitating global cooperation and action.

Africa

Results-Based Financing Program

In 2010, Burundi started the Results-Based Financing Program to pay all public and most private non-profit health facilities nationwide based on results achieved. Health facilities receive cash directly for performance, as measured by indicators of the quality of care provided as well as use of a range of health services, mostly for pregnant women and under-five children. The program is co-financed by the government, IDA, the GAVI Alliance, several bilateral donors and NGOs, and the Health Results Innovation Trust Fund. All partners finance a single national program which is implemented and monitored in the same way nationwide.

Substantial improvements have been observed with most indicators covered by the national program since it began. Births at health facilities have increased by 25 percent, and 75,060 children have been fully vaccinated, an increase of over 10 percent. Sustainability has been supported by the strong ownership of the government, which financed about half of the total cost of the program.

Maputo Municipal Development Program

The City Council of Maputo (CCM) launched the Maputo Municipal Development Project in 2005 to improve the quality of life in the rapidly growing capital of Mozambique. The IDA- and trust fund-financed project supported a series of reforms including a restructuring plan for the CCM, strengthened human resources management, simplified administrative procedures, authorities to plan and manage small-scale infrastructure and urban services, and financing for CCM’s basic operating costs.

The project has contributed to improvements in service delivery and infrastructure, such as 85 kilometers of rehabilitated roads, a tenfold increase in waste collection, the development of a geographic information system, and a series of urban plans that are the basis for issuing land use rights. The CCM also increased its revenue by US$6.3 million from 2006 to 2010.
East Asia and Pacific

Community-Based Settlement Rehabilitation and Reconstruction Project

In the coastal districts and the capital city of Aceh, Banda Aceh, about two-thirds of entire settlement areas were destroyed by the 2004 tsunami, taking the lives of over 170,000 people. Local governments were immobilized due to loss of staff, communication was totally disrupted and resources for sustaining livelihoods were severely damaged. The Community-based Settlement Rehabilitation and Reconstruction Project used a community-driven approach to form village teams to rebuild houses and priority infrastructure and to create settlement development plans.

The Multi-Donor Trust Fund for Aceh and North Sumatra provided a US$85 million grant to support the program. Grants from the trust fund were deposited straight into community accounts in installments, leading to grant money spent more wisely and effectively. In total, 15,000 housing units have been rebuilt in 176 villages, and nearly 28 percent of the participants were women, considered significant for a traditionally male-dominated society like Aceh.

The Women in Mining Initiative

The mining sector has been vital to the local economy of Papua New Guinea since independence, but a persistent problem was that benefits from mining often failed to reach local communities. Where they did, they tended to be captured by men, but the impacts of social disruption and environmental harm fell most heavily on women and children. The Bank launched a Mining Sector Institutional Strengthening Project to provide technical assistance to both improve the investment environment and translate mining activity into better development outcomes for communities. One of the project’s most innovative components was the trust fund-supported Women in Mining Initiative, which enabled women in mining-affected communities to participate more equitably in mining benefits and play a larger part in decision-making.

The Women in Mining activities built a strong constituency of support among women’s groups and local community groups. Three international conferences were organized and attended by hundreds of women from mining areas in the country. Six local action plans were integrated in a National Action Plan for Women in Mining Areas, endorsed by the government, and a Women’s Officer was appointed by each of the largest mining companies. These conferences were organized with the support of several different agencies including the Energy Sector Management Assistance Program, a Multi-Donor Trust Fund; the Norwegian-Dutch Trust Fund for Mainstreaming Gender; the Australian Agency for International Development; and several of the mining companies.

Empowering Female-Headed Households

There are over 9 million households headed by women in Indonesia, equivalent to 14 percent of all households and including approximately 44 million people. With 55 percent of Women-headed households living below the poverty line, and one-third struggling for access to public health and social services, these women and their households often cling to the margins in all
aspects of life. It has been historically difficult to reach this group and many programs have failed.

In an innovative approach financed with over US$10 million in grants by the Japan Social Development Fund (JSDF), the Female-Headed Household Empowerment Program (PEKKA) was started in 2001 to respond to those most afflicted by the social, economic, and natural disasters that devastated Indonesia starting in the 1990s: Poor, single women, who are main breadwinners for their families. In this way, PEKKA complemented a large IDA credit to Indonesia for the Kecamatan Development Project which supported a long-term participatory program for poverty reduction and assistance with post-disaster reconstruction. Linking into this IDA credit, PEKKA provides vocational and leadership training for its members, literacy, management skills and book-keeping classes and health education for microcredit loans, a social fund for older women and a scholarship fund for children whose mothers are unable to pay for their schooling.

By 2012 the program was operating in 19 provinces across Indonesia and counted 750 groups in 475 villages. So far, PEKKA has brought benefits to over 20,000 poor women and approximately 52,000 of their family members. Among the achievements to date are the training of more than 1,500 grassroots women leaders actively engaged in various processes in community decision-making and development planning, as well as the training of more than 100 PEKKA paralegals that assisted 6,639 poor children in getting birth certificates, 2,317 members in accessing village courts for marriage cases, and 14 women in presenting cases of violence to court. The program established 61 early childhood education centers, which provided assistance to 2,343 poor students, and 92 literacy centers, which taught 2,562 illiterate poor women participants.

**Europe and Central Asia**

*The National Resource Development Project*

Forests cover more than 50 percent of Albania’s surface area, but the post-communist transition period in Albania was characterized by a massive internal and external migration of population, weak enforcement of laws and regulations, and overuse of natural resources — all of which resulted in considerable degradation of forests and pastures and erosion of soil. In response, IDA and a single-donor trust fund supported participatory forest and pasture management planning and investment in 251 rural communes through the National Resource Development Project.

Investments through the project have helped to support increases in income earned from forest and agricultural activities in communal areas and a significant reduction in erosion of approximately 220,000 tons. The project has been at the forefront of developing Payment for Environmental Services and mitigation against climate change by providing a scheme to finance carbon sequestration on commune forest land through payments from the Bio Carbon Fund to local actors. Albania is now one of the first countries to sequester carbon on eroded lands through the BioCarbon Fund.
The Emergency Food Security and Seed Import Project

In 2008, Tajikistan was suffering from multiple stresses that were compounded by the global food crisis. The extremely harsh winter of 2007–08, combined with power shortages and high energy prices, imposed great hardship on the population, particularly in rural areas, and the sharply rising imported food prices exacerbated the difficulties. The Emergency Food Security and Seed Import Project aimed to increase food production and diversification in the short to medium term by improving the ability of the poorest farmers of the Khatlon region to deal with the seed shortage.

Financing from the Global Food Crisis Response Program Trust Fund for Food Crisis Response supported an emergency operation to supply agricultural inputs to Tajikistan’s most needy and vulnerable. Additional financing from the Russia Food Price Crisis Rapid Response Trust Fund in 2010 allowed the project to go beyond emergency farm aid and promote private farming by empowering more than 20,500 mostly rural households (about 147,600 beneficiaries, 75 percent women-headed) to achieve food security.

Latin America and the Caribbean

Colombia’s National Urban Transport Program

Since the mid-1990s, the Government of Colombia and the World Bank have forged a long-term partnership through the National Urban Transport Program. As a response to perceptions that the transit sector was inefficient, unsafe and a source of pollution, this program developed bus rapid transit to make the country’s cities more livable, green and inclusive. Recent lending operations totaling US$1.1 billion have supported construction and operations of transit systems in six cities. Complementing this support, more than 20 trust funds have provided technical assistance in topics including integrated public transit system planning and mainstreaming road safety, gender and universal accessibility.

As of end of 2012, five of the six Bank-financed bus rapid transit systems are operating. The most famous is Bogotá’s Transmilenio, which served as a model for the roll-out of the other systems. Transmilenio currently carries close to 1.7 million passengers per day — approximately 28 percent of the city’s public transport demand. Since its inception, delegations from more than 20 countries, including China, India, Vietnam, South Africa, Kenya, Finland, and the United States have visited to learn about the program. According to the latest data, Bogotá’s Transmilenio results in average time savings of more than 10 hours per month for the average rider. Transmilenio has also been able to abate 1.9 million tons of carbon dioxide equivalent between 2001 and 2010.

Catastrophe Risk Financing

A number of countries have asked the World Bank for assistance with catastrophe risk financing before disasters occur and tools to guarantee quick disbursement when nature does strike. With funding from IBRD and trust funds, the Bank has responded by creating a suite of products and
services for Latin American and Caribbean countries highly exposed to natural disasters, including contingent credit lines, catastrophe bonds, and risk insurance facilities.

The World Bank has created a number of innovative partnerships under the program. In collaboration with the main players in catastrophe bond/reinsurance markets (Swiss Re, Goldman Sachs, and Munich Re), the Bank developed the MultiCat program, a flexible catastrophe bond series that allows for the issuance of cat bonds with multiple perils, regions and countries. In 2006, Mexico became the first sovereign country to issue a catastrophe bond with technical support from the Bank, and it also was the first country to use the MultiCat program when it issued US$290 million platform of notes in October 2009.

In 2007, the World Bank Group helped the Caribbean Community establish the Caribbean Catastrophe Risk Insurance Facility (CCRIF), a Caribbean-owned “parametric” insurance pool, which offers fast payout to its 16 Caribbean member countries upon occurrence of pre-defined hurricane strengths and earthquake magnitudes. In 2009, CCRIF successfully placed more than US$320 million of coverage in the international reinsurance and capital markets. The CCRIF is also preparing to make a payout of US$7.75 million to the Government of Haiti as a result of the magnitude 2010 earthquake.

**Middle East and North Africa**

*West Bank and Gaza Emergency Support Project*

Financed entirely by eleven donors, the World Bank-administered Emergency Services Support Program (ESSP) Multi-Donor Trust Fund provided key financing for the Palestinian Authority’s social sector emergency program. The ESSP MDTF was a pure emergency operation with a focus on project outputs, to maintain essential operation of public education, health, social care and utility facilities during severe fiscal crisis starting in 2006 that undermined public institutions and the delivery of essential public services. The design of the ESSP MDTF was informed by the lessons learned from the implementation of the previous ESSPs, and the establishment of a single multi-donor trust fund reduced transaction costs for the Palestinian Authority and donors.

This program was successfully implemented, despite the difficult security context, and benefited the entire Palestinian population in the West Bank and Gaza. The assistance provided through the ESSP MDTF not only prevented a deterioration of education, health, social and public utility services in the Palestinian territories, but it also supported some expansion of service delivery despite the very difficult context. There was a 19 percent increase in the number of public schools operating from 2007 to 2011, and the number of students per school was 36 percent higher. An important achievement is that the ESSP mechanism is now considered a Palestinian-administered mechanism that can be scaled up or downwards to fund recurrent expenditures for social sector ministries.

*Kureimat Solar Thermal Hybrid Project*

Egypt has a rapidly expanding economy that needs a reliable and low-cost source of electric power. The Kureimat Solar Thermal Hybrid Project, supported with a grant from the Global
Environment Facility and additional trust fund co-financing, aimed to increase the share of solar-based electricity in the Egyptian energy generation mix. The global development objective of the project was to reduce greenhouse gas emissions from anthropogenic sources by increasing the market share of low greenhouse-gas emitting technologies.

The construction of the Kureimat Integrated Solar Combined Cycle power plant started in January 2008 and reached commercial operation as a whole at the end of June 2011. The project achieved its development objective of increasing the share of solar-based electricity generation (20 megawatt) in Egypt and contributed to the government’s objective of diversifying electric power production. The project also demonstrated the operational viability of hybrid solar thermal power generation technology in Egypt and elsewhere as part of a global effort to accelerate cost reduction and commercial adoption of large-scale, low greenhouse-gas emitting generation technologies through demonstration, learning, and dissemination.

South Asia

Second Education Quality Improvement Program and Afghanistan Skills Development Project

Recognizing that education would play a vital role in the reconstruction and development of Afghanistan, the World Bank has supported a series of education programs since 2001 aimed at providing access and quality education to Afghan students at all levels. To accommodate Afghanistan’s fragile and fluid situation, these education programs supported by IDA and trust funds including the Afghanistan Reconstruction Trust Fund had broad objectives underpinned by principles of participation, coordination among donors as well as with government agencies, and a focus on improving girls’ access.

The program has increased access to education opportunities for under-served groups; school enrollment increased from 1 million to 7 million children, and girls’ enrollment skyrocketed from 839,000 to more than 2.5 million. Overall, around 110,000 teachers were trained, and school shuras (school management committees) were established in all provinces. The program also supported the construction of over 3,000 new classrooms and over 540 schools.

Bangladesh Health, Nutrition, and Population Sector Program

At the turn of the millennium, the health sector in Bangladesh was facing several severe challenges. In particular, underutilization of basic health services led to nearly 90 percent of births taking place at home in 2004, and only four percent of the mothers in the poorest quintile receiving skilled delivery care in that year. Together, these factors resulted in high maternal mortality as well as high mortality of under-five year old children.

More than half of the assistance by development partners for the Health, Nutrition, and Population Sector Program was pooled through an IDA-administered multi-donor trust fund of US$687 million comprising US$387 million from seven bilateral partners plus US$300 million from IDA. This helped to reduce the fragmentation of donor support to the government of Bangladesh and worked as platform for closer coordination between donors. In a sector-wide approach and using government systems the program improved the country’s performance in
reaching health, nutrition, and population-related MDGs, addressing new and emerging
challenges such as non-communicable diseases, and implementing reforms such as
decentralization and contracting with non-state providers. The program had a performance-
based financing component, with 25 percent of the project funds provided on the basis of
satisfactory performance of agreed upon indicators during the previous year.

This initiative resulted in a 40 percent reduction in maternal mortality between 2001 and 2010,
and a 26 percent reduction in under-five child mortality between 2004 and 2007. 80 percent of
children are now receiving basic vaccination. Bangladesh is on track to meet the MDG targets in
child health and maternal health, and the United Nations presented Bangladesh its MDG Award
2010 for reducing child mortality.

Global

The Adolescent Girls Initiative

The Adolescent Girls Initiative (AGI) promotes the transition of adolescent girls and young
women from school to productive employment. Interventions to address the growing gender gap
in labor force participation in developing countries range from business development to technical
and vocational training targeting skills in high demand and life skills training. The AGI program
is supported by US$23 million from the Bank’s Adolescent Girls Initiative Trust Fund and the
Gender Action Plan Trust Fund.

In Nepal, AGI launched a pilot in 2010 that trained 373 recent community college graduates in
employability skills and provided short-term wage subsidies to give firms an incentive for hiring
them. Women participating in the subsidy program experienced a 40 percent increase in their
likelihood of employment compared to those who did not receive vouchers. In Liberia, the
initiative supported the first Young Entrepreneur Marketplace Competition in 2011, showcasing
the ideas of 50 young entrepreneurs and awarding grants to start-up businesses. Each of these
pilots is tailored to the specific constraints faced by young women, and all pilots include a
rigorous impact evaluation to build the evidence of what works in introducing girl-friendly
approaches to vocational training and youth employment programs.

Global Financial Intermediary Funds

Advance Market Commitment for Pneumococcal Vaccines

The AMC, established as a FIF in 2009, is an innovative “pull mechanism” designed to
accelerate the creation of a viable market for pneumococcal vaccines tailored to the needs of
developing countries. (Pneumonial infections are the largest killer of children in Africa and
worldwide pneumococcal infections are the largest cause of pneumonia deaths.) AMC donor
funds of US$1.5 billion are committed to provide up-front financing to cover incremental capital
costs associated with the development of additional vaccine production capacity to meet demand
from IDA countries. The AMC is driven by demand from partner countries and it is results-
driven, in that payments are made only for vaccines meeting the specific needs of IDA countries.
The AMC pilot is ahead of “schedule” to yield its high expected benefits, saving an estimated
1.5 million lives by 2020 with a much lower estimated cost per DALY (Disability-Adjusted Life Year) saved (around US$33) than the US$100 benchmark cost for efficient health interventions in developing countries. To date, 24 IDA countries have introduced the vaccine and more than 10 million children have been vaccinated, with a projection of more than 75 million children vaccinated across 57 countries by 2015.

The AMC was a partnership effort: The Bank was closely engaged in the development of the pilot AMC, provides the AMC’s financial platform, and agreed to place the US$1.5 billion AMC subsidy from donors directly on IBRD’s balance sheet to establish market credibility critical to the success of the pilot. Developing countries apply for AMC-subsidized vaccines through the country immunization program application process of the GAVI Alliance, which provides funding for vaccine purchases beyond the subsidy. WHO provides technical input to ensure vaccine quality; manufacturers of vaccines that meet the AMC requirements enter into Supply Agreements with UNICEF, which procures vaccines funded by GAVI, all in accordance with the AMC terms and conditions.

**AgResults Initiative**

AgResults is a donor-funded initiative established in 2013 and designed to overcome market inefficiencies adversely affecting smallholders. It is designed to harness the financial resources, dynamism and flexibility of innovators in the private sector, in NGOs, in research institutions and beyond, to explore, develop, and put into use technologies that could help smallholders in developing countries. The initiative will support a portfolio of pilot projects tackling a mix of agriculture and food security issues, testing different types of pay-on-results approaches, using both adoption of existing technologies and research and development of new technologies.

The overall objective of the AgResults initiative is to improve the lives of the smallholder farmers it touches. The initiative will incentivize and demonstrate breakthroughs in agricultural technologies and practices especially adapted to smallholders, to help provide a pathway out of poverty for farmers, improve food security and nutrition outcomes, and promote climate-smart agriculture. The first three pilots will focus on improving quality and reducing losses of maize in Sub-Saharan Africa, where maize is a vital crop in terms of both food security and income generation. They will spur development of varieties of maize with enhanced Vitamin A, reduce postharvest losses through improved on-farm storage, and help control aflatoxin. Additional projects will be explored related to addressing inefficiencies in the critically important fertilizer cycle, increasing crop yields, decreasing post-harvest losses, increasing livestock productivity and improving nutrition.
Annex H: Analysis of BETF Trends

I. General Trends in BETF Disbursements (FY08 through Q2FY13)

BETF disbursements’ relative size increased to 23 percent in FY12 when measured as a proportion of all Bank expenditures. The share of BETFs disbursements relative to RETF disbursements remained stable at around 15 percent of all IBRD/IDA trust funds.

Figure H-1: BETFs and Bank Net Administrative Spending and Reimbursables

Figure H-2: World Bank Trust Fund Disbursements of BETFs and RETFs
II. BETF Funding for Knowledge Related Activities Continues to Account for the Bulk of Disbursements

83 percent of BETF disbursements can be grouped into three categories: (i) knowledge related activities which includes Economic and Sector Work and Non-lending Technical Assistance (ii) external partnerships and outreach and resource mobilization, which includes product lines for Global and Country Partnerships and trust fund Administration, Program Management and mobilization of resources; and (iii) supervision and lending preparation, which includes business processes identified under project supervision and lending preparation.

Figure H-3: BETF Disbursements by Main Groupings (US$ millions)

Figure H-4: BETF Disbursements by Main Groupings (in percent)
III. Knowledge Related Activities: Focus on Delivering to Clients

Knowledge-related activities for clients account for about 80 percent of all BETF disbursements for knowledge related activities. The remainder of disbursements is categorized under Knowledge for Public Goods and Knowledge for Internal Use. The growth in BETF disbursements for knowledge for clients (112 percent) outpaced those for internal use (45 percent) between FY08–FY12.

**Figure H-5: BETF Spending in Knowledge Related Activities (US$ millions)**

**Figure H-6: BETF Spending in Knowledge Related Activities (in percent)**

**Note:** (1) “Knowledge for clients” includes the following business processes: Delivery of client training, Development of client training, Client training advisory, Country monitoring, Economic and sector work, Special country diagnosis, Impact evaluation, Development of Internal Knowledge, and Knowledge management-Thematic Groups. (2) “Knowledge for Public Goods:” Develop Data, Global Monitoring Service, and Research Services. (3) “Knowledge for Internal Use”: Deliver Client Training, Help Desk/Advisory Services, Dissemination/Store Knowledge, Program/Monitoring Knowledge, Development Internal Knowledge, KM-Thematic Groups, Develop Staff Learning, Evaluation of Staff Learning, Post Training Activity Staff, Advisory Services for Staff, and Delivery of Staff Learning.
IV. Knowledge Related Activities: Non-Lending TA and Research Services are the Main Growth Drivers

67 percent of the growth in BETF disbursements in FY08-FY12 for knowledge related activities was due to non-lending TA, followed by research services. Funding from BETFs for Impact Evaluation has grown from US$3 million in FY08 to US$8 million in FY12, but still accounts for a small share of total disbursements for knowledge related activities.

Table H-1: Main Contributors to Growth in BETF Disbursements for Knowledge Related Activities (in US$ million)

<table>
<thead>
<tr>
<th>General Category</th>
<th>Product Line</th>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>Grand Total</th>
<th>Share to Total (FY08-FY13Q2)</th>
<th>Contribution to Growth (FY08-FY12)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge for Clients</td>
<td>Non-lending TA</td>
<td>58</td>
<td>78</td>
<td>103</td>
<td>127</td>
<td>162</td>
<td>98</td>
<td>627</td>
<td>47%</td>
<td>67%</td>
</tr>
<tr>
<td>Knowledge for Clients</td>
<td>ESW</td>
<td>35</td>
<td>39</td>
<td>53</td>
<td>46</td>
<td>44</td>
<td>19</td>
<td>236</td>
<td>18%</td>
<td>6%</td>
</tr>
<tr>
<td>Knowledge for Internal Use</td>
<td>Knowledge Product</td>
<td>21</td>
<td>22</td>
<td>27</td>
<td>29</td>
<td>28</td>
<td>14</td>
<td>141</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Knowledge as Public Good</td>
<td>Research Services</td>
<td>7</td>
<td>13</td>
<td>14</td>
<td>21</td>
<td>19</td>
<td>7</td>
<td>80</td>
<td>6%</td>
<td>8%</td>
</tr>
<tr>
<td>Knowledge for Clients</td>
<td>Impact Evaluation</td>
<td>3</td>
<td>7</td>
<td>9</td>
<td>10</td>
<td>8</td>
<td>5</td>
<td>43</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>All Others</td>
<td></td>
<td>29</td>
<td>30</td>
<td>39</td>
<td>46</td>
<td>48</td>
<td>26</td>
<td>219</td>
<td>16%</td>
<td>12%</td>
</tr>
<tr>
<td>Total Knowledge Related Activities</td>
<td></td>
<td>154</td>
<td>189</td>
<td>245</td>
<td>278</td>
<td>310</td>
<td>169</td>
<td>1,346</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Note: Contribution to FY06-FY11 growth was computed by taking the ratio of change in the disbursements for a product line over change in the total for Knowledge Related Activities.

V. Knowledge Related Activities: BETF Share in Non-Lending TA is Stable While it has Grown in ESW (Economic and Sector Work)

An increase in client demand over the period is reflected by the growth of both BETF and BB spending in non-lending TA, with BETF spending outpacing BB spending. Overall spending for ESW has been relatively flat, with the bulk of funding coming from BB although the share of BETF has increased in the last couple of years to 33 percent (compared with 26 percent in FY08).

Figure H-7: Non-lending Technical Assistance

![Figure H-7: Non-lending Technical Assistance](image-url)
VI. Supervision and Lending Preparation: BETFs disbursements in support of RETFs

80 percent of BETF disbursements for supervision and lending preparation consist of support for RETF-financed projects, the remainder 20 percent are for IBRD/IDA projects without RETF financing. The doubling of supervision and lending preparation support from BETF broadly tracks the increase in RETF disbursements compared with FY08. As a percentage of RETF-disbursements, BETF-spending for supervision and lending preparation of RETF-funded projects has been stable at 2 percent before increasing to 3 percent in the last two years.
VII. Supervision: BETFs are Mainly Used for Project Supervision of RETFs

Total BETF spending on supervision alone increased from US$34 million in FY08 to US$73 million in FY12. In FY12, some 82 percent of BETF spending for supervision went to projects with RETF financing; the proportion going to projects with no RETF financing was 18 percent (up from 9 percent in FY08).

VIII. Lending Preparation: BETFs are also used for non-RETF Project Preparation

The total BETF-support going to lending preparation grew modestly from US$20 million in FY08 to US$26 million in FY12. In FY12, 70 percent of BETF spending for lending preparation alone went to projects with RETF financing — the proportion going to projects with no RETF financing decreased from 35 percent in FY08 to 30 percent in FY12.
IX. Supervision and Lending Preparation: BETFs Represent a Small Share of Funding for IBRD/IDA Projects

BETF funding accounts for a small proportion of total spending in supervision and lending for IBRD/IDA projects with no RETF financing (10 percent in FY12). Most of the BETF spending in this category was used to support project preparation in the education sector for countries such as India and supervision for emergency operations such as Haïti.

**Figure H-12: BB and BETF Disbursements for Supervision and Lending of IBRD/IDA Projects with no RETFs**

X. External Partnerships and Outreach and Resource Mobilization: Capacity Building and Advisory Services to Clients

20 percent of overall BETF disbursements in FY12 (US$129 million) went to support external partnerships and outreach and resource mobilization. The share of BETF spending in such activities has been stable at around 70 percent during the period FY08–FY12. Activities ranged from advisory services to governments to capacity building, and dissemination of best practices

**Figure H-13: BB and BETF Disbursements for External Partnerships and Outreach**