



Revised July 2015

Note: This BP was updated on July 2015 to take into account the Procedure for the Approval of Trustee Level Trust Funds.

This BP applies to all concept notes and [Trust Fund Proposals](#) (TFPs) that are submitted to Development Finance (DFi) on or after July 1, 2015. This statement does not apply to reimbursable arrangements, [externally-financed outputs](#) (EFOs), arrangements under which the Bank provides administrative services but does not receive funds in trust, IDA grants, grants under the Bank's Institutional Development Fund, or grants under the Bank's Development Grant Facility.

For technical guidance and good practice on trust funds, staff may refer to the *Trust Fund Handbook*, and to the [trust funds website](#).

Trust Funds

Initiation

1. A trust fund administered by the Bank¹ can be country-specific, regional, or global in its geographic scope; it can be set up for a single set of pre-defined purposes, or on a programmatic basis²; it can have one or several donors.
2. Development Finance (DFi) and other Vice Presidential Units (VPUs) identify sources of trust fund support through their contacts with donors. When staff mobilize resources for or through a trust fund, they consult with their VPU Funding Coordinator and with staff in DFi for guidance on available options and good practices.

Establishment

3. At the trustee level, each trust fund is subject to a minimum size threshold as set out in Annex A. To establish a trust fund, the task team leader (TTL) (see [Annex B](#) for eligibility) prepares a concept note and Trust Fund Proposal (TFP) consistent with the provisions of [OP 14.40, and the Procedure for the Approval of Trustee Level Trust Funds](#)
4. In certain circumstances, such as in the case of trust fund proposals where the financing mechanisms or governance or partnership arrangements are unusually complex or high-risk, review by Senior Management³ may be required; further, in certain cases, approval by Executive Directors may be required.⁴

¹ "Bank" includes IBRD and IDA.

² A programmatic trust fund finances multiple grants, under a two-stage mechanism. In the first stage, one or more donors agree to a thematic framework with criteria for supporting a program of activities. The donor(s) commit their funds to the trust fund on this basis. In the second stage, grants are approved for specific activities based on the agreed criteria.

³ For guidance on proposals requiring Senior Management clearance, see the TF Handbook.

⁴ Executive Directors approve any proposal for a Bank-administered trust fund where one or more of the following circumstances arise: (i) it includes a transfer or transfers from the Bank's net income or surplus; (ii) it

Revised July 2015

5. In exceptional cases where the Bank executes on behalf of the grant recipient, it is upon specific written request from the recipient, and with approval by the relevant Vice President.⁵
6. Following approval of the TFP, LEG finalizes⁶ legal agreements based on, and fully consistent with, the approved TFP.⁷ Trust funds are governed by:
 - a. Administration Agreement(s) (AA)⁸ between the Bank and the donor(s), or, in certain cases, by a Resolution of the Board of Executive Directors;

would provide assistance to a non-member country, or to a member not in good standing with the Bank; or (iii) it presents novel or significant policy issue(s) which, in Management's judgment, warrant consideration by the Executive Directors. In most such cases, approval may be sought on an absence-of-objection basis. In cases where the trust fund is subject to Executive Directors' approval, the TTL sets out details in a Board paper and prepares a TFP. Both that paper and the related TFP are cleared by DFi, WFA, LEG, and BPS prior to submitting the Board paper to Executive Directors.

- ⁵ In cases of urgent need of assistance or capacity constraints (see paragraph 12 of OP 10.00 *Investment Project Financing*),
- ⁶ Where appropriate, an AA may be drafted in parallel with the development of the TFP. However, the terms of any such draft need to be fully consistent with the TFP as signed, before the AA is finalized.
- ⁷ The TTL secures appropriate internal clearance of the legal agreements with LEG (in the event that the document was not drafted by LEG), WFA, and other relevant units. Any significant changes from the approved TFP are also cleared by DFi and other units as necessary.
- ⁸ In some cases, alternative forms of legal arrangements between the Bank and the donor(s), acceptable to the Bank, may be used to specify the respective obligations of the parties involved.



Revised July 2015

- b. Grant Agreement(s) (GA)⁹ between the Bank and the grant recipient(s) in the case of a Recipient-Executed Trust Fund (RETF) (regardless of execution), consistent with the terms¹⁰ of the AA or resolution from which they derive;
 - c. Financial Procedures Agreement(s) (FPA) or its equivalent¹¹ in the case of some Financial Intermediary Funds (FIFs).
7. After distribution¹² of the fully signed AA and activation of the trust fund,¹³ the TTL calls for funds from the donor(s). Disbursements can begin after the trust fund has been activated and funds have been received.¹⁴ For an RETF, a GA is also fully signed and distributed before disbursements to the grant recipient begin.

Implementation

8. Before initiating an activity financed from a trust fund, the TTL obtains approval as set out in the relevant procedure for the activity type.. The TTL is responsible for supervising and reporting to his/her line manager (and also to the donor, as provided for in the AA) on progress in implementation of trust-funded activities.¹⁵
9. Procurement of activities funded by RETFs is governed by [OP 11.00, Procurement](#). For activities funded by BETFs and, in exceptional cases, activities financed from RETFs which the Bank has agreed to execute on behalf of the grant recipient,¹⁶ the Bank's Administrative Manual governs, and a procurement plan is required for all grants In the case of FIFs and transfers outside the Bank from a trust fund,

⁹ In some cases, alternative forms of legal agreements between the Bank and the grant recipient may be used; for example, where the funds provided carry a repayment obligation, a Loan Agreement may be specified instead of a GA.

¹⁰ For example, the scope, purpose, activities, eligible expenditures and commitment authority.

¹¹ In some cases, alternative forms of legal arrangements may be used to specify the respective obligations of the parties involved, for example Participation Agreements and Emissions Reduction Purchase Agreements in the case of [Carbon Funds](#). In the case of a transfer by the Bank in its capacity as a limited fiduciary agent, a Transfer Agreement may be specified.

¹² The TTL sends all original signed legal agreements to LEG, with copies to VPU files and WFA.

¹³ See [Annex A](#) for details.

¹⁴ In exceptional circumstances, for BETFs, once the TFP has been approved, and pending signature of the AA, the Managing Unit may request an Interim Budget from WFA. For details, see the TF Handbook.

¹⁵ The appropriate format for such reporting varies by type and use of the funds. For details, see the TF Handbook and the [trust funds website](#) .

¹⁶ RETF-financed activities that are exceptionally executed by the Bank are distinct from activities funded by BETFs. BETFs provide funding for the Bank's work program. See [para. 4 of OP 14.40](#).



Revised July 2015

applicability of the Bank's Procurement Guidelines and other procedures is decided on the basis of the characteristics of each such fund.¹⁷

10. When the Bank executes on behalf of a grant recipient, it cannot procure goods or works except: (a) for goods required for training and workshops; and (b) as provided in [OP 10.00, Investment Project Financing](#), paragraph 12.

11. To demonstrate that it has complied with the conditions specified in the trust fund legal agreements, and in accordance with AMS 10.11, the Bank maintains key documents related to the approval and implementation of trust funds in its institutional document retention systems.¹⁸

12. The TTL discusses changes to the original scope of work or general terms of the trust fund with the VPU Funding Coordinator, LEG and DFi to determine if amendment of the TFP and legal agreements (or Board Resolution where relevant) are required, and if wider consultation with other units or review by Senior Management is needed.

13. When Management determines that there has been a substantive departure from the purpose for which a trust fund has been established, and that this departure falls within the Bank's exercise of its responsibilities, the Bank reimburses the relevant trust fund for the expenditure covered by that substantive departure.¹⁹ Any proposal for such a reimbursement is decided by the Vice President, DFi, in consultation with LEG.

Financial Reporting and Auditing

14. For all trust funds, the Bank provides regular financial reports to donors. For BETFs and RETFs, these reports are in the form of statements of receipts, disbursements and fund balance for individual trust fund accounts. These statements are available through the Bank's Client Connection website. The Bank also provides donors with an annual Management Assertion Regarding Effectiveness of Internal Control Over Financial Reporting for Trust Fund Activities, together with an attestation from the Bank's external auditors. This is known as the "single audit". In addition, in certain circumstances, where WFA so recommends, or where a donor requires it and it has been provided for in the AA, the Bank will arrange for a financial statement audit of an individual trust fund. In such cases, the donor(s) to the trust fund bear

¹⁷ The determination of which Operational Policies and Procedures apply in the case of FIFs is made by DFi, in consultation with OPCS and LEG, based on the characteristics of each such fund.

¹⁸ Guidance to staff on good practice in the selection of key documents is provided in the *Trust Fund Recordkeeping Matrix*.

¹⁹ The Bank distinguishes between substantive deviations and technical/procedural exceptions which do not represent material breaches of obligation under legal agreement(s) with the donor(s). The latter may occur, for example, where: (a) activities clearly support the trust fund's purpose but were not explicitly provided for in the legal documents, or (b) where some internal Bank procedure may not have been followed. If, despite the proper exercise of the Bank's responsibilities, it appears that funds under a RETF have been used by a grant recipient in a way that constitutes a substantive departure from the purpose for which the trust fund was established, the Bank may also take action to recover the relevant funds from that grant recipient. In such cases, the Bank may consult with the donor(s) on the course of action to be followed and the responsibility for the costs associated with such action.

Revised July 2015

the full cost of the audit, including Bank staff time spent supporting it. For FIFs, financial reporting and audit arrangements are decided on the basis of the characteristics of each such fund.

15. Unless otherwise specified in the GA or FPA, (i) the recipient arranges an audit of its administration of trust fund resources channeled to it by the Bank, and (ii) the Bank provides the donor(s) with copies of the financial statements and auditor's reports received from the recipient.

16. The TTL of record for a trust fund, whether at the trustee level or at the grant level, provides *Letter of Representation (LOR)* for each activity financed in whole or in part by a trust fund annually, or when relinquishing management of the fund.

Closing

17. All AAs,²⁰ GAs, and selected FPAs include a date after which funds cannot be disbursed — the end-disbursement date. The closing date in a GA is set at no less than six months prior to the end-disbursement date in the AA. These dates may be extended as appropriate²¹ in the event that the trust-funded activities have not been completed. The TTL initiates action for closure when the TF activities are completed. WFA cancels any unused funds, ensures the disposition of all cancelled funds in accordance with the legal agreements, and prepares final financial statements. In the case of certain FIFs, DFi handles closure arrangements.

Completion Reporting and Evaluation

18. The TTL is responsible for the evaluation of activities financed by a trust fund – including reporting on the outputs and the outcomes resulting from those outputs – to learn lessons from implementation and to inform decisions on future engagements in similar activities. Within six months following closure of each trust fund, the TTL prepares a completion report for approval by the approving authority as set out in the Procedure for approval of trustee level trust funds.

19. Where total contributions are greater than or equal to US\$5 million for each programmatic trust fund and for each Global and Regional Partnership Program (GRPP) financed by trust fund(s), respectively, the TTL²² arranges to have an independent evaluation carried out at least once every five years in accordance with the principles and standards laid out by the Independent Evaluation Group (IEG).²³ IEG periodically reviews such evaluations and also reviews individual trust funds and related activities as part of its ongoing ICR reviews of Bank-financed projects, Country Assistance Strategy/Country Partnership Strategy/Country Partnership Framework Completion Report Reviews, Country Assistance Evaluations (CAEs), and sectoral/thematic reviews.

²⁰ Except in the case of certain FIFs.

²¹ Extension of the end-disbursement date of the AA is done in agreement with the donor(s).

²² In the case of some GRPPs, such an evaluation may be required and arranged by the governing body of the GRPP.

²³ See [IEG/DAC Sourcebook for Evaluating GRPPs](#).

Revised July 2015

Trust Funds Minimum Size

1. The size of a trust fund is the total amount of funds that donors are expected to contribute to it over the life of the trust fund. The minimum threshold size for a trust fund at the trustee level is set at US\$2 million.¹
2. In exceptional circumstances, the Vice President, DFi, may waive the minimum threshold size of a trust fund. Any such waiver will take into consideration *inter alia* the following criteria:
 - Linkage of the activity to be supported to a larger project or program;
 - Requirement for a rapid response covered by the terms of Projects in Situations of Urgent Need of Assistance or Capacity Constraints (OP10.00 paragraph 12);
 - Recipient country scale and circumstances.
3. WFA will activate the trust fund once it receives signed Administration Agreements (AAs) for at least the minimum threshold. Each AA indicates the donor's total contribution, even though funds may be transferred to the Bank in tranches.
4. The minimum threshold can be amended by the Vice President, DFi, in consultation with the Vice President, OPCS. Such amendment takes the form of a published revision to this Annex.

¹ This minimum threshold does not apply to externally-funded staff programs managed by the Human Resources Vice Presidency, such as the [Donor Funded Staffing Program \(DFSP\)](#).

Revised July 2015

Staff Eligibility to Administer Trust Funds

1. Any staff member appointed as task team leader (TTL) of a trust fund:
 - holds one of the World Bank appointment types listed in paragraph 2 below;
 - has been accredited under the Trust Fund Learning and Accreditation Program;
 - cannot have decision making authority to approve the allocation of trust fund resources to directly finance or benefit his/her position; and
 - is of at least Grade GF—except where a specific waiver of this requirement has been agreed to by the VPU Funding Coordinator, upon the request of the manager of the proposed staff member. Such waivers must be in place for each TTL for which this issue arises. A written copy of each such waiver is sent to DFi, and WFA.

2. The eligible appointment types are:
 - Regular;
 - Open-ended;
 - Term; and
 - Special Assignment—except that a staff member on special assignment from a donor entity cannot administer any trust fund for which that donor entity is a major contributor.
 - Consultant and Temporary appointment types are not eligible.

These arrangements can be amended by the Vice President, DFi, in consultation with the Vice President, Human Resources.

