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INDEPENDENT EVALUATION GROUP

An Evaluation of the World Bank's Trust Fund Portfolio

Trust Fund Support for Development

The World Bank Group

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Abbreviations

AAA	Analytic and advisory activities
APOC	African Program for Onchocerciasis
BETF	Bank-executed trust funds
CAS	Country Assistance Strategy
CFP	Concessional Finance and Global Partnerships Vice Presidency
CGAP	Consultative Group to Assist the Poor
CGIAR	Consultative Group on International Agricultural Research
CIF	Climate Investment Funds
CTF	Clean Technology Fund
DAC	Development Assistance Committee
DFID	Department for International Development (U.K.)
EFA/FTI	Education for All/Fast Track Initiative
ESMAP	Energy Sector Management Assistance Program
FIF	Financial Intermediary Fund
FMTAAS	Funding Mechanism for Technical Assistance and Advisory Services
GAVI	Global Alliance for Vaccines and Immunization
GEF	Global Environmental Facility
GFA	GAVI Fund Alliance
GRM	Grant reporting and monitoring
GRPP	Global and Regional Partnership Program
GRIF	Guyana REDD-plus Investment Fund
GTLP	Global Trade Liquidity Program
GTZ	German Technical Cooperation
HIPC	Heavily indebted poor countries
HRBF	Health Results-Based Financing
HRF	Haiti Reconstruction Fund
IBRD	International Bank for Reconstruction and Development
ICM	Implementation Completion Memorandum
IDA	International Development Association
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IFFIm	International Financial Facility for Immunization
KCP	Knowledge for Change Program
LDCF	Least Developed Countries Fund for Climate Change
MDG	Millennium Development Goal
MDTF	Multidonor Trust Fund
NGO	Nongovernmental organization
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
OPEC	Organization of the Petroleum Exporting Countries
ORAF	Operational Risk Assessment Framework
QAG	Quality Assurance Group
RETF	Recipient-executed trust fund
SCF	Strategic Climate Fund
SCCF	Special Climate Change Fund
SDTF	Single-donor trust fund
TF	Trust fund
TQC	Trust Fund Quality Assurance and Compliance Group
UNICEF	United Nations Children's Fund
UNDP	United Nations Development Programme
UNFCC	United Nations Framework Convention on Climate Change
USIAD	United States Agency for International Development
VPU	Vice-presidential unit

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Foreword

In the changing global environment of development cooperation, trust funds have emerged as a significant pillar of the global aid architecture, used to address limitations in bilateral aid and fill perceived gaps in the operations of existing multilateral institutions. They currently account for about 11 percent of official development assistance (ODA), and they finance a substantial part of the World Bank's business. The activities they fund are highly varied, ranging from huge global programs with their own governance structures to conventional development projects, debt and disaster relief operations, and technical assistance.

This IEG evaluation, undertaken at the request of World Bank executive directors, assesses the value of the trust fund vehicle as a way of delivering aid and the effectiveness and efficiency of the deployment of trust fund resources. In addition, the evaluation assesses the Bank's management and accountability for the use of trust fund resources and the impact of trust funds on the Bank's development role.

The evaluation finds that donors, recipients, and the World Bank have considerable overlapping interests in this vehicle, but their interests may diverge on specific issues such as how trust fund allocation decisions are made and how trust funds are governed and managed. Furthermore, while trust funds can add value by providing coordinated grant financing for specific countries, development issues, and especially global public goods, the deployment of trust fund resources does not consistently work in accordance with the Paris Declaration aid principles of country ownership and donor coordination. Notably, many trust funds of global scope involve insufficient recipient participation and lack clear outcome objectives.

Because trust funds help overcome limitations in bilateral aid, address operational gaps in the existing multilateral system, and enable the Bank to enhance its development role, the Bank should continue to accept them. But IEG recommends that the Bank and trust fund donors agree on a more strategic and disciplined approach to Bank acceptance and management of these funds, as described further in this evaluation. In particular, the Bank should strengthen its framework guiding the acceptance and management of Financial Intermediary Funds—trust funds where the Bank does not have supervision or oversight of the use of resources, and which often pose greater reputational risks. For other trust funds, a three-pillar approach consisting of country-specific trust funds; global and regional partnership programs; and multidonor, multirecipient umbrella facilities would allow the Bank to strengthen the effectiveness, efficiency, and accountability for results.

Vinod Thomas
Director-General, Evaluation

Summary

As development challenges expand and expectations intensify for accelerated aid results, trust funds have emerged as a significant pillar of the global aid architecture, used alongside bilateral and multilateral aid. In 2007–08, trust funds accounted for about 11 percent of total Official Development Assistance (ODA), and they now finance a substantial part of the World Bank's business.

Trust funds do not demonstrably provide additional resources at the global level. Donor countries generally allocate money to trust funds from within a fixed aid budget in order to earmark and pool aid for particular countries or issues, or to foster innovations in aid financing and approaches. But trust funds add value as a distinct aid vehicle by providing coordinated financing and grant resources for individual countries, targeted development issues, and global public goods. The value added of trust funds is more evident when they support global public goods than when they are used merely to supplement national development efforts.

Trust funds have not been a consistently effective way of providing financing. They do not necessarily integrate well with countries' own programs, nor do they foster coordination on the ground with other sources of aid. The way they are designed and managed influences their effectiveness. Notably, many trust funds of global scope involve insufficient recipient participation in the design of their objectives and modalities, and lack clear outcome objectives. Also, single-donor trust funds generally work less well than multidonor funds in improving aid efficiency and coordination (except in the case of trust funds that finance activities in a single country).

Substantial management changes will be needed to increase the effectiveness and efficiency of trust funds as a channel of development assistance. Improved accountability for the results of trust-funded activities can be achieved only with full integration of Bank-managed trust fund resources into the Bank's mainstream management processes.

While continuing to accept trust funds that fill critical gaps in the provision of aid, the Bank should develop a more strategic approach to accepting and managing these funds. The evaluation recommends that the Bank create a three-pillar structure for trust funds to foster more effectiveness, efficiency, and accountability for results in the use of their resources. It should also initiate a discussion with its shareholders to explore the comparative advantages of multilateral and trust fund aid modalities

What Are Trust Funds?

Trust funds are vehicles for channeling aid resources from governmental and nongovernmental donors to be administered by a trustee organization such as the World Bank or other development organization. Trust funds are not programs in themselves; rather, they are dedicated sources of funding for programs and activities agreed between the donor(s) and the trustee organization.

Trust funds administered by the World Bank are highly varied. They comprise single-donor and multidonor funds, and may provide financing to single or multiple recipient countries in support of a specific issue. They include Financial Intermediary Funds (FIFs)—for which the Bank holds, invests, and disburses funds when instructed by another body without Bank supervision or oversight of the use of the resources—as well as trust funds whose programs and activities are managed by the Bank.

The activities that trust funds finance are also highly varied, ranging from huge global programs with their own governance structures to conventional development projects; debt relief operations; and studies, technical assistance, and project preparation carried out by the World Bank or recipients. For example, trust funds are now supporting a global program to accelerate achievement of universal primary education, coordinated support to Afghanistan and the West Bank and Gaza, climate adaptation pilots in middle- and low-income countries, and technical assistance to improve disaster preparedness.

This evaluation assesses what is known about how effectively and efficiently trust funds are being used and recommends future directions. In making this assessment, the evaluation team undertook 8 country case studies and in-depth reviews of 36 trust–funded programs. It interviewed numerous officials of donor and recipient country governments, other stakeholders, and Bank management and staff. It also reviewed the growing literature on trust funds, including reports from other multilateral agencies.

Scale, Rationale, and Issues

While the channeling of aid resources through trust funds has grown in response to perceived limitations of bilateral and multilateral aid mechanisms in meeting changing development challenges, the use of the trust fund vehicle has raised strategic issues for the effectiveness, efficiency, and coherence of the international aid system.

SIZE. The most recent data available indicate that in 2007–08 trust funds accounted for about 11 percent of total ODA. The World Bank administers the largest amount of donor trust fund resources of any development organization. Donors contributed $57.5 billion to trust funds administered by the World Bank over the fiscal 2002–10 period. Their total trust fund contributions exceeded their International Development Association (IDA) contributions in each of the last three IDA replenishment periods (covering fiscal 2003–05, 2006–08, and 2009–11).

More than half the donor contributions went to FIFs. Contributions to the largest FIF—the Global Fund to Fight AIDS, Tuberculosis, and Malaria (the Global Fund)—alone amounted to $15.8 billion over the period. The other half of the donors' trust fund contributions went to funds that support Bank-managed programs and activities. These Bank-managed funds provide about 8 percent of the Bank's total disbursements to recipient countries. They also provide almost a quarter of the total of trust funds and net Bank budget used for project appraisal and supervision, analytical work and technical assistance, and other Bank work.

RATIONALE. Donors use trust funds to do things that would not be possible through traditional multilateral aid channels, such as earmarking their trust fund contributions for particular countries and development issues and engaging in the Bank's implementation of programs and activities. And, to address limitations in bilateral aid, donors use trust funds to pool funds for particular programs, tap into the capacities and systems of the trustee organization, and distance themselves from politically controversial activities. The choice is made primarily for political reasons to direct aid to particular countries or issues, and large global funds are created typically at the initiative of high-level government officials.

For individual recipient countries, trust funds can be an additional source of aid for country programs and can facilitate donor coordination and harmonization, thus reducing the transaction costs of working with multiple donors. And for the Bank as a trustee institution, trust funds add resources to its country operations and work program and to its engagement in global activities outside the country-based model, notably activities aimed at the provision of global or regional public goods in areas such as environmental preservation and control of communicable diseases.

ISSUES. Assessing the added value and effectiveness of trust funds as a distinct aid vehicle presents challenging questions. Notably, to what extent do their donor-defined objectives reflect recipients' priority development needs? How well do they integrate with countries' own programs and with aid from other sources, whether provided to meet national, regional, or global public goods needs? To what extent do they complement or compete with assistance from traditional multilateral channels? In addition, the Bank's large trust fund portfolio raises issues about the adequacy of the agreed arrangements between donors and the Bank (or other trustee organizations) for the management and accountability of these donor funds and the impact of their use on the overall business of the trustee. It also raises the question of how reforms in trust fund practice can be made, taking into account the multiple drivers of trust fund use both inside and outside the Bank.

This evaluation does not assess the outputs and outcomes of the programs and activities that trust funds finance. Evidence on trust-funded program and activity outputs and outcomes has been taken into account where available, but such evidence is very limited. Trust funds face the same problems as other sources of official aid in measuring and attributing results. Determining their impact is made even more difficult by the frequent lack of a results framework with clear outcome objectives and indicators for monitoring progress in trust-funded programs and activities. There are some exceptions, such as trust-funded activities that are paired with International Bank for Reconstruction and Development (IBRD)/IDA operations. Few of the 36 randomly selected trust fund programs reviewed for this evaluation had defined their desired *outcomes*; the great majority had defined their objectives simply in terms of *inputs or outputs*, and most of these lacked monitorable indicators.

The Value Added of the Trust Fund Vehicle

One dimension of the effectiveness of trust funds is their added value as a distinct aid financing vehicle. In assessing their added value, this evaluation considers the additionality of trust fund resources, their relevance to country and global priorities, and the distinctive contributions of the trust fund vehicle in financing development.

ADDITIONALITY. There is no clear evidence that trust fund resources have added to global ODA, although a few have helped introduce nontraditional ways of mobilizing finance. Typically, each donor country establishes its overall aid envelope and channels some portion of it through trust funds. The growth in the use of trust funds appears to be increasing, at the margin, the proportion of aid channeled multilaterally, while contributing to fragmentation of the aid architecture where they support separate global programs, and to an increase in earmarked (as distinct from core) funding entrusted to multilateral institutions.

THE RELEVANCE AND THE DISTINCTIVENESS OF TRUST FUND FINANCING. The majority of trust funds reviewed have supported programs and activities of material development importance, consistent with country and global development priorities and the Bank's mandate and strategies. But the trust funds themselves are not well integrated into the Bank's country assistance strategies or the consultations around them, which makes it more difficult to ensure their alignment and coordination with overall aid at the country level.

Many trust funds support country-specific activities by financing investments or technical assistance to build capacities. This support has generally reflected country priorities and accomplished intended outputs. For example, in Bangladesh and Ethiopia, large multidonor trust funds (MDTFs) enabled donors to provide substantial funding for basic services when the donors were reluctant to provide assistance directly to the government.

By providing resources on grant terms, trust funds have supported post-conflict and post-disaster countries and territories unable to borrow from IDA or the IBRD. In these locations, which include Timor-Leste, the West Bank and Gaza, and Aceh in Indonesia, multidonor trust funds have also served as platforms for aid coordination even when they have accounted for only a small proportion of total aid, although their achievements, like those of other aid sources, have been constrained by weak institutions and exogenous factors.

On specific issues such as primary education, child immunization, and adaptation to climate change, trust funds have facilitated substantive coordination of donor funds around common program platforms. This has reduced the need for piecemeal activities in recipient countries and encouraged (by the provision of grant resources) the provision of global public goods.

In sum, what is the added value of the trust fund as a vehicle for delivering aid? First, trust funds seem indispensable in providing coordinated grant financing in response to country emergencies, such as the tsunami in Indonesia and transition to independence in Timor-Leste. Second, they add value as a vehicle for financing global and regional public goods—such as the responses to Avian Flu and climate change—which require customized financing and governance arrangements and for which the country-focused model of the World Bank (and other multilateral development banks) is unsuitable. Third, in support of individual countries' development efforts, such as support for primary education, trust funds may add value by compensating for the limited availability of grant funds and the absence of earmarking mechanisms in World Bank and other multilateral development banks (MDBs), although an alternative might be to eliminate these gaps through changes to multilateral financing arrangements.

Consistency of Trust Funds with Principles of Aid Effectiveness

While trust funds add value by overcoming limitations in bilateral aid and filling operating gaps in the multilateral aid system, trust-funded programs do not consistently operate in effective ways. They do not necessarily integrate well with countries' own programs or foster coordination on the ground with other sources of aid.

Significant shortcomings in the effective deployment of trust fund resources stem from inconsistencies with core Paris Declaration principles of country ownership and donor coordination (as well as a general weakness in managing for results as noted above). These inconsistencies, this evaluation finds, stem not from the type of activities that trust funds support but rather from their core structural features, notably whether they are single-recipient-country or multiple-recipient-country in scope and single- or multidonor in their financing and governance arrangements.

COUNTRY OWNERSHIP. Trust funds established to aid a single country generally are well adapted to the country's needs and conditions and work well in delivering aid aligned with a country's own planning and programming. In contrast, many global funds—including funds that support national development efforts in multiple countries and those that finance the provision of regional or global public goods—involve little or no recipient participation in their initiation and design (except for some of those structured as partnership programs). Their support activities do not always align with individual country priorities and are not necessarily well integrated into country programs. For example, the Rwandan authorities view the Global Fund's three target diseases as elements of broader national health challenges and have had difficulty convincing the Fund to support broad health system strengthening.

Recipient officials find that these weaknesses—especially of global funds—have created difficulties for country planning and programming when they require redundant country plans and reports, impose eligibility criteria ill-suited to country conditions, decline to work through country systems, and fail to deploy their funds in a timely and predictable way. Though recipients have found funding from small technical assistance grants useful when it has directly addressed pressing policy and program concerns, the officials interviewed criticized financing for studies with topics driven by donors and focused on issues outside their country strategies and programs.

AID COORDINATION. Trust funds, especially MDTFs, can serve to foster policy coherence among donors and bring together what would otherwise be piecemeal aid contributions. This pooling eases the burdens on governments of dealing with multiple donors. But while trust funds may provide for strong coordination among participating donors, they do not necessarily coordinate well with those outside the pool. Issue-focused funds do not necessarily align well with support for broader sector development. Overall, multidonor trust funds work better than single-donor funds in delivering both aid coordination and efficiency gains. The exception is single-donor trust funds focused on a single country. In these cases there are no significant differences in the performance of trust funds with a single or multiple donors. Yet, even where trust funds have generated improved coordination, donors find trust fund coordination processes "too time-consuming."

The Impact and Management of Trust Funds within the Bank

Trust funds support the Bank's pursuit of its development mandate by scaling up country operations, facilitating its partnership role on a global scale, and financing the piloting of innovative development financing and technical approaches. They also entail operational and reputational risks that are not being adequately managed.

INFLUENCE ON BANK BUSINESS. Besides adding resources to Bank country operations, trust funds have influenced the shape of Bank business in three distinct ways, each of which provides opportunities for the Bank's pursuit of its development mandate, while posing both challenges and risks.

- ***Expansion of the Bank's role.*** Pooled grant financing provided through trust funds has expanded the Bank's role and its coordination with donors for two kinds of activities that fall outside its ongoing country programs: (1) post-conflict and post-disaster situations (as in the West Bank and Gaza and Aceh, Indonesia) and (2) the 70 trust-funded global and regional partnerships in which the Bank participates (such as Cities Alliance and the Consultative Group on International Agricultural Research). Some of these uses of trust funds have proven difficult to link with individual countries' long-term development efforts in a manner necessary to achieve sustained results. They have also made heavy demands on the time of Bank management and staff. Ensuring the effectiveness and efficiency of these trust-funded activities requires a more integrated approach to the allocation of trust fund and Bank resources.

- ***Support for an issue-focused business model in parallel with the country-focused model.*** Most FIFs and more than half of IBRD/IDA trust funds are designed to support a particular sector or theme in multiple recipient countries (such as the Education for All/Fast Track Initiative and the Gender Trust Funds). Public administration and law is the most popular such sector, accounting for more than one-third of IBRD/IDA trust fund disbursements, followed by education and health and social services. About two-thirds of Bank sector managers interviewed for this evaluation report that access to this type of support enhances their unit's work modestly or significantly. In the absence of fuller integration of trust funds into Bank sector and country assistance strategies, however, it is not possible to determine how trust funds affect Bank work overall, or whether they help to generate an optimal allocation of total available resources. The question this raises for the coherence of Bank business is not the targeting of resources on a particular issue, but rather how the determination is made of which issues to target and who is driving the agenda of the Bank. This is one underlying reason for the recommendation below to create a three-pillar structure for Bank-managed trust funds that is responsive to development needs while clearly reflecting responsibilities and accountabilities for the use and results of trust fund resources.

- ***The establishment of FIFs as a Bank business line***. The 16 active trust-funded FIFs, which received contributions exceeding $30 billion in fiscal 2002–10, constitute a significant line of business for the Bank. Key examples are the Global Environmental Facility and the Global Fund to Fight AIDS, Tuberculosis, and Malaria. Each FIF was established in an ad hoc way — many as the result of a high-level political initiative — and customized to donor requirements. Notwithstanding the legal limitations on the Bank's responsibility for FIF-funded activities, these large undertakings entail opportunities and risks for development effectiveness and for the Bank. Independent evaluations indicate that the record to date is mixed on the development and aid effectiveness of FIF-funded partnership programs. It would be advisable for the Bank to review FIF experience to determine if its current framework for accepting and managing FIFs remains adequate for ensuring consistency with the Bank's overall trust fund policy of only accepting trust funds (including FIFs) that promote development and aid effectiveness.

PROVISION OF SUPPLEMENTAL RESOURCES FOR THE BANK WORK PROGRAM. Budget constraints are a main reason staff seek trust funds. Trust fund resources used by the Bank in support of its work program have grown significantly in relation to the Bank's administrative budget, and now account for about 23 percent of total Bank budget resources (Bank budget and Bank-executed trust funds). Units draw on trust funds for a wide range of Bank-executed activities, especially nonlending technical assistance and incremental economic and sector work. They also pay for coordination and partnership work, and sometimes provide operational support for the preparation and supervision of projects. Overall they account for 32 percent of expenditures on the Bank's core knowledge products, with three-quarters of that total used for Bank analytical and advisory services.

THE BANK'S MANAGEMENT FRAMEWORK AND POLICY. The Bank's 2007 trust fund framework and policy focus primarily on financial and operational control processes, and are being implemented. But neither the framework nor the policy has been used to elucidate strategic issues in the Bank's continuing uptake of responsibility in administering donor trust funds and their impact on Bank business. There are four such issues: (1) when and why trust funds should be used in advancing the Bank's mandate; (2) what features of trust fund design and management foster their aid effectiveness; (3) the assignment and segregation at the corporate level of three separate functions: mobilizing trust fund resources, managing trust-funded programs, and managing the risks of Bank trust fund administration; and (4) how to account for the uses and results of the FIFs and the Bank-managed trust funds.

ACCOUNTABILITY AND RISKS. Managerial accountability is a way to ensure that resources are used to deliver results. The Bank's accountabilities for the trust funds it manages are—with some exceptions—weaker than for IBRD/IDA and Bank budget-financed activities. These accountability weaknesses arise because the Bank and donors have agreed to parallel allocation, approval, and business processes (for example, for quality assurance, supervision, and results reporting). Despite ongoing efforts at mainstreaming trust funds in Bank operational processes, many processes are attached to the source of funds rather than the development activity being financed. For example, some trust fund resources are allocated to Bank projects and studies using a lengthy and unpredictable process that is not synchronized with annual planning and budgeting exercises. This has generated inefficiency and weak accounting for results. If Bank-managed trust funds are to be used efficiently and in an accountable way, they need to follow the same policies, processes, and procedures that guide the use of the Bank's core resources.

There are potential missed opportunities and risks to the Bank and its clients from the Bank continuing to accumulate trust fund resources and responsibilities without a strategic approach and more effective accountability. Clients face potential development risks and the Bank faces potential reputational risks from the Bank accepting trusteeship of individual trust funds that later fail to generate results and from taking on obligations that operate outside Bank operational policies (as in the case of the FIFs) or operate inconsistently with Bank commitments to aid effectiveness principles as set out in the Paris Declaration. Moreover, the unpredictability of multiyear donor contributions to established trust funds and, therefore, of trust fund financing to recipients poses risks to program planning, both for clients and the Bank.

Recommendations

This evaluation concludes that because trust funds address limitations in bilateral aid and the existing multilateral system and have enabled the Bank to enhance its development role, the Bank should continue to accept them. But changes are needed to foster more effective, efficient, and accountable use of trust funds. This evaluation recommends that the World Bank adopt a more structured and disciplined approach to the mobilization and deployment of these funds, based on the following three specific recommendations:

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, global and regional partnership programs, and umbrella facilities.

- **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.

- **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 operations, and accountability for results. 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.

- **Umbrella Facilities**: The Bank and donors should phase out the other multiple-recipient-country funds (including both those that support Bank-executed activities and those that support 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 sub-facilities 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 phase out of 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.

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 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.

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 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 in 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.

Management Response

Introduction

Management welcomes the Independent Evaluation Group (IEG) evaluation of the World Bank's trust Fund portfolio. The evaluation findings are based on 8 country case studies and review of 36 trust-funded programs, as well as interviews with officials of donor and recipient-country programs, other stakeholders, Bank management and staff.

Management finds that the IEG evaluation provides a helpful overview of the role of trust funds in the context of the aid architecture and of the issues and challenges linked to the management of the Bank's growing trust fund portfolio. Management agrees with the finding that trust funds have added value in many circumstances, noting especially their role in crises and emergencies and financing global public goods. Management would also note their usefulness in piloting innovative development assistance approaches.

For the most part, IEG's findings are consistent with the Bank's ongoing efforts to improve the management of trust funds and they offer further guidance to move the reform agenda forward. Management does consider that the diagnosis and analysis of the report could have been further developed to better support some of the conclusions and recommendations of the evaluation. Notably, the IEG report could have more systematically considered the drivers behind the creation of trust funds or Financial Intermediary Funds (FIFs)—especially the international context that might explain a tendency toward ad-hocism in dealing with emerging issues—and how the Bank could best manage multiple vested interests (internal and external) that contribute to trust fund fragmentation. Those drivers must be taken into account in pursuing further improvements in trust fund policy and management.

General Comments

Management has comments on the report's diagnosis and analysis, the assessment of effectiveness of trust funds, and the conclusion and recommendations.

Diagnosis and Analysis

Trust funds in the aid architecture. While trust funds may at times fill gaps in the multilateral system, management notes that the strengths of the multilateral system (vis-à-vis bilateral aid) play an important role in driving the establishment of trust funds. For instance, donors' limited presence in some developing countries or limited funds management and implementation capacity in certain sectors may account for the use of multilateral platforms (that is, in the role of trustee or implementing agency) to achieve bilateral objectives. As noted by a recent OECD-DAC report on multilateral aid (OECD 2010), the use of trust funds gives donors more visibility and influence, reduces transaction costs, and allows them to target countries where their bilateral presence is limited.

It is important to distinguish more clearly the role of regular trust funds and FIFs. Regular trust funds represent bilateral aid channeled through *non-core* contributions to the multilateral system (so-called *multi-bi aid*), which roughly accounts for 11 percent of Official Development Assistance (ODA) disbursements, as noted in the IEG report. As these funds are recorded as bilateral aid, they more likely complement rather than compete with multilateral channels. On the other hand, as FIFs support programs or funds that are typically recorded as multilateral aid (and which account for an estimated 5 percent of ODA) their funding is more likely to compete with funding for other multilateral channels.

Analysis of the Bank's trust fund portfolio and policy. The review of the trust fund portfolio and policies seems somewhat static and does not fully capture changing trends, particularly in recent years. Management disagrees with the evaluation finding that the Recipient-executed trust fund (RETF)/Bank-executed trust fund (BETF) typology has limited relevance as way of guiding and accounting for trust fund uses and results. Trend analysis using the trust fund typology, including BETFs and RETFs, has been internalized within the Bank and has helped to improve the understanding of the role and evolution of trust funds and their interaction with the Bank budget and operations. The RETF/BETF typology has proven especially effective in reporting to the Board. In response to the Board's expressed desire to see a sharper distinction between IBRD/IDA trust funds, FIFs, and IFC trust funds, the 2010 Annual Report on the trust fund portfolio (World Bank forthcoming) presents the analysis in separate sections.

Since the launch of the 2007 Trust Fund Management Framework, significant progress has been made in implementing trust fund reforms. As reported to the Bank's Board in June 2010 (World Bank 2010f), there is now increased reliance on multidonor trust funds, greater alignment of RETFs with Bank policies for IBRD/IDA lending, improved data analysis and risk management, and increased cost recovery. With respect to IEG's concerns regarding accountability and risks associated with trust funds, management has already taken significant action. Notably, management has put in place an enhanced multiyear budget framework that reflects all sources and uses of financial resources (including external resources) and the associated deliverables and results. Donor funding and foreign exchange risk management continue to be strengthened and operational risks are being addressed through the mainstreaming of trust fund risk assessments with Bank business processes (that is, application of Operational Risk Assessment Framework to RETFs since July 2010).

Management acknowledges that while much progress has been made in reforming the management of trust funds, further changes are needed and reforms continue to evolve.

Management also notes that Board engagement and oversight of the Bank's trust fund portfolio has substantially increased. It now entails annual reporting through Technical Briefs (with a full-fledged update every two years) and regular reporting in the context of Quarterly Business Reviews and Medium-Term Strategic Framework reports.

Political economy aspects. Management would have welcomed a more systematic discussion of the political economy factors (both internal and external) that underlie the creation of trust funds. This is done, to some extent, when the IEG evaluation notes that the creation of new global programs (and FIFs supporting these) is often linked to G-7/ G-20 initiatives. It is important to recognize from the outset that there are multiple interests at play at the level of donors—involving several constituencies, from parliaments to executive powers with a wide variety of decision-making processes, from centralized to very decentralized.

Focusing on political economy aspects would explain donors' seemingly ad-hoc behavior in creating trust funds, often responding to the need for visibility on issues of national interest and seeking swift action by the Bank. While the Bank has been successful in meeting donor demands and trust funds are basically aligned with the Bank's broad strategy, there is a recognition that trust funds are contributing to aid fragmentation. These factors must be taken into account as the Bank moves forward with its work on improving the Bank's trust fund framework.

Effectiveness of trust funds

Additionality. The issue of additionality may be more complex than presented in the IEG evaluation. While management agrees that trust funds may not mobilize additional ODA resources, they can leverage funds from non-ODA sources. In addition, trust funds channeled through multilaterals may be more effective than funds provided bilaterally (which are sometimes tied, support political agendas, and are less coordinated). The metrics used in this section of the report might have been more explicit and the discussion could have been more nuanced and evidence-based.

Consistency with aid-effectiveness principles. Management agrees with the evaluation's view that the majority of country-specific trust funds are better aligned with country priorities than thematic/sector-focused trust funds. However, this view seems in conflict with the assertion that the value added of trust funds is more evident in the financing of global public goods than when they finance country priorities. In addition, management would have hoped to see more discussion of trust funds results frameworks, including monitoring and evaluation. Notably, IEG could have addressed the need to develop common frameworks to assess the results and development impact of various trust fund categories, particularly of FIFs.

Recommendations

Management concurs with the thrust of the recommendations, while not agreeing to certain specific aspects. Specific comments are provided in the attached annex.

More broadly, management accepts that timelines and completion dates are important in its commitments. However, management finds that their inclusion in IEG recommendations is highly unusual. IEG assessments may not take into account all Bank priorities, resource allocation issues, and constraints.

For trust funds other than FIFs

Three-pillar structure. While management finds some elements of the proposed structure appealing, it does not see the overall usefulness of the typology. Most notably, management does not consider trust funds managed under Global and Regional Partnership Programs (GRPPs) as a separate trust fund category with separate accountabilities. Management notes that regardless of the governance arrangements, all IBRD/IDA trust funds—including those supporting GRPPs— need to be aligned with Bank/recipient country or sector strategies and managed in accordance with Bank policies and procedures.

Umbrella facilities. Management finds that the recommendation to establish umbrella facilities is, in principle, consistent with current thinking in some parts of the Bank and could be part of a more structured approach to fund-raising. The practical application of this approach needs to be determined, as well as whether such an approach would work better than existing thematic trust funds. Given the political economy issues raised above, it would be important 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.

Financial Intermediary Funds

Framework for guiding the acceptance of FIFs. Management agrees that a strengthened framework for guiding the Bank's acceptance and management of FIFs would be beneficial to management and staff, and help improve the alignment of new FIFs with the Bank's development mandate and strategies. In doing so, management notes that it will continue to treat FIFs as a separate business line, where the Bank provides financial intermediary services to support broad international partnerships. In that context, FIFs for which the Bank's role is trustee only cannot be expected to have synergies with specific Bank operations, as implied in the IEG recommendation.

Reporting on FIF results. This subrecommendation does not fit with the mandate given by donors to the Bank as trustee. The trustee responsibilities do not include reporting on results related to development effectiveness. The Bank's value added in producing these reports—and indeed its ability to do so—is thus not immediately obvious. The responsibility of reviewing and monitoring FIF results rests with the governing bodies of FIFs, based on the results frameworks that these governing bodies develop and monitor in cooperation with partners. Should the Bank be asked to report on FIF results, it would be a secondary report, compiled from reports provided only by the FIF governing bodies.

Management notes that the Bank does report to the Board on the efficiency and effectiveness with which it carries out its trustee mandate. Specifically, it reports on the provision of an essential set of financial intermediary services (including receiving funds from contributors, investing liquid assets pending cash transfer, transferring funds, and reporting to the contributors or governing body on the funds held in the FIF).

Implications for Aid Architecture

Management concurs that it would be useful for the aid community to reflect on the reasons for the gaps in the multilateral system and the comparative advantages (real or perceived) of trust funds and other aid channels. However, management considers that it would not be appropriate for the Bank to conduct an assessment of the comparative advantage of these aid modalities. The Bank is engaged in a continued dialogue with donors on these issues through its work on IDA, trust funds, and FIFs. In this context, management notes that in understanding the factors driving donors' decisions to use different channels, particular attention needs to be given to understanding the organizational and political dimensions underpinning donor behavior.

Conclusion

Management finds this evaluation to be of good quality and important in identifying important issues for consideration as it goes forward with the next round of trust fund reforms. Despite less than full agreement with some of the specifics in the recommendations, management will actively use IEG's findings in formulating action and reporting to executive directors. Specifically, IEG's findings on FIFs are already informing the preparation of a strengthened framework for guiding the Bank's acceptance and management of FIFs, to be presented to the Board in FY12. Management is also actively reviewing three important aspects of non-FIF trust funds—fund raising, cost recovery, and consolidation—and will report to the Board on progress and for decisions in the context of regular reporting on trust funds.

Management Action Record

Major Monitorable IEG Recommendations Requiring a Response	*Management Response*
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, Global and Regional Partnership Programs (GRPPs), and umbrella facilities.	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.
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.	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.
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 operations, and accountability for results. 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	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. 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

Major Monitorable IEG Recommendations Requiring a Response	*Management Response*
mapped to this proposed pillar, the pillar would account for about one-quarter of total IBRD/IDA trust fund disbursements.	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 fund-raising, 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 guiding its acceptance and management of FIFs going forward. To do so, Bank management should: Review experience to date on the development	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. In preparing the framework, management will review the Bank's experience to date in accepting, establishing, and

Major Monitorable IEG Recommendations Requiring a Response	*Management Response*
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.	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.
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.	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.

Chairperson's Summary: Informal Meeting of the Executive Board

Executive Directors discussed the IEG evaluations on the Bank's Trust Fund Portfolio and Global and Regional Partnership Programs (GRPPs) and management's responses. Executive Directors noted that the evaluations and responses provide useful input to the Board and management to improve the Bank's approach to trust funds and partnership programs. They welcomed the largely common ground they saw in both the reports and management's responses, and they looked forward to further engagements on trust funds and partnerships. A number of Executive Directors highlighted the need to ensure that trust fund resources and partnership programs are used to support the Post-Crisis Directions and that this strategic approach should be taken forward through the implementation of the Trust Fund Management Framework and the planned partnership management framework.

On trust funds, Executive Directors encouraged management to draw on Independent Evaluation Group (IEG) findings and ideas such as "umbrella facilities," noting that it would be important to retain flexibility while improving the Bank's oversight and strategic alignment of trust funds. This will require close consultations with all stakeholders. Executive Directors agreed with IEG and management on the need to increase Board engagement on Financial Intermediary Funds (FIFs), particularly in light of the Bank's reputational risks. They welcomed management's agreement with IEG's recommendation to develop a strengthened framework for the acceptance and management of FIFs, including developing relevant criteria and procedures for Board approval of new FIFs. Executive Directors also encouraged management to follow up on the recommendation to report regularly to the Board on FIF programs and their implications for the Bank's own programs and strategies. Some Executive Directors encouraged management to play a central role in analyzing the comparative advantage of trust funds and other aid vehicles, including in the context of High Level Fora on Aid Effectiveness.

Several Executive Directors raised concerns about the proliferation of and growing dependency on Bank-Executed Trust Funds for core Bank work and underscored the need to ensure the alignment of these resources with Bank strategies and the Post-Crisis Directions, notably through better integration of these resources in Bank's budget and planning processes. They welcomed management's work to integrate Bank-Executed Trust Funds in work program agreements and to develop an integrated planning system. Executive Directors expressed their expectation that these questions will be adequately covered in the upcoming Board update on progress with the Trust Funds Framework. Some Executive Directors also called for a "road map" encompassing key strategy, governance, and operational issues.

With regard to Global and Regional Partnership Programs (GRPPs), several Executive Directors expressed support for the findings of IEG's report and welcomed management's further consultation with donors and beneficiaries. They underscored the importance of a stronger selectivity framework for engaging with GRPPs and stronger oversight and risk management. As with trust funds, partnership selectivity should be informed by the Post Crisis Directions and by country demand. Executive Directors also highlighted the need for improved information systems on GRPPs and better reporting to the Board.

Finally, several Executive Directors stressed the importance of adequate monitoring and evaluation systems to strengthen the results of trust funds and partnerships alike.

Sri Mulyani Indrawati, Chairperson

1. The Role of Trust Funds in the Global Aid Architecture

Evaluation Highlights

- Trust funds account for about 11 percent of official development assistance, and the World Bank is trustee for about half of the total contributions.
- While donors, trustee institutions, and beneficiaries of trust funds each benefit from the arrangement, their interests diverge on matters of how fund allocations should be made and how the use of resources should be governed and managed.
- The varied interests of donors, recipients, and the World Bank in the use of trust funds raise challenging questions about their appropriateness—or added value—as a distinct aid vehicle and about how effectively and efficiently trust funds deploy their resources.
- The World Bank's now large trust fund portfolio also raise issues about the adequacy of the arrangements between donors and the Bank for the management and accountability of these donor funds and the impact of their use on the overall business of the Bank.

1.1 Development assistance has undergone three major changes over the past 20 years. First, objectives have expanded under changing global conditions in order to deal with a number of challenges, such as globalization, climate change, and persistent political instabilities or conflicts. Second, in the aftermath of the Cold War, public scrutiny of aid has increased. Third, there has been a proliferation of new donors—notably new sovereign donors as well as private for-profit and not-for-profit organizations.[1]

1.2 These three changes have exposed the global aid architecture, which has traditionally consisted of bilateral and multilateral agencies plus nongovernmental organizations (NGOs), to six major new challenges and stresses:

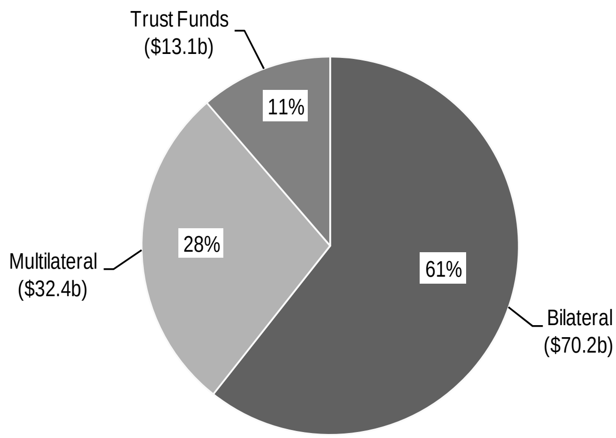
- Increased pressure to show results of aid programs, evidenced primarily by interest in narrowly targeting aid on specific problems and piloting the delivery of aid on the basis of results rather than program plans
- Higher expectations for aid donors, as expressed in official declarations to make aid more effective
- Emergence of new or newly constituted states that do not have sovereign status to borrow from the multilateral development banks (MDBs)
- Recognition of the global nature of some problems—such as depletion of the ozone layer, control of the spread of HIV/AIDS, and the mitigation of global warming—that demand new financing and governance arrangements
- Increased demands on official aid budgets, leading to the search for innovative financing mechanisms
- Pressures on the governance and modes of operation of the multilateral institutions, including the World Bank, to better cope with the new development aid imperatives.

1.3 The changing development environment and challenges are also leading the World Bank to revisit its strategic direction and its core ways of conducting its business.[2]

1.4 During this period, trust funds have emerged as a significant pillar of the aid architecture, used as a "third way" along with bilateral and multilateral aid to meet the aid challenges. For example, trust funds have been established to help achieve the Millennium

Development Goal (MDG) of universal primary education, to provide aid to Afghanistan, to support the implementation of the UN Framework Convention on Climate Change (UNFCCC), and to financially engineer funding for new vaccines and vaccine programs in developing countries.

Figure 1.1 Trust Funds Amount to about 11 Percent of Total Aid from OECD Member Countries (CY07–08 Annual Average)



Sources: OECD (2010), other OECD/DAC data, and data from the World Bank.
Note: CY = calendar years.

Trust funds account for about 11 percent of total official development assistance, and the Bank is trustee for about half of the total.

How significant are trust funds? While most donors do not report their global contributions to them separately, this evaluation was able to estimate that trust funds account for approximately 11 percent of the total official development assistance (ODA) of Organization for Economic Co-operation and Development (OECD)/ Development Assistance Committee (DAC) member countries (as shown in figure 1.1). This includes contributions to large global funds—such as the Global Fund to Fight AIDS, Tuberculosis, and Malaria and the Global Environmental Facility—as well as the many smaller trust funds managed by the trustee organizations.3 This means that trust fund contributions are larger than contributions to the International Development Association (IDA) and larger than the current bilateral programs of two major aid donors—the Netherlands and the United Kingdom—combined. The World Bank is trustee of roughly half of total trust fund contributions.4

1.5 What are trust funds? They are vehicles for channeling aid funds from governmental and nongovernmental donors to be administered by a trustee organization such as the World Bank, United Nations Development Programme (UNDP), or other multilateral organization. Trust funds are not programs, though they have often been labeled as such. Rather they are dedicated sources of funding for programs and activities agreed by the donor(s) and the trustee organization. The activities they finance range from huge global programs with their own governance structures to conventional development projects and support to individual technical assistance advisers.[5] **Error! Reference source not found.** illustrates the difference between trust funds and trust-funded programs and identifies types of each.

Table 1.1 Characteristics of Trust Funds and Trust-Funded Activities

	Trust funds	Trust-funded activities
Definition	A source of funds; a financing vehicle	A development activity conducted by the Bank or recipient that receives some or all its funding from a trust fund
Main types and categories	Multidonor and single donor Multirecipient, single-recipient, and global Financial Intermediary Funds (FIFs) and non-FIFs	Studies, technical assistance, project preparation carried out by the Bank or recipients Country investment projects and programs Debt relief and loan buy-downs Global and regional public goods programs and partnerships
Assessment criteria	Additionality, relevance, effective and efficient deployment, transparency	Development relevance, outputs, and outcomes

The Evaluation

1.6 This evaluation provides an opportunity to assess what experience shows about how effectively and efficiently trust funds mobilize and deliver aid. It also allows for an assessment of the benefits and costs of the varied uses of trust funds for recipients, donors, and trustee institutions. In making those assessments, the evaluation covers fiscal years 2002–10 (that is, the period for which detailed World Bank trust fund data are readily available).[6]

1.7 The main evaluation questions are:

- What are the reasons for the use of trust funds as an instrument of development finance from the perspective of donors, recipients, and the Bank? Do the uses of trust funds provide additional aid flows or only an additional aid vehicle?
- How has the World Bank trust fund portfolio evolved? What is its current size and what are its key features?
- How effective are trust funds as a vehicle for delivering aid? To what extent are trust funds and the activities they support relevant and aligned to the country and global priorities and

the mandate of the Bank? What have they contributed to countries' development efforts, and how consistent is their use with principles of aid effectiveness?

- How effective are the processes within the Bank for the management and accountability of the trust funds it administers?
- What impact —in terms of benefits and costs— have trust funds had on the overall business of the World Bank?

1.8 This assessment is based on the findings from six evaluation exercises:[7]

- Eight country studies, which included interviews with some 120 government officials and in-country donor representatives, in addition to many Bank staff[8]
- Review of a stratified random sample of 36 trust-funded programs, including programs of varying size
- Structured interviews with 40 randomly selected sector managers in the Bank's Regions and networks
- Structured interviews with 55 officials of 8 donors[9]
- Review of other relevant Independent Evaluation Group (IEG) evaluations, Quality Assurance Group (QAG) reviews, and other external independent evaluations of specific trust-funded global and regional partnership programs
- Interviews with a large number of Bank managers and staff responsible for the management and coordination of trust funds.

A major constraint to evaluating the Bank's engagement with trust funds is the lack of comprehensive and consistent data.

1.9 A major constraint in the conduct of this evaluation is the lack of comprehensive and consistent data on the Bank's trust fund portfolio and the uses of trust fund contributions. While improvements were made in the Bank's internal trust fund data over the course of this evaluation, weaknesses still exist. This is a matter discussed in chapter 4, as part of this evaluation's assessment of the Bank's overall performance in the accountability of the use of trust funds. The rest of the current chapter addresses the question of why trust funds are used and what issues are raised by their increasing use over the period of the review.

DONOR, RECIPIENT, AND BANK MOTIVES AND INTERESTS

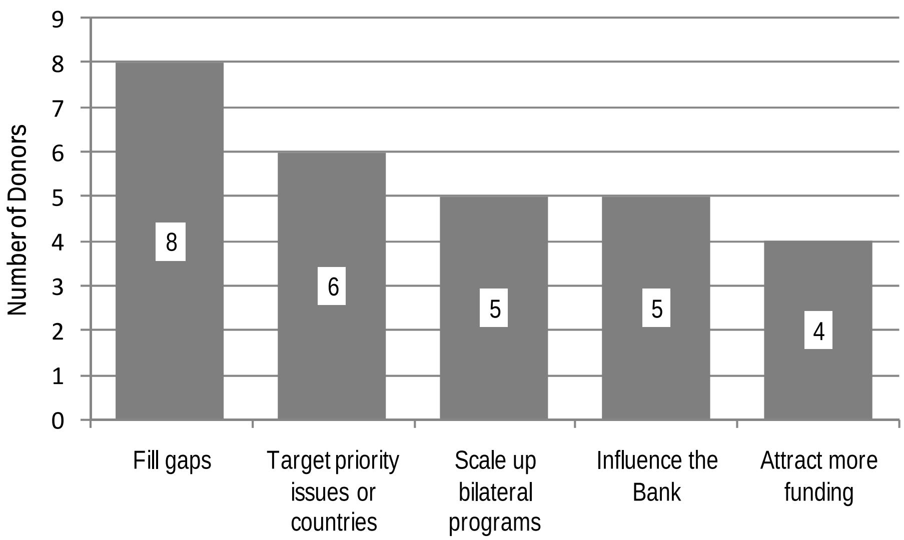
1.10 While donors, recipients, and trustee institutions have some overlapping interests in the use of trust funds, their interests diverge notably on matters of how trust fund allocation decisions are made and how the use of their resources are governed and managed.

DONOR PERSPECTIVES

None of the eight donor governments interviewed for this evaluation has articulated an overall strategy for its use of trust funds.[10] Representatives stated that they decide when to channel aid through a trust fund on a case-by-case, and often decentralized, basis. This choice is made primarily for political reasons, to direct aid resources to particular countries or issues with a high policy profile or of great public interest. For large multidonor funds, the decision generally comes at the initiative of senior government officials or international groups of officials such as the G-7. Overall, donors cited five main reasons for establishing or contributing to trust funds (see figure 1.2).

None of the eight donor governments interviewed has articulated an

Figure 1.2 Donors Mainly Use Trust Funds to Fill Gaps in the System of Multilateral Aid



Source: Interviews with donors.

1.11 **Fill gaps:** All eight donors11 stated that they resort to or rely on trust funds where bilateral aid is not an option and there is a need to fill gaps in the multilateral aid system so that they can:

- Respond to emergencies such as natural disasters, disease outbreaks, and the end of armed conflict, where donors want to coordinate their bilateral aid and where the MDBs do not have grant resources to engage on a sufficient scale.
- Finance development in national entities that cannot be sovereign borrowers from the multilaterals (Timor-Leste, South Sudan, West Bank and Gaza).
- Finance global public goods, beyond what can be done under the multilaterals' country-based lending model. Global programs typically require customized governance, financing,

and operational processes that engage the private sector, foundations, civil society, and other nongovernmental actors.

1.12 In an interview for this evaluation, a senior official of the United Kingdom said the government's support for the large global funds in health, education, and climate change is "an expression of impatience with the existing multilateral system" and "a deliberate intention to do things differently in the way aid is mobilized, allocated for results, and governed." The United States, France, and Germany stated that these "gap" situations are the main occasions for which they provide trust funds; for other development needs, they prefer to rely on IDA and other multilateral institutions and their bilateral programs.

1.13 Target priority issues or countries. Six of the eight donors indicated that they use trust funds as a way to direct aid resources to issues or countries of national policy or public interest. This aim, donors stated, cannot be achieved through core contributions to the World Bank and other MDBs, which cannot be earmarked and are for the most part allocated on the basis of country performance. So trust funds are a way to circumvent the allocation system of the MDBs' country-based business model.

1.14 Scale up bilateral programs. Five of the eight donors said they use trust funds because they lack the funds or expertise to scale up their bilateral programs to deliver the amount of aid they are committed to provide. Trust funds allow these donors to associate their resources with the technical expertise and management capacity of the trustee international agency. As an official from the Netherlands explained, when the policy decision was made to give 15 percent of total aid to education, "it was hard to spend that large amount bilaterally." This rationale was also cited by Canada, the European Commission, Norway, and the United Kingdom, which have set high targets for aid/gross domestic product, while seeking to hold down on their aid administration budgets.

1.15 Influence the Bank. Five donors said they provide earmarked trust fund financing to encourage the Bank and the broader international community to pay more attention to issues already on the agenda or to encourage the development, piloting, and mainstreaming of new issues and new development approaches. This use of trust funds is particularly favored by Canada, Germany, the Netherlands, Norway, and the United Kingdom. A common view expressed is that "it is easier to get the World Bank to move via a trust fund." France, in contrast, raised issues with the use of trust funds to support and influence Bank work because that support does not necessarily reflect what the Board of the Bank wants, and these funds should be consolidated around core World Bank activities.

1.16 Attract more funding. Finally, four donors view trust funds as a mechanism for attracting aid for priority issues. Three of the donors—Canada, France, and the United Kingdom—specifically cited multidonor trust funds as a way to mobilize resources from other donors, both traditional and new, in areas of priority and to "have influence on key issues beyond what would be possible by acting alone." This rationale includes interest in trust funds as mechanisms for mobilizing innovative sources of financing.12 For a fourth donor, the United States, trust funds serve as a way to attract public support, and thus additional aid funds from its Congress, above and beyond the annual aid budget.

1.17 Donors say they prefer the World Bank as trustee of their funds because of its ability to manage and deploy financial resources, its global development expertise, and its generally strong working relations with recipient governments. The UK's Development Minister stated, for instance: "much of our [aid to Afghanistan] goes through the World Bank trust funds, which means it is only paid out on the basis of reimbursable receipts," giving the British taxpayer "some confidence that the money is being properly spent."13

1.18 Donors, however, typically get less visibility and "credit" from trust funds, a factor that has been a source of considerable concern.14 This is one reason why donors insist on special reporting, which allows them to show their parliaments and publics how their specific aid contributions were used, but is a source of inefficiency (as discussed in chapter 4). But there are tensions between this donor concern for visibility and the use of trust funds to foster collaboration and reduce fragmentation through the pooling of resources.

RECIPIENT PERSPECTIVES

1.19 Recipient government officials see trust funds as playing three main positive roles:

- **Provide additional financing on grant terms**. For low-income countries, which regularly receive assistance on grant terms from bilateral donors and to a more limited extent from IDA, trust funds can serve to bring more aid into the country than would otherwise have been provided. This is especially important for countries in arrears and for nonsovereign entities where IDA is unable to lend and bilateral donors do not want to act alone. In middle-income countries, which are reluctant to borrow for technical assistance, trust funds can finance such assistance on grant terms. In addition, for both low- and middle-income countries, trust funds provide grants for country participation in global and regional programs.

- **Foster donor coordination and harmonization**. Countries with a plethora of donors view trust funds as a mechanism to replace piecemeal support of bilateral projects. They help to streamline government interaction with donors and to diminish political interference by individual donors in highly sensitive issues (such as governance reforms).
- **Finance "just-in-time" assistance**. Some trust funds can provide funding reasonably quickly in response to a request for project preparation, specialized technical assistance, or add-on components to an existing program or project. This flexibility and responsiveness is valued by recipient countries.

Recipients see benefits of trust funds, but prefer direct budget support over financing from trust funds, which do not typically involve them in initiation, design, or management.

1.20 However, recipient countries are not typically involved in the initiation, design, and management of trust funds, though they do participate in the governance of some trust-funded programs that are structured as formal partnerships, such as the Global Fund to Fight AIDS, Tuberculosis, and Malaria (the Global Fund) and the Education for All/Fast Track Initiative (EFA/FTI).[15] This can lead to modes of operation for trust funds that make it difficult for countries to allocate and program the resources in accordance their own development planning and programs.[16] Also, where trust funds support programs with their own governance and management structures, they can add to the aid fragmentation that has plagued the recipients.[17] Thus, despite the potential benefits, recipients see trust funds as less desirable than direct budget support, which is not mediated by a trust fund arrangement.

WORLD BANK PERSPECTIVE

The Bank received $57.5 billion in donor trust fund contributions over the FY02–10 period.

1.21 Over the period FY02–10, the World Bank received a total of $57.5 billion in donor trust fund cash contributions. This makes it responsible for investing and disbursing the donors' funds, and in many cases also for managing trust-funded programs and activities. The trust funds are donor resources, held separate from the Bank's income and reserves. Donors pay the Bank a fee for these services, which is usually 2 to 5 percent of their contribution to a trust fund.

1.22 Trust funds enable the Bank to reinforce and expand its business, with the implicit endorsement of member countries, though the establishment of a Bank-administered trust fund is not usually subject to explicit approval by the Bank Board. The corporate view is that trust funds offer three main opportunities for advancing the Bank's development strategies and priorities:

- **To enhance country operations through increased financing and donor coordination**. Trust fund contributions provide financing to scale up Bank country operations and, in some cases, to fund the preparation, appraisal, and supervision of cofinanced projects. Where donors contribute to a multidonor trust fund (MDTF), the Bank is also in a position to play a key role in interacting with the recipient and coordinating aid flows.

- **To expand the Bank's role at the global level**. Trust funds help to finance the Bank's generation of the development-related global knowledge and global partnership programs it manages. Trust funds also underwrite the Bank's leadership in responding to international crises, such as the global response to avian flu. All of this gives the Bank a far greater global role than it would have based on its primary country-focused work.
- **To support the Bank's work program, including the piloting of innovative development approaches.** The Bank has also obtained trust fund support for its analytical work and technical assistance, which enables it to undertake core work and testing of new approaches on a level exceeding its annual budget. This dimension has become significant, in the view of Bank managers, since the budget has remained fixed in real terms, while the Bank's mandate continues to expand.

The Bank uses trust funds to enhance country operations, expand its global role, and support its work program.

1.23 Trust funds bring added responsibilities and risks to the Bank along with the added resources to bolster its business. Moreover, they challenge the Bank to work with donors to ensure that trust funds complement rather than compete with the business of the Bank, IDA in particular.

The diverse views of trust funds create challenges and have implications for the coherence, effectiveness, and efficiency of trust funds.

1.24 The varied interests of donors, recipients, and the World Bank in the use of trust funds raise challenging questions about the benefits and costs of this distinct channel for delivering aid. Donors and recipient countries have recognized the potential as well as the down-sides of the proliferation of new funds. Notably, the international community agreed in 2008 that donors should "think twice before establishing new funds, applying a clear test of value added."18 Still, new trust funds have continued to proliferate. What the implications are for the coherence, effectiveness, and efficiency of the evolving international aid system is explored in the reminder of this report.

1.25 The report, which is the first independent evaluation of donor trust funds for which the World Bank serves as trustee, first describes (in chapter 2) the Bank's overall trust fund portfolio, particularly how the growing trust fund contributions are being used. It then presents an assessment of how well trust funds have served as a vehicle for the delivery of aid (chapter 3); how well the World Bank has managed its growing trust fund portfolio (chapter 4); and the impact of trust funds on the Bank's overall support of development (chapter 5). Finally, the report presents a summary of its findings and a set of recommendations for improving the effectiveness of Bank's trust fund portfolio (chapter 6).

2. The World Bank's Trust Fund Portfolio and Policy

2.1 Trust funds administered by the World Bank are financing arrangements established with contributions from one of more external donor(s), and in some cases from the World Bank Group from its net income or surplus. From a modest start in the 1960s, the World Bank's portfolio of trust funds has evolved to represent a substantial part of the Bank's business. This evolution has involved an expansion in trust fund use—from primarily cofinancing IBRD/IDA operations to also fully funding single-country interventions and major multicountry global programs. It has involved major growth in contributions, beginning in the 1990s and rising sharply from 2000 to the present, spurred in large part by the increasing number of large FIFs, especially in the areas of health and the environment. (See box 2.1 for a summary of this history.)

Box 2.1. Trust Funds since the 1960s

The early decades

In 1960 several donors established the Bank's first trust fund to cofinance the Indus Basin Project in Pakistan. Over the next 30 years, trust fund contributions were used primarily to cofinance IDA and IBRD investments and support technical assistance. A few were also launched to finance new multilateral global and regional initiatives, notably the Consultative Group on International Agricultural Research (CGIAR) and the River Blindness (Onchocerciasis) Control Program. In addition, toward the end of the 1980s, several donors set up trust funds to support the Bank's work program. The largest of these was the Japanese Grant Facility, which evolved into the Policy and Human Resources Development Program.

1990 to the present

In the early 1990s, the Bank's trust fund portfolio began expanding substantially in both size and in terms of the activities supported. This expansion occurred first in response to major international initiatives such as the Montreal Protocol and Rio Environment conference—which led to the Ozone Trust Fund and Global Environment Facility (GEF)—and in support of the West Bank and Gaza following the Oslo Accords. Three more initiatives in the latter half of the 1990s—the Heavily Indebted Poor Countries (HIPC) Initiative, support for Bosnia/Herzegovina, and the Consultative Group to Assist the Poor (CGAP)—further expanded the scope and boosted momentum.

Even more rapid and substantial expansion has come since 2000 with the establishment of trust funds, notably aimed at accelerating achievement of the Millennium Development Goals, assisting in post-conflict situations of high political profile, and supporting the provision of global public goods, including through new, large FIFs such as the Global Fund to Fight AIDS, Tuberculosis, and Malaria (the Global Fund) and the Climate Investment Funds (CIFs). The recent decade also saw the beginning of major trust fund support for the International Finance Corporation's (IFC) advisory services.

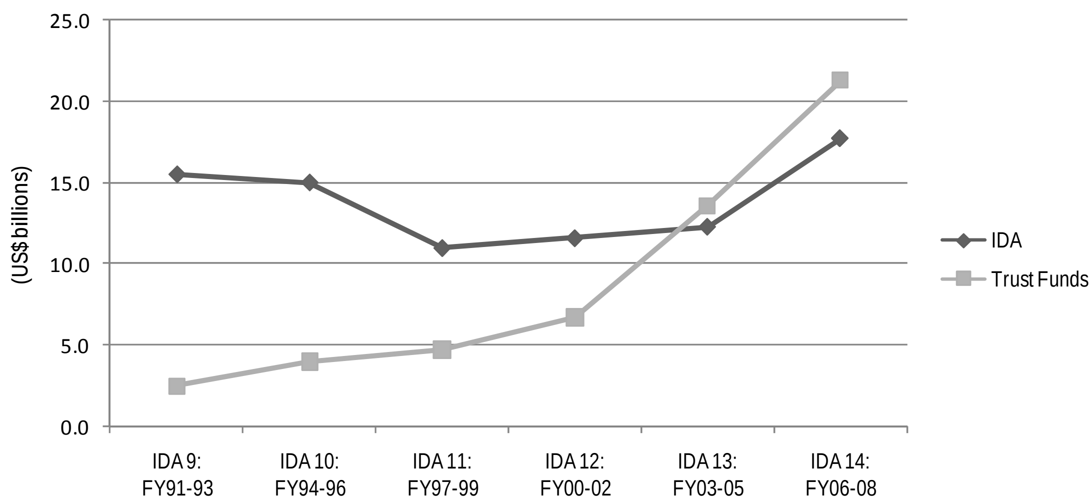
Evaluation Highlights

- Trust fund contributions exceeded IDA contributions in fiscal years 2003–08.
- In fiscal 2010 the Bank administered about 1,075 active trust funds entrusted to it by about 205 donors.
- Ten donor governments accounted for about 74 percent of the total contributions over the 2002–10 period, and the United States and United Kingdom together accounted for about 26 percent.
- Financial Intermediary Funds, for which the Bank is trustee but not the entity responsible for the oversight of the use of the funds, account for more than half of the trust fund contributions.
- Trust funds managed solely or jointly by the Bank now account for 8 percent of total Bank disbursements to recipients and 23 percent of total Bank budget resources.
- The majority of Bank-managed trust funds are single donor funds which are on average smaller than multidonor trust funds.
- The Bank's trust fund management framework and policy have enhanced controls but focus more on processes than strategic issues for guiding the continuing uptake of donor funds.

Trust fund contributions exceeded IDA contributions in fiscal years 2003–08.

2.2 While trust fund contributions amounted to far less than IDA contributions through the mid-1990s, they surpassed total IDA contributions in the three-year periods of both IDA 13 (fiscal 2003–05) and IDA 14 (fiscal 2006–08), as shown in figure 2.1. (The figure does not include the current IDA 15 replenishment period because trust fund contribution totals are only known for the first two years, fiscal 2009 and 2010.)[1]

Figure 2.1 Contributions to Bank-Administered Trust Funds Have Surpassed Contributions to IDA



Sources: Trust fund accounting system, trust fund database, and World Bank Group annual reports.
Note: The IDA 9 total contribution amount, which was reported in Special Drawing Rights (SDRs), has been converted into US dollars by applying the average daily exchange rate over the fiscal 1991–93 period.

A Structural Overview

In fiscal 2010 the Bank administered about 1,075 active trust funds entrusted to it by about 205 donors.

2.3 The World Bank now administers a diverse portfolio of trust funds entrusted to it by some 205 donors. In fiscal 2010, there were some 1,075 active main trust funds. That is the number of trust funds set up with donor contributions and actively disbursing funds in support of programs and activities. See figure 2.2 for a depiction of the overall structure of these many Bank-administered trust funds.

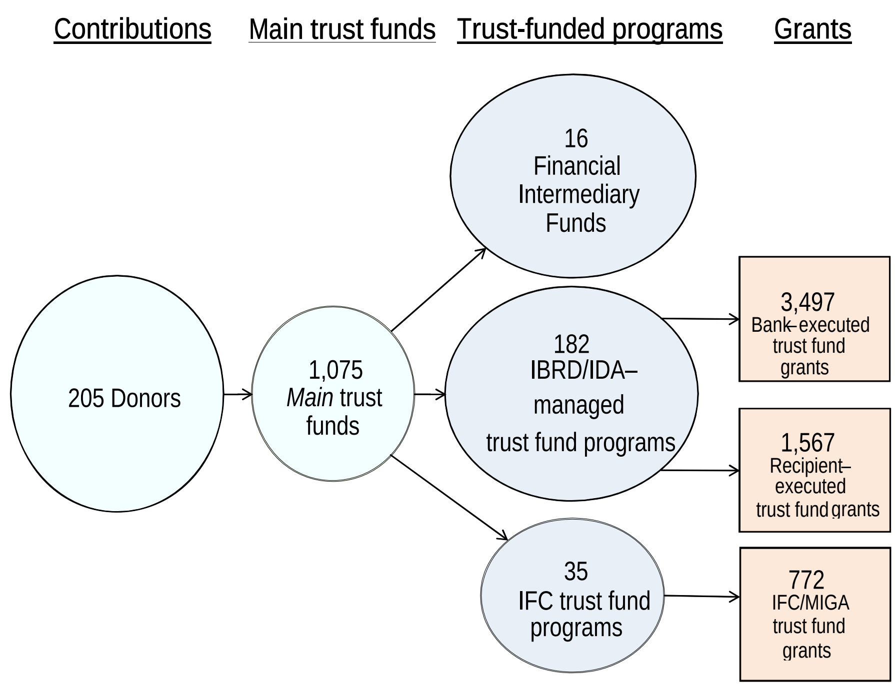
2.4 The key components of this structure are the following:

- ***The 205 donors*** comprise governments, multilateral agencies, nongovernmental organizations, foundations, and other private organizations.
- ***The 1,075 main trust funds*** are the number of trust funds set up with donor contributions in support of programs and activities. These funds involve arrangements with a single

donor (SDTFs) and with several donors (MDTFs). They are country-specific, regional, or global in their geographic scope and they finance programs and activities that may receive allocations from one or more main trust fund(s). Each individual donor contribution is established under an Administration Agreement with the World Bank.

- ***The trust-funded programs*** that receive funding from one or more main trust funds finance activities that are managed in three different ways:
  - *The FIFs*: there are currently 16 financed by trust funds. These are financial instruments that, for the most part, transfer funds to third-party recipients based on instructions from a governing entity (separate from the Bank) that has responsibility for the use of the funds. Some of these funds may be transferred back to the Bank in the form of IBRD/IDA trust funds for Bank implementation of activities.
  - *The IBRD/IDA trust fund programs:* these number over 180; they are managed (or jointly managed in the case of partnership programs) by the World Bank. They disburse grants that are supervised by the Bank and implemented by a recipient country, other external recipient, or the Bank. Many programs support a combination of recipient- and Bank-executed activities.
  - *The IFC trust funds:* these are, for the most part, pooled for multiyear programs of technical assistance.
- ***The IBRD/IDA trust fund grants****:* finance (or cofinance) projects and activities and are primarily of two types: (1) *recipient-executed trust fund (RETF) grants* are executed in accordance with a grant agreement between the Bank and the recipient and (2) *Bank-executed (BETF) grants* largely support the Bank's work program. The BETFs and RETFs together comprise the trust funds that support Bank-managed activities and are, therefore, referred to in this report as the "IBRD/IDA trust funds" or the "Bank-managed trust funds."[2]

Figure 2.2 The Current Structure of the Bank's Trust Fund Portfolio (FY09/10)



Source: Trust fund database.

2.5 The remainder of this chapter describes in more detail the donor contributions and the uses of the trust funds, focusing on the period fiscal 2002–10, which is the period for which the most complete trust fund data are available.

Trust Fund Contributions

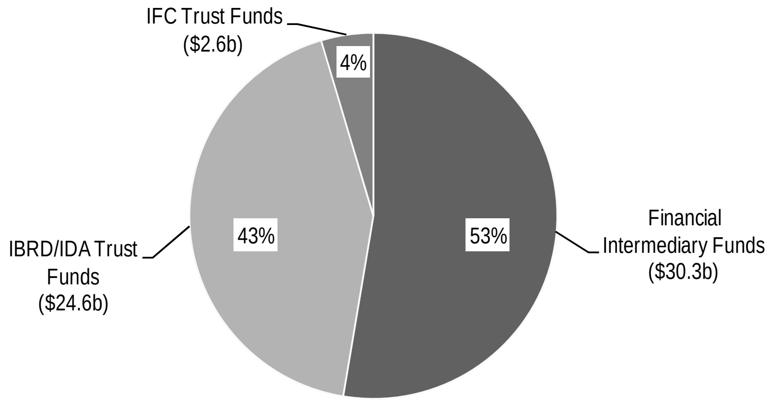
THE SIZE AND SHARE OF TRUST FUND CONTRIBUTIONS

2.6 Over the fiscal 2002–10 period, total trust fund cash contributions amounted to $57.5 billion (as noted in chapter 1). FIF contributions made up more than half of this total, as shown in figure 2.3.

FIFs made up more than half of the $57.5 billion in contributions in fiscal 2002–10.

2.7 ***The main donors.*** While there is now a plethora of trust fund donors, relatively few traditional donor countries provide the bulk of all trust fund contributions. Since 2002, 10 donor governments have accounted for about 74 percent ($43 billion) of the total contributions, with the United States and United Kingdom together accounting for

Figure 2.3 Contributions to FIFs Account for More Than 50 Percent of Trust Fund Contributions (FY02–10)



Sources: Trust fund database and World Bank Group annual reports.

THE DONORS AND WHAT THEY FUND

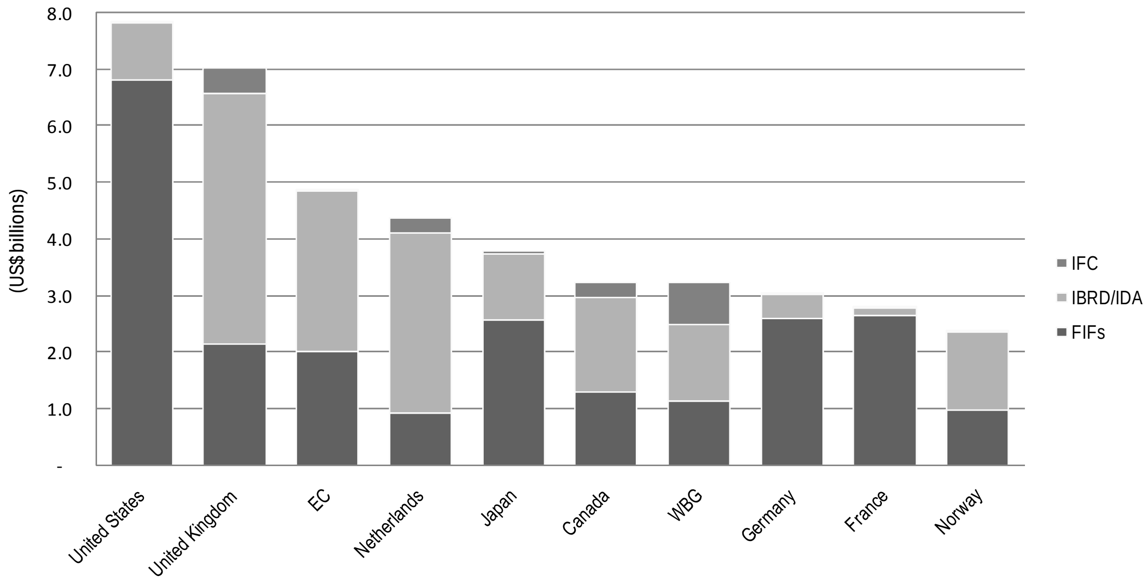
26 percent ($15 billion). Of these top donors, four contribute mainly to FIFs (United States, Japan, Germany, and France) and four contribute mainly to IBRD/IDA trust funds (United Kingdom, European Commission, Netherlands, and Norway), as shown in figure 2.4. These latter donors are thus the ones that engage most with the Bank on the use of trust funds and on their incorporation into the business of the Bank. Another 15 donors make up the majority of remaining contributions (22 of the remaining 26 percent). Thirteen of these 15 donors are traditional sovereign donors and 2 are nontraditional donors—the Bill and Melinda Gates Foundation and the Russian Federation. The remaining 4 percent is made up of smaller contributions from many sovereign governments, intergovernmental institutions, private nonprofit entities, private for-profit organizations, and other institutions.

Ten donor governments accounted for about 74 percent of the total contributions over the FY02–10, and the United States and United Kingdom together accounted for about 26 percent.

2.8 ***Single-donor and multidonor trust funds.*** With two exceptions, FIFs are MDTFs that pool the resources of two or more donors.

Indeed, 7 of the 16 FIFs are supported by more than 10 donors, as shown in table 2.1 (and further described in appendix E).

Figure 2.4 Two of the Top 10 Donors Account for a Quarter of All Trust Fund Contributions, But They Direct Their Resources in Starkly Different Ways (FY02–10)



Source: Trust fund database.
Note: World Bank trust fund resources are drawn from net income.

Table 2.1 Seven of the 16 FIFs Have More Than 10 Donors Providing Support

Program name	*Number of donors*	*Total contributions (FY02–10 in US$ billions)*
Global Fund to Fight AIDS, Tuberculosis, and Malaria	55	15.8
Global Environment Facility	37	6.3
Heavily Indebted Poor Countries Initiative	26	4.0
Consultative Group on International Agricultural Research	27	1.0
Least Developed Countries Trust Fund for Climate Change	20	0.2
Onchocerciasis/Tropical Disease Research (APOC)	27	0.1
Special Climate Change Fund	13	0.1

Source: Trust fund database.

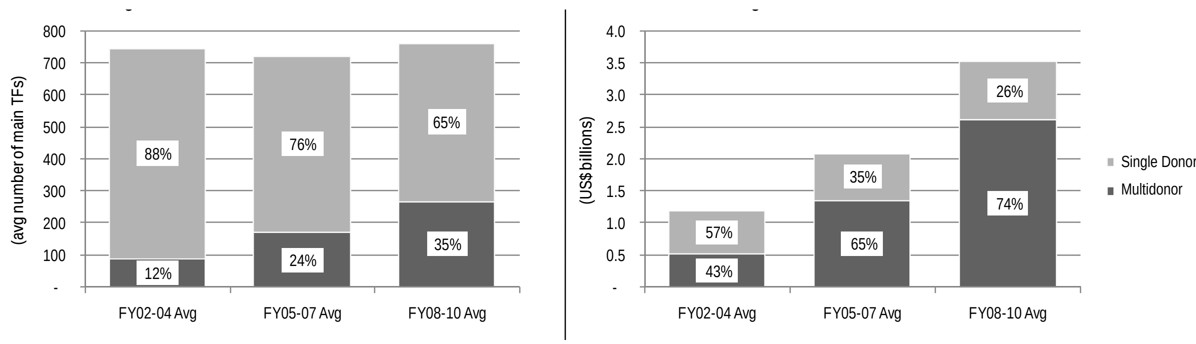
The majority of Bank-managed trust funds are single-donor funds.

2.9 In contrast, there is a much larger number of IBRD/IDA trust funds, the major share of which take the form of single-donor arrangements (SDTFs) rather than MDTFs, and many of the IBRD/IDA trust-funded programs are supported by a combination of single- and multidonor funds. Indeed, SDTFs have predominated over fiscal 2002–10 and still account for 65 percent of all trust funds, as shown in figure 2.5a. While this percentage declined modestly over the period, their share of total IBRD/IDA trust fund disbursements declined more markedly, from 57 percent to 26 percent, as shown in figure 2.5b. This is because SDTFs are, on average, much smaller than MDTFs.[3] The continuing preponderance of SDTFs conflicts with the Bank's stated intention to avoid these funds in favor of MDTFs, and appears to be a major cause of the fragmentation and inefficiencies of the Bank's total trust fund portfolio.

Figure 2.5 Single-Donor Trust Funds Continue to Predominate in Number of Active Main Trust Funds (FY02–10)

a. Average number of active main IBRD/IDA trust funds

b. Average disbursements from IBRD/IDA trust funds



Source: Trust fund database.

Trust Fund Disbursements and How They Are Used

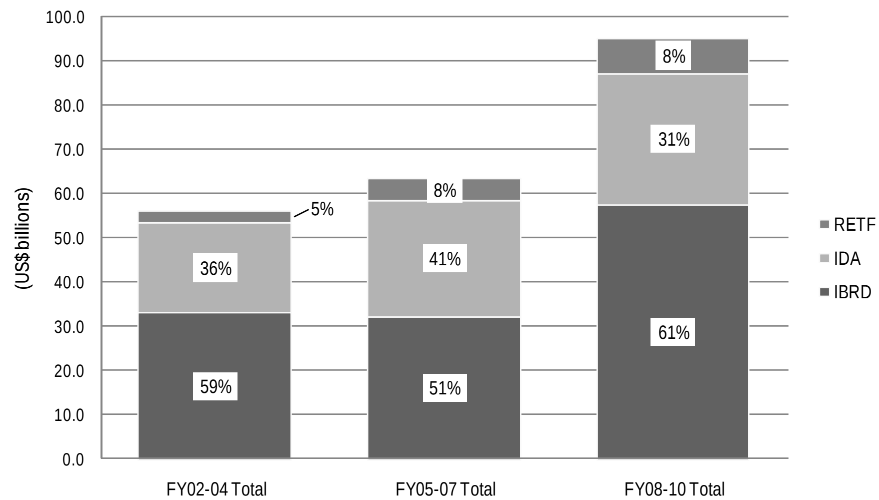
THE SIZE AND GROWTH OF THE TRUST FUND DISBURSEMENTS

2.10 Trust fund disbursements have become a significant feature of the World Bank Group's business, amounting over the period fiscal 2002–10 to some $45 billion. In terms of growth, disbursements have increased fivefold, from $1.9 billion in fiscal 2002 to $9.5 billion in fiscal 2010. FIFs account for half of the fiscal 2002–10 disbursement total. Of the other half, IBRD/IDA trust funds executed by recipients (the RETFs) amounted to $15.9 billion and those executed by the Bank (the BETFs) amounted to $3.1 billion.

FIFs, for which the Bank is trustee but not the entity responsible for the oversight of the use of the funds, account for more than half of the trust fund contributions.

2.11 How substantial is this increased level of trust fund disbursements? One way to indicate the significance is to compare the disbursements of the RETFs to total IBRD/IDA disbursements. As shown in figure 2.6, the RETF share rose from 5 percent in fiscal 2002–04 to 8 percent in fiscal 2005–07, and it remained at 8 percent in fiscal 2008–10, despite a large jump in IBRD disbursements in response to the financial crisis. (This, of course, does not take into account the large FIF disbursements for activities for which the Bank is not responsible, so they are not comparable to IBRD/IDA lending.)

Figure 2.6 RETFs Have Increased in Both Volume and Share of RETF, IBRD, and IDA Disbursements

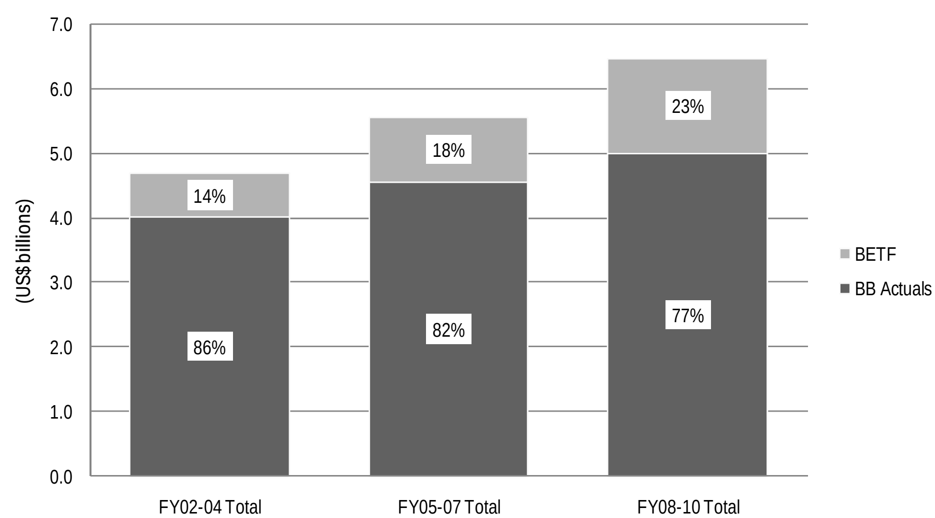


Sources: Trust fund database and World Bank database.

Trust funds managed solely or jointly by the Bank now account for 8 percent of total Bank disbursements to recipients and 23 percent of total Bank budget resources.

2.12 A second measure of the growing use of trust funds is the increase in BETF disbursements in support of the Bank's work program. As shown in 2.7, the BETF share of total Bank budget resources (that is, Bank net administrative budget plus BETFs) rose from 14 percent in fiscal 2002–04 to 23 percent in fiscal 2008–10.[4,5]

Figure 2.7 BETFs Now Account for Almost a Quarter of Total Bank Budget Resources



Sources: Trust fund database and World Bank database (Bank-wide budget actuals refer to the Bank's net administrative budget).

THE MAIN USES OF TRUST FUNDS

2.13 Overall, trust funds are used for three purposes: to finance investments, technical assistance, and the generation of knowledge, with the bulk of the financing focused on support of country level development goals and the remainder aimed at delivering global or regional public goods. See table 2.2 for examples of trust-funded programs that support these activities.

Trust funds are used to finance investments, technical assistance, and global knowledge generation.

2.14 FIFs and IBRD/IDA trust funds support these country development and global public goods (GPGs) activities in various ways and to differing degrees.

Table 2.2 The Scope of Activities Financed by Trust Funds

Principal activity[a]	*Program example*	*Program scope*
Financing investments		
• Country development	The EFA/FTI Catalytic Fund provides sector budget or project support to eligible countries for primary education investments based on country education sector plans.	Operations began: 2003 Number of donors: 18 FY02–10 Disbursements: $734 million
• Country level/provision of global public goods	The Critical Ecosystem Partnership Fund (CEPF) provides grants to NGOs, community groups, and private sector entities to conserve biodiversity in selected vital ecosystems (hotspots) in IBRD/IDA countries that have ratified the Convention on Biological Diversity.	Operations began: 2002 Number of donors: 2 FY02–10 Disbursements: $63 million
• Global level/provision of global public goods	The Consultative Group on International Agricultural Research (CGIAR) supports the development of new crop varieties, knowledge, and other products to promote agricultural sustainability worldwide.	Operations began: 1975 Number of donors: 27 FY02–10 Disbursements: $955 million
Financing technical assistance	Trust fund support for Cities Alliance finances technical assistance grants at the global, country, and municipal levels to advance slum upgrading and the design of city development strategies.	Operations began: 2000 Number of donors: 22 FY02–10 Disbursements: $84 million
Financing global knowledge	Trust fund support of the Consultative Group to Assist the Poor (CGAP), a consortium of public and private agencies, finances activities focused on developing and setting standards, advancing knowledge, training, and capacity building, as well as some provision of advisory services for microcredit.	Operations began: 1995 Number of donors: 38 FY02–10 Disbursements: $135 million

a. Trust-funded programs that finance investments and technical assistance are typically also engaged in global knowledge activities such as advocacy and generating and disseminating information.

2.15 ***The FIFs***. Four FIFs support improvements in health at the country level, such as the GAVI Fund Affiliate (GFA), which provides funds for approved Global Alliance for Vaccines and Immunization (GAVI) programs to procure needed vaccines and to support recipient countries. GFA, in turn, is supported by a FIF, the International Financial Facility for Immunization (IFFIm), which borrows money by issuing bonds in the capital markets to fund vaccination programs in developing countries, thus using the financial markets to frontload commitments. Other FIFs provide GPGs at the country and global levels. Examples of these include Climate Investment Funds (CIFs), which are designed to mitigate rises in greenhouse gas emissions and develop climate-resilient economies in developing countries, and CGIAR, which is committed to mobilizing sustainable development of agriculture by providing international agricultural research centers with financial assistance and strategic guidance. While most support activities in multiple countries, two recent FIFs are focused on a single country recipient—the Guyana REDD-Plus Investment Fund and the Haiti Reconstruction Fund.

2.16 ***The IBRD/IDA trust funds.*** The predominant use of trust funds managed by the World Bank is to support country (and some regional) investment projects. This use accounts for more than two-thirds of total IBRD/IDA trust fund disbursements.6 Of this investment-related financing, slightly less than half (about 47 percent) directly supports IBRD/IDA operations.7 The larger amount (some 53 percent) funds stand-alone projects. Fragile states account for 43 percent of the total combined support (roughly one-quarter of co-financed and two-thirds of stand-alone disbursements).8

2.17 The IFC trust funds. IFC trust funds are used primarily to support its provision of advisory services and usually are deployed in conjunction with IFC's own resources. This evaluation does not assess the IFC trust funds, but a summary assessment prepared by IEG-IFC is presented in appendix F. The remainder of this report concentrates on Bank-managed trust funds (that is, the RETFs and BETFs), as well as the FIFs administered by the World Bank.

THE WORLD BANK'S TRUST FUND MANAGEMENT FRAMEWORK AND POLICY

2.18 In response to accountability and efficiency challenges posed by the Bank's expanded trust fund portfolio, a new trust fund management framework was prepared and was approved by the Bank's Board in 2007. The framework, which sets out revised internal controls and management processes, is designed to assure the strategic relevance, risk management, and cost-effectiveness of the Bank's trust fund portfolio. The main objective of the framework is to bring trust funds into the mainstream of Bank business. A supplementary intent is to promote transparent and comprehensive management of trust funds along with all other Bank resources.

The Bank's Board approved a new trust fund management framework in 2007 that sets out revised internal controls and management processes.

2.19 The framework divides Bank-administered trust funds into the three current categories—FIFs, RETFs, and BETFs—and identifies the different responsibilities assumed by the Bank in relation to each category. It also specifies the operational policies and processes that need to be applied in managing each type of trust fund. Specifically, the framework states that:

- BETFs, which are funds that support the Bank's work program, are administered in accordance with policies and procedures that apply to the Bank's administrative budget.
- RETFs, which are funds that the Bank passes on to a third party and for which the Bank plays an operational role (that is, in appraising and supervising funded activities), are administered under the operational policies and procedures that apply to IBRD and IDA financing, though the approval process for trust fund grants is determined in accordance with separate processes for trust fund proposals and legal agreements with donors.
- FIFs, which are customized funds for which the Bank provides specified administrative, financial, or operational services but does not have authority over the use of funds, are subject to operational, administrative, financial, and budget policies and procedures as determined case-by-case on the basis of the characteristics of each fund.

2.20 The framework was the basis for a revised World Bank trust fund policy (Operational Policy 14.40) sent for information to the Board in July 2008 (and which is reproduced in appendix G). The policy's key principles are that the Bank:

- Establishes and administers trust funds to "complement IDA and IBRD financing" and "leverage its capacity and development knowledge" so as "to promote development and aid effectiveness"[9]
- Encourages trust funds that draw on its operational role, includes contributions from more than one donors, reinforces country capacity and ownership, and promotes harmonization and alignment of donor aid modalities
- Provides administrative and financial services "for trust funds that support work on issues of global importance and where the Bank may not perform an operational role."

2.21 The Bank decides whether to accept administration of a proposed trust fund based on the six criteria listed in box 2.2.

The Bank's trust fund management framework and policy have enhanced controls, but focus more on processes than on strategic issues for guiding the continuing uptake of donor funds.

2.22 In June 2010, Bank management provided a report to its Executive Directors on the status of the implementation the framework, and by implication the policy. Key points, summarized in box 2.3, indicate that implementation "is largely on track and delivering results," yet much work is still needed to achieve the main objectives of "(i) strategic alignment, (ii) integration of operational and management systems, and (iii) portfolio sustainability."

Box 2.2 Bank-Administered Trust Funds Must Be Aligned with Its Mandate and Strategies

The six criteria for accepting administration of trust funds are:

Consistency with the Bank's Purposes and Mandate. Activities financed from the trust fund are in keeping with the IBRD and IDA Articles of Agreement.

Strategic Relevance. Activities financed from the trust fund are aligned with the Bank's strategies.

Risk Management and Controls. The risks arising from the trust fund, including those arising from any conflicts of interest or any restrictions on its use, are explicitly considered and are judged to be acceptable and manageable by the Bank.

Governance. The Bank has decision-making authority in the use of the funds that is adequate to fulfill its roles in administering the specific type of trust fund.

Nationality Restrictions on Procurement. The Bank does not accept any contribution to a trust fund that imposes nationality restrictions on procurement (as distinct from nationality restrictions on recruitment, which may still be accepted).

Operational Efficiency and Sustainability. Trust funds are of a sufficient size to ensure efficient administration and preferably are programmatic in design. The Bank recovers the costs of performing agreed roles in administering a trust fund, taking into account benefits associated with such funding.

Source: World Bank (2007a).

2.23 How far have the framework and policy moved the Bank in terms of developing a strategic direction for its administration of trust funds? As the implementation update reveals, the trust fund management framework and policy have so far focused primarily on control processes and have not been used to explore the strategic issues surrounding the Bank's continuing uptake of responsibility in administering donor trust funds. There are four such issues:

- The specific comparative advantages of the trust fund mechanism and when and why trust funds should be used in advancing the Bank's mandate.

Box 2.3 Reforms Have Substantially Improved Controls But Not Integration with Bank Processes

A review of trust funds that Bank management sent to the Board in June 2010 indicates that progress has been made in three areas:

- Alignment with Bank strategies has been improved by all vice presidential units' (VPUs) preparation of annual trust fund management plans, increased discussion of RETFs in country assistance strategies (CASs) and country portfolio performance reviews, and establishment of a senior management review process for the Bank's engagement in complex trust-funded partnerships.
- Risk management and controls for trust-funded activities have been tightened by instituting requirements that RETFs over $5 million be subject to the same review and appraisal processes as equivalent Bank lending activities, that BETFs be subject to the same controls as Bank budget expenditures, and strengthened quality assurance and risk reporting measures.
- Cost efficiency and sustainability gains from revised measures to obtain greater recovery of costs incurred by the Bank in administering trust funds and strengthened information systems to support trust fund management

The report also notes that the Concessional Finance and Global Partnerships Vice Presidency (CFP) has launched a "Bank-wide trust fund consolidation exercise" to make further progress in all the three areas and specifically outlines further work along the following lines:

- Strengthening strategic alignment by establishing a coordinating mechanism involving relevant VPUs and the CFP to ensure a more structured approach to fund-raising with the Bank, further steps to integrate trust funds along with all external resources in the budget, and consolidation of trust fund programs operating at the country level.
- Integration of IBRD/IDA trust funds with Bank operational and management systems, primarily based on a pilot to consolidate IBRD/IDA and RETF/BETF processing covering at least 20 trust fund programs, and the integration of trust funds into the Bank's Results Agenda.
- Ensuring cost-efficiency and sustainability of the trust fund portfolio by continued review of the portfolio's cost-recovery arrangements.

Source: Report on the implementation of the Trust Fund Management Framework (TFMF), "Managing Trust Funds—An Update and The Way Forward "(World Bank 2010f).

- How to design trust funds to promote development and aid effectiveness. The policy states in broad terms that trust funds should promote development and aid effectiveness, but neither the policy nor the framework offers criteria or guidance on what design and selection features are associated with effectiveness. The FIF designation is particularly inadequate in this respect, because it fails to link the Bank's circumscribed role as trustee with the principle of promoting development and aid effectiveness.
- Segregation of corporate functions. The policy does not address the assignment and segregation at the corporate level

of the three distinct functions: mobilizing trust fund resources, managing trust-funded programs, and managing their risks to the Bank. This policy lacuna has contributed to the parallel accountability frameworks and business process described in chapter 4.

- How to account for the uses and results of the three types of trust funds identified in the policy: FIF, RETFs, and BETFs. The RETF/BETF typology that is used to organize policies and procedures is anchored in fiduciary controls and has limited relevance as a way of guiding and accounting for trust funds' uses and results because both RETFs and BETFs can be used to support the same lending and nonlending activities, and many trust funds now support both Bank-executed and recipient-executed activities.

3. The Effectiveness of Trust Fund Support for Development

Evaluation Highlights

- While there is no clear evidence that trust funds provide additional resources globally, they add value as a distinct aid vehicle by providing coordinated financing and grant resources for individual countries, targeted development issues, and the provision of global public goods.
- Trust funds are equally effective at financing investments, technical assistance, and knowledge activities, with their success or lack of success depending on how the trust fund is designed and structured.
- Single-country trust funds are generally adapted to country situations and work well; this is less true for global funds that support multiple countries—many of which poorly integrate and coordinate their support at the country level.
- Overall, multidonor trust funds deliver aid coordination and efficiency gains better than single-donor trust funds, except when single-donor funds are established at the country level.
- Overall, the added value of the trust fund vehicle is more evident in the financing of global public goods, where a country-focused model is inappropriate, than when they merely finance national development efforts.

3.1 Trust funds are vehicles for delivering development finance, and they support a wide variety of programs and activities. What, then, is an appropriate way to evaluate their effectiveness? This chapter assesses their effectiveness along two dimensions:

- *The appropriateness of the trust fund vehicle.* Under what circumstances do trust funds add value as a distinct development financing vehicle?
- *The effectiveness of the deployment of trust fund resources.* To what extent do trust funds operate in ways consistent with good aid practices?

3.2 We found, as will be elaborated in the chapter, that there are distinct features of single-country and multicountry trust funds and of single-donor and multidonor funds that impact on these dimensions of trust fund effectiveness.

3.3 The assessment of effectiveness is limited, however, largely because information on the results of trust fund use is weak. Trust funds are sources of financing only, so the outputs and outcomes of the activities trust funds support were not assessed as part of this evaluation. Rather, evidence on outputs and outcomes has been taken into account, though this has been possible to only a limited extent. Trust funds and trust-funded activities are like most other development activities: there is limited evidence about their ultimate outcomes and results, as distinct from their outputs. Moreover, trust-funded programs and activities tend to have results frameworks that are either weak or nonexistent. Notably, looking narrowly at achievement of ***outputs,*** most of the trust-funded programs reviewed were found to be successful. This finding includes the large majority of trust-funded programs and activities reviewed as part of the evaluation's country case studies, as well as 25 of the 36 trust-funded program assessments.[1] ***Outcome*** information is much scarcer. In the country studies such information was typically available for Bank operations where trust funds provided cofinancing, and it was available for only 8 of the assessed trust-funded programs, with only 4 of those programs found to be at least partially successful in achieving their outcome objectives. Consequently, it is has not been possible to judge the actual outcomes of trust fund use.

The Appropriateness of the Trust Fund Vehicle

3.4 Trust funds enable donors to direct and pool aid to specific countries and issues using the machinery of a multilateral institution to ensure that the resources are used as intended. How appropriate are they as a development financing vehicle? This evaluation addresses that question by examining three aspects of trust funds: (1) the extent to which they provide additional aid resources; (2) the development relevance of the objectives they support; and (3) the distinctive contributions of trust fund support.

THE ADDITIONALITY OF TRUST FUND RESOURCES

There is no clear evidence that trust funds add aid resources globally.

3.5 There is no clear evidence that trust funds add to aid resources globally. International reporting on aid flows, such as that provided by OECD/DAC, provides no data showing aggregate additionality. Moreover, with the one exception of the United States, donors interviewed stated that the resources they allocate to trust funds are drawn from their overall budget envelopes for aid, and adjustments within that budget will seldom affect the overall bottom line.[2] For nongovernmental donors, trust funds are also a vehicle for challenging their available level of resources. Donors interviewed stated that in making allocation decisions they must weigh a trade-off between the share of aid channeled through trust funds and that directed through bilateral and multilateral programs.

3.6 These trade-offs are not apparent, however, in aggregate terms, since over the past decade trust funds have grown along with the growth in both total bilateral and core multilateral aid flows. Moreover, since FY03–05, IDA contributions have grown at almost the same rate as contributions to Bank-administered trust funds (as shown in figure 2.1 in chapter 2), indicating virtually no trade-off with IDA contributions, which major donors say take priority.

3.7 While trust funds have directed aid to selected countries or programs, there is no way to determine if these funds represent a net gain or a redirection on a global scale. For example, the Global Fund is not 100 percent additional at the country level, and if donors did not allocate resources to the Global Fund, would they make equivalent resources available through other channels? It is not possible to construct a credible counterfactual to answer this question in the aggregate. Some trust funds have succeeded in mobilizing funds from new sources—such as new sovereign donors, private foundations and corporations, and innovative financial products—but in the case of World Bank-administered trust funds these account for only a small share of total trust fund contributions, as indicated in chapter 2. The increase in donor contributions does, however, mean that more aid is being channeled through multilateral mechanisms.

THE RELEVANCE OF TRUST FUND OBJECTIVES

3.8 On the whole, this evaluation found evidence on trust fund relevance to be largely positive. The majority of trust funds reviewed were found to support programs and activities of material development importance, consistent with country and global development priorities and the Bank's mandate and strategies. But the trust funds themselves are not well integrated into the consultation and design with clients of the Bank's country assistance strategy, one of the Bank's main mechanisms for promoting alignment with country priorities and coordination with overall aid at the country level.

The majority of trust funds support activities of material development importance and are well aligned with country and global priorities.

3.9 ***Country priorities.*** The majority of the trust funds reviewed are well aligned with country priorities.[3] This was found to be true in virtually all of the single-country trust funds reviewed as part of the eight country studies, as might be expected. Multicountry trust funds also were aligned when the recipient country was engaged in the design of the activity to be funded. For example, the trust fund supporting the Education for All/Fast Track Initiative (EFA/FTI) disburses grants on the basis of countries' education sector strategies. But multicountry funds were not generally well aligned when the recipient country was simply selected, or earmarked, by the donor(s). In the 29 sample programs that provided support to multiple countries, half earmarked at least a portion of their funds for specific countries (or regions). For instance, the Policy Facility for Decentralization is focused exclusively on South Asia; half of the Norwegian Trust Fund for Infrastructure and Private Sector Development is devoted to countries in Africa; and individual country recipients were identified in the Bank's agreement with the donor for the Energy Small and Medium Enterprise Support to Sub-Saharan Africa trust fund.

3.10 ***Global priorities.*** Trust funds that support the provision of global or regional public goods are, for the most part, well aligned with priority needs at the global and regional levels. This is the finding of the examination of seven random sample programs of a global or regional scope, of which only one global program was not well aligned. It is also the finding of IEG's recent review of the Global and Regional Partnership Programs (GRPPs) in which the Bank is involved. However, as noted in that report, programs of regional scope tend to have greater recipient-country demand than programs of global scope. Moreover, while both global and regional programs show a trend toward greater recipient-country participation in the design and governance of these programs, this trend has not typically translated into real voice for recipients.[4]

3.11 ***Bank mandate and strategies.*** All of the reviewed trust funds are broadly consistent with the Bank's broad mandate to reduce poverty and promote sustainable development. Many focus on issues related to the

MDGs, the provision of development-related global public goods, or special country circumstances. Most trust-funded programs are aligned with the applicable Bank sector or corporate strategy. The Africa Catalytic Growth Fund, for instance, was set up to operationalize part of the African Action Plan, and the Consultative Group to Assist the Poor (CGAP) is consistent with the Financial Sector Strategy. Eight of the 36 programs sampled, however, diverged from the relevant sector strategies.[5] The Polio Buy-Down program, which exclusively supports vaccine provision, is not fully consistent with the Bank's more holistic approach to health and social services. The Critical Ecosystem Partnership Fund, in its first phase, diverged from the Bank's Environment Strategy insofar as it focused on environmental gains without tracking and reporting the livelihoods of its grant recipients, but has widened its focus in its second phase.

Trust funds are not well integrated into country assistance strategies.

3.12 The country assistance strategy (CAS) is an important instrument for ensuring that Bank Group support is relevant for and aligned with country priorities and programs. It lays out the country's main development challenges and the Bank Group's role in relation to other donors, and it is a key vehicle for agreeing with the borrower authorities on priorities. Trust-funded activities are not systematically incorporated into CASs, so this instrument is not being employed effectively to shape the use of or engagement with trust funds at the country level, nor in discussion with the clients. Indonesia was the only case study country where the CAS gave proper treatment to trust funds (box 3.1).

3.13 In contrast, the CASs for four other country case studies—Bangladesh, Benin, Ethiopia, and Rwanda—assert that the Bank will use trust funds to help achieve the CAS's strategic objectives, but do not state how each trust fund will be deployed in support of the objectives. The trust funds that cofinance (or fully finance) IDA operations are usually mentioned, but the "programmatic" network-managed funds and the large global funds are mentioned only in passing, despite their substantial size.

Box 3.1 The Indonesia Country Partnership Strategy Lists Trust Funds Along with All Other Resources to be Deployed in Achieving the Strategy's Goals

The major trust funds are fully integrated into the country strategy. The partnership strategy presents objectives, activities, and intended results for each of the engagement areas, and lists all available resources (lending, nonlending assistance, and trust funds) that will be deployed to achieve those goals. The same approach is followed in periodic Engagement Strategy Notes produced by country unit and sector unit staff, which summarize recent progress toward engagement area goals; the status of lending, analytic and advisory activities (AAA), and trust-funded programs; and issues for management attention.

Source: Indonesia country case study.

3.14 Management recently presented similar findings on trust fund integration in CASs: that CASs tended to include descriptions of the more significant trust-funded interventions, and select outcomes were integrated into discussions of past and proposed programs. Discussions did not always represent the breadth of trust fund portfolios, particularly for smaller-size trust fund operations and Bank-executed trust funds (BETFs), even when they represented a considerable number of initiatives and when taken together could have a significant impact on the country program.

3.15 The Bank's East Asia and Pacific Region has taken the lead in working with donors and recipients to integrate trust funds into CASs and country programs, though it finds that "much work still lies ahead." The Region has also included trust funds in country portfolio reviews in order to examine issues of alignment with the CAS, portfolio indicators (such as riskiness and disbursements), and performance issues. In addition, country management units have started to track results in CASs from all funding sources, including trust funds. Similar progress in the integration of trust funds into CASs across all Regions is important in ensuring trust fund alignment with countries' development efforts and for reasons of transparency and accountability (discussed in chapter 4).

THE DISTINCTIVE CONTRIBUTIONS OF TRUST FUND SUPPORT

3.16 Trust funds have mainly financed three types of development activity: country-level investments, technical assistance and knowledge activities, and support for piloting innovation. In each of these areas trust funds have served to fill gaps in the aid system by providing coordinated financing and grant resources for specific countries and targeted issues, and in some cases fostering the innovative financing and governance arrangements that are important for the promotion of particular (especially global) issues.

Financing Investments

3.17 Most trust fund resources are used to finance investments at the country level. Specifically, they are used in three main ways—to scale up operations, to respond to post-conflict or post-disaster circumstances, and to promote the provision of global public goods. This trust fund financing has in most cases reinforced country-level efforts and has sometimes made a pivotal contribution.

Most trust fund resources are used to finance investments at the country level.

3.18 ***Scaling up operations.*** Trust fund support for scaling up operations has generally been provided as cofinancing (or other blended funding) of a Bank operation. Some large Bank-supported operations in Bangladesh and Ethiopia, for example, benefit from multiple separate trust funds along with aid from other sources.

Donors provide MDTFs and SDTFs—sometimes both—because they want to channel more funds to a particular country that their bilateral aid program cannot handle, or they want to piggy-back on the Bank's technical and fiduciary expertise. In this use of trust funds, recipients tend to see little difference between trust fund financing and World Bank funding or standard donor cofinancing.

Box 3.2 Multiple Financing Sources Support a Large Program in Ethiopia

The Productive Safety Nets program, an Adaptable Program Loan now in its third phase, aims to replace Ethiopia's cycle of emergency food aid with a sustainable and predictable way of addressing chronic food insecurity, primarily through food-for-work activities. The program receives both cash and food cofinancing from several donors. There are 11 different trust funds, including 1 MDTF and several SDTFs, associated with the program, as well as considerable non–trust-funded cofinancing. All donors are included in the program's comprehensive donor coordination processes. The design of the MDTF has reduced transactions costs for the government, as well as for donors. Yet the benefits of the 11 trust funds for the implementation of the Bank-supported program come at a high cost: many staff are required to manage the accounts and paperwork and senior staff are required to devote considerable time to managing relations with donors.

Source: Ethiopia case study.

3.19 Bank staff attests to the flexibility provided by the combined forms of assistance. For example, a program may receive overall funding from an MDTF, supplemented by support from other funds for particular components, such as capacity development for NGOs. At the same time, staff notes considerable administration and management difficulties involved in the use of trust funds for scaling up operations because of the many and varied donor requirements of individual trust fund arrangements. Box 3.2 provides an illustration from Ethiopia of how trust funds have been combined with other sources to finance a complex national program.

Staff finds flexibility enhanced by the combination of trust funds and other forms of assistance, but also finds that this requires considerable additional time to manage.

3.20 The use of trust funds to finance country investment operations has worked best when the resources were closely linked to country priorities and programs, and least well when donors determined the use of resources with little or no country input. Box 3.3 provides three examples of trust fund financing that is well integrated into recipient programs and appears to have worked well.

Box 3.3 Well-Integrated Trust-Funded Activities Help Scale Up Country Operations

In Bangladesh, a large MDTF cofinances the government's Health, Nutrition, and Population Support Program along with an equivalent amount of funding from IDA. Donors used the MDTF vehicle as a way to provide substantial funding for the program rather than providing direct budget support (previously used in a health sectorwide approach) due to concerns about weak financial management and the potential for misuse of funds. According to donors, the fiduciary risks are reduced by having the Bank serve as a "buffer" and by using the Bank's comparative strengths in financial and risk management.

In Indonesia, an MDTF is supporting the National Program for Community Empowerment, whose direction is set by the government. The MDTF provides cofinancing of IBRD/IDA operations; grants to recipients, including NGOs, for technical assistance and capacity building; grants to the Bank for analytical and advisory activities and the MDTF office; and grants to the Bank to cover supervision and project management costs. According to the government, the MDTF was a quicker way to mobilize resources to expand the program than would have been possible through Bank lending or bilateral support.

In Rwanda, the global Health Results-Based Financing program financed a pilot test of performance-based financing for interventions in child and maternal health at the village level, a critical area of development in Rwanda. The government intends to scale up the program nationwide if the results of the impact evaluation are positive.

Sources: Bangladesh, Indonesia, and Rwanda case studies.

3.21 Global funds that operate in multiple countries tend to work less well than single-recipient-country funds in adapting to and integrating with country programs. A contrasting example to the well-integrated single-country experiences is provided by the Global Fund's operations in Rwanda and Benin, where the program's three-disease focus does not fully match the countries' most pressing health challenges. According to a senior official in Rwanda, only after considerable delay was the government able to convince the Global Fund to expand its support to the overall system strengthening that was needed. Officials in Benin expressed similar concerns with the Global Fund's targeted support in the absence of an integrated approach to the needs of the overall health system.[6] This disconnect between the "vertical" disease focus and the "horizontal" health system needs occurs in a number of other countries, as documented in recent independent evaluations of the Global Fund (IEG forthcoming a). While the Global Fund has made substantial contributions to scaling up interventions in the prevention and treatment of the three diseases, the overall benefits and sustainability of those achievements are in doubt where health system capacities are weak (as discussed in box 3.4).

Global funds that operate in multiple countries work less well than single-country funds in adapting to country situations and integrating with country programs and other aid sources.

Box 3.4 The Global Fund Meets Disease Targets But Not Health System Capacity Needs

A five-year evaluation of the Global Fund has shown that it has made substantial contributions, on the whole, in providing increased funding for the scaling up of interventions in the three disease areas of AIDS, tuberculosis, and malaria. This support has contributed to increases in the availability of services, better coverage across populations in countries, and reduction in the burden of disease.

Yet the evaluation (and a forthcoming IEG Global Fund review) also points to weaknesses in the sustainability of intervention programs at the country level, in part because of reduced incentives for country programs to engage in national planning for future resource allocations and the Global Fund's inadequate attention to capacity building, while at the same time making heavy demands on existing sector capacities.

Experience has varied by country, though sustainability of intervention programs is at issue in all countries where the Global Fund is a significant source of finance, and integration of activities is a problem in many. For example, independent evaluation indicates that in Cambodia the Global Fund has had some success enabled by good government leadership and a well-functioning government-donor coordinating mechanism, but has still faced problems with fragmented project units, inadequate integration into the national planning process, and difficulties because of weaknesses in national fiduciary systems. In Burkina Faso, the Global Fund needs to coordinate better with other sources of aid to allow for a balanced allocation of resources among the country's priorities of coping with the three Global Fund diseases, as well as pressing issues of maternal and child health.

Sources: Macro International Inc. (2009); IEG (forthcoming a).

3.22 Trust-funded investment financing has also contributed when it has used financing modalities well adapted to a country's conditions, and not when it uses a modality prescribed by the program rather than by individual country circumstances. Contrasting uses of the EFA/FTI trust fund in Benin, Ethiopia, and Rwanda illustrate this point (box 3.5).

In post-disaster or post-conflict situations, multidonor trust funds have been used to pool bilateral grant funding and as an aid platform for donors inside and outside the pool.

3.23 ***Responding to post-disaster or post-conflict circumstances.*** In these special country circumstances, trust funds have enabled pooled grant financing from some of the active donors and served as aid-coordinated platforms for donors inside and outside the multidonor funds. For recipients, this funding has often been indispensable and has reduced aid transaction costs for both recipients and donors. Trust fund financing has also been the sole or predominant source of financing for the Bank's engagement, at least in the initial phases of post-disaster and post-conflict assistance. Most programs have entailed strong management, though there have been high-profile exceptions.[7]

Box 3.5 Trust Funds Need Flexibility in Matching Aid Modalities to Country Conditions

The EFA/FTI was established to provide support quickly and consistently with countries' own education sector strategies and programs. Sector budget support is therefore its preferred funding modality. But this mode of support has not always proved appropriate in all cases, and EFA/FTI has in some cases adjusted to country circumstances.

- In Rwanda, the government views EFA/FTI as "a model aid program" because its funding supports the government's own education program and is delivered through sector budget support using Rwanda's country systems. While the fund is multidonor at the global level, the government needs to interact with only the partner managing the fund at the country level.
- In Ethiopia, the major government education program receives project support from a pool of financing including EFA/FTI, IDA, and other donor funds. Though questions were raised in an independent evaluation of the EFA/FTI program about the choice of project rather than sector budget support, this was the only viable approach under political circumstances that made donors unwilling to provide direct support to the government, and it contributed substantially.
- In Benin, EFA/FTI was provided as pooled sector budget support along with IDA financing, but the weak government consensus around an education strategy did not warrant this type of support, and the program encountered significant implementation problems.

Sources: Rwanda, Ethiopia, and Benin case studies.

3.24 Still, trust funds, like other sources of aid in these circumstances, have often run into challenges of very weak capacity on the ground, difficulties in interacting with other aid agencies, and tensions between short-term and longer-term needs. In Aceh, for example, MDTF support for disaster reconstruction was successful in quickly and efficiently filling gaps in the much larger amount of funding from the government, bilateral agencies, and NGOs. But because of differing government and donor perspectives on how the trust fund should operate, it had difficulty moving beyond initial relief and reconstruction to longer-term income generation and capacity building projects—a change made in the restructuring of the trust fund in 2010 (Disch, Karlsen, and Vigeland 2009).

3.25 In post-conflict situations, trust funds have been particularly important as a source of grant support in the absence of a national government able to borrow from the World Bank or other development banks. The achievement of objectives, however, has been heavily constrained by weak environments and exogenous factors. As a result, while individual activities have often achieved what was intended, there has been less success with program outcomes overall. The two post-conflict case studies for this evaluation, Timor-Leste and the West Bank and Gaza, and several other externally evaluated cases illustrate both the considerable positive contributions of trust funds under these special circumstances and the obstacles to overall success (see box 3.6).

Box 3.6 MDTFs: A Limited Share of Total Aid, But an Important Aid Coordination Platform in Post-Conflict Situations

In fragile and conflict-affected situations, multidonor trust funds (MDTFs) are now the primary source of finance for Bank-managed programs—accounting for $1.8 billion in commitments in fiscal 2009 compared with $1.4 billion in IDA commitments. How well has the Bank implemented these trust funds? The Bank is well regarded for its leadership, technical skills, and apolitical approach, but donors express frustration with cumbersome Bank-mandated processes, especially procurement.

Bank-managed MDTFs for post-conflict situations have had three important advantages:

- They provide a forum for donors to coordinate activities that fall both inside and outside the trust fund, including through the creation of a joint needs assessment at the outset, as in Afghanistan, North Sudan, Iraq, and elsewhere. In the special case of Iraq, even though only a small fraction of donor support was provided through the Bank- and UN-managed trust funds, the governance structure of the MDTF served as a point of encounter for coordination between the United States and donors who opposed the initial military action.
- They can insulate the technical aspects of project design and implementation from political considerations in highly charged environments, as in the Multicountry Demobilization and Reintegration Program Project in Rwanda.
- Transactions costs are reduced for capacity-stretched recipients, although parallel structures introduced to accelerate implementation have tended to persist longer than anticipated.

But there were also some important obstacles to successful implementation of the MDTFs:

- In several cases, capacity building was not as effective as anticipated, perhaps reflecting the use of parallel structures for initial implementation. In Iraq, poor security prevented the location of staff in the field to provide informal technical assistance. Slow capacity building led to implementation delays, restructured projects, and slower than expected impact on the ground. Progress in building capacity in North Sudan has been uneven and modest compared with the scale of the challenge.
- Relations with the United Nations were almost universally weak, particularly in the important early stages of support. In North Sudan, the UN was expected to implement initial emergency operations as the government built up capacity to work with the Bank's fiduciary systems, but disagreement over the use of UN procurement and financial management systems led to substantial delays. One problem is the differing timetables for the two institutions—the Bank's focus on development requires a long view, while the UN's political and security focus demands short-term solutions.
- Donors' interest in channeling resources through Bank-managed trust funds—to ensure high fiduciary standards and focus on results—was in some cases inconsistent with their desire for rapid implementation of emergency operations. The tension emerged in extensive complaints regarding cumbersome procurement systems and snail-paced disbursements. For example, in South Sudan there was a public row over the Bank's slow implementation, which was related to its strict rules for oversight while working with partners with very low capacity.

Sources: Random sample; Scanteam (2010); Rwanda case study; Schiavo-Campo (2003).

3.26 ***Investing in global public goods at the country level***. Grant financing provided by trust funds has been instrumental in promoting investments in developing countries for the provision of global or regional public goods. Most of this investment to date has focused on control of communicable diseases; environmental preservation; and, more recently, climate change adaptation and mitigation. On issues involving global externalities, "grants are an incentive to trigger internal actions within countries and also provide the Bank with a way to engage with line ministries in middle-income countries," according to a Bank sector manager.

Box 3.7 Bank-Managed Carbon Funds: Innovative But Limited Catalytic Impact

The Carbon Funds are used to support emissions-reductions purchase agreements—or transactions—that provide financing for low-carbon projects. These funds, and the Carbon Finance Unit in the Bank, were established as pilots for testing the concept of a carbon market and the novel challenge of defining, creating, and trading carbon as a commodity as well as integrating this challenge with development goals.

As an institutional innovation the funds have played an important demonstration role in helping to open a new mode of environmental financing, popularizing the idea of carbon markets, and contributing to the institutional infrastructure of the market. The role of the Bank in this business was established with an exit strategy that called for it to relinquish its role as a carbon offset buyer as the private market began to flourish. Yet, while the Bank has moved into higher-risk, pilot areas over time, it continues to build up its lower-risk business after the market has taken off.

As a vehicle for catalytic finance and technology transfer, the record of the Carbon Funds is mixed. The emission reduction purchases are supposed to stimulate green investments that would not otherwise happen. In practice, they have contributed to the diffusion of a number of technologies and supported innovative technology investments in some countries. But much of the support for energy technologies has gone to projects where the Carbon Fund financial leverage—and hence its catalytic impact—has been relatively small.

Source: IEG (2010a).

By offering grant financing and supporting customized governance arrangements, trust funds have been instrumental in fostering country-level investments in the provision of global and regional public goods.

3.27 Four examples illustrate the range of issues and activities supported by these global public goods trust funds. The Global Fund (discussed earlier) and the GAVI Fund Financial Intermediary both address problems of communicable diseases and provide financing that has its greatest benefits at the country level. The Ozone Phase Out trust fund was established to help countries meet their commitments under the Montreal Protocol. An IEG evaluation found that it worked reasonably well because of its laser-like focus on its core objective, funding of programs for which there was strong country ownership, and capacity building support, notably as a key component of Bank-managed investments (Kelly 2004). More recently, trust funds have provided support for Carbon Fund Transactions that have helped open up a new mode of environmental financing, but as a vehicle for catalytic finance and technology transfer the record is mixed, as discussed in box 3.7.

3.28 In the view of some Bank managers, the Carbon Funds are incurring a large reputational risk for the Bank. Created to test and pilot an approach, in the course of implementation they have enabled "a thousand flowers to bloom and become an operational mess, supporting things that we shouldn't be doing," as put by one sector manager. The Global Environmental Facility (GEF) and the CIF (Climate Investments Fund)—both FIFs—also provide substantial funding for environment-related investments at the country level. Neither is reviewed in this evaluation because the GEF has its own evaluation unit and the CIFs are too new to have produced much evaluative material.

Providing Technical Assistance

Trust funds financed a plethora of technical assistance activities that ranged in size from $50,000 to $350,000 in fiscal 2010.

3.29 Although trust-fund financing of analytic and advisory services (AAA) represents a small share of trust fund dollars, it involves a plethora of individual trust-funded grants (ranging in size from $50,000 to $350,000 in fiscal 2010). Of the trust-funded activities reviewed, most appear to have delivered their intended outputs, though often with delays. This was the case with the majority of trust-funded analytical work and technical assistance reviewed as part of the country studies and the 17 random sample programs that focused primarily on technical assistance.

3.30 But this evaluation could not systematically assess the usefulness or impact of the economic and sector work and technical assistance financed by trust funds compared with those activities financed by the Bank's budget. The reasons are three. First, reporting on this work—whether trust funded or Bank financed—typically focuses on inputs and outputs with very little attention to outcomes. Second, trust funds that support analytic and advisory services are earmarked for work on specific topics and themes selected by the donors, and the selection process cannot be evaluated since it is unknown what topics are neglected in favor of those supported. Finally, while it is always difficult to attribute the direct influence of analytical and advisory work on country or Bank strategies and operations, it is especially difficult for trust fund financing when, as is often the case, it is part of a larger program of support (IEG 2008a).

Trust funds add resources and flexibility to the provision of technical assistance and encourage innovations.

3.31 Some trust funds supplement Bank-financed AAA products by enhancing their quality and scope, while others fund products that might not otherwise have been done. In Indonesia, which is reluctant to borrow IBRD funds for technical assistance, as much as 23 percent of the trust fund portfolio (exclusive of the large disaster-support) is directed to such work,[8] while in Bangladesh and Benin, technical assistance accounts for a smaller share of total trust fund support, but is nonetheless significant in specific areas. For example, in Bangladesh two sizable trust funds have financed technical assistance programs in support of governance and policy reforms—the Strengthening Public Expenditure Management Project and the Joint Technical Assistance Program, now in its second phase. According to a Bank staff member, the former "fits beautifully" with the CAS because it is a low-profile way to support policy reform in one of the four CAS pillars. Similarly, the latter is viewed as flexible and highly innovative, producing valuable information for the Bank-financed social protection and rural work.

3.32 Trust-funded technical assistance support has also been central to the Bank's engagement as a leading donor in post-conflict situations, even though the Bank provides only a small share of overall aid. Box 3.8 provides a positive example of this role of trust-fund support in the West Bank and Gaza.

3.33 On the whole, trust fund financing for analytical and technical advisory work has been well regarded and found useful by government officials when it has directly addressed government policy processes and programs (though government officials are not always aware of the source of the funding for specific activities).

Recipients and Bank staff say that trust-funded AAA is relevant but not always of the highest priority.

3.34 Several government officials interviewed emphasized the value of flexible, "just-in-time" policy and technical advice, but many were critical of financing for studies whose topics they saw as donor-driven and focused on issues outside their country strategies and programs. In Rwanda, the government has started to decline small funds for analytical work that falls outside the CAS, because this work is seen as disruptive and a tax on officials' time.

3.35 In interviews, some Bank sector and country managers stated that—while virtually all of the trust-funded technical assistance and economic and sector work deals with issues relevant to the country—the work is not always of the highest priority, would not have been done using the Bank's budget, and does not always receive management attention and quality assurance.[9] Indeed, one country manager in the Africa Region stated that:

> [I]t is staff in those sectors that are crowded out of the CAS and/or who do not accept that theirs is not a sector expected to feature active Bank engagement in the country who then go looking for trust-fund funding (since this is not made available by the CMU [country management unit]). It is this sort of entrepreneurial activity that leaves counterparts

complaining about studies not relevant to the country and studies that lie outside donor coordination mechanisms.

Box 3.8 Trust-Funded Analytical Work Has Underpinned Aid to the West Bank and Gaza

Trust funds managed by the World Bank have provided close to $900 million to the West Bank and Gaza over the past decade, of which some $14 million (or about 1.5 percent) has funded analytical reports and technical advice. This assistance has focused on helping the Palestinian Authority strengthen its fiscal management, a condition for several donors' further assistance, and on other issues such as building statistical capacity and a regulatory framework. According to IEG's recent evaluation of World Bank support to the West Bank and Gaza, "[m]any analytical reports produced by the Bank not only helped set the agenda for overall development assistance but also became the technical backbone of political negotiations." Yet, as in other cases of support to conflict-ridden countries and territories, tension between the long-term development agenda and short-term emergency needs has been "a persistent and unresolved feature" of the Bank assistance (whether provided by donor trust funds or its own resources).

Source: IEG (2010b).

Generating Global Knowledge

Fewer trust-funded programs and activities, only 3 of the 36 in the sample, focus on generating global knowledge.

3.36 Fewer trust-funded programs and activities focus on generating global knowledge, in some cases accompanied by support for related technical assistance or capacity building. Three of the 36 sample trust fund programs are of this type. The Consultative Group to Assist the Poor (CGAP) and InfoDev are established as ongoing knowledge networks, and the Knowledge for Change Program (KCP) provides supplemental funding to Bank research projects managed by the Development Economics Vice-Presidency (DEC).

3.37 CGAP generates and disseminates knowledge at the global level about facilitating poor peoples' access to financial services. Now in its fourth phase, it passes the "market test" of relevance and effectiveness as evidenced by continuing, indeed increased, donor support over time and demand for its advice, accumulated knowledge, and offerings of training and capacity building.

3.38 InfoDev, in contrast, has seen its core donor funding shrink over the past two years, reflecting in part concerns about its relevance. While it was set up to "assist developing countries and their international partners to effectively use information and communication technologies…" by funding experimental projects, it now concentrates solely on supporting knowledge sharing and research. Moreover, it deals with only a subset of information and communication technologies issues, conducts a limited range of activities (conferences and publishing), and has minimal participation from developing countries. Thus its original mission statement has become unrealistic.

3.39 KCP, now beginning its second phase, supports DEC-managed Bank research at a level of about $4 million per year with resources from four trust funds. According to KCP II's charter, the purpose of the program is to "promote high quality, cutting edge research (including data collection in the direct context of research) that creates knowledge to support policies for poverty reduction and sustainable development. A subsidiary objective is to assist the development of research capacity in client countries." Completion reports from individual projects indicate that KCP has, in the main, succeeded in generating new knowledge, but there is no procedure for aggregating the outcomes or results of the work that has been funded. There is little evidence of its achievement of its secondary objective of capacity building; that objective may be unrealistic, and in any case is the mandate of the Global Development Network, another trust-funded program. The KCP's allocation of its funds is inconsistent with its stated objectives insofar as almost one-quarter of the $23.3 million disbursed in KCP I funded the preparation of the annual World Development Report, a use not mentioned in the program charter. Preparation of the report appears inconsistent with the KCP's objectives, because the World Development Reports primarily synthesize existing research rather than generating new knowledge.

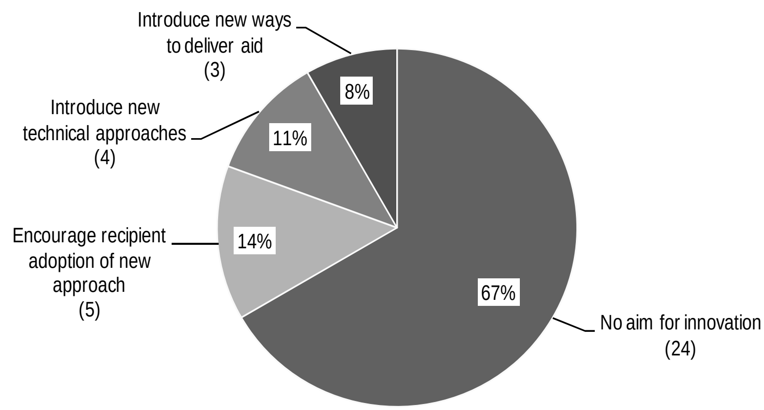
3.40 Two of these three trust-funded programs (each of which is structured as a formal partnership) appear to have successfully generated global knowledge as intended. But it is difficult to assess whether each program has achieved its objectives because of the lack of outcome-level evidence. This finding is consistent with IEG's recent report on global and regional partnership programs (the largest number of which are global knowledge programs), which found that such programs generally lack robust monitoring and evaluation frameworks with indicators for measuring outcomes (see IEG forthcoming b).

Piloting Innovations

3.41 The piloting of innovations is an expressed purpose of some trust fund support in each of these areas of activity—investment, technical assistance, and provision of global public goods. Also, Bank staff report that a one major reason for seeking trust fund resources is to supplement Bank budget to enable support for innovation in individual Bank operations. However, only a few examples of true innovations fostered by trust funds were identified by this evaluation (figure 3.1).

Although piloting of innovations is a common stated purpose for trust funds, IEG found only a few true innovations fostered by trust funds.

Figure 3.1 One-Third of Sampled Trust Funds Aim to Pilot or Disseminate Innovations



Source: Random sample.

3.42 Among the 36 trust-funded programs assessed for the evaluation, 12 aimed to pilot, diffuse, or mainstream innovations in three distinct ways:

- Five aimed to foster government action in a new area or to encourage a new and innovative approach. For instance, the Global Partnership on Output-Based Aid encourages countries to take output-based approaches, particularly when privatizing service delivery; the Global Facility for Disaster Reduction and Recovery (GFDRR) works to help countries integrate disaster prevention into their development strategies; and the Strategic Impact Evaluation Fund, among other things, provides training and technical assistance for implementing rigorous impact evaluations to test which government policies are most effective.
- Four trust funds introduced new technical approaches. The Brazilian Rain Forest Trust Fund and Japan Social Development Fund broadened civil society participation in development. The Energy Sector Management Assistance Program (ESMAP) introduced rapid assessment frameworks for assessing a city’s energy use, and the Ozone Phase-out Trust Fund, which the Bank used to help countries meet their commitments under the Montreal Protocol, now serves as a model of a market-based approach to address an environmental global public good.
- Three focused on new ways to deliver aid. For instance, the African Catalytic Growth Fund offered a new approach to aid allocation, focusing on high-impact investments rather than

country need and performance. And the Polio Buy-down funds offered concessional finance to encourage country action to capture a global public good.

3.43 For the most part, the programs that have provided access to small-scale grants have not proven effective in aggregating knowledge of what works and does not work well. Thus, if trust funds are really to serve to foster innovation, they need to be better designed and managed to capture lessons across one-off interventions.

For the most part, programs that have provided access to small-scale grants have not proven effective in aggregating knowledge of what works and what does not.

Overall value added

3.44 So what is the overall value added of the trust fund vehicle? For the most part, trust funds have financed relevant objectives, though not always objectives of highest priority for recipients. They have filled gaps in the multilateral system by providing pooled grant financing for specific countries and issues, and in some cases they have fostered innovative financing and governance arrangements.

Overall, the added value of trust funds is more evident in their financing of global public goods where a country-focused model is not appropriate than when they merely finance national development efforts.

3.45 The current gap-filling functions of trust funds in pooling and directing aid are clear, and of indispensable value in responding to country emergencies where bilateral donors choose not to act alone and MDB borrowing is not feasible. Trust funds can also add value as a vehicle for financing global or regional public goods, which require customized financing and governance arrangements. In addition, in supporting individual countries' long-term national development efforts, they may add value by compensating for two gaps in World Bank and other MDB financing—the availability of grant resources and the absence of mechanisms to earmark financing to specific purposes, though an alternative might be to eliminate these gaps through changes to multilateral financing arrangements.

The Consistency of Trust Funds with the Principles of Aid Effectiveness

3.46 While trust funds add value by filling financing gaps in the aid system, trust-funded programs do not consistently operate in effective ways. As indicated by the examples cited above, trust funds have worked reasonably well in delivering aid when their objectives and modalities have been adapted to country situations. Trust funds also appear to be about equally effective in financing investments at the country level, technical assistance, and global knowledge—the differences between greater and lesser effectiveness seems to depend on the way a trust fund is designed and managed, rather than on the type of activity it supports.

Trust funds are equally successful at financing investments, technical assistance, and knowledge activities, with their success or lack of success depending on how a trust fund is designed.

3.47 Significant shortcomings in the effective deployment of trust fund resources stem from inconsistencies with core Paris Declaration Principles of country ownership and alignment and donor coordination (as well as a general weakness in managing for results as noted above). This evaluation finds that the occurrence of those inconsistencies is heavily influenced by core trust fund structural features—notably whether they are single- or multicountry in scope and single- or multidonor in their financing and governance arrangements.

COUNTRY OWNERSHIP

3.48 Trust funds, like other sources of aid, work best when they are designed to ensure country ownership of aid-supported programs and modalities. For this to take place, resources need to be aligned with country priorities and processes and deployed in ways that reinforce or enhance country capacity to plan and implement development policies and programs. This evaluation finds that, for the most part, Bank-managed single-country trust funds adhere to this aid practice. In contrast, global funds that focus on specific issues in multiple countries are not as good at fostering country ownership.

Single-country trust funds demonstrate country ownership more commonly than multicountry trust funds.

3.49 There is not necessarily a match between the issue selected by the donor and a particular country's needs. When the donor has earmarked the funds for particular countries, the use of the trust fund reflects the donors' policy priorities and not necessarily recipient engagement. Also, when there is a fund that can be tapped by proposals, the funding availability is uncertain and cannot be factored into country budgeting and planning, as was found to be the case with some trust-funded programs reviewed as part of the country studies and trust fund program assessments (and discussed further in chapter 4).

3.50 The contribution to country capacity development is also mixed, much as it is with all sources of aid. Some trust funds support capacity building as a core objective, for example, through support for technical assistance and global networks or forums. As noted above, the flexibility of support is appreciated by recipients, but otherwise appears no more or less effective than capacity building funded in other ways. In contrast, where it is not a core objective, trust fund support for capacity building has tended to be weak. Notably, independent evaluations of specific global funds (such as EFA/FTI and the Global Fund) have reported that the assistance provided has focused more on the development of funding proposals than on building the capacity needed for implementation. Moreover, trust-funded programs that operate through their own implementation arrangements rather than through country systems tend to produce limited capacity-building gains. Also, in the specific case of the Global

Fund, some country studies have reported that the fund has drawn away existing capacity available in the health sector more than it has contributed to building new capacity with transversal expertise (as noted above in box 3.4).

DONOR COORDINATION AND HARMONIZATION

3.51 Virtually all government officials, donors, and Bank staff interviewed as part of this evaluation's country studies see the trust fund mechanism, especially multidonor trust funds, as having the potential to foster policy coherence among donors and bring together what would otherwise be piecemeal aid contributions. This pooling eases the burdens on governments of dealing with multiple donors by consolidating interactions and reporting requirements, which is welcomed by recipient governments and is particularly valuable for capacity-constrained recipients in post-conflict and post-disaster situations. Notably, trust funds organized around formal or informal (MDTF) partnerships help to get donors on the same page based on a transparent set of objectives and procedures. But country and program reviews suggest that the actual gains to enhanced aid coordination are, on the whole, less than generally claimed. There are four main reasons for this finding:

Actual gains to enhanced aid coordination and donor harmonization are less than generally claimed.

- **Limited incremental impact on aid coordination.** While country-specific trust funds typically demand in-country aid coordination, they tend to rely on existing processes (along with aid from other sources), so it is difficult to isolate how much the trust fund mechanism itself contributes to improved coordination. The coordination among trust fund donors will typically be strong, but between this group and other donors outside trust fund arrangements, the coordination will be as strong or as weak as the overall aid environment in the country permits.[10] Indeed, in Rwanda, where the country-led aid coordination process is strong, the government is seeking to move away from the use of separately organized trust funds, to larger "baskets" or pooled financings that work through country systems. Moreover, some trust funds work through their own coordination mechanisms, and this causes duplications and inefficiencies.[11]
- **Lack of a clear complementarity or division of labor between the large vertical funds and the horizontal assistance of the World Bank (and other MDBs) for longer-term sectorwide developments.** This well-documented challenge has led the health-related funds to create a joint funding platform with the World Bank for coordinating support for health system strengthening. But the more that a vertical fund moves in the direction of providing horizontal assistance, the more it moves away from the original rationale of the fund, and the more

questions it raises about an effective division of labor and coherence within the overall aid system in health.[12]

- **Lack of predictable aid flows.** Global funds—for instance EFA/FTI and the Global Fund—were set up with the stated intention to provide more predictable aid flows to country programs. Yet, evaluations of both vertical funds indicate shortfalls in the predictability of year-by-year financing to recipients, which impedes planning for the use of their own resources and those of other partners.
- **Inefficiencies in relationships among donors.** As governments, donors, and Bank staff frequently said in interviews, "trust fund coordination is time-consuming" and "too much of the time is spent on processes related to pooled funding, crowding out time for supervision and program adjustment in response to problems of implementation." One source of inefficiency is the frequent need to seek authorization for actions by Bank country staff from Bank headquarters and in-country donor representatives from their capitals, adding time and complexity to trust fund negotiations and design. Also, conflicts and misunderstandings, most notably around procurement and the use of country systems, have strained relations between the World Bank and trust fund donors in some countries. In both Benin and Rwanda this tension led to a shift away from the World Bank in the management of specific trust funds (focused on public financial management). It is also one underlying reason for broad change in the supervision of the EFA/FTI trust fund, from a model where the Bank is the primary supervisory agency to one where that role is determined at the country level, with agreement among governments, donors, and the World Bank. Donor reforms to reduce earmarking, increase funding predictability, and aligning trust fund cycles with the Bank's business cycle and the streamlining of the Bank's overall procurement regime (discussed in chapter 4) could help ease the inefficiencies.

The distinctive features of single-recipient-country and multiple-recipient-country trust funds, and of single-donor and multidonor funds, influence how effectively trust funds deploy their resources.

THE IMPACT OF KEY STRUCTURAL FEATURES

3.52 Both donor and recipient features of trust funds impact how well trust funds deploy their resources. That is, it matters to how effectively and efficiently trust funds have performed whether they have been focused on single or multiple recipient countries and had single or multiple donors, as illustrated in table 3.1.

Table 3.1 The Impact of Trust Fund Structural Features on the Funds' Deployment of Resources

	Multiple donor	Single donor
Multiple-recipient country	Moderately effective	Least effective
Single-recipient country	Most effective	Most effective

3.53 ***Single-recipient-country versus multiple-recipient-country trust funds.*** As indicated above, trust funds have worked reasonably well in delivering support, as long as they have been well adapted to country situations. And as indicated by the various examples cited, this occurs more often with single-country trust funds than with global funds operating in multiple-recipient countries, which are less good at aligning, integrating and coordinating their resources at the country level.

3.54 ***Single-donor versus multidonor trust funds.*** Single-donor trust funds have tended to work less well than multidonor trust funds in delivering funding. Notably, about half (7 of 13) of the single-donor[13] trust-funded programs reviewed that financed activities in multiple recipient countries made substantial progress toward meeting their financing objectives. The other half fell short of producing the relevant outputs, could provide no data to demonstrate that outputs or outcomes had been achieved, or had not designed a results framework to begin with. By contrast, almost all (18 of 20) of the multidonor trust funds that financed activities in multiple recipient countries made substantial progress.

Single-donor trust funds have tended to work less well than multidonor trust funds, mainly because of the extent to which the donor retains control over management decisions.

3.55 The relatively weaker performance of single-donor funds appears linked to the extent to which the donor retains control over management decisions such as the selection of individual grant proposals, as discussed in paragraph 4.12. For example, donors to the Bank-Netherlands Partnership Programme, Norwegian Trust Fund for Private Sector Development and Infrastructure, and the Japanese Social Development Fund have all exercised out-size control over program decisions. These funds are among those where progress on funded activities has been limited. By contrast, management of the African Catalytic Growth Fund has been fully delegated to the Bank's Africa Region, and progress has been roughly as good as in projects financed by IDA.

3.56 This contrast does not apply to trust funds that finance country programs or projects in a single recipient country, where there appears to be no difference in performance of trust-funded activities between those with a single or multiple donors. Single-donor trust funds have provided welcome flexibility to fill a gap in a broadly financed operation. At the same time, though, the existence of single-donor funds entails administrative inefficiencies, as noted by a European Commission evaluation of its use of trust funds: "Setting up single-donor World Bank trust funds specific to Commission funding, sometimes necessary for compliance with EC regulations, often resulted in delays and disappointing results."[14]

Box 3.9 Relevance and Effectiveness of Global and Regional Partnership Programs (GRPPs)

The Bank is involved in 70 GRPPs that are supported by Bank-managed, multidonor trust funds. Unlike other trust-funded programs, GRPPs have a governing body with direct responsibility for strategic direction and oversight of the programs as laid out in a program charter or other constitutive document. GRPP donors and other stakeholders usually collaborate in the initiation of the program to reach consensus on the program's objectives, strategies, and activities. Partnerships generally aim to further global or regional public goods, and they cover the same range of activities as other trust-funded programs: financing investments, providing technical assistance, and generating global knowledge (see table 1, appendix I).

IEG's reviews of 17 GRPPs (of which 9 were supported by trust funds) have found these programs' objectives highly relevant to mobilizing resources and developing specialized expertise to address specific development issues. Many programs, though, have had design weaknesses such as (a) a diffuse strategic focus and selectivity; (b) lack of a clearly articulated theory of change and results chain relating the program's activities to the expected benefits; (c) inappropriate levels of (global, regional, or national) activity; and (d) inadequate governance structure.

Most programs have achieved their expected outputs, whether country-level investments, technical assistance, or knowledge products. Some—such as the Cities Alliance, the Consultative Group to Assist the Poor, and the Extractive Industries Transparency Initiative—have become recognized leaders in their fields. But few programs have generated systematic evidence about achievements of their objectives at the outcome level, owing to generally poor monitoring and evaluation.

Source: IEG (forthcoming b).

When donors want collective oversight and accountability, a trust-funded partnership offers a suitable structure, but many partnerships have been found to have governance shortcomings.

3.57 ***Trust-funded global and regional partnership programs.*** Some, but not all, multicountry/multidonor trust funds finance the activities of global or regional partnership programs. These partnership programs, as described in box 3.9, have governance structures through which authority and accountability is shared by the Bank and other partners for the oversight and strategic direction of the financial resources that the partners dedicate to the global, regional, or country-level activities of the programs. So, when donors desire such collective oversight and accountability for a trust-funded program, a partnership program offers a suitable structure. In its in-depth reviews of partnership programs, IEG has, however, found a range of shortcomings with respect to the legitimacy, accountability, efficiency, and transparency of the governance and management of GRPPs—shortcomings that need to be addressed for the benefits of shared governance to outweigh the considerable administrative costs.[15]

Box 3.10 Recipients' Balance Sheet on Trust Funds

Recipient officials say they have derived benefits from the use of trust funds when trust funds:

- Provided coordinated grant financing
- Supplied funds when they can't borrow from the MDBs or when bilateral donors are reluctant to "go it alone"
- Reduced transaction costs and piecemeal funding by pooling bilateral aid
- Were accompanied by the World Bank's convening power and technical expertise
- Were a more flexible resource to tap for just-in-time assistance than Bank project or program funding.

Recipients also state that trust funds—especially global funds that operate in multiple countries—have tended to create obstacles to their own program planning and implementation that they do not typically encounter with aid provided through the Bank. They have found trust funds to be particularly obstructive when they:

- Require redundant plans and reports
- Impose eligibility criteria—such as outcome targets or implementation modalities—ill-suited to country conditions
- Provide funds unpredictably—in some cases obliging recipients to front-load implementation or scale back plans
- Do not coordinate fund activities well with related operations
- Entail implementation arrangements determined by the trust fund, not country systems
- Are not transparent.

On balance, recipients consider trust funds as second best to direct budget or sector program support and preferable to small and piecemeal project support. And they see the use of trust funds as needing to be more consistent with aid effectiveness practices of country ownership and country-led aid coordination.

Source: Interviews with recipient officials conducted for this evaluation.

Recipient Views of Their Experiences with Trust Funds

3.58 From the perspective of recipients, the shortfalls in the good aid practice of trust funds limit the overall value added of these funds as vehicles for the delivery of aid. The benefits and costs as seen by recipients are summarized in box 3.10.

Summary

3.59 While there is no clear evidence that trust funds have mobilized additional resources at the global level, they add value as a distinct aid vehicle by providing coordinated financing and grant resources for particular countries and targeted issues. The value added of these gap-filling functions is especially evident in trust fund financing for the provision of global public goods, and less evident when trust funds merely finance country-specific efforts.

3.60 But trust funds do not consistently operate in an effective way. They do not necessarily integrate well with countries' own programs or foster coordination on the ground with other sources of aid. Both recipient and donor features of trust funds matter to how effectively resources have been deployed. Notably, global trust funds that operate in multiple countries tend to involve insufficient recipient participation in the design of their objectives and modalities, and often lack clear outcome objectives. Furthermore, single-donor trust funds work less well than multidonor funds in delivering aid efficiency and coordination gains, except in the case of single donor trust funds focused on a single country. In these cases, there are no significant differences in the performance of trust funds with a single or multiple donors. So, while the distinctive value of trust funds is most evident in the case of funds focused on the provision of global public goods, global funds that operate in multiple countries show the greatest need for improvement in how they are designed and managed.

3.61 This chapter's examination of the strengths and weaknesses of trust fund objectives and design is followed in chapter 4 by an examination of the Bank's management and accountability of trust funds, and the identification of areas of strengths and weaknesses in existing business processes. The findings of these two chapters together contribute to a recommendation—to be laid out in chapter 6—that the Bank establish a three-pillar system for trust funds, other than FIFs, comprising: single-country trust funds, trust-funded formal partnership programs (with their own program charters and governing bodies), and the creation of a small number of "facilities" to replace the numerous multiple-recipient-country trust funds wholly managed by the Bank.

4. Management and Accountability of Trust Funds

Evaluation Highlights

- ❖ To the Bank's mainstream accountabilities framework, Bank-managed trust funds add a set of parallel accountabilities.
- ❖ The Bank's financial management is largely successful from a donor perspective, but it presents obstacles to good planning and management.
- ❖ The allocation of some trust fund resources by selecting proposals is inefficient and undermines accountability. Allocation of funds directly to Bank units to be managed like other resources offers better accountability.
- ❖ Despite the plethora of guidance and support for trust fund operations, most operational staff find trust fund business processes complex, unclear, and inconsistent.
- ❖ Systems improvements are likely to succeed only if the Bank and donors confront the underlying issue of parallel accountability to donors.

The Trust Fund Accountability Framework

4.1 Accountability means that an organization is allocated resources to accomplish specified results, and is expected to report on how the resources have been used and what has been accomplished. In the Bank Group, staff are accountable to management, and management is accountable to the shareholders (represented by the Board). The Bank has many instruments and processes for exercising accountability in IDA and IBRD operations and work funded by the Bank budget. These include the budget and Work Program Agreements, country assistance strategies, project completion reports, IDA replenishment papers, and IEG reports. All such processes link resources provided with results achieved.

4.2 To this traditional framework, Bank-managed trust funds add a set of parallel accountabilities. Because the Bank is serving as the donors' agent, it is accountable to them for the management of their funds and for results of trust-funded activities. A number of instruments for exercising this accountability have been developed, including:

- At the corporate level—
  - o The Grant Reporting and Monitoring System
  - o Annual reports to donors on individual trust funds
  - o Periodic workshops and seminars for donor representatives
  - o The Trust Fund Quality and Compliance Report
  - o Trust Funds Annual Report.
- At the country or project level—
  - o Allocation of trust fund management fees to operational units
  - o Donor approval of individual grant proposals (for example, the Japan Social Development Fund)
  - o In-country committees of donors whose trust funds support a particular project (for example, in Ethiopia and Bangladesh)
  - o Inspection visits by officials of the European Commission.[1]

These instruments entail significant additional work for staff, as well as inefficiencies and overlaps. Yet, as illustrated in chapter 3, they are not very effective at identifying trust funds' development results.

The parallel accountability instruments for trust funds involve significant additional work for Bank staff.

4.3 Alongside these dedicated donor accountabilities, the Bank has had to determine how its standard accountability mechanisms will apply to trust funds and trust-funded activities. The current picture is complex, because the applicability depends in large part on the nature and size of the particular trust fund and on the agreements made with donors. For BETFs and RETFs:

- All trust-funded activities are subject to Bank fiduciary policies.
- Some RETFs—those that cofinance IDA/IBRD projects or that are larger than $5 million—must follow standard Bank business processes for preparation, supervision, completion, and risk management.
- Units are asked to include trust-funded activities in country assistance strategies, but do not necessarily do so.
- Trust funds are allocated to units at different times and by different methods than are their analogues, Bank budget and IDA/IBRD lending resources.
- The Bank's Board does not have oversight of the Bank's trust fund work except insofar as it approves the policy and management framework for trust funds.

The applicability of standard Bank accountabilities depends on the nature and size of the trust fund and agreements with donors.

As far as FIFs are concerned, Bank operational policies do not apply, except insofar as the Bank may be an implementing agency under the FIF program.

4.4 ***The special case of trust-funded partnership programs.*** Some trust funds finance the activities of partnership programs, which entail yet another channel of accountability. Most partnership programs have a governing body, which may involve the Bank along with other donors and stakeholders. When donors want to participate actively in the oversight of a trust-funded program, a partnership program offers a suitable structure, because the roles and relationships are codified in a charter.

Trust Fund Fiduciary Management

4.5 The Bank's fiduciary[2] management is one of the main reasons donors use Bank trust funds, according to all donor officials interviewed in capitals. Donor officials in-country also say they have high confidence in the integrity of Bank's financial management[3] of their trust funds. One donor official observed that the Bank's size allows it to retain and provide a career path for specialized staff in financial management and procurement, generating a level of professionalism that no bilateral donor could possibly replicate. Some recipient officials, while criticizing the slowness of the Bank's disbursement procedures, recognized that the Bank's tight control framework could potentially encourage donors to provide more funds than they otherwise might.[4]

4.6 The Bank has introduced three measures aimed at giving trust fund donors additional assurances about staff compliance with fiduciary rules:[5]

The Bank has introduced measures to give trust fund donors assurances about compliance with fiduciary rules.

- **Trust Fund Quality Assurance and Compliance Unit**: This unit was created to ensure trust funds' quality and compliance with rules, provide ex-post review, and advise senior management on controls, compliance, and risk issues.
- **Accreditation**: All staff who manage trust funds are required to be trained and tested on the relevant rules and procedures. Compliance with this requirement is tracked and reported annually.
- **Letter of Representation**: Staff who manage a trust fund must sign a trust fund letter of representation each year, confirming that (1) trust fund disbursements have been made in accordance with the terms of trust fund agreements with donors, and (2) that effective internal control systems have been maintained by the task team leaders' respective business units to ensure compliance with this obligation.[6] These individual letters of representation are rolled into an annual "Single Audit" that contains management's assertions on the effectiveness of internal controls over the preparation of trust fund reports.[7] This process is managed by the chief financial officer.

4.7 Although this evaluation did not assess the Bank's fiduciary management of trust funds,[8] it encountered no reported instance of financial mismanagement either in the country studies or the random sample. This performance is consistent with the results of compliance testing by the Bank's Accounting Department: virtually no sampled trust fund transactions (0.5 percent for BETFs and 0.0 percent for RETFs) in fiscal 2009 involved an error resulting in reimbursement.[9] Following the end-FY10 Letter of Representation exercise, management attested *inter alia* that trust fund disbursements follow relevant Bank policies and procedures and that financial reporting complies with the requirements set forth in the legal agreements entered into with the donors. Outside auditors have deemed this assertion to be fairly stated.[10]

The Bank's financial management of trust funds is largely successful from the donors' perspective, but it presents obstacles to good planning and management for the Bank.

4.8 While the Bank's financial management of trust funds is largely successful from the donors' perspective, it presents obstacles to good planning and management for the Bank. This is because trust fund accounting systems are separate from mainstream Bank financial systems and largely designed to ensure and demonstrate compliance with fiduciary rules. As a result, operational managers report the following problems:

- There is no report that a unit can run for its work program portfolio that provides all sources of funds for each task.[11]
- Operational units cannot readily factor trust funds into their annual work planning cycle because they receive trust fund resources at varying and unpredictable intervals.
- The true costs of preparing and supervising projects are understated, insofar as time spent on trust-funded operations may not always be charged against the trust fund.[12] In Rwanda, for instance, some staff did not have a budget line to account for the time they devoted to individual trust funds, and instead assigned these costs to the budgets of other operations. Because there is no accounting for these costs, the scale of the problem is unclear.
- Country offices must maintain parallel systems to track trust fund disbursements and to manage accounts for term and coterminous staff.[13] For instance in Indonesia, trust fund teams have had to set up their own spreadsheets, templates, and procedures. Parallel systems are needed to track expenditures and to manage accounts for term and coterminous staff because the Bank's business management software does not distinguish the two types.

4.9 These kinds of problems have been documented in the annual trust fund portfolio reports of some of the VPUs, accompanied by numerous suggestions to make trust fund financial management more efficient and transparent. These suggestions focus mainly on improving data recording and the merging of systems and reports. Such systems improvements are likely to succeed only if the Bank and donors also confront the underlying issue: that compliance-focused, parallel accountability to donors is not compatible with the Bank's needs for integrated financial planning and reporting.

Although the Bank's procurement rules are part of its highly appreciated fiduciary framework, many donor representatives and recipient officials complain about them.

4.10 ***Procurement***. Trust-funded activities [14] are subject to the Bank's procurement guidelines, which specify the circumstances under which contracts must be awarded by international competitive bidding, local competitive bidding, or other methods, which in turn determines the need for Bank prior review. Even though the guidelines form part of the Bank's highly appreciated fiduciary framework, many in-country donor representatives and recipient officials complained about the delays and complications they cause. It seems as though the Bank's tight fiduciary control is both applauded and criticized at the same time. Where donors and recipients were dissatisfied about procurement, the evaluation's case studies found four main causes:

- **The rules themselves**: For example, the low thresholds for Bank prior review in the Bangladesh health, nutrition, and population support program meant that 85 percent of procurement was subject to Bank prior review, with corresponding delays.
- **How the Bank implements the rules:** For example, donors in Rwanda complained that the Bank field office was not empowered, so that day-to-day decisions had to be cleared with Washington. In Timor-Leste, some staff in the field were inexperienced and stuck too rigidly to rules.
- **Poor quality of work submitted by recipient officials.**
- **Unrealistic donor expectations.**

4.11 Addressing these problems would probably not require changes to trust funds' structure or policies. The Bank could speed up its procedures without sacrificing fiduciary control—for example, through improved training of field staff and more education of donors. Management is planning to further streamline the Bank's overall procurement regime, and the benefits of such an exercise would presumably redound to trust-funded, as well as to IDA and IBRD-financed, procurement.

Allocation of Trust Fund Resources

4.12 After donors establish a trust fund, the resources are allocated to specific activities. The allocation methods for RETF resources differ significantly from IDA's formula-based allocation system. Likewise, the allocation of BETF resources differs from that of the Bank budget, which is derived from unit work programs. There are three general ways in which trust funds are allocated: call for proposals, block grants, and country-specific allocations.

CALL FOR PROPOSALS

A third of the sample trust funds use a call for proposals method of allocation, which has important weaknesses.

4.13 A call for proposals method is used in 12 of the 36 trust funds in the random sample, as well by several other large programmatic trust funds, such as the Trust Fund for Environmentally and Socially Sustainable Development and the Gender Action Plan. Typically, a network anchor (or, in a few cases, the Concessional Finance and Global Partnerships Vice Presidency, CFP) invites staff to submit proposals responding to published criteria and organizes a process to select the ones to receive funding. This method has four weaknesses.

a. **Not anchored in good practice.** The Bank has not established a standard approach for proposal review and selection. Rather, the process and rules are individually designed for each trust fund, largely on the basis of donors' preferences. The Bank has not established criteria or standards for efficiency, transparency, or quality assurance of these selection processes and there has been little effort to assess and learn from experience of what works well and less well.[15]
b. **Inefficient and nontransparent selection procedures.** The application process for most such funds is inefficient because it typically entails many iterations—for example, concept paper preparation and review; application; review; re-submission; approval by a Bank committee; and, in some cases, submission to the donor's capital. Randomly selected task team leaders for FY10 Bank-Netherlands Partnership Programme grants, for instance, said the process took about one year from initial concept to grant approval, which they characterized as "arduous" and "extremely long." It is also nontransparent and frustrating, since task team leaders may not attend the review meetings and do not receive comments directly from technical reviewers.
c. **Weak quality assurance.** In most cases the selection process involves a committee of senior network and regional staff. Because these staff may serve on several selection committees and do not have time to research each proposal, it can be difficult to ensure a high-quality, objective review process. Those involved with the program advocate for particular activities, while those who are supposed to exercise independent judgment do not have enough information to do so in a meaningful way.
d. **Impairs accountability**. The call for proposals process dilutes the Bank's accountability at three levels:

4.14 **Country:** Even though the relevant country management unit is supposed to sign off on individual proposals, it cannot manage—indeed, it may not even be aware of—the aggregate resources and obligations that emerge from the various trust funds' separate selection processes. Since proposals are approved unpredictably and at various times throughout the year, they cannot readily be factored into any annual planning exercise.

4.15 **Network:** For the large CFP-managed trust funds, CFP staff may independently assess proposals' conformity with donor criteria. In some cases this results in their overriding even the outcomes of network-managed processes approved at the vice-presidential level.[16]

4.16 **Bank:** In the Japan Social Development Fund and the Trust Fund for Environmentally and Socially Sustainable Development (and in the Bank-Netherlands Partnership Programme until FY10), officials in the donor's capital retain final say over proposals selected by the Bank screening process. This practice attenuates the Bank's accountability for selections that have been made according to agreed processes. In 2010, the Trust Fund Quality Assurance and Compliance Group posed a question: Is it appropriate to have donors approving what has already been delineated in trust fund agreements, especially where such proposals have already been vetted by the Bank's quality assurance and management framework?

BLOCK GRANTS

4.17 A few trust funds are allocated directly to Bank units to be managed like the Bank budget or IDA/IBRD resources. ESMAP, for example, provides annual block grants to each regional energy operational unit for carrying out AAA and/or technical assistance activities that complement the Bank's energy policy dialogue with countries. These activities are identified, planned, and conducted within the framework of CASs. A QAG review in late 2009 found that the system of block grants had improved administrative access to ESMAP funds and provided a level of funding predictability from one year to the next. The recently launched Multidonor Trust Fund for Poverty and Social Impact Analysis illustrates three advantages of this approach:

Some trust funds are allocated directly to Bank units to be managed like budget resources, an approach with some clear advantages.

- **"Block grants":** The MDTF is funded through two windows: a regional stream (80 percent of resources), distributed among the six World Bank Regions, and an anchor stream (20 percent of resources), allocated equally between the Sustainable Development Network and the Poverty Reduction Group.
- **Bank-** ***and*** **recipient-executed:** The Regions use MDTF funds to enhance country-led poverty and social impact analysis and capacity building, and are encouraged to support country-level work that can be managed either by the World Bank or by national stakeholders in partner countries.
- **Direct management by responsible units:** Each Region has its own selection process in undertaking poverty, social, and distributional analysis.

4.18 This model potentially offers adequate Bank management accountability for the allocation of trust fund resources. It also appears efficient, since it avoids a multistage, Bank-wide selection process. The evaluation recommends that management assess experience with this model, including the donors' views, and if warranted retain it as the principal approach to allocating non-country-specific trust funds.

COUNTRY-SPECIFIC TRUST FUNDS

4.19 Country-specific trust funds are those in which the donor has preselected the recipient country or countries. The great majority of the trust funds reviewed in the case study country programs were of this type, as were 11 of the 36 trust funds in the random sample. Donors create country-specific funds when they want to:

- Provide significant aid to a country—more than IDA provides, for example—but their bilateral program is limited in staffing and skills.
- Avoid providing direct budget support to a particular government.[17]
- Respond to emergencies and disasters.

4.20 Some countries, such as Ethiopia and Indonesia, receive large amounts in this way and others, including Benin and Rwanda, receive virtually no country-specific funds. Donors and recipients are generally satisfied with the Bank's administration of these funds. They mentioned the following key benefits:

- They can provide substantial additional funding to the country.
- The Bank takes responsibility for donor coordination, so the government has to deal with only one interlocutor.
- Donors can piggy-back on Bank technical and policy expertise.
- Recipients use a uniform set of procedures and forms.

4.21 The available data systems have heretofore not permitted the Bank to systematically manage—or even to track—these trust funds at the regional[18] and corporate levels. This has created a gap in accountability[19] because the Bank cannot account to shareholders for how the cumulative allocation of country-specific trust funds affects the overall distribution of resources and, in particular, whether it offsets or reinforces the performance-based allocation pattern of IDA resources.

The Bank generally seeks to integrate trust fund business processes with those of its other work, and has accomplished this for funds that cofinance IDA/IBRD operations.

Business Processes

4.22 The Bank's general policy is to integrate trust fund business processes with those for mainstream Bank work.[20] Trust funds that cofinance IDA/IBRD operations, which account for roughly half of recipient-executed trust funds in dollar terms, are supposed to be prepared and supervised using the Bank's processes and standards. The evaluation's country studies and interviews with managers confirm that this is the case. For the other half of RETF activities—that is, those not cofinancing IDA/IBRD projects— the business processes for preparation, supervision, and reporting vary across Regions and trust funds. These differences arise from three causes: donors' expectation to receive dedicated reporting; the organization of basic data about trust funds around individual financial accounts rather than the operations being supported; and the decentralization of mobilization and approval of trust funds to the VPU (or even lower) level.

4.23 The Bank and its individual VPUs have created an extensive suite of policies, handbooks, guidance notes, Web sites, databases, and templates intended to help staff initiate, manage, and report on trust funds. Numerous units (listed in appendix H) have responsibility for some aspect of trust fund management or oversight. And each VPU continually tries to upgrade its own internal procedures and techniques for obtaining and managing trust funds, as illustrated in box 4.1.

The effort and investment required to move toward "integration" reveals the extent to which trust-funded activities remain structurally separate from the Bank's mainstream accountability framework.

4.24 Such improvements are commendable, but they seek process solutions to what is primarily a structural problem. Full integration would imply that business processes and results frameworks for a given activity are the same, irrespective of the source of funds. The considerable effort and investment still required to move toward integration reveals the extent to which trust-funded activities remain structurally separate from the Bank's mainstream accountability framework.

Box 4.1 One Region's Efforts to Integrate Trust Funds

"With regard to the integration of trust fund planning and management into VPU business processes for managing lending, AAA, and budget resources, including staffing and skill mix, this Region has made good progress over the past year.

In FY05, the region established a group to handle trust fund matters centrally for the Region. This group…is responsible for trust fund strategy development, review, and submission of proposals, training, and monitoring.

All CMUs [country management units] have tasked one of their Operations Officers to monitor and coordinate the trust funds, and each SMU [sector management unit] has a dedicated Operations Officer carrying out the same function. These staff also coordinate regularly with the Regional Trust Fund Team.

Training has been provided to these staff where necessary. All units are able to quickly access information on regional procedures, policy and quality guidelines, as well as links to the various Bank web sites at the regional web site, which provides relevant information regarding the trust funds. A goal of FY11 is to update the Regional Trust Fund Web page."

Source: FY10 trust fund portfolio review for a Bank Region.

4.25 Despite all the guidance and support available, most operational staff consider the business processes for trust funds and trust- funded activities to be complex, unclear, inconsistent, and costly. Bank staff and managers interviewed for the evaluation cited the following specific problems:

- Software and data systems for trust funds are unreliable or incomplete and are not linked to those for Bank budget/IDA/IBRD–funded operations.
- Advice from central units is inconsistent and depends on the individual consulted.
- Need to "reinvent the wheel" with each new trust fund.
- The applicability to trust-funded activities of Operational Policies on results reporting, restructuring, additional financing, and risk management is not fully understood.

Trust fund business processes create an accountability framework that is weaker than that for IDA/IBRD operations.

The annual portfolio reviews of most VPUs cite similar issues. According to a 2010 Trust Fund Quality Assurance and Compliance Group (TQC) portfolio review, trust funds are still not fully integrated into the Bank's operational decision-making processes, nor are they fully integrated into management's planning and oversight of the resource envelope.

4.26 Trust fund business processes create an accountability framework that is weaker than that for IDA/IBRD operations, notably in the four areas of supervision, implementation and completion reporting, management oversight, and risk management.

SUPERVISION

Many unit and task managers believe that they are given insufficient resources to supervise their trust funded activities.

4.27 Although trust-funded activities are supposed to be supervised like IDA and IBRD operations, there is a gap between this expectation and the provision of resources. It is expected that supervision of recipient-executed activities will be, for the most part, covered by a portion of the administrative fee donors to the fund pay the Bank.[21] VPUs have varying methods for dividing these fees. There is not consistently a transparent allocation down to the task level and many unit and task managers believe (rightly or wrongly) that they are given insufficient resources to supervise their trust-funded activities. Twenty of 28 sector managers interviewed stated that the cost of running trust-funded activities is not covered. Unless task managers are given a dedicated budget, they cannot fairly be held accountable for effective supervision. According to TQC, budget pressures (such as the lack of a supervision budget) can result in pressure on the task team leader to delegate operational decisions and oversight of trust-funded activities to country office staff that may be either too junior or not accredited.

4.28 Increasingly, donors allow the trust fund itself to finance the Bank's supervision costs and/or provide (money for supervision in a separate BETF) extra. These practices give the task manager control over the use of the earmarked funds. In Ethiopia, for instance, bilateral donors have created numerous trust funds to support the preparation and supervision of projects they are cofinancing, over and above the fees they pay the Bank to administer the cofinancing trust funds. This practice provides welcome extra resources, but it creates a further administrative burden for the task team leader to manage the resulting patchwork of trust funds and Bank budget.

Allowing a trust fund to finance supervision provides control, although it creates further administrative burden.

REPORTING ON IMPLEMENTATION AND COMPLETION

4.29 For recipient-executed activities, standard Bank supervision and completion reports are now required for trust fund grants of $5 million or more, while smaller grants may use a separate reporting tool—the Grant Reporting and Monitoring (GRM) report. Whereas the Bank's templates for supervision and completion reports require staff to rely on a results framework that juxtaposes objectives against project outputs and outcomes and to use key performance indicators, the GRM reports do not. They typically describe activities carried out (rather than outputs and outcomes)[22] and do not record the dates of and the participants in the most recent supervision, nor do they attach an aide-memoire or other communication with the recipient.

4.30 Beyond the inadequacy of the template itself, there seems little rationale for a grant's size to determine how an activity should be reported and monitored. The implicit logic is that some trust-funded activities are too small to merit proper reporting. If an activity is "too small" to report on, then perhaps it is too small for the Bank to implement efficiently. If, on the other hand, reporting requirements are too complicated or onerous, they should be simplified for all activities, whether trust funded or otherwise.

The template for the GRM report is inadequate and the logic of reporting only on larger grants is unclear.

4.31 There are three additional weaknesses in the way the GRM report is used:

- VPUs have developed different and inconsistent rules for when to use it. Compliance in submitting GRM reports is low[23] and is not consistently enforced by the operational VPUs (see box 4.2).
- It is sponsored by CFP, whose primary mandate is dealing with donors, rather than by Operations Policy and Country Services, which sponsors other operational reporting tools including results reporting.
- Completed reports are not made available through the operations portal, but rather are filed in a parallel system.

The GRM report is an ineffective tool for managing trust funds.

These weaknesses combine to make the GRM report an ineffective management tool.

Box 4.2 Few GRM Reports in Bolivia

The Bolivia case study found few GRM reports and completion reports for trust funds used in that country. Clearly there is a double standard in the way trust funds are processed and monitored in relation to other Bank projects. One task manager admitted as much, noting that such a double standard is inevitable since, as he put it "many trust funds do not include appropriations for project preparation and monitoring. "

Source: Bolivia case study.

4.32 When a trust-funded, recipient-executed activity or program is completed, the task team is supposed to prepare a final version of the GRM report or—for grants over $1 million—an Implementation Completion Memorandum (ICM). These trust fund final reports provide less accountability than their analogue, the Implementation Completion Report, because they omit:

- Bank performance on quality at entry and supervision
- Borrower/recipient performance
- The names of the responsible task mangers and managers at approval and completion
- A results framework and data on outcomes and outputs using performance indicators.

4.33 Management does not appear to monitor whether staff actually complete required ICMs, and no information is available about the share that actually do so.

Completion reports and GRM reports lack a results focus and hinder accountability.

4.34 Since the GRM report and the ICM both lack a results focus and hinder accountability, it would be a misplaced effort to seek to improve compliance with them. A better solution would be for the Bank and donors to agree to phase out GRMs and ICMs entirely, and instead use standard Bank results frameworks, Implementation Status Reports, and Implementation Completion Reports—along with their associated sign-off and filing processes—to report on implementation of trust- funded activities.

MANAGEMENT OVERSIGHT

4.35 The management team for every Region regularly reviews and manages the performance of its Bank budget and IDA/IBRD portfolio using standard tools, but for trust-funded activities, practices vary widely, as illustrated in box 4.3.

Box 4.3 How VPU Managements Monitor Trust Fund Implementation

Latin America and the Caribbean: "Trust Funds are reviewed each month at the Regional Management business meeting."

Europe and Central Asia: "Europe and Central Asia assembled portfolio reports on TFs at the time of the Annual Meetings and some country units assemble this data regularly. In general, we will need to develop an efficient method of getting accurate data, as the institutional databases are unwieldy."

East Asia: "The focus of our future efforts would be to ensure that activities funded by trust funds…should be monitored along with the rest of the portfolio. As in IBRD/IDA projects, the focus on results should run through the various stages of the project cycle and not just at the proposal stage

Sustainable Development Network: "The quarterly MOU [Memorandum of Understanding] meetings (between the Vice-President and Directors) that are held to assess progress and identify issues include trust funds."

Sources: FY10 updates from Regions.

4.36 Oversight issues affect BETFs as well as RETFs. QAG's review of AAA found that management oversight is the single most important factor in explaining differences in AAA quality, and management oversight is "appreciably lower" when tasks are financed by trust funds rather than by Bank budget.[24] In Bangladesh, for instance, a staff member observed: "The smaller funds, especially those managed by the networks, seem to the 'off the radar screen' of the country management unit once they are approved."

Oversight issues affect trust funds executed by the Bank and by the recipient.

4.37 Further perspective on the quality of oversight is provided by sector managers' replies to the question: "Is the quality assurance of trust-funded activities routinely exercised within your unit with the same degree of rigor as Bank-financed activities?" About half the 38[25] respondents see the quality assurance as being equal. These managers noted that where trust funds are matched with or used together with Bank budget, or when they are very large, they are subject to the same procedures and level of rigor. The other half of the managers saw quality assurance as inferior (15 respondents said quality assurance is "sometimes" and 3 said it is "rarely or never" equal). These managers attributed the inferiority to five causes:

About half of those surveyed said that oversight quality was inferior to other Bank-financed activities.

- The Bank's rules do not require the same level of quality assurance—"the supervision process is much more lax than for formal AAA with Bank budget resources."
- Insufficient supervision budget or too many small activities to supervise properly.
- Attitudes of task team leaders who "don't have the same sense of accountability as for Bank budget."
- Attitudes of donors—"Donors don't value supervision."

- Inadequate reporting tools—GMR reports "are totally useless" (box 4.4 illustrates country case study experiences in obtaining quality information).

Box 4.4 Poor Information Impairs Accountability

One country case study found that it is extremely difficult to obtain reliable information on the use, monitoring, and evaluation of trust funds. Different sources of data (such as eTrust fund, Operations, CFP, individual fund sites, and the Bank's Web site) all give slightly different accounts.

In another country case, sector managers complained that the information they receive is inadequate for decision making. A sector manager said, "Eighty percent of the…approvals in my in box each day have to do with trust funds—and often I don't really know what I am approving."

Sources: Evaluation case studies.

RISK ASSESSMENT AND MANAGEMENT

4.38 Activities funded by trust funds face the same risks as comparable activities funded by IDA/IBRD or Bank budget, as well as three additional risks that arise specifically from the trust fund arrangement:

Trust-funded activities have three risks not found in comparable Bank-funded activities.

- The donor[s] may cut back or renege on promised funding. This occurred in 3 of the 36 trust funds reviewed.[26] In another example,[27] two donors reduced their funding to the Aceh multidonor trust fund due to their own changing priorities.
- The donor[s] may introduce parameters incompatible with the Bank's articles or procedures. For example, the Bank-Netherlands Partnership Programme has set consultant fee ceilings that differ from the Bank's.[28]
- The donor[s] or recipients may publicly criticize the Bank's trusteeship, as has happened in South Sudan and the Guyana REDD-Plus Investment Fund.

Risk analysis in nearly a third of the sampled trust funds was either superficial or not done.

4.39 In general, the purpose of ex ante risk analysis is to help management decide whether to accept a particular risk, seek further mitigatory measures, or decline the proposed activity as too risky. As part of the initiating proposal for each new trust fund, Bank staff use a Word template called the Risk Assessment Tool to assess the risks and state what will be done to mitigate each one. The risk assessment is thus carried out by the trust fund's proponents, who have an interest in demonstrating that risks are small or will be well mitigated.

4.40 In nearly one-third of the 36 sampled trust funds, this ex ante risk analysis was either not done or was evaluated as superficial. Nearly half of the trust funds included risk assessments that left out important risks or underestimated their potential severity. Plausible mitigation plans were present in only 5 of the 36; the other 21 included a perfunctory mitigation plan or none at all. In only two cases did planned mitigation measures prove effective when a risk event occurred. One specific risk—the funding risk that anticipated trust fund resources may not become available—was identified ex ante in 13 trust funds and materialized in 6 of these. It also materialized in 3 others in which it was not anticipated in the risk assessment.

4.41 CFP undertakes a special internal quarterly risk analysis for the subset of trust funds that are managed by CFP, including FIFs. The effectiveness of this relatively new process is still unmeasured. It deals with individual FIFs and has not attempted to assess the risks of the FIF portfolio as a whole.

New risk assessment procedures for IBRD and IDA projects might logically be extended to all trust-funded activities.

4.42 The Bank has recently introduced new Operational Risk Assessment Framework (ORAF) procedures for risk analysis in IDA and IBRD projects. These apply to recipient-executed trust-funded activities that are affiliated with Bank operations, but their applicability to other trust-funded activities has not yet been decided. If business processes are to be the same irrespective of the source of funds, it would be logical to apply ORAF methods to all recipient-executed trust-funded activities, eliminating the separate processes for trust-funded activities.

CONFLICTS OF INTEREST

About half of the sampled trust funds generated institutional conflicts of interest.

4.43 Because trust funds involve additional accountabilities, the evaluation assessed the extent to which they generate institutional conflicts of interest. About half of the 36 sampled trust funds did not. The conflicts encountered in the other half were of two main types:

- **Blurring of oversight and management in partnership programs.** In four trust funds that finance partnership programs, the Bank both serves on the program's oversight or advisory body and manages or executes program activities. This is a common occurrence in partnership programs that needs to be properly managed, as discussed in IEG's forthcoming assessment of the World Bank's involvement in GRPPs.[29]
- **An arbiter of allocation is also a potential beneficiary**. In five sampled trust funds, entities can determine the allocation of funds while also being eligible to receive them. In the Critical Ecosystem Partnership, for instance, Conservation International's role in allocating funds while itself receiving some of these funds was criticized in an IEG evaluation.[30] Even though a ceiling was subsequently placed on

Conservation International's share of the funds, it still retains its conflicted dual role. In the case of the Polio Buy-Down in Pakistan, the World Health Organization was responsible both for implementing the program and for certifying that its accomplishments met the buy-down criteria.[31] In two other trust funds,[32] Bank units were involved in both allocating and receiving trust fund monies. This is less an ethical issue than one of fairness and transparency, because in the Bank's flat-budget environment a unit's effectiveness can depend importantly on its ability to mobilize trust funds. As noted earlier in this chapter, the call for proposals allocation method can give undue influence to interested parties, rather than to independent reviewers. This is one of several reasons the method should be phased out.

Summary

4.44 Managerial accountability is a way to ensure that resources are used to deliver results. The Bank's accountabilities for trust funds are, with some exceptions, weaker than for IDA/IBRD and Bank budget-financed activities, even though most trust funds finance activities closely linked with Bank programs. These accountability gaps arise where the Bank and donors have agreed to different allocation, approval, and business processes for trust funds. Despite ongoing efforts at mainstreaming, there remain many processes associated with the source of funds, rather than the development activity being financed. This has generated inefficiency and weak accounting for results.

5. The Impact of Trust Funds on the Bank

Evaluation Highlights

- ❖ Trust funds have contributed to an expansion of Bank business by helping it scale up country operations, coordinate support in special country circumstances, and foster the provision of global public goods.
- ❖ The FIFs, which constitute a new Bank business line, have each been established in an ad hoc way, customized to donor requirements.
- ❖ As the FIF portfolio continues to grow and diversify, the Bank may face increasing difficulties in reconciling its legally limited responsibilities for the use of FIF resources with its overall trust fund policy of only administering funds that promote development and aid effectiveness.
- ❖ Budget constraints are a main reason why staff seek trust funds, which now account for 23 percent of the Bank's administrative budget.
- ❖ The Board is not informed well enough to exercise governance over the Bank's acceptance of responsibility for FIFs and other trust funds.

5.1 Bank-managed trust funds and FIFs, though very different in nature, have become a significant part of the World Bank's business. Bank-managed trust funds provide about 8 percent of total operational disbursements (that is, IBRD/IDA plus RETF disbursements), or $8.0 billion, and as much as 23 percent of total budget resources (that is, Bank net administrative budget plus BETFs), or $1.5 billion, in fiscal 2008–10. And the FIFs alone disbursed $11.0 billion in those years, as reported in chapter 2.

5.2 So, what is the overall corporate impact of the Bank's trust fund portfolio? How do trust funds influence the shape of the Bank's business? What is their net effect on resources available for the Bank's work program? And what do trust funds mean for the governance of the Bank?

The Influence of Trust Funds on the Shape of Bank Business

5.3 While trust funds have been most heavily used to scale up country operations (as described in chapter 3), they have also expanded Bank business in three ways. They have:

- Expanded the scope of Bank activities
- Provided support for an issue-focused business model in parallel with the Bank's country-focused model
- Established FIFs as a Bank business line.

Each of these impacts has created opportunities along with risks for the Bank's pursuit of its development mandate and its overall development effectiveness.

EXPANDED SCOPE OF BANK ACTIVITIES

Grant financing from trust funds has expanded Bank activities in support of global and regional public goods and in post-conflict and post-disaster situations.

5.4 Bank activities have expanded in two areas that would not have occurred (or occurred on the same scale) without the grant financing provided through trust funds: 1) engagement in country post-conflict and post-disaster situations and 2) support for the provision of global and regional public goods, typically by means of participation in global and regional partnerships.[1]

5.5 As discussed in chapter 3, trust funds have enabled the Bank to be a leader in the provision of coordinated support for these purposes, because trust funds provide resources on grant terms and a platform for coordinated assistance. Each area of activity poses distinct challenges, however, and makes heavy demands on experienced Bank management and staff.

FINANCING OF A PARALLEL BUSINESS MODEL

5.6 More than half of IBRD/IDA trust funds are focused on specific issues and finance activities in multiple countries.[2] This means that their objectives are stated and allocations made on the basis of globally defined goals for advancing an issue rather than on the basis of country priority needs as determined in consultations between the Bank and the country and the IDA performance-based system of resource allocation.

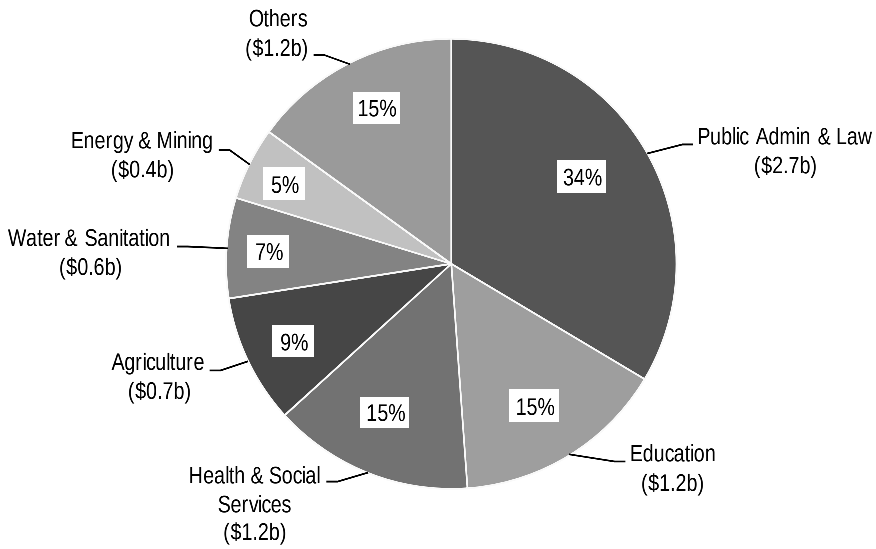
5.7 Bank management reports on the sector and thematic focus of the IBRD/IDA RETFs.[3] As reporting shows, public administration and law accounts for more than one third of all RETF disbursements followed by education and health and social services (see figure 5.1).

5.8 Since the topics of these issue-specific trust funds are selected mainly by donors, rather than through a systematic programming process, it is not possible to know if trust fund financing is supporting a strategic allocation of total available resources. Nor is it possible to know the extent to which trust funds are either driving Bank work in specific areas or leading the Bank to move resources out of an area (given resource fungibility). The issue this raises for the coherence of the Bank's business is not the targeting of resources on a particular issue but rather how the determination is made of which issues to target and who is driving the Bank's agenda. The parallel issue-oriented model also has implications for how the Bank defines its own sector strategies and country programs, consistent with its areas of comparative advantage, so that it can help countries achieve coherence between vertical and horizontal support. From the perspective of recipients, achieving this coherence is key to maximizing benefits from global funds.

Ensuring the predictability of the total donor funding from one year to the next is a key challenge.

5.9 Bank senior managers, in interviews, expressed concern that trust fund finance is replacing—or "hollowing out"—IDA in priority development areas, especially education and health, thus raising questions in donor countries about IDA's continued relevance.

Figure 5.1 Three Sectors Account for 64 Percent of RETF Disbursements (FY08–10 Totals)



Source: Trust fund database.

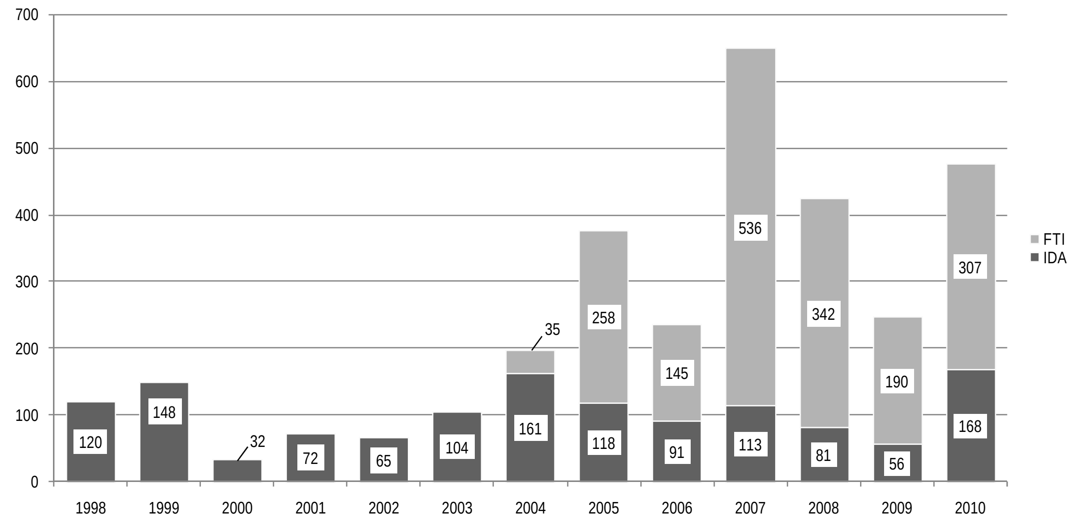
For EFA/FTI the evidence does not support the "hollowing out" hypothesis, but it does reveal that the Bank needs to figure out how to adapt its sector strategies and country lending programs to take account of large trust fund presence in sectors of continuing Bank priority. Even though EFA/FTI trust fund support for primary education has far surpassed IDA funding, IDA's support to EFA/FTI –recipient countries after the launch of the initiative are on a par with earlier levels as indicated in box 5.1.Rather, the impact varies by country.[4] Moreover, in individual countries the receipt of EFA/FTI funds has lacked predictability from one year to the next.[5] Thus, for the international aid community and IDA the challenge is how to ensure that the total resource envelope is predictable and allows for effective planning by countries of their of education sector programs. And for the Bank, from a corporate perspective, the key issue is how it adjusts to large global funds case by case in areas where it has been active—an issue that requires more in-depth analysis than was possible as part of this evaluation.

Bank senior managers are concerned that trust fund finance is replacing IDA in priority areas, but one major program offers evidence to the contrary.

Box 5.1 Has the World Bank Reduced Its Lending for Primary Education in FTI Countries?

The Catalytic Fund of the Fast Track Initiative has committed $1.85 billion to education in 36 low-income countries—more than the $890 million they received from IDA for primary education. Have these FTI resources added to, or substituted for, IDA? The data suggest that EFA/FTI resources have been additive since IDA support to these countries has remained (in nominal terms) at levels similar to those in place before the FTI began disbursing in 2004.

New Annual Education Commitments by IDA and the FTI Catalytic Fund in 36 Countries Supported by the Catalytic Fund, F03-10 (US$ millions)



Sources: World Bank data for IDA commitments; FTI Secretariat for FTI commitments, discussed in a forthcoming IEG review of the World Bank's support to education.

FIFS AS A BANK BUSINESS LINE

5.10 With 16 currently active trust-funded FIFs accounting for half of all trust fund contributions and disbursements (as reported in chapter 2), these funds now constitute a significant line of business for the Bank. This new line of business gives the Bank voice and responsibility in some of the largest and most complex global partnerships addressing such issues as control of communicable diseases, climate change mitigation and adaptation, environment preservation, and agricultural production. Appendix E provides a brief description of the objective and size of each of the 16 trust-funded FIFs.

Thirteen of the 16 FIFs were approved by the Board.

5.11 Each FIF was established in an ad hoc way, often as the result of high-level political initiative, and customized to donor requirements.[6] Trust fund policy does not require the Bank's Board to approve the establishment of each FIF, even though FIFs may involve the Bank in new or unusual roles. Thirteen of the 16 FIFs were in fact approved by the Board, while three—for GAVI, Guyana and Haiti—were not submitted to the Board.[7]

5.12 The Bank's role as trustee involves receiving, holding, and disbursing funds. This role takes various forms, some of which are complex and innovative. For example, the Bank handles the sale of certified emissions reductions, which help to fund a program that supports adaptations to climate change. It also holds donor contributions to the Global Fund and transfers those funds directly to multiple third-party recipients on instructions from the Global Fund's governing body. In all FIFs, however, the Bank establishes a legal agreement with the donors that strictly limits the Bank's responsibility for development outcomes. Moreover, activities financed by FIFs are not subject to Bank operational policies, such as the Bank's policy on safeguards (unless so specified in the FIF administration agreement or when Bank serves as the implementing agency for an activity).

5.13 Fourteen of the 16 current FIFs are funding partnership programs in which the Bank is involved, in addition to serving as trustee of the FIF. The Bank has a wide variety of roles in the governance and implementation of these 14 partnership programs, as shown in table 5.1. These roles give the Bank varying degrees of standing to influence the programs, as is also the case for partnership programs funded by other Bank-administered trust funds. But in FIF-funded partnership programs Bank operational policies do not necessarily apply nor does the Bank necessarily have a program management or supervisory role as is the case in the other trust-funded partnership programs located in and overseen by the Bank.

As the FIF portfolio continues to grow it will challenge the Bank's legally limited responsibility for such activities and test the consistency of such funds with the Bank's overall policy of accepting only those funds that promote development and aid effectiveness.

5.14 In view of the limitations on the Bank's responsibilities for the use of FIF resources, these large undertakings entail opportunities and risks for development effectiveness and for the Bank. Is the Bank's limited role as trustee consistent with its trust fund policy, which states that the funds it administers promote development and aid effectiveness? The policy (Operational Policy 14.40) sets out common criteria for Bank acceptance of both FIFs and IBRD/IDA trust funds, but FIFs would seem to warrant separate treatment because they:

- Are large
- Are generally exempt from Bank operational policies and remedies
- Have potential implications for the Bank's own programs and strategies even though they operate outside the Bank's control.

Table 5.1 The Bank Plays Various Roles in FIF-Funded Programs

		The Bank's roles in FIF-funded partnership programs		
FIF	*Type of FIF-funded program*	*Governing body*	*Implementing agency*	*Secretariat services*[a]
Adaptation Fund[b]	Global partnership		X	X
African Program for Onchocerciasis Control	Regional partnership	Voting member		
Clean Technology Fund	Global partnership	Nonvoting member	X	X
Consultative Group on International Agricultural Research	Global partnership	Chair		X
GAVI Fund Affiliate[c]	Global partnership	Voting member		
GAVI Fund Trust Fund	Global partnership	Voting member		
Global Agriculture and Food Security Program	Global partnership	Nonvoting member and observer	X	X
Global Environment Facility	Global partnership	Official Observer	X	X
Global Fund to Fight AIDS, Tuberculosis and Malaria	Global partnership	Nonvoting ex-officio member		
Haiti Reconstruction Fund	Country partnership	Nonvoting ex-officio member	X	X
International Finance Facility for Immunization[c]	Global partnership/ financing mechanism	Voting member		
Least Developed Countries Fund for Climate Change	Global partnership	Official observer	X	X
Special Climate Change Fund	Global partnership	Official observer	X	X
Strategic Climate Fund	Global partnership	Nonvoting member	X	X
Debt Relief Trust Fund	Global financing mechanism			
Guyana REDD-Plus Investment Fund	Global financing mechanism			

a. As a special case, the World Bank provides administrative support to the GEF secretariat and, while the secretariat is physically located in the Bank's building, it has its own independent governance structure. The GEF in turn provides secretariat services to the Adaptation Fund, Least Developed Countries Fund for Climate Change, and the Special Climate Change Fund. In all other cases, the secretariat is located in-house.

b. As part of its role as trustee, the World Bank manages sales of certified emissions reductions, which are the primary source of Adaptation Fund financing.

c. As part of its role as trustee, the World Bank arranges issuance of IFFIm bonds. The proceeds of these bonds are disbursed through the GFA (GAVI Fund Affiliate) to support programs approved by the GAVI Alliance, a global partnership program. While the Bank sits on the board of the GAVI Alliance, it does not serve on the IFFIm or GFA boards.

5.15 The Bank's shareholders need to stand behind decisions of the Bank to take on the trusteeship of each of these funds, with their large potential positive or negative impacts. A review should therefore be made of experience to date and that review should serve as the basis for revisiting, with the Bank's Board, the adequacy of the current policy and framework in guiding acceptance and management of FIFs going forward. In addition, management should submit each new FIF proposal to the Board for approval. Management should also report periodically to the Board on the operations of the FIFs and their implications for aid effectiveness and the Bank's own strategies and programs.

The Role of Trust Funds as a Supplement to the Bank's Budget

5.16 Trust fund resources used by the Bank in support of its work program have grown significantly in relation to the Bank's net administrative budget. As noted in chapter 2, between fiscal 2002–04 and 2008–10, BETF disbursements increased from 14 to 23 percent of total Bank budget resources (that is, the total of Bank net administrative budget and BETFs).

5.17 Bank units draw heavily on BETFs to support a wide range of programs and activities. According to an internal World Bank report (World Bank forthcoming), in FY10 BETFs funded almost 20 percent of total supervision costs, 35 percent of total economic and sector work, and 53 percent of total nonlending technical assistance. Furthermore, BETFs pay for coordination and partnership work, and under some circumstances provide operational support for the preparation and supervision of projects (for example, for cofinanced operations and in situations where there is no associated IBRD or IDA lending, as in Timor-Leste). Thus, in some cases, the use of BETFs and the Bank budget are fungible-- such as when they fund staff designated to work on the implementation of Bank projects. In other cases BETFs support activities of client countries such as when, for practical reasons, the Bank manages a study for a country entity, or when the Bank manages a separate program of activities with participating countries through designated staff. So, while BETFs should not be seen as fully fungible with Bank budget, there is a considerable degree of overlap and, therefore, BETF funding is to some extent a complement to Bank budget.

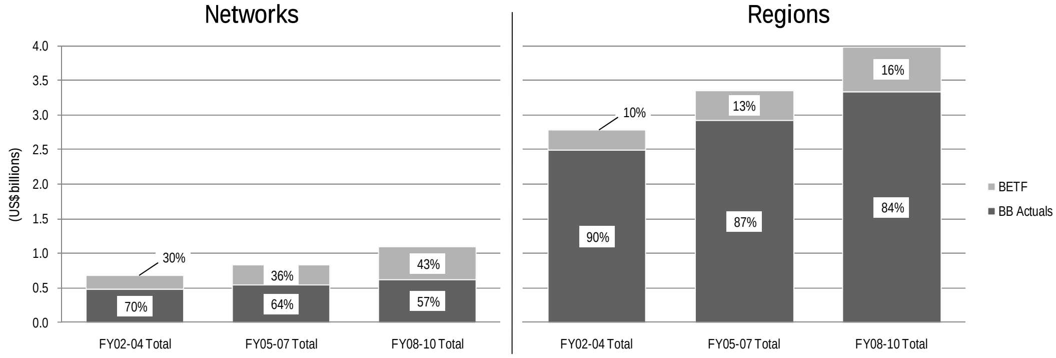
Bank units draw heavily on BETFs for a wide range of activities in support of their programs.

BETFs funded almost half of network anchor expenditures in FY2008–10.

BETF USE BY BANK UNITS

5.18 For network anchors, BETFs funded almost half of their expenditures during fiscal 2008–10, compared with just 16 percent in Regional VPUs, as shown in figure 5.2.

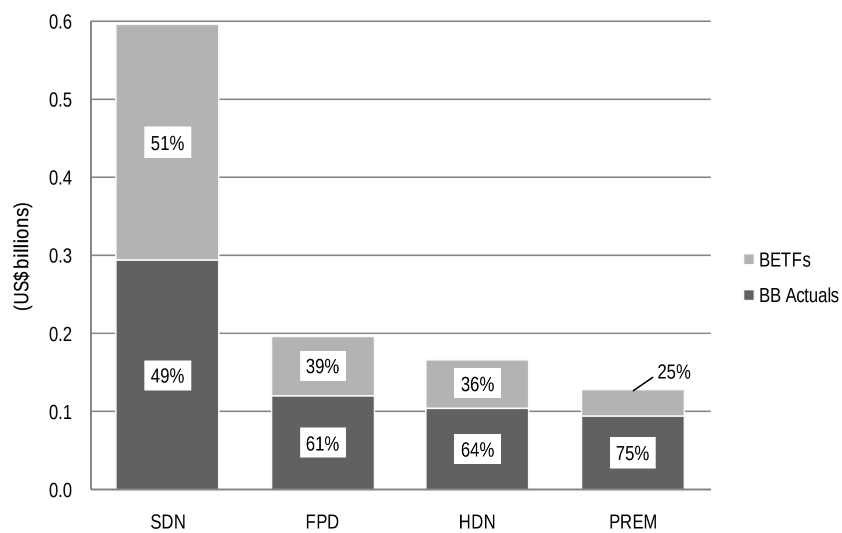
Figure 5.2 BETFs as a Share of Total Bank Budget Resources Have Grown in Both Network



Source: World Bank database.

5.19 Within the network VPUs, BETFs for the fiscal 2008–10 period account for more than half of total budget resources in the Sustainable Development Network, and a smaller though significant share in the other three network VPUs, as shown in figure 5.3. In the Sustainable Development Network, a significant share of its BETF expenditures is for secretariats that are hosted in the network.

Figure 5.3 All Networks, Especially the Sustainable Development Network, Rely Heavily on BETFs for Bank Expenditures (FY08–10 Totals)

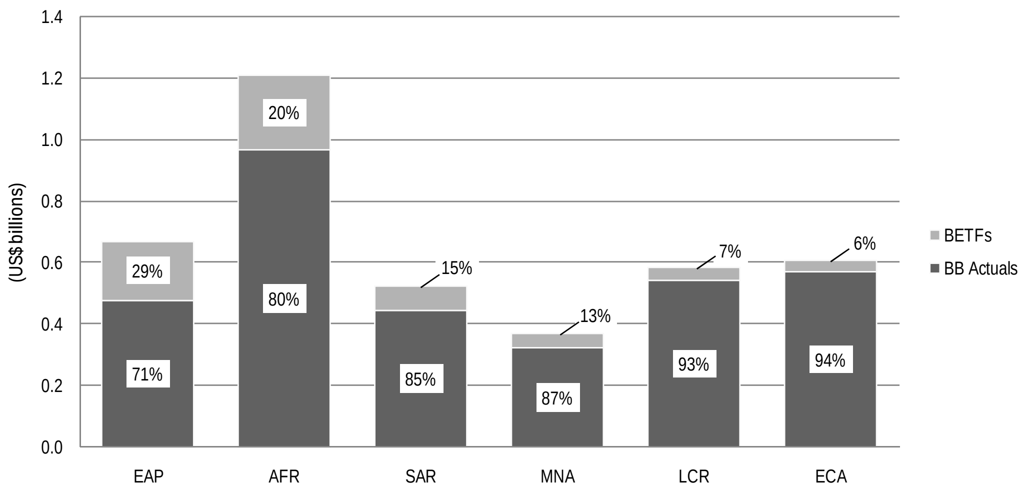


Source: World Bank database.
Note: SDN=Sustainable Development Network, FPD=Finance and Private Sector Development, HDN=Human Development Network, PREM=Poverty Reduction and Economic Management.

Among the Regions, East Asia and the Pacific's share of BETFs relative to budget is highest.

5.20 Within the Regions, figure 5.4 shows that the share of BETFs to total budget resources for the fiscal 2008–10 period is highest in East Asia and the Pacific, at 27 percent, and lowest in Latin America and the Caribbean and Europe and Central Asia, at 5 percent each. Different operating environments and overall approaches to the use of trust funds appear to be the main determinants of this marked variation, notably: (1) the particularly heavy use of BETFs in Indonesia (which accounts for over 40 percent of East Asia and the Pacific's BETF total); (2) East Asia and the Pacific's larger number of fragile states, where BETF use is typically heavy; (3) the Region's decision to engage in partnerships with donors in the field; (4) the Region's large number of customized cost-recovery arrangements with trust fund donors; and (5) its lesser use of fee-based services than is seen in Europe and Central Asia.

Figure 5.4 BETFs Provide a Large Share of Budget Resources for Africa and East Asia and the Pacific (FY08–10 Totals)



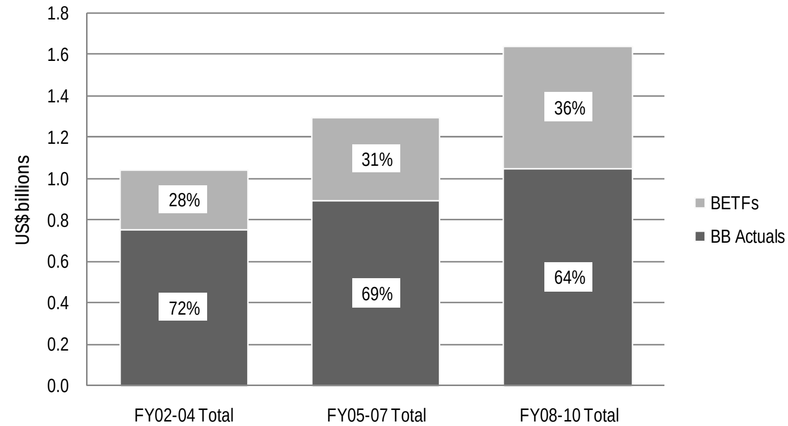
Source: World Bank database.

BETF IMPORTANCE FOR THE BANK'S KNOWLEDGE WORK

5.21 BETFs have been an especially important source of financing for the Bank's knowledge work as reported in the 2010 Knowledge Strategy paper.[8] Over the period fiscal 2002–10, BETFs financed 32 percent of the cost of core knowledge products. Their importance has increased from 28 percent in fiscal 2002–04 to a high of 36 percent in fiscal 2008–10 (as shown in figure 5.5).[9]

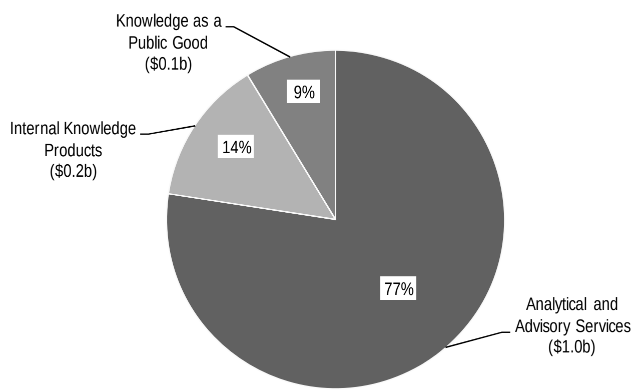
5.22 Most of this BETF-financed work has been AAA for client countries, as shown in figure 5.6, with the remainder financing internal knowledge products such as toolkits, good practice case studies, databases, and knowledge as a public good (such as research, global monitoring and data, and the World Development Report).

Figure 5.5Trust Funds Finance over a Third of the Bank's Core Knowledge Products



Source: World Bank database.

Figure 5.6 AAA Accounts for Three-Quarters of BETF Disbursements for Core Knowledge Products (FY02–10 Total)



Source: World Bank database.

The growing reliance on BETFs raises issues about the global, inclusive, and independent nature of the Bank's intellectual contributions.

5.23 While this study was not able to determine whether trust fund support has focused on particular topics or whether that funding has significantly shaped the overall portfolio of knowledge work, the growing reliance on BETFs raises issues about the global, inclusive, and independent nature of the Bank's intellectual contributions. Indeed, this concern was expressed by some Executive Directors during the Board discussion of the knowledge strategy planning document of November 2009, in particular in regard to BETF funding of the Bank's World Development Reports.

5.24 Sector managers stress the importance of trust fund resources for their analytical work and many in the Regions note that there are pressures to access trust funds for economic and sector work (ESW) in order to preserve Bank budget for project appraisal and supervision. According to the vast majority of those interviewed, budget constraints are an important—perhaps the most important—reason why staff pursue trust funds. They referred to "the budget squeeze," the work program "increasing tremendously while the Bank budget has remained flat," and the risk that their unit "would be out of business without trust funds." Many noted that, while they generally seek to be strategic in their mobilization and use of trust fund resources, they also often act opportunistically to drawing on trust fund resources where possible.[10] Many managers stated that quality assurance is better when trust fund resources are used together with Bank budget, and that they much prefer to use Bank budget than trust fund resources for reasons of efficiency and accountability.

Budget constraints are a main reason staff seek trust funds.

TRUST FUNDS' IMPACT ON THE BANK'S BUDGET

5.25 According to the fiscal 2011 budget document, "external funds" (including trust funds and some reimbursables) have become an important budget component and are expected to grow in this fiscal year, "but just enough to keep work program funding flat for most units at FY10 levels." The document further notes that trust funds are placing "demands on work programs and increasing budgetary pressures for their implementation and/or coordination."[11]

It costs the Bank more to manage trust funds than is captured in available data.

5.26 Bank staff can record their time only against a project as a whole, so information is not being gathered about the share of their time spent on trust-fund-related aspects of the work. This evaluation's country reviews and staff interviews find, however, that while staff look to trust funds to supplement Bank budget, they perceive at the same time that it costs more to manage trust-funded activities than trust funds typically provide for this purpose. The evaluation also found in its country studies that trust fund management costs are only partially recorded and funded. In other words, it costs the Bank more to manage trust funds than is captured in available data.

The Board is not informed well enough to exercise governance over the Bank's acceptance of responsibility for FIFs and other trust funds.

Board Oversight of the Trust Fund Portfolio

5.27 ***What information goes to the Board?*** The Board has been poorly informed about the Bank's administration of trust funds, though this has begun to change. Management provides reports on the trust fund portfolio, though not on a regular basis. This was done most recently in the form of a 2010 update on the implementation of the trust fund management framework. It provides some, though few, individual trust fund reports and updates. Management also posts a trust fund annual report on the Bank's internal and external Web sites. But this reporting does not describe trust funds in functional terms (that is, how they are used) other than with selected examples, nor does it attempt to report in any aggregated way on the effectiveness and efficiency of the use of trust funds.

5.28 As previously noted, only trust funds with specified characteristics are required to be presented for Board approval, and for the very large majority of trust funds, this requirement does not apply. Also, under current disclosure guidelines aggregate financial information on donor contributions is disclosed.[12] This does not include individual donor contributions to individual trust funds.

Trust funds have not been well integrated into the standard documentation on the Bank's business that goes to the Board.

5.29 ***Trust fund integration into Board documents***. Trust funds have not traditionally been well integrated into the standard documentation on the Bank's business that goes to the Board for review ***and, in some cases, approval, but improvemen***ts have been made in fiscal 2010. Notably:

- **CASs:** Trust funds are not yet adequately incorporated into CASs, though there has been some notable good practice within the past year (as discussed in chapter 2). This integration is an important way for the Board to be apprised of how trust funds are used in conjunction with the Bank's own resources in support of country programs.
- **The Quarterly Business Review:** These reviews, which provide an ongoing picture of budget and work program implementation for Budget Committee discussion, have increased their discussion of trust funds along the lines of what is now presented in the budget. There is room for further improvement in the level of detail and integration with the Bank budget and Bank operational issues. This would give the Board a comprehensive picture of the total resource use for Bank business and the relationships between different resource categories.
- **The annual budget:** Trust funds have traditionally not been well integrated into the Bank's budget, and this is only recently beginning to change. The fiscal 2011 budget document included more discussion of trust funds (and other external funds) at the entity and VPU levels. Tables for components of funding show, for example, the expected growth rates by VPU for Bank budget and for all funds, including BETFs and reimbursables. Further integration is possible, though there are limits due, for example, to differences between Bank budget and BETF resources in their utilization for Bank staff costs, periodicity, and predictability.

5.30 Consistent with the thrust of this report, more transparency on FIFs and IBRD/IDA trust funds and more integration of trust funds into the standard operating and reporting systems of the Bank is essential for the Board's oversight of this growing part of the Bank's business.

Summary

5.31 Along with adding resources to Bank country operations, trust funds have expanded the Bank's role in specific country circumstances (where lending is not feasible) and in the provision of public goods to an extent that could not otherwise have occurred with the Bank's own resources. FIFs, alone, have come to constitute a sizable new business line, and going forward it would be advisable for the Bank to review FIF experience to-date to determine whether the legal limitations on the Bank's responsibility for FIF-funded activities remains consistent with its overall trust fund policy of only accepting trust funds that promote development and aid effectiveness. Trust funds have also supplemented the Bank's budget in support of country operations and global knowledge work beyond what would otherwise have been possible—sometimes nudging Bank operations to pilot innovations. Thus trust funds amount to a de facto increase in the Bank budget, but not one made in the most strategic or efficient way. The Board has previously been poorly informed about the Bank's administration of trust funds and their implications for the Bank's overall business, though this has begun to change as evidenced by the greater attention to trust funds in the 2011 budget document.

6. Findings and Recommendations

6.1 The objectives of development assistance have expanded under the changing global conditions of the past 20 years. Public scrutiny of development assistance has intensified pressures on donor agencies to make aid more effective. The emergence of new governmental and nongovernmental donors has fueled a search for nontraditional mechanisms for aid delivery. In this environment, trust funds have emerged as a significant pillar of the global aid architecture, used alongside bilateral and multilateral aid.

6.2 Trust funds are vehicles for channeling aid funds from donors to be administered by a trustee organization such as the World Bank, UNDP, or other multilateral organization. Trust funds are not programs (though they are sometimes labeled as such) but rather dedicated sources of funding for programs and activities agreed between the donor(s) and the trustee organization.

6.3 Trust funds administered by the World Bank are highly varied. They comprise single-donor and multidonor funds. They may provide financing to a single or multiple recipient countries. They include FIFs—which hold, invest, and disburse funds when instructed by another body without the Bank supervising or overseeing the use of the resources—as well as trust funds whose programs and activities are managed by the Bank. The activities that trust funds finance are also highly varied, ranging from huge global programs with their own governance structures to conventional development projects, debt relief operations, and studies, technical assistance and project preparation carried out by the World Bank or recipients.

Findings

6.4 **Size.** In recent years, trust funds have accounted for about 11 percent of total development assistance. The World Bank administers the largest amount of donor trust fund resources. Over the fiscal 2002–10 period, donors contributed $57.5 billion to these funds. Contributions to FIFs account for more than half this amount. Out of the other half, Bank-managed trust funds provide about 8 percent of its total disbursements to recipient countries and almost a quarter of the total of trust funds and Bank budget used for project appraisal and supervision, economic and sector work and technical assistance, and other Bank work)..

6.5 **Rationale.** While donors, recipients, and trustee institutions have some overlapping interests in the use of trust funds, their interests diverge notably on matters of how trust fund allocation decisions are made and on how the use of their resources are governed and managed. Donors use trust funds to do things that cannot be done through traditional multilateral institutions—for instance, to earmark their funds for particular countries or development issues and engage directly in the Bank's implementation of programs and activities. And unlike bilateral aid programs, trust funds let donors pool funds to finance particular programs, tap into the capacities and systems of the trustee organization, and distance themselves from politically controversial activities.

6.6 For individual recipient countries, trust funds can be an additional source of aid for country programs and can facilitate donor coordination and harmonization. And for the Bank as a trustee institution, trust funds add resources to its country operations and work program, and permit engagement in global and regional activities outside the country-based business model. But trust funds also raise major strategic issues for the coherence and effectiveness of the international aid system. These varied interests of donors, recipients, and the World Bank in the use of trust funds also raise challenging questions about the appropriateness—or added value—and the effectiveness of trust funds as a distinct aid vehicle.

6.7 **The trust fund vehicle's added value.** Trust funds have not demonstrably added to total global ODA. Donor countries typically allocate money to trust funds from within a fixed aid budget. Trust funds do add value as a distinct aid financing vehicle, though, by providing coordinated financing and grant resources for individual countries and global and regional public goods.

6.8 Many trust funds help finance country-specific activities by scaling up IDA/IBRD operations, financing other investments, or funding technical assistance to build capacities. This support has generally reflected country priorities and accomplished intended outputs. By providing resources on grant terms, trust funds have been able to support activities in post-conflict and post-disaster countries or territories unable to borrow from the Bank. In these situations, trust funds have also served as platforms for aid coordination even when they have accounted for only a small proportion of total aid (though their achievements like those of other aid sources have been constrained by weak institutions and exogenous factors). On specific issues such as primary education, child immunization, and adaptation to climate change, trust funds have facilitated substantive coordination of donor funds around common program platforms, reducing the need for piecemeal activities in recipient countries. They have also supported partnership programs focused on the provision of global and regional public goods through grant financing and support for the generation of global knowledge.

6.9 In sum, the overall value added of these gap-filling functions is especially evident in responding to country emergencies, and in supporting the provision of global and regional public goods where customized financing and governance arrangements tend to be required and a country-focused model is not appropriate. In supporting individual countries' development efforts, trust funds may compensate for the limited availability of grant funds and the absence of earmarking mechanisms in World Bank and other MDBs, though an alternative might be to eliminate these gaps through changes to multilateral financing arrangements.

6.10 **Consistency with effective aid practices.** Trust-funded programs do not, however, consistently operate in an effective way. They do not necessarily integrate well with countries' own programs nor do they foster coordination on the ground with other sources of aid.

6.11 Significant shortcomings in the effective deployment of trust fund resources stem from inconsistencies with core Paris Declaration principles of country ownership and donor coordination. These inconsistencies, this evaluation finds, stem not from the type of activity that trust funds support (such as investment financing, technical assistance, and global knowledge), but rather from trust funds' core structural features, notably to whether they are single-or multicountry in scope and single- or multidonor in their financing and governance arrangements.

6.12 ***Country ownership*** is stronger in the case of single-country trust funds, almost by definition, than in global funds which support activities in multiple countries. Unless trust funds are country-specific, there is often little or no recipient participation in their initiation and design; trust-funded activities typically do not align with countries' priorities, and they are not necessarily well integrated into country budgeting and programs.

6.13 ***Donor coordination*** is facilitated, especially by the pooling of bilateral funds through MDTFs. This pooling eases the burdens on governments of dealing with multiple donors. But while trust funds may provide for strong coordination among participating donors, they do not necessarily coordinate well with other sources of aid. Overall, multidonor trust funds work better than single-donor funds in improving both aid coordination and efficiency gains, except in the case of single donor trust funds focused on a single country. In these cases, there are no significant differences in the performance of trust funds with a single or with multiple donors. Yet, even where trust funds have generated improved coordination, donors find trust fund coordination processes "too time-consuming." And recipients prefer direct budget support, unmediated by a trust fund mechanism.

6.14 **Impact on Bank business.** Trust funds have contributed to an expansion of Bank business by the scaling up of country operations, enhancing Bank involvement in the provision of coordinated support in special country circumstances, and increasing the Bank's role at the global and regional levels. Trust funds have also shaped the business of the Bank in two other major ways:

- *Support for an issue-focused business model, in parallel with the Bank's country-focused model***.** Most FIFs and more than half of IBRD/IDA trust funds are designed to support a particular sector or theme in multiple countries. Public administration and law is the most popular such sector, accounting for more than one-third of IBRD/IDA trust fund disbursements, followed by education and health and social services. About two-thirds of Bank sector managers interviewed for this evaluation report that access to this type of support enhances their unit's work modestly or significantly. In the absence of fuller integration of trust funds into Bank sector and country assistance strategies, however, it is not possible to determine how overall trust funds affect Bank work overall, nor whether they help to generate an optimal allocation of total available resources. The issue this raises for the coherence of Bank business is not the targeting of resources on a particular issue in itself, but rather how the determination is made of which issues to target and who is driving the agenda of the Bank.

- *Establishment of FIFs as a Bank business line.* The 16 active trust-funded FIFs, which received contributions exceeding $30 billion in fiscal 2002–10, were each established in an ad hoc way according to customized donor requirements, and each is designed to strictly limit the Bank's responsibility for the development outcomes of the use of FIF resources. Thirteen of these FIFs were submitted to the Board for approval, while three were deemed not to require approval under the current trust fund policy. Notwithstanding the legal limitations, these large undertakings entail opportunities and risks for development effectiveness and for the Bank. Independent evaluations indicate that the record to date is mixed on the development and aid effectiveness of FIF-funded partnership programs. Since donors regularly propose new FIFs, it would be advisable for the Bank to review the experience to date of this distinct and growing business line, to determine if the current framework for accepting and managing FIFs funds remains adequate to ensure consistency with the Bank's overall trust fund policy of only accepting trust funds (including FIFs) that promote development and aid effectiveness.

6.15 **Management, accountability, and risks**. All trust funds reviewed by the evaluation are broadly consistent with the Bank's mandate, but not always well aligned with Bank or client country priorities. Its trust fund management framework and policy focuses more on processes than on the strategic issues surrounding the Bank's continuing uptake of responsibility in administering donor trust funds.

6.16 The Bank's accountabilities for the trust funds it manages are—with some exceptions—weaker than for IBRD/IDA and Bank budget-financed activities. The accountability gaps arise because the Bank and donors have agreed to parallel allocation, approval, and business processes. Despite ongoing efforts at mainstreaming trust funds in Bank operational processes, many processes are attached to the source of funds rather than to the development activity being financed. This has generated inefficiency and weak accounting for results. If Bank-managed trust funds are to be used efficiently and in an accountable way, they need to follow the same policies, processes, and procedures that guide the use of the Bank's core resources.

6.17 There are both potential missed opportunities and risks to the Bank and its clients from the Bank continuing to accumulate trust fund resources and responsibilities without a clear strategy and more effective oversight and accountability. Clients face potential development risks and the Bank faces potential reputational risks from the Bank accepting trusteeship of individual trust funds that prove not to work well, and more generally, from taking on obligations that operate outside of Bank operational policies (as in the case of the FIFs) or are inconsistent with Bank commitments to aid effectiveness principles as set out in the Paris Declaration. Moreover, the unpredictability of multi-year donor contributions to established trust funds and, therefore, of trust fund financing to recipients poses risks to sustainability of support and program planning, both for clients and the Bank.

Recommendations

6.18 This evaluation concludes that because trust funds address limitations in bilateral aid and the existing multilateral system and have enabled the Bank to enhance its role in pursuit of its development agenda the Bank should continue to accept them. But changes are needed to foster more effective, efficient, and accountable use of trust funds. This evaluation recommends that the World Bank adopt a more structured and disciplined approach to the mobilization and deployment of these funds, based on the following three specific recommendations:

1. **For trust funds other than Financial Intermediary Funds.** In order 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, partnership programs, and umbrella facilities.

- **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 limits of bilateral aid expertise and enhance aid coordination. The funds should be managed and accounted for using the same processes as those used for Bank budget or IDA/IBRD lending, and the relevant 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.
- **Global and Regional Partnership Programs**: For trust fund-supported multiple-recipient country programs in which donors want to be actively involved in governance and implementation, a formally structured partnership can foster stakeholder voice, transparency in government operations, and accountability for results. When partners select this option, the Bank should continue to participate in them and require that each partnership program has 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.
- **Umbrella Facilities**: The Bank and donors should phase out the other multiple recipient country funds (including those executed both by recipients and the Bank) and establish instead a small number of multi-donor, multi-recipient umbrella facilities to mobilize and deploy trust fund resources. This approach would help to solve the problems identified in

the evaluation, namely 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 strategic priorities agreed with the Bank. For example, the Bank might establish one facility focused on a priority theme, such as governance or social development, which would allocate resources upfront to VPUs for work in the thematic area. The administrative arrangements for each facility would be designed to consolidate fundraising, allocate funds predictably and efficiently, and hold Bank staff and management accountable for results. Arrangements need not be uniform across the facilities and could entail sub-facilities 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 phase out of 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 launch two or more umbrella facilities by July 2012, with the intention of making a full conversion by the end of 2016.

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 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 FIF's and any resulting revisions of the Bank's framework should be presented to the Board by the end of 2011.

3. **Implications for aid architecture**. Trust funds are helping to address bilateral aid limitations and fill operational gaps in traditional multilateral aid mechanisms, including IDA, notably by providing pooled grant financing for specific countries, targeted development issues, and provision of global public goods. They also serve to coordinate governmental and nongovernmental sources of aid, and support programs with new governance arrangements. 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 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, as well as a discussion among shareholders to explore the comparative advantages of multilateral and trust fund aid modalities before the 2012 Annual Meetings.**

Appendix A: Methodology Note

Calculating Trust Fund Contributions as a Share of Global ODA

The OECD DAC report presents DAC member contributions as bilateral, multilateral core, and multilateral "non-core" (which member agencies individually report). Some trust funds are included in non-core aid and the large global funds are included in multilateral core aid. To obtain a comprehensive approximation it was necessary to separate out trust funds from both categories. There are two limitations to the rigor of the data, however: (1) not all global fund contributions were separated because data was only available for World Bank–administered global funds and (2) most agencies do not report the proportion of non-core that comprises trust funds. Therefore, this evaluation made use of available agency data to approximate the share of non-core aid that is accounted for by trust funds.

Country Case Study Selection Process

Eight countries were selected with a goal of capturing regional diversity and countries at different levels of development, with a sufficiently substantial trust fund presence to provide a richness of experience to review. In addition to randomly selecting six countries, this evaluation took the opportunity to collaborate with the two ongoing CAEs of Timor-Leste and West Bank/Gaza to assess the use of trust funds and the Bank's trust fund administration in coordination with other donors under those circumstances.

The remaining six country case studies were randomly drawn from a sampling universe that included active IBRD and IDA borrowers with populations over five million and safe visiting conditions, from across different regions, and with a substantial trust fund portfolio (defined as of minimum 15 percent of total Bank disbursements and 10 percent in the South Asia Region to ensure the Region's inclusion) and diverse trust fund presence (defined as at least two trust fund programs in each of the FIF and non-FIF categories, with an average program size of greater than $2 million in each category). From this universe, the countries were stratified into IBRD/blend and IDA countries, and six countries were selected by random sample, with the number of IDA to IBRD/blend countries reflecting the greater than 2:1 share of IDA to IBRD/blend in the overall universe. The resulting random sample drawn comprises four IDA countries (Benin, Rwanda, Ethiopia, and Bangladesh) and two IBRD/blend countries (Indonesia and Bolivia).

Random Sample Selection Process

A random sample of 36 trust fund programs was drawn for in-depth investigation in order to illuminate aspects of the Bank's performance in operating trust fund resources, as well as program relevance and effectiveness. Excluded from an overall universe of 227 trust fund programs were internal administrative trust funds, secretariats, IEG trust funds, programs currently being reviewed by IEG, and programs that had no disbursements over FY07–09. The resulting universe was stratified by size into three program groups: large (more than $100m disbursed over FY07–09), medium ($10m-$100m), and small (less than $10m). Of the 36 trust fund programs randomly selected, 25 percent were from the small group, 50 percent were from the medium group, and 25 percent were from the large group, reflecting the proportion of each in the universe sampled.

Brief Discussion on Limitations of Available Data

This evaluation utilized a range of Bank data sources for analyzing trust funds. This note identifies the main sources utilized and describes limitations encountered in the completeness or accuracy of the information available.

- **Trust fund database:** a database maintained by the Concessional Finance and Global Partnerships (CFP) unit containing detailed information on trust funds. Two main limitations encountered were (a) inability to track BETF and FIF disbursements to a project or recipient country (limitations also noted by CFP) and (b) lack of integration or consistency of trust fund information with other Bank data systems. Most notable was the lack of complete portfolio information at the country, regional, and corporate levels that listed funding sources (trust fund, lending, and Bank budget) separately. This impeded portfolio analysis at those levels.

- **eTrustfund portal:** CFP's main repository of trust fund–related information and designed much like the Bank's operations portal for projects. Limitations included many cases of missing or incomplete key documentation such as partnership review notes, trust fund proposals, administrative and grant agreements, and grant reporting and monitoring reports.

- **Business Warehouse:** the Bank's main data repository and the main data source for IEG evaluations had limited utility because trust fund disbursement data is only available starting in fiscal year 2008 and is not consistent with the trust fund database (as mentioned in the first bullet).

- **Operations portal:** the Bank's main repository of all project-related information and documentation. The key limitation encountered was a lack of integration of complete trust fund information that would enable the operations portal to act as a one-stop shop for all project-related information, no matter the source of funding.

Appendix B: Trust Fund Use in the Eight Case Study Countries/Territories

The use of trust funds in the eight case study countries varies considerably in terms of the engagement of the Bank and other donors in the country. In two of these cases, Timor-Leste and West Bank/Gaza, trust-fund financing has been the principal source of the World Bank's engagement, in coordination with major donors, for a critical period; in four cases (Bangladesh, Benin, Rwanda, and Bolivia) the amount ranges from a quarter to a third of their World Bank financing; and in two cases (Ethiopia and Indonesia) trust-fund financing is substantial in absolute terms, but smaller in relation to large Bank programs. More specifically, trust funds have been used in the eight countries in the following ways.

Bangladesh

The World Bank is one of the 4 largest aid donors in Bangladesh, and the country is the fifth largest IDA borrower. The current portfolio includes 24 active projects totaling $2.9 billion in commitments. Trust funds have become a significant share of Bank assistance to Bangladesh only in the past few years. Over the period FY02–09, Bangladesh received support from 120 trust funds, with a total grant amount of $646 million and disbursements of $594 million. In FY02–06 trust fund disbursements averaged about $33 million per year, whereas in FY07–09 trust fund disbursements rose to $143 million per year on average. The increase in trust funds during FY07–09 is explained mainly by the establishment in June 2006 of the $300 million MDTF that cofinances the Health, Nutrition, and Population Support Program (HNPSP) and which accounted for 59 percent of total trust fund disbursements in FY07–09. Main uses of trust funds have been to cofinance IDA projects (with some additional trust fund support for the preparation and supervision of cofinanced projects) and to support thematic programs of AAA focused on issues of governance and decentralization. In addition, there has been support for stand-alone AAA and support from global funds (notably GAVI, GEF, and the Global Fund) for the provision of global public goods. Overall, the use of trust funds has consolidated donor interventions and supported a volume of nonlending activities that would not have been possible under the Bank's budget. In the context of weak public financial management, trust funds have offered an alternative for donors that are interested in funding a sector-wide program but do not want to provide direct budget support.

Benin

Benin's IDA portfolio consists of 16 active projects for a total commitment of $597 million, including $116 million from Bank-administered trust funds. The total value of the Benin trust fund portfolio (as of mid-FY10) was $383.1 million. About $120.9 million was from IBRD/IDA trust funds (of which the EFA/FTI accounts for more than half), and the other $262.2 million from two FIFs (notably $20.6 million from the GAVI Fund and $241.6 million from the Global Fund since 2001). As a result, the health sector accounts for the majority (72 percent) of the total trust fund portfolio, followed by the education sector (20 percent). The Benin portfolio is characterized by the absence of Bank trust funds financed by donors at the country level; rather, all of the trust fund support is from global funds used to primarily to: cofinance an IDA Health System Performance Project; fund stand-alone projects in environment/natural resource management, education, and food security; and support economic and sector work and technical assistance in agriculture, health, and the environment. Donors have indicated that their main reasons for not establishing country-specific trusts are strong local presence in the country with capacity to manage their own aid allocations and a desire to interact directly with the government on its policies and strategies. Overall, trust funds brought resources to Benin's development assistance envelop in an amount equivalent to 16 percent of the IDA portfolio.

Bolivia

Bank lending activity in Bolivia has been modest, especially in recent years, with a current loan portfolio of 12 active projects, and total IDA disbursements for FY02–09 amounting to $576 million, of which $129 occurred in FY06–09. Bank-related trust fund activity in Bolivia since 2002 has also been modest (consisting of 12 grants under various Bank programs and global partnerships valued at $7.4 million, and one small free-standing grant of $32,000). Total disbursements for FY02–09 amounted to $124.3, including HIPC relief. Almost half of those disbursements came from three FIFs – the GAVI Fund, the Global Fund, and the GEF. Most of the IBRD/IDA trust fund support in recent years has come from global partnership programs, notably the Global Partnership for Output-based Aid, ESMAP, and the Global Facility for Disaster Reduction and Recovery. In addition, a number of earlier free-standing trust funds that continued disbursing during FY02–09 consist of carry-overs from the previous era of greater Bank engagement and are linked to the structural and institutional reforms in vogue at the time. With the exception of new Carbon Finance and Solar Home Systems grants, all other IBRD/IDA trust funds finance technical assistance and advisory services, many of them linked to Bank projects in the social sectors. It is hard to make a general case that Bank-administered trust funds play much of a role in Bolivia today, or that they have done so for some time, given the small amount of the grants involved and the even smaller sums that have been disbursed.

Ethiopia

Ethiopia is one of IDA's 5 biggest borrowers, with a portfolio of more than 30 operations and total net commitments of $4.3 billion at end-FY10. The Ethiopia country management unit currently monitors some 75 World Bank-administered trust funds with a total grant amount of $770 million. This includes both country-specific trust funds and grants from global and regional trust-funded programs, such as the GEF and the EFA/FTI. Ethiopia has also received some $1.3 billion from the Global Fund. Three large multi-donor trust funds cofinance Bank lending operations in the social sectors, notably in support of the Protection of Basic Services program, the Productive Safety Nets program, and an educational program (GEQUIP), which is receives EFA/FTI support. Donors created these country-specific MDTFs as replacements for direct budget support in order to continue funding public services and food security programs under political conditions that led to reservations about disbursing funds directly to the government. Other trust funds are used to support the preparation, implementation, and supervision of cofinanced projects; supplement Bank budget for economic and sector work; and to fund free-floating technical assistance. In a few cases, donors have created additional small trust funds to support the supervision of a main trust-funded program or project. Overall, trust funds have proven an indispensible instrument for development assistance in Ethiopia, primarily because they permit key donors to continue substantial funding in the social sectors under political conditions that make them reluctant to provide direct support to the government.

Indonesia

The World Bank program in Indonesia is one of its largest country programs, including 29 active projects totaling $4.2 billion, along with a Development Policy Loan with a Deferred Drawdown Option of $2.0 billion (not yet disbursed). Indonesia's trust fund portfolio has grown dramatically in recent years, mainly due to a series of natural disasters in 2004 and 2006 and continued expansion of the use of trust funds for technical assistance. Indonesia stands apart from the regional average in the predominance of technical assistance trust funds. New grant commitments averaged: $82 million/year during FY02–05; $377 million/year during FY06–07; and $154 million/year during FY08–09. As a share of all disbursements (IBRD, IDA and trust funds), over FY02–09, trust funds ranged from 8 percent in FY05 to 22 percent in FY06, averaging 15 percent over the entire period. With 197 trust funds and a total grant amount of $1.1 billion in its current portfolio, Indonesia is the largest recipient of trust funds in the East Asia and the Pacific Region (37 percent of FY09 total) and has the largest portfolio in the Bank (28 percent of all trust funds). Although the majority of FY02–10 trust fund disbursements in Indonesia have been used for disaster reconstruction, other major uses have included the co-financing of two large government programs (in community empowerment and education) and support for technical assistance, particularly in areas of public financial management, decentralization, and education. Overall, in Indonesia, trust funds are a core business of the Bank.

Rwanda

Over the past decade, the World Bank maintained a substantial presence in Rwanda, with commitments averaging about $100 million annually. Beginning in 2003, the primary mechanism for financial support has been a series of Poverty Reduction Strategy Grants, development policy operations that support the government's general budget. The trust fund portfolio has included 42 trust funds since FY02, with a total disbursed of $380 million over the period (however, this list is not comprehensive). Most trust fund support is from global programs, with the vast majority of trust fund resources (two-thirds over the last three fiscal years) having come from the Global Fund. There are few in-country, country-specific trust funds of any importance – this may be due to comfort among donors in working directly with the government through budget support or otherwise using country systems, obviating the need for tight World Bank oversight. Trust fund disbursements rose rapidly over the period FY02–09, even surpassing IDA disbursements in FY09. The key reason for this was the EFA-FTI, which in Rwanda was always processed as a DPO. This rise has accompanied the perception among donors that the country is well-managed, given its level of aid dependence, that the government development program is wholly owned and that the program is likely to succeed. Trust funds in Rwanda are used mainly for budget support for government-designed operations; cofinancing for IDA operations or GEF; analytical work and project preparation; and technical assistance.

Timor-Leste

The World Bank has been actively involved in the reconstruction and development of the economy of Timor-Leste since late 1999, through project financing, analytical and advisory services, and mobilizing and helping coordinate international assistance to the country. The early work was conducted exclusively under trust fund financing, largely the Trust Fund for East Timor (TFET) but also by drawing on other trust funds, followed since FY04 by IDA grants supported by large amounts of trust fund financing. Thus far, there has been no IDA lending to Timor-Leste, reflecting the authorities' policy to avoid external borrowing, including concessional loans. Thus, the Bank's engagement in Timor-Leste has been heavily dependent on trust funds, with a total trust fund contribution since inception of $405 million. This compares to total Bank approvals over the same period of $39.1 million (all IDA grants plus a $5 million Development Grant Facility allocation for the Post-Conflict Fund, and an IBRD initial contribution of $10 million to the TFET). As of 2008, total project commitments for TFET amounted to $177.5 million for Bank and ADB projects. Subsequent to the TFET, IDA mounted its own operations, the majority of which have been heavily cofinanced, mostly through trust funds. The Bank has accessed trust funds through six vehicles: (1) TFET (an MDTF for reconstruction activities and economic development); (2) cofinancing trust funds for the Transition Support Program and the Consolidation Support Program (conceived as a multidonor, medium-term program of balance of payments and budgetary support to provide bridge financing for the government to implement a priority development program in the years before substantial oil and gas revenues would come on stream); (3) cofinancing trust funds for IDA investment projects (mainly focused on financial management capacity building, education, and health sector support); (4) EFA/FTI support for primary education; (5) other trust funds, in part executed by the Bank in support of a variety of activities (Post-Conflict Fund, Extractive Industries Transparency Initiative for issues related to financial transparency pertaining to the petroleum sector); and (6) some smaller trust fund support drawn on for a variety of Bank activities in the country and including BETFs in support of the implementation of Bank cofinanced operations.

West Bank and Gaza

There were 34 trust funds administered by the World Bank between 2001 and 2009, amounting to $897.45 million and associated with 19 Bank projects or activities. Of these, 17 trust funds are country- specific and single purpose, 6 are country-specific but not purpose-specific, another 6 are Middle East and North Africa Region–specific and free-standing, and the rest provide support from global trust funds set up for specific themes (gender inclusion, statistical capacity and system build-up, financial sector reform and strengthening, and business incubation facilities development). Trust fund uses in West Bank and Gaza include nine AAA-type activities (economic and sector work, technical assistance, and financial support) that deal with a range of topics; two budget support operations; five emergency response projects; and three development projects. Budget support operations absorb $640.4 million and provide funds to the Ministry of Finance Central Treasury Account that are unmarked and untied. Emergency response projects absorb $220.8 million and finance non-salary items in the education, health, social and municipal sectors to keep the provision of services running and to deal with health and environmental safety threats through waste water management. Developmental projects absorb $22.4 million and cover topics such as enhancing the capacity of NGOs to deliver sustainable services to the poor; policy, legal, and institutional reform in the land administration sector; and enhancing the management and sustainable financing in tertiary education. Since 2006, donors have participated in two parallel joint funding mechanisms: Bank-administered trust funds and the European Commission's Temporary International Mechanism, followed by the Euro-Palestinian Mechanism for Socio-economic Management and Assistance, which has been the major contributor to the Palestinian Authority recurrent budget expenditures, which has included funding from only EU member states despite efforts to engage a wider group of donors.

Appendix C: List of Individuals Consulted

Government Officials from Recipient Countries	
Moussiliatou Abou Yaï	Ministry of Planning and Development, Benin
Delphin Aïdji	Ministry of Environment and Nature Protection, Benin
Mahmoud Al Astal	Ministry of Finance, West Bank and Gaza
Dr. Tesfaye Alemu	Ministry of Finance and Economic Development, Ethiopia
Maria Domingas Fernandes Alves	Ministry of Social Solidarity, Timor-Leste
Cairo Arafat	Ministry of Planning and Administrative Development, West Bank and Gaza
Codijia Bertrand	Ministry of Economy and Finance, Benin
Belachew Beyene	Ministry of Finance and Economic Development, Ethiopia
Dr. Agnès Binagwaho	Ministry of Health, Rwanda
Fernanda Borges	Parliament, Timor-Leste
Mario Viegas Carrascalao	Vice Prime Minister for Management and State Administration, Timor-Leste
Dossa Jacob Dagan	Ministry of Preschool and Primary Education, Benin
Camille-Alex Dagba	Ministry of Environment and Nature Protection, Benin
Dejene Demissie	Ministry of Finance and Economic Development, Ethiopia
Joao Cancio Frietas	Minister of Education, Timor-Leste
Joao Mendes Goncalves	Minister of Economy & Development, Timor-Leste
Jose Maria de Jesus Luis Guterres	Principal Adviser & IF Focal Point - Ministry of Economy and Development, Timor-Leste
Virgilio F. Guterres	Director General - Ministry of Infrastructure - Electricity of Timor-Leste, Timor-Leste
Jose Luis Gutierres	Vice-Prime Minister for Social Affairs, Timor-Leste
Mr. Suprayoga Hadi	Bappenas, National Development Planning Agency of Indonesia
Rui Hajam	Deputy Vice Minister of Finance, Timor-Leste
Mr. Mohamed Hatta	Ministry of Finance, Indonesia
Jose Ramos Horta	President, Timor-Leste
Théophile Hounhouedo	The Global Fund's Country Coordination Mechanism, Benin
Remy Iyikirenga	Ministry of Finance and Economic Planning, Rwanda
Bashar Juma'a	Ministry of Planning and Administrative Development, West Bank and Gaza
Jean Kanyamuhanda	Ministry of Infrastructure, Rwanda
Mr. Arastoo Khan	Ministry of Finance, Bangladesh
Ms. Nargis Khanam	Ministry of Health and Family Welfare, Bangladesh
Dorothée Kinde-Gazard	The Global Fund's Country Coordination Mechanism, Benin
Miguel Manetelo	Secretary of State for Youth and Sports, Timor-Leste
Allan Marlin	Financial Senior Adviser - Private Sector Policy Development Unit, Timor-Leste
Samuel Mendonca	Acting President, Democratic Party, Timor-Leste
Zachari Moussa	Ministry of Environment and Nature Protection, Benin
Prosper Musafiri	Central Public Investments and External Finance Bureau, Ministry of Finance and Economic Planning, Rwanda
Francis Musoni	Rwanda Demobilisation and Reintegration Program, Rwanda
Marie Rose Nago	Ministry of Health, Benin
Mr. Mulia Nasution	Ministry of Finance, Indonesia
Dr. Daniel Ngamije	National AIDS Control Commission, Rwanda
François Ngarambe	Ministry of Finance and Economic Planning, Rwanda

Government Officials from Recipient Countries	
Nadira Nijem	Ministry of Finance, West Bank and Gaza
Mohammad Ramahi	Municipal Development and Lending Fund, West Bank and Gaza
Wilson Rurangwa	Ministry of Education, Rwanda
Mariano Assanami Sabino	Ministry of Agriculture and Fisheries, Timor-Leste
Arthur Sabiti	Ministry of Finance and Economic Planning , Rwanda
Estephan Salameh	Ministry of Planning and Administrative Development, West Bank and Gaza
D. Savio	International Affairs - Office of the Deputy Prime Minister for Social Affairs, Timor-Leste
Kampeta Sayinzoga	Ministry of Finance and Economic Planning, Rwanda
Jean Sayinzoga	Rwanda Demobilisation and Reintegration Program, Rwanda
Michel Sebera	Ministry of Finance and Economic Planning, Rwanda
Hernani Viterbo C. Soares	Director - Instituto de Apoio ao Desenvolvimento Empresarial, Timor-Leste
Ms. Sumiati	Ministry of Finance, Indonesia
Tilahun Tadesse	Ministry of Finance and Economic Development, Ethiopia
Hermann Orou Takou	Ministry of Economy and Finance, Benin
Pierre Claver Tokplo	Ministry of Planning and Development, Benin
Mr. Md. Helal Uddin	Ministry of Health and Family Welfare, Bangladesh
Josée Uwamwiza	Ministry of Finance and Economic Planning, Rwanda
Mr. Prasetijono Widjojo	Bappenas, National Development Planning Agency of Indonesia
Théophile Worou	Ministry of Environment and Nature Protection, Benin

Donors	
Hani Abu Diab	Islamic Development Bank
Sawsan Aranki-Batato	Italian Consulate General, Office of Development Cooperation
Karl Backéus	Swedish International Development Cooperation Agency
Jean Barbé	European Commission
Per Oyvind Bastoe	The Norwegian Agency for Development Cooperation
Letizia Beltrame	Italian Consulate General, Office of Development Cooperation
Erik Berggrav	Norway Representative Office in West Bank and Gaza
Rob Bertram	United States Agency for International Development (USAID)
Gunnar Boe	The Norwegian Agency for Development Cooperation
Melinda Bohannen	Department for International Development (DFID)
Richard Bomboma	Embassy of Sweden
Beni Emile Bongo	United States Agency for International Development (USAID)
Dr. Mathias Braun	Policy Adviser, German Technical Cooperation (GTZ)
Jack Campbell	Department for International Development (DFID)
Elizabeth Carriere	Department for International Development (DFID)
Smita Choraria	Department for International Development (DFID)
Hans Peter Christopherson	Head of Mission, Royal Norwegian Embassy, Timor-Leste
John Clarke	United Nations Special Coordinator for the Middle East Peace Process (UNSCO)
Dick De Clercq	Embassy of Belgium
Herve Conan	Agence Française de Développement
Emmanuel David-Gnahoui	Danish Representative Office, Benin

Donors	
Vincent De Boer	Europe Aid, European Union
Antoon Delie	Embassy of Belgium
Ms. Nona Deprez	European Commission
Richard Dewdney	Department for International Development (DFID)
Navtej Dhillon	Treasury Department, US
Sabine Johanna Diallo	German Technical Cooperation (GTZ)
Mr. Kenny Dick	Department for International Development (DFID)
Mohamed Lamine Dramé	Belgium Representative Office in Benin
Nick Dyer	Department for International Development (DFID)
Merete Dyrud	Ministry of Foreign Affairs, Norway
Marc Engelhardt	KfW Bankengruppe
Asasbjorn Eidhammer	The Norwegian Agency for Development Cooperation
Tom Edvard Eriksen	Ministry of Foreign Affairs, Norway
Mr. Islam Faisal	Department for International Development (DFID)
Pierre Fortin	Canadian International Development Agency
Brian Frantz	United States Agency for International Development (USAID)
Mark Gallagher	European Commission (EC) Technical Assistance Office
Ali Gillies	Minister Counselor, Australian Agency for International Development (AusAID)
Ingrid Glad	Ministry of Foreign Affairs, Norway
Simon Goutner	Agence Française de Développement
Jan Willem le Grand	Minister of Finance, Netherlands
Christina Green	Canadian International Development Agency
Mr. Scott Guggenheim	Australian Agency for International Development (on leave from World Bank)
Mr. Erik Habers	European Commission
Réjean Hallée	Canadian International Development Agency
Henrik Harboe	Ministry of Foreign Affairs, Norway
Ingjerd Haugen	Ministry of Foreign Affairs, Norway
Eric Hilberink	Minister of Finance, Netherlands
Enomoto Hiroshi	Chief Representative, Japan International Cooperation Agency
Havard Hoksnes	Ministry of Foreign Affairs, Norway
Bard Hopland	Ministry of Foreign Affairs, Norway
Gaston Hountondji	Agence Française de Développement
Harvard Hugas	Ministry of Foreign Affairs, Norway
Hans Olav Ibrekk	The Norwegian Agency for Development Cooperation
Junko Izumiyama	Japan International Cooperation Agency
Ms. Julia Jacoby	Europe Aid, European Union
Ina Joachim	KfW Bankengruppe
Judith Johannes	European Commission (EC) Technical Assistance Office
Paul Keogh	PFM & Governance Advisor, Australian Agency for International Development (AusAID)
Mr. Omar Farooq Khan	Canadian International Development Agency
Anna Kwik	Ministry of Finance, Canada
Dr. Stephan Klingebiel	KfW Bankengruppe
Oliver Knight	Department for International Development (DFID)

Donors	
Wiliam Laitinen	United States Agency for International Development (USAID)
Ge Lambiza	Adida para a Cooperacao Multilateral Cooperation Atache, Cooperacao Portuguesa
Stuart Lane	Canadian International Development Agency, Ethiopia
Quentin Lebegue	Agence Française de Développement
Mr. Alan Leber	Canadian International Development Agency
Laura Leonard	Irish representative in Ethiopia
Simon Leury	Canadian International Development Agency
Phil Lewis	Department for International Development (DFID)
Dr. Heinz Loos	International Programme Manager, German Technical Cooperation (GTZ)
Asbjorn Lovbraek	The Norwegian Agency for Development Cooperation
Rima Majaj	Danish Representative Office, West Bank and Gaza
Julie Brayer Mankor	European Commission
Paulo a. Martins	Europe Aid, European Union
Trine Ronning Mathisen	Ministry of Foreign Affairs, Norway
Gavin McGillivray	Department for International Development (DFID)
Ms. Marion Mitschke	Europe Aid, European Union
Sara Mohns	German Technical Cooperation (GTZ)
Scott Morris	Treasury Department, US
Ms. Smita Notosusanto	Department for International Development (DFID)
Nassim Nour	Department for International Development (DFID)
Nina Nutter	Federal Ministry for Economic Cooperation and Development (Germany)
Julie Nutter	United States Agency for International Development (USAID)
Martyn Pennington	Europe Aid, European Union
Laurcence Pochard	Asian Development Bank
Suzanne Poland	United States Agency for International Development (USAID)
Tony Polatajko	Department for International Development (DFID)
Hans Poley	Netherlands Representative Office in Ethiopia
Ms. Renate Pors	Embassy of the Netherlands
Marina Skuric Prodanovic	Local Aid Coordination Secretariat, West Bank and Gaza
Harry Putker	Netherlands Representative Office in West Bank and Gaza
David Quenum	Netherlands Representative Office in Benin
Firas Raad	The Quarter Representative Office, West Bank and Gaza
Mr. Mohamed Rafiquzzaman	Department for International Development (DFID)
Lars Adam Rehof	Danish Representative Office, West Bank and Gaza
Finn Reske-Nielsen	Assistant Secretary-General, United Nations Integrated Mission in Timor-Leste
Juan Carlos Rey	Ambassador - Head of Delegation, European Commission
Alvaro Ribeiro	Program Officer, Australian Agency for International Development (AusAID)
Remy Rioux	Ministry of the Economy, Industry and Employment, France
Abigail Robinson	Department for International Development (DFID)
Cyril Rousseau	Ministry of the Economy, Industry and Employment, France
Outi Saarikoski	Finland Representative Office in West Bank and Gaza
Terri Sarch	Department for International Development (DFID)
Balbir Singh	The Norwegian Agency for Development Cooperation

Donors	
Narendra Singru	Senior Evaluation Specialist, Asian Development Bank
Helene Smith	Local Aid Coordination Secretariat, West Bank and Gaza
Libuse Soukupova	Europe Aid, European Union
Nina Steensen	Danish Representative Office, Benin
Angelo Stefanini	Italian Consulate General, Office of Development Cooperation
Elizabeth Stewart	Treasury Department, US
Ronald Steyer	KfW Bankengruppe
Magdalena Svensson	Sweden Consulate General, Jerusalem Office
Peter Taylor	Department for International Development (DFID)
Olivia Tecosky	The Quarter Representative Office, West Bank and Gaza
Masaru Todoroki	Aid Coordination Advisor, Japan International Cooperation Agency
Claudio Tognola	Swiss Representative Office in Benin
Vibeke Tralim	Ministry of Foreign Affairs, Norway
Costas Tsilogiannis	Minister-Counselor - Head of Policy Operations, European Commission
Jeffry Tudor	Department for International Development (DFID)
Rachel Turner	Department for International Development (DFID)
Jose Vinuesa-Santamaria	Europe Aid, European Union
Ms. Doris Voorbraak	Embassy of the Netherlands
Paul Walters	Department for International Development (DFID)
Dennis Weller	United States Agency for International Development (USAID)
Mark Anthony White	United States Agency for International Development (USAID)
Robert Wihtol	Director General - Pacific Department, ADB
Thomas Wiley	Europe Aid, European Union
Julia Williams	Canadian International Development Agency
Ms. Doris Wong	Canadian International Development Agency
Ms. Yolande Wright	Department for International Development (DFID)
Matthew Wyatt	Department for International Development (DFID)
Rumiko Yamamoto	Japan International Cooperation Agency

Other Interviewees	
Mari Alkatiri	Former Prime Minister, Timor-Leste
Jose Assalino	Chief Technical Adviser & Liaison Officer, International Labour Organization, Timor-Leste
Arsenio Bano	Former Minister of Labour & Solidarity, Timor-Leste
Cosme Fatima Baptsta da Silva	Executive Director - Ministry of Economy and Development, Business Development Support Institute, Timor-Leste
Dr. Rui Maria de Araujo	Former Min. of Health / Senior Management Advisor, Directorate-General Corporate Services, Ministry of Finance, Timor-Leste
Abrao de Vasco Conselho	BPA, Timor-Leste
Souleymane Diallo	United Nations Children's Fund (UNICEF)
Arne Disch	Scanteam, Norway
Chris Durman	Chief Executive Officer, ANZ , Timor-Leste
Alison Evans	Overseas Development Institute
Kathleen Gonclaves	President, United Co. Ltd, Timor-Leste

Other Interviewees	
Fr. Apolinario Gutieres	Timor-Leste
Karstein Haarberg	Scanteam, Norway
Paul Joyce	Representative, Oxfam, Timor-Leste
Hortense Kossou	United Nations Children's Fund (UNICEF)
Bobby Lay Ni Sing	Manager, Timor Global (TL) PTE LTD, Timor-Leste
Ueli Meier	Scanteam, Norway
Chana Opaskornkul	Emergency Programme Officer, Food and Agriculture Organization of the United Nations
Manolo Sanchez	Scanteam, Norway
Charles Scheiner	Representative, Lao Hamutuk, Timor-Leste
Bishop Gunnar J. Stalsett	Special Envoy to Timor-Leste, Ministry of Foreign Affairs
Joselito P. Supangco	Monitoring and Evaluation Specialist, Timor-Leste
Bill Tan Tjo Tek	Manager, Timor Global (TL) PTE LTD, Timor-Leste
Fernando Torrao Alves	Director Geral, Caixa Geral de Depositos, Timor-Leste
Hamadassalia Toure	United Nations Children's Fund (UNICEF)
Endre Vigeland	Scanteam, Norway
Abel Ximenes	Director, Kilbur Mata Dalan, Timor-Leste
Vicente Ximenes	Coordinating VP, Chamber of Commerce and Industry, Timor-Leste

Appendix D: Core Trust Fund Portfolio Statistics

D.1. Contributions

Table D.1.1. Donor Contributions by Classification and Donor Type (US$ millions)

Trust fund classification and donor type	*FY02*	*FY03*	*FY04*	*FY05*	*FY06*	*FY07*	*FY08*	*FY09*	*FY10*	*Total*
Financial Intermediary Funds	1,417	2,567	2,915	2,534	2,573	3,272	4,493	4,525	5,957	30,251
Sovereign government	1,059	1,870	2,236	2,058	2,253	2,941	4,207	4,180	5,161	25,965
World Bank Group	103	243	242	342	212	2	2	2	2	1,151
Intergovernmental Institutions	254	349	436	84	98	117	128	135	555	2,156
Private non-profit entities	0	104	0	50	0	200	100	146	120	720
Private for-profit organizations	-	-	-	0	-	-	3	3	-	6
Others	-	-	-	0	10	12	52	59	120	253
IBRD/IDA trust funds	1,245	1,244	1,893	2,049	2,396	3,741	4,012	3,645	4,344	24,570
Sovereign government	979	957	1,400	1,536	1,781	2,718	2,977	2,841	3,609	18,798
World Bank Group	93	56	189	161	99	246	191	209	104	1,348
Intergovernmental institutions	152	154	284	311	476	657	651	339	476	3,499
Private non-profit entities	17	72	16	30	21	48	43	120	42	409
Private for-profit organizations	5	4	5	12	18	73	150	136	112	516
Others	(0)	(0)	(1)	0	-	-	-	-	-	(1)
IFC trust funds	67	82	125	155	231	302	239	305	1,143	2,647
Sovereign governments	44	45	89	89	113	119	114	149	1,034	1,797
World Bank Group	22	30	34	59	109	160	91	132	102	739
Intergovernmental institutions	-	7	-	7	5	16	18	18	1	73
Private non-profit entities	-	-	-	-	2	3	3	1	3	12
Private for-profit organizations	-	-	1	0	2	4	12	4	2	26
Others	-	-	-	0	-	-	-	-	-	0
Grand total	2,728	3,893	4,932	4,738	5,200	7,314	8,743	8,475	11,444	57,468

Source: Trust fund database.

Table D.1.2. Ten Programs Received 67 Percent of Total FY02–10 Trust Fund Contributions (US$ millions)

Program name	*Trust fund classification*	*FY02*	*FY03*	*FY04*	*FY05*	*FY06*	*FY07*	*FY08*	*FY09*	*FY10*	*Total*	*Percent of total*
Global Fund for Aids, Tuberculosis, and Malaria	FIF	250	965	1,191	1,025	1,313	2,060	3,065	3,112	2,793	15,775	27
Global Environment Facility	FIF	386	514	1,003	734	720	831	787	696	581	6,253	11
Heavily Indebted Poor Countries (Initiative)	FIF	666	915	594	622	390	165	239	204	251	4,046	7
Afghanistan Reconstruction Trust Fund	IBRD/IDA trust fund	41	230	280	449	363	463	745	525	620	3,716	6
IFC technical assistance trust funds	IFC trust fund	62	77	121	142	227	296	237	303	1,127	2,591	5
Education for All-Fast Track Initiative	IBRD/IDA trust fund	-	-	8	39	143	345	420	202	300	1,457	3
Africa Human Development	IBRD/IDA trust fund	3	4	17	35	111	336	331	203	266	1,306	2
Carbon Fund	IBRD/IDA trust fund	5	9	30	66	163	130	202	344	230	1,179	2
Clean Technology Fund	FIF	-	-	-	-	-	-	-	41	1,004	1,045	2
CGIAR	FIF	89	110	99	130	100	89	94	104	143	959	2
Other programs		1,225	1,069	1,588	1,497	1,670	2,599	2,623	2,741	4,129	19,140	33
Grand total		2,728	3,893	4,932	4,738	5,200	7,314	8,743	8,475	11,444	57,468	

Source: Trust fund database.

D.2. Disbursements

Table D.2.1. Trust Fund Disbursements by Classification and Category (US$ millions)

Classification and category	*FY02*	*FY03*	*FY04*	*FY05*	*FY06*	*FY07*	*FY08*	*FY09*	*FY10*	*FY02–10 total*	*CAGR[b] (FY02–10)*
Financial Intermediary Funds	926	1,282	1,737	2,191	2,358	3,012	3,208	3,027	4,786	22,525	23%
IBRD/IDA trust funds	954	1,210	1,450	1,820	1,872	2,594	3,275	3,624	3,686	20,485	18%
BETF	188	221	267	299	317	384	416	467	575	3,133	15%
RETF	715	960	1,146	1,474	1,450	2,106	2,585	2,811	2,615	15,862	18%
Carbon Fund Transactions	0	1	1	2	12	19	145	180	133	495	115%
Other[a]	52	28	36	45	93	85	129	165	362	996	28%
IFC trust funds	51	69	84	109	134	188	241	274	996	2,145	45%
Total WBG-administered trust funds	1,931	2,561	3,270	4,120	4,363	5,793	6,724	6,925	9,468	45,155	22%

Source: Trust fund database.

a. Includes Internal Debt Service, Holding Accounts, and transfers from IBRD/IDA trust funds to non–World Bank Group organizations.

b. CAGR = Compound annual growth rate.

Table D.2.2. RETFs Share of IBRD/IDA Lending Disbursements (US$ millions)

Source of funding	*FY02*	*FY03*	*FY04*	*FY05*	*FY06*	*FY07*	*FY08*	*FY09*	*FY10*	*FY02–10 Total*	*CAGR[b] (FY02–10)*
Lending resource type											
IBRD[a]	11,218	11,893	9,999	9,725	11,806	10,822	10,470	18,386	28,711	123,030	12%
IDA[a]	6,579	6,957	6,853	8,856	8,862	8,390	9,090	9,194	11,423	76,204	7%
RETF	715	960	1,146	1,474	1,450	2,106	2,585	2,811	2,615	15,862	18%
RETF percentage (of IBRD, IDA, RETF)	4%	5%	6%	7%	7%	10%	12%	9%	6%	7%	

Source: Trust fund database.

a. From World Bank databases Portfolio Disbursement Information Report.

b. CAGR = Compound annual growth rate.

Table D.2.3. BETFs Share of Bank Budget Resources by Network and Region (US$ millions)

Source of funding	*FY02*	*FY03*	*FY04*	*FY05*	*FY06*	*FY07*	*FY08*	*FY09*	*FY10*	*FY02–10 total*	*CAGR[b] (FY02–10)*
Region											
Africa											
Bank budget actuals[a]	216	226	251	263	275	287	307	320	341	2,484	6%
BETF	28	32	39	45	47	58	70	79	95	493	17%
BETF percent (of Bank budget, BETF)	11%	12%	14%	15%	15%	17%	19%	20%	22%	17%	
East Asia & Pacific											
Bank budget actuals[a]	112	113	131	136	143	143	152	161	167	1,257	5%
BETF	24	23	28	40	48	49	54	64	74	403	15%
BETF percent (of Bank budget, BETF)	17%	17%	18%	23%	25%	26%	26%	28%	31%	24%	
Europe & Central Asia											
Bank budget actuals[a]	167	175	179	182	179	182	191	188	193	1,637	2%
BETF	13	12	13	13	12	13	9	12	18	115	4%
BETF percent (of Bank budget, BETF)	7%	6%	7%	7%	6%	7%	4%	6%	9%	7%	
Latin America & Caribbean											
Bank budget actuals[a]	138	145	156	164	167	168	176	179	188	1,481	4%
BETF	12	14	14	12	9	12	12	13	18	115	5%
BETF percent (of Bank budget, BETF)	8%	9%	8%	7%	5%	6%	6%	7%	9%	7%	
Middle East & N. Africa											
Bank budget actuals[a]	66	71	80	86	93	91	102	108	115	812	7%
BETF	7	5	8	11	11	13	12	18	18	104	13%
BETF percent (of Bank budget, BETF)	9%	7%	9%	12%	10%	13%	11%	14%	14%	11%	
South Asia											
Bank budget actuals[a]	76	85	99	111	121	131	140	147	160	1,071	10%
BETF	5	7	9	12	12	16	24	22	33	139	28%
BETF percent (of Bank budget, BETF)	6%	7%	8%	10%	9%	11%	14%	13%	17%	11%	
Networks											
Sustainable Development											
Bank budget actuals[a]	72	76	83	86	87	87	90	100	104	784	5%
BETF	40	49	53	59	66	79	90	104	108	647	13%
BETF percent (of Bank budget, BETF)	36%	39%	39%	41%	43%	48%	50%	51%	51%	45%	
Finance and Private Sector Development											
Bank budget actuals[a]	26	29	32	33	34	33	39	40	42	308	6%
BETF	6	10	14	14	16	19	25	26	27	158	19%
BETF percent (of Bank budget, BETF)	20%	26%	31%	30%	32%	36%	39%	40%	39%	34%	
Human Development											
Bank budget actuals[a]	24	29	32	32	31	31	33	36	37	285	5%
BETF	5	10	10	10	11	13	16	17	28	121	24%

Source of funding	*FY02*	*FY03*	*FY04*	*FY05*	*FY06*	*FY07*	*FY08*	*FY09*	*FY10*	*FY02–10 total*	*CAGR[b] (FY02–10)*
BETF percent (of Bank budget, BETF)	17%	26%	24%	24%	27%	30%	33%	32%	43%	30%	
Poverty Reduction & Economic Management											
Bank budget actuals[a]	22	24	27	28	29	29	32	32	32	256	5%
BETF	3	3	3	3	3	5	7	10	15	52	21%
BETF percent (of Bank budget, BETF)	12%	10%	9%	9%	10%	15%	19%	24%	32%	17%	

Source: Business Warehouse.

a. Bank budget actuals are from the World Bank databases Budget Cost Summary Report.

b. CAGR = Compound annual growth rate.

Table D.2.4. Activities Financed by IBRD/IDA Trust Fund Disbursements (US$ billions and percentages)

	FY02–04 total		*FY05–07 total*		*FY08–10 total*		*FY02–10 total*	
Activity	*$*	*%*	*$*	*%*	*$*	*%*	*$*	*%*
Financing of stand-alone projects[a]	1.5	41	2.6	41	3.9	37	8.0	39
Support of IBRD/IDA projects	1.0	29	2.1	33	3.5	33	6.6	32
Cofinancing	0.8	22	1.8	28	3.2	31	5.8	28
Project preparation	0.1	3	0.1	2	0.1	1	0.3	2
Appraisal & supervision	0.1	4	0.1	2	0.2	1	0.4	2
Transfers[b]	0.1	4	0.3	4	0.7	7	1.1	5
Implementation of GEF projects	0.4	10	0.5	8	0.7	6	1.6	8
Miscellaneous[c]	0.3	8	0.4	6	0.6	6	1.3	6
Carbon Fund transactions	0.0	0	0.0	1	0.5	4	0.5	2
AAA	0.2	4	0.3	4	0.4	4	0.8	4
Trust fund/grant admin and secretariats[d]	0.1	2	0.1	2	0.2	2	0.4	2
Debt service (non-IBRD/IDA)	0.0	1	0.0	0	0.1	1	0.1	1
Total IBRD/IDA trust funds	3.6	100	6.3	100	10.6	100	20.5	100

Source: Trust fund database.

a. Includes fully trust-funded projects.

b. Includes internal debt service, holding accounts, and transfers from IBRD/IDA trust funds to IFC and non–World Bank Group organizations.

c. Includes internal processes, knowledge management, partnership support, evaluations, and monitoring.

d. Includes secretariats for global partnerships and financial intermediary programs.

Table D.2.5.1 Number of Active Main Single- and Multidonor Trust Funds by Classification

Classification and donor type	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY02–10 average
FIF	47	49	51	50	48	49	49	50	55	50
Multidonor	15	15	15	15	14	15	15	16	24	16
Single donor	32	34	36	35	34	34	34	34	31	34
IBRD/IDA trust fund	759	768	718	663	727	779	757	761	773	745
Multidonor	73	88	107	129	172	214	237	264	310	177
Single donor	686	680	611	534	555	565	520	497	463	568
IFC trust fund	115	112	134	125	152	185	213	233	247	168
Multidonor	13	19	22	30	38	56	74	82	93	47
Single donor	102	93	112	95	114	129	139	151	154	121
Total	921	929	903	838	927	1,013	1,019	1,044	1,075	963

Table D.2.5.2. Single- and Multidonor Trust Fund Disbursements by Classification (US$ billions)

Classification and donor type	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY02–10 average
FIF	0.9	1.3	1.7	2.2	2.4	3.0	3.2	3.0	4.8	2.5
Multidonor	0.7	0.9	1.4	1.8	1.9	3.0	3.2	3.0	4.7	2.3
Single donor	0.3	0.3	0.4	0.4	0.5	0.1	0.0	0.1	0.1	0.2
IBRD/IDA trust fund	1.0	1.2	1.4	1.8	1.9	2.6	3.3	3.6	3.7	2.3
Multidonor	0.4	0.5	0.7	1.0	1.3	1.8	2.4	2.7	2.7	1.5
Single donor	0.6	0.7	0.7	0.8	0.6	0.8	0.9	0.9	1.0	0.8
IFC trust fund	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.3	1.0	0.2
Multidonor	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Single donor	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.2	0.9	0.2
Total	1.9	2.6	3.3	4.1	4.4	5.8	6.7	6.9	9.5	5.0

Table D.2.6. Ten Recipient Countries/Territories Receive 53 Percent of Total IBRD/IDA Trust Fund Disbursements (US$ millions)

Recipient country/territory	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY02–FY10 total	FY02–FY10 percent of total
Afghanistan	0	183	221	367	349	454	498	686	456	3,215	16%
West Bank and Gaza	36	94	171	236	123	49	217	245	299	1,471	7%
Ethiopia	4	8	2	5	14	312	270	301	321	1,239	6%
China	53	60	79	99	78	102	269	256	226	1,221	6%
Indonesia	79	62	46	39	193	167	151	172	212	1,122	5%
Vietnam	40	47	55	127	92	168	120	109	100	859	4%
Sudan	0	0	0	2	14	101	123	61	227	528	3%
Bangladesh	18	41	45	19	24	51	138	97	58	491	2%
Iraq	-	-	2	25	37	44	68	109	94	378	2%
Timor-Leste	42	52	49	44	18	29	18	17	16	287	1%
All other recipients	682	661	780	857	931	1,116	1,403	1,571	1,676	9,675	47%
Total	954	1,210	1,450	1,820	1,872	2,594	3,275	3,624	3,686	20,485	

Source: Trust fund database.

Appendix E: Trust-Funded Financial Intermediary Funds

The World Bank as trustee provides a variety of financial and operational services to the Financial Intermediary Funds (FIFs)[1]

- For all FIFs, the Bank provides a set of agreed financial services to a third party, such as standard trustee services, which usually include management of donor pledges, commitments, and promissory notes, investment management of trust fund liquidity, disbursement to designated recipients, and financial reporting.
- Under some FIFs, the Bank also provides customized treasury management or other agreed financial services, such as bond issuance (the International Finance Facility for Immunisation, or IFFIm) and other treasury services, hedging intermediation (IFFIm), and monetization of Certified Emissions Reductions (Adaptation Fund).
- For some FIFs, the Bank transfers funds (received from donors and managed in a trust fund) directly to multiple third party recipients (governments, private sector, private civil society or charitable organizations, or other recipients) based on instructions from and on behalf of a governing entity that has legal capacity and responsibility for the use of funds (for example, under the current Global Fund to Fight AIDS, Tuberculosis, and Malaria model).
- For other FIFs, the Bank transfers funds to a partner entity or to multiple implementing agencies (such as United Nations agencies or Multilateral Development Banks), which then manage and transfer the funds to final recipients. Each implementing agency applies its own policies and procedures in its supervisory and evaluation role, and each is accountable to the FIF governing body for the use of the funds (for example, the current Global Environment Facility model). Implementing agencies are generally required to report results to the Bank for incorporation into consolidated reporting.

The key features of the 16 active trust-funded FIFS are as follows

Adaptation Fund (AF): This is a trust-funded Global Partnership Program established in 2008 under the United Nations Framework Convention on Climate Change (UNFCCC) as a principal source of adaptation support for developing countries which are party to the Kyoto Protocol and a centerpiece of the international agenda on climate change. It is designed to finance climate change adaptation projects and programs based on the priorities of the eligible developing countries. Its primary financing comes not from traditional official development assistance, but from a 2% share of proceeds of the Certified Emission Reductions (CERs) issued by the Clean Development Mechanism (CDM) under the Kyoto Protocol. As of January 2010, 2.2 million CERs had been sold, generating approximately $39 million. The AF began disbursing began in FY10 and totaled $1 million over the fiscal year. The Bank is Trustee performing two core functions – CER sales and trust fund management – and is an Implementing Agency for AF-financed projects.

African Program for Onchocerciasis Control (APOC): The Onchocerciasis trust fund was established in 1976 and currently supports the African Program for Onchocerciasis Control Phase II (APOC II), a Regional Partnership Program. Succeeding the Onchocerciasis Control Program (OCP), APOC was launched in 1995 and includes 19 endemic African countries outside the OCP area. The objective of APOC is to establish, within 12 to 15 years, effective, self-sustainable, community-directed treatment of onchocerciasis with the drug ivermectin (community-directed treatment with Ivermectin, or CDTI) throughout endemic areas in the geographic scope of the program. Due to challenges, the duration of APOC has been extended to 2015, both to ensure sustained onchocerciasis control, especially in post-conflict countries, and to fully integrate onchocerciasis control activities into national health systems. For the period FY02–FY10, disbursements totaled $150 million. The World Bank acts as Trustee to administer funds and sits on both of APOC's governing bodies – the Joint Action Forum and the Committee of Sponsoring Agents.

Climate Investment Funds (CIF): This is a trust-funded Global Partnership Program established in 2008 under the UNFCCC as an interim measure to scale-up assistance to developing countries until the framework on climate change is operational. The CIF, funded at $6.5 billion, comprises of two FIFs described below:

- **The Clean Technology Fund (CTF)**, funded at $4.5 billion, provides new large-scale financial resources to developing countries to invest in clean technology projects which contribute to the demonstration, deployment, and transfer of low-carbon technologies with a significant potential for long-term greenhouse gas (GHG) emissions savings.

- **The Strategic Climate Fund (SCF)**, funded at $2.0 billion, provides financing to pilot innovative approaches or to scale-up activities aimed at specific climate change challenges or sectoral responses. The SCF operates through targeted programs: the Forest Investment Program (FIP), Pilot Program for Climate Resilience (PPCR), and Scaling Up Renewable Energy Program in Low Income Countries (SREP).

Contributors to the CIF can provide funding to the trust funds in the form of grant or capital contributions, and additionally in the case of CTF, concessional loan contributions. Both funds are able to provide concessional loans, grants and guarantees to recipients, through one of six partner MDBs which are required to return reflows (principal repayment, interest, fees or any other reflow of funds) received from recipients to the trust funds. These two funds began disbursing in FY10 with FY10 disbursements totaling $105 million for CTF and $26 million for SCF. The World Bank serves the CIF in four capacities: (i) acts as Trustee to administer the CTF and SCF Funds, (ii) is a non-voting member on each governing body – the CTF and SCF Trust Fund Committees and the FIP, PPCR, and SREP Sub-Committees, (iii) is one of six Implementing Agencies to implement programs and projects financed by the CIF, and (iv) houses the secretariat with the program manager reporting to the Bank's Director of Environment and the CIF Trust Fund Committees.

Consultative Group on International Agricultural Research (CGIAR): This Global Partnership Program was established in 1971 and began receiving donor trust fund support in 1975 as part of its funding. It has since become a formal association comprising public and private sector members from developed and developing countries, with FAO, IBRD, the International Fund for Agricultural Development (IFAD), and UNDP as cosponsors. CGIAR promotes sustainable development of agriculture by providing international agricultural research centers – whose research areas include improving major food crops for added resilience and nutritional value, and enhancing the management of crops, livestock, trees, water, soil, and fisheries – with financial assistance and strategic guidance. For the period FY02–FY10, disbursements totaled $955 million. The World Bank serves CGIAR in three capacities: (i) acts as Trustee to administer funds including the disbursement of resources to CGIAR centers, (ii) chairs CGIAR's governing body – the CGIAR Fund Council, and (iii) houses the CGIAR secretariat with the program manager reporting to the Bank's Vice President of SDN and the CGIAR Fund Council.

Debt Relief Trust Fund (DRTF) formerly known as the Heavily Indebted Poor Countries (HIPC) Initiative: This fund was launched in 1996 by the World Bank and the International Monetary Fund (IMF) to reduce the external debt of the most heavily indebted countries from unsustainable to sustainable levels. The initiative has been designed to provide substantial debt relief to countries that implement critical social and economic reforms as part of an integrated approach to sustainable development, and is used specifically in cases where traditional debt relief mechanisms are not enough to help countries exit from the rescheduling process. In 2005, to help accelerate progress toward the United National Millennium Development Goals (MDGs), the DRTF Initiative was supplemented by the Multilateral Debt Relief Initiative (MDRI). Forty countries are registered as eligible or potentially eligible, 24 of which are receiving full debt relief from the IMF and other creditors after reaching their completion points. The resources of DRTF are managed by IDA, on the basis of decisions made by donors and by multilateral creditors. For the period FY02–FY10, disbursements totaled $4.9 billion. The World Bank acts as Trustee to administer DRTF funds.

GAVI Fund Affiliate (GFA): GFA is a trust fund set up in 2006 as a holding account to receive pledges from International Finance Facility for Immunization (IFFIm) donors for securitization (IFFIm is described separately). The securitized funds are then used to provide poor countries with frontloaded financing to procure vaccines and support immunization programs approved by the GAVI Alliance, a Global Partnership Program currently supporting immunization programs in 70 of the world's poorest countries through IFFIm/GFA. GFA began disbursing in FY07 and disbursed $1.6 billion through FY10. The World Bank serves as the account administrator for the GFA account and while the World Bank sits on the GAVI Alliance Board and Executive Committees, it does not serve on the GFA board.

GAVI Fund Trust Fund (GAVI): The GAVI Fund was created as a financing arm to help support the GAVI Alliance immunization goals by managing and disbursing funds for immunization programs. Launched in 2007, the GAVI Fund Trust Fund was created to manage the resources which several sovereign governments and other public sector contributors agreed to make available to finance the projects and programs supported by the GAVI Fund. The GAVI Fund began disbursing in FY09 and disbursed $236 million through FY10. The World Bank serves the GAVI Fund as Trustee to administer the funds in the GAVI Fund Trust Fund. The World Bank is a voting member on the GAVI Alliance Board.

Global Agriculture and Food Security Program (GAFSP): This is a trust-funded Global Partnership Program approved by the World Bank's Board of Executive Directors in January 2010. It is a multilateral financing mechanism which will allow the immediate targeting and delivery of additional funding and private entities to support national and regional strategic plans for agriculture and food security in poor countries. Financial contributions have been provided or pledged by four G20 member countries and the Bill & Melinda Gates Foundation. Donors may choose to channel funds through public or private sector windows with public sector funding being held in a trust fund at the World Bank, whereas private sector window funding will be held in trust by the IFC. Although total commitments through April 2010 equal about $900 million over 3 years, the fund was not disbursing as of the end of FY10. The World Bank serves GAFSP in four capacities: (i) acts as Trustee to administer funds, (ii) is a non-voting member and observer on the GAFSP Steering Committee, (iii) is Implementing Agency for GAFSP-financed projects, and (iv) houses the secretariat with the program manager reporting to the Bank's Director of Agriculture and Rural Development and the GAFSP Steering Committee.

Global Environment Facility (GEF): This is a trust-funded Global Partnership Program established in 1991 as an independent financial mechanism for providing grants and concessional funding to cover the "incremental" or additional costs of measures to assist in the protection of the global environment and to promote environmental sustainable development. Today, the GEF is the largest funder of projects focused on global environmental challenges and a global partnership among 180 countries, international institutions, non-governmental organizations, and the private sector. It provides grants for projects related to six focal areas: (i) biodiversity, (ii) climate change, (iii) international waters, (iv) land degradation, (v) the ozone layer, and (vi) persistent organic pollutants (POPs). The GEF also serves as a financial mechanism for the following four conventions: (i) Convention on Biological Diversity (CBD), (ii) United Nations Framework Convention on Climate Change (UNFCCC), (iii) Stockholm Convention on Persistent Organic Pollutants, and (iv) UN Convention to Combat Desertification. For the period FY02–FY10, GEF disbursements totaled $2.7 billion. The World Bank serves the GEF in four capacities: (i) since 1994, the World Bank – as one of the founding partners of the GEF – has served as the Trustee and administrator of funds, (ii) occupies two official observer positions on the governing body – the GEF Council, (iii) is one of ten Implementing Agencies for GEF-financed projects, and (iv) as a special case, the World Bank provides administrative support to the GEF secretariat and while the secretariat is physically located in the Bank's building, it has its own independent governance structure with the CEO reporting to the GEF Council and Assembly. The GEF also provides secretariat services for the previously described Adaptation Fund and operates two other FIFs – the Least Developed Countries Fund for Climate Change (LDCF) and the Special Climate Change Fund (SCCF) which are described below:

- **Least Developed Countries Fund for Climate Change (LDCF):** This is a trust-funded Global Partnership Program established under the GEF in November 2001 under the UNFCCC at its seventh session in Marrakesh to address the needs of least developed countries (LDCs) whose economic and geophysical characteristics make them especially vulnerable to the impact of global warming and climate change. The trust fund was setup in 2002 and in its initial phase supports a work program to assist Least Developed Country Parties carry out preparation and implementation of National Adaptation Programs of Action (NAPAs) which identify priority activities that address the urgent and immediate climate change adaptation needs. Trust funds began disbursing in FY04 and have totaled $27 million through FY10. The World Bank serves the LDCF in three capacities: (i) acts as Trustee to administer funds, (ii) occupies two official observer positions on the governing body – the GEF Council, and (iii) is an Implementing Agency for LDCF-financed projects.

- **Special Climate Change Fund (SCCF):** This is a trust-funded Global Partnership Program established under the GEF in November 2001 under the UNFCCC at its seventh session in Marrakesh. The trust fund was setup in 2004 to finance activities, programs, and measures relating to climate change that are complementary to those funded by the resources allocated to the climate change focal area of the Global Environment Facility (GEF) trust fund and by bilateral and multilateral funding in the areas of: (i) adaptation; (ii) transfer of technologies; (iii) energy, transport, industry, agriculture, forestry, and waste management; and (iv) activities to assist developing countries whose economies are highly dependent on income generated from the production, processing, and export or consumption of fossil fuels and associated energy-intensive products in diversifying their economies. Trust fund disbursements began in FY07 and have totaled $22 million through FY10. The World Bank serves the SCCF in three capacities: (i) acts as Trustee to administer funds, (ii) occupies two official observer positions on the governing body – the GEF Council, and (iii) is an Implementing Agency for SCCF-financed projects.

Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund): This is a trust-funded Global Partnership Program established as an independent legal entity in 2002 to attract, manage and disburse resources rapidly, and to leverage additional resources to stem and provide treatment for three specific diseases. Structured as a partnership between developed countries, developing countries, the private sector, civil society and affected communities, the fund finances disease-specific programs developed by recipient countries, and in recent years program components focused more broadly on health systems strengthening. Around 68% of Global Fund investments are in low-income countries, with another 25% in lower-middle-income countries. Since its establishment in FY02 through FY10, disbursements have totaled $11.8 billion. The World Bank serves as Trustee of the Global Fund making disbursements directly to recipient countries on instruction from the fund and is a non-voting ex-officio member of the board.

Guyana REDD-Plus Investment Fund (GRIF): This fund was agreed between the World Bank and Norway in October 2010 as the financial mechanism through which Norway will channel performance-based compensation to support the implementation of Guyana's Low-Carbon Development Strategy (LCDS). It was established to provide interim payments to Guyana ahead of an international REDD (Reducing Emissions from Deforestation and

Forest Degradation) -Plus mechanism to support Guyana and as a pilot for subsequent funding to others. Norway's annual contributions to the GRIF will depend on Guyana meeting pre-agreed performance criteria related to REDD and verified by an independent entity selected by Norway and Guyana. It is expected that Norway will provide funding of up to $250 million through GRIF over six years. No cash transfers had been made as of end of calendar 2010. The World Bank acts as Trustee.

Haiti Reconstruction Fund (HRF): Effective as of May 2010, this is a trust-funded partnership between the international community and the Government of Haiti to help finance post-earthquake reconstruction. The HRF mobilizes, coordinates, and allocates contributions from bilateral and other donors to finance high-priority projects, programs, and budget support. The HRF does not manage all of the resources pledged for rebuilding, but is the largest source of un-earmarked financing which it disburses to implementing agencies acceptable by any one of its three partners (the Inter-American Development Bank, the United Nations, and the World Bank). While as of October 15, 2010, nine donors contributed almost $255 million to the Fund, the fund was not yet disbursing as of the end of FY10. The World Bank serves HRF in four capacities: (i) acts as Trustee to administer funds, (ii) occupies two non-voting seats on the HRF Steering Committee – one as the Trustee and one as a partner entity, (iii) is an Implementing Agency for HRF-financed projects, and (iv) houses the secretariat with the program manager reporting to the LCR Director of Strategy and Operations and VP and the HRF Steering Committee.

International Finance Facility for Immunization (IFFIm): IFFIm is a development financing institution whose aim is to provide funding more quickly and predictably for immunization programs through the GAVI Alliance, a Global Partnership Program, to 70 of the world's poorest countries. Launched in 2006, IFFIm has received pledges worth $5.3 billion for the next 20 years from the governments of 8 countries. With the backing of these government commitments, IFFIm borrows money by issuing bonds in the capital markets to fund vaccination programs in developing countries, thus using financial markets to frontload commitments. IFFIm disburses funds through the GAVI Fund Affiliate (GFA) which is described separately. The World Bank serves as the treasury manager for IFFIm and manages donors' binding commitments and pledges. The Bank arranges issuance of IFFIm bonds and provides risk management, investment management, accounting, legal, and other administrative services. While the World Bank sits on the GAVI Alliance Board and Executive Committees, it does not serve on the IFFIm board.

Appendix F: Reliance on Donor Funds to Support International Finance Corporation Activity

Donor Commitments

The IFC trust fund contributions increased significantly over the last year, albeit from a low base, from $305 million in FY09 to $1,142 million in FY10. Donors' share in total annual trust fund contributions increased from 50–60 percent in previous years to 91 percent in FY10.

Table F.1. IFC Trust Fund Contributions by Donor

	FY06	FY07	FY08	FY09	FY10
Donors	122	143	149	175	1,042
World Bank Group	109	160	90	130	100
Grand total	231	302	239	305	1,142

Source: IFC.

In the past, trust fund contributions primarily funded IFC Advisory Services activities, and only a small portion (less than 20 percent on an annual basis) was devoted to non-Advisory Services such as donor-funded investments (see table F.2). FY10 witnessed a significant change. In support of IFC's crisis-response initiatives, trust fund contributions for investments from donors expanded to $892 million in FY10 and accounted for 78 percent of overall IFC trust fund contributions in FY10 (see table F.2).

Table F.2. IFC Trust Fund Contributions by Activity Type

	FY06	FY07	FY08	FY09	FY10
Advisory Services	217	267	233	241	250
Non-Advisory Services (Donor funded investments)	14	35	6	64	892
Grand total	231	302	239	305	1,142

Source: IFC.

Donor-Funded Advisory Services

Trust funds serve as one of the main instruments for financing Advisory Services and are used for managing donor, client, and IFC's own contributions (through FMTAAS, the Funding Mechanism for Technical Assistance and Advisory Services) to Advisory Services. Sovereign donors are the single largest funding source for IFC Advisory Services. IFC has also developed new, nongovernmental sources of funding, such as institutional and private partners/foundations. In FY10, 19 donor governments made new commitments to IFC Advisory Services totaling $152 million, while institutional donors (namely GEF and the

European Commission) committed just under $20 million, and private foundations, $9.6 million.

Donor commitments are now typically pooled,[1] for multiyear programs, and IFC's contribution through FMTAAS is designed as a complementary long-term pot of funds, covering regions or activities where donor funding is scarce. Hence Advisory Services programs are, in effect, funded several years out. Donor funding is in some cases still raised on a project–by–project basis, as in Central and Eastern Europe. FMTAAS involves taking a portion of IFC's retained earnings and designating it to FMTAAS (using a sliding-scale formula) on a yearly basis by the IFC Board, based on IFC management proposal. Recognizing the likelihood of fluctuations in IFC's financial performance, FMTAAS was designed to provide a stable (multi-year) funding source for the advisory business. Annual designations to FMTAAS are linked to IFC's financial performance through a sliding-scale formula based on net income. Allocations from FMTAAS to specific programs are made by IFC management, with Board approval required, depending on the size of the funding requested.

Trust-funded Advisory Services activities are fully aligned with IFC's regional strategies and create an integral part of IFC's overall business strategy. Each regional strategy for FY11–13 presented to IFC management included Advisory Services programs financed through trust funds. IFC manages an active portfolio of 736 Advisory Services projects for over $850 million commitments (as of FY10). In FY10, Advisory Services expenditures totaled $268 million. IFC employs over 1,000 advisory staff in 84 offices across 66 countries. Through its Advisory Services, IFC provides advice, problem solving, and training to companies, industries, and governments and is organized into four business lines: access to finance, investment climate, public-private partnerships, and sustainable business advisory.

- ***Access to Finance:*** IFC's goal is to help increase the availability and affordability of financial services, particularly to micro, small, and medium enterprise clients. This business line focuses mainly on building bank and nonbank financial institutions; improving financial infrastructure; and improving the legal and regulatory framework. At the end of FY10, IFC had an active portfolio of 238 projects in 68 countries valued at nearly $290 million.
- ***Investment Climate:*** IFC's goal is to help governments implement reforms to improve their business environment and encourage and retain investment, thus fostering competitive markets, growth, and job creation. At the end of FY10, the active portfolio accounted for 144 projects in 67 countries for over $185 million.
- ***Public-Private Partnerships:*** IFC advises governments on structuring public-private partnership transactions in infrastructure and other public services. IFC's advice helps governments achieve long-term economic grown and better living standards by harnessing the potential of the private sector to increase access, enhance quality, and improve the efficiency of public services such as electricity, water, health, and education. IFC's advice is based on global best practices and balances the needs of investors with public-policy considerations and the needs of the community. At the end of FY10, the active portfolio amounted to 91 projects in 53 countries for $130 million.

- ***Sustainable Business***[2]*:* IFC promotes sustainable business practices, specifically among firms in infrastructure, extractive industries, manufacturing, agribusiness, and services sectors. IFC's programs encourage good corporate governance, build the capacity of small and medium firms, support women entrepreneurs, and promote management and investment decisions that are sustainable and inclusive. At the end of FY10, the active portfolio accounted for 263 projects in 70 countries for $255 million.

The management of trust funds in IFC is decentralized and executed through global departments for programs in headquarters and in regional departments for programs in regions across the four business lines. Advisory programs/facilities are typically established for 4–5 year horizons and are pooled by theme or regions. Among other areas, FMTAAS covers strategic activities where donor funding is insufficient or unavailable.

Donor-Funded Investment Activities

The portfolio of donor trust funds for investment purposes has been expanding recently (see table F.2) due to donor contributions to IFC's crisis response initiatives such as the Global Trade Liquidity Program and the Microfinance Enhancement Facility, which account for 78 percent of the value of the total IFC trust fund portfolio. IFC invests these funds along with its own resources.

The Global Trade Liquidity Program (GTLP) began its operations in May 2009, channeling funds to support trade in developing markets and to address the shortage of trade finance resulting from the global financial crisis. It raises funds from international finance and development institutions, governments, and banks, and it works through global and regional banks to extend trade finance to importers and exporters in developing countries. With targeted commitments of $4 billion from public resources, the program expects to support $45 billion of trade in three years. IFC's commitment to the program is $1 billion. IFC mobilized $882 million for the program by facilitating and structuring partnerships and negotiating legal agreements with four donors (Saudi Development Fund, United Kingdom's DFID, Dutch MOFA, and Canada's Ministry of Finance). IFC has created an innovative Trust Fund Mechanism to allow channeling these funds through IFC trust funds to the global and regional banks to extend trade finance to importers and exporters in developing countries. In the GTLP, IFC, in addition to being an agent, acts as an implementing entity for the GTLP donors. At the end of FY10, Latin America and the Caribbean and East Asia and the Pacific represented 62 percent of the GTLP trade supported, whereas Sub-Saharan Africa accounted for 19 percent.

The Microfinance Enhancement Facility (MEF) has been launched by IFC and the German development bank KfW to support microfinance institutions. IFC and KfW invested $150 million and $130 million, respectively, to help fundamentally sound microfinance institutions facing severe credit constraints in the wake of the financial crisis. The goal of the Microfinance Enhancement Facility is to provide refinancing to more than 100 microfinance institutions in as many as 40 countries and to support lending to as many as 60 million low-income borrowers.

The investments helped mobilize funds from other partners, including the European Investment Bank, the OPEC Fund for International Development, and development agencies from Austria, Germany, the Netherlands, and Sweden. Sweden has contributed $10 million through the trust fund arrangement.

Appendix G: World Bank Operational Policy on Trust Funds (OP 14.40)

These policies were prepared for use by World Bank staff and are not necessarily a complete treatment of the subject.	**OP 14.40** **July, 2008**

Note: This operational policy statement replaces the statement dated February 1997, and the Operational Memorandum: *Use of Tied Trust Funds and Contacts with Trust Fund Donors*, dated June 16, 1998. It applies to all Trust Fund Proposals (TFPs) that are submitted to Concessional Finance and Global Partnerships (CFP) on or after July 1, 2008. 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.

1. A trust fund is a financing arrangement set up with contributions from one or more donors and, in some cases, from the World Bank Group. [1] The Bank [2] establishes and administers trust funds as a complement to IDA and IBRD financing to promote development and aid effectiveness by leveraging its capacity and development knowledge. The Bank encourages trust funds that draw on its operational role, include contributions from more than one donor, reinforce country capacity and ownership, and promote harmonization and alignment of donor aid modalities. Selectively, the Bank also provides specific administrative and financial services to the international community for trust funds that support work on issues of global importance and where the Bank may not perform an operational role.

2. The Bank accepts contributions from both sovereign and non-sovereign donors, and from the World Bank Group, provided that they meet criteria set out below. Trust funds do not extend any unfair advantages or benefits to the donor.

3. For each intended trust fund, the Bank decides whether to accept the role or responsibilities proposed, based on the following criteria:

(a) *Consistency with the Bank's Purposes and Mandate*. Activities financed from the trust fund are in keeping with the IBRD and IDA Articles of Agreement.

(b) *Strategic Relevance*. Activities financed from the trust fund are aligned with the Bank's strategies.

(c) *Risk Management and Controls*. The risks arising from the trust fund, including those arising from any conflicts of interest or any restrictions on its use, are explicitly considered and are judged to be acceptable and manageable by the Bank.

(d) *Governance*. The Bank has decision-making authority in the use of the funds adequate to fulfill its roles in administering the specific type of trust fund. [3]

(e) *Nationality Restrictions on Procurement.* The Bank does not accept any contribution to a trust fund that imposes nationality restrictions on procurement (as distinct from nationality restrictions on recruitment, which may still be accepted [4]).

(f) *Operational Efficiency and Sustainability*. Trust funds are of a sufficient size [5] to ensure efficient administration, and preferably are programmatic [6] in design. The Bank recovers the costs of performing agreed roles in administering a trust fund, taking into account benefits associated with such funding.

4. The Bank's roles in administering a trust fund can vary, depending on its type. The Bank always performs some financial or administrative roles, and may also perform one or more operational or partnership support roles. Based on these roles, the Bank categorizes trust funds into three types:

(i) *Recipient-Executed Trust Funds* (RETFs)—funds that the Bank passes on to a third party and for which the Bank plays an operational role—i.e., the Bank normally appraises and supervises activities financed by these funds; [7]

(ii) *Bank-Executed Trust Funds* (BETFs)—funds that support the Bank's work program;

(iii) *Financial Intermediary Funds* (FIFs)—funds that involve financial engineering or complex finance schemes, or where the Bank provides a specified set of administrative, financial or operational services.

5. Trust funds involve three levels of administration—the trustee level at which funds are contributed, the program level at which they are allocated, and the disbursement level at which they are disbursed through grant accounts. While a grant account can be of only one type, at the trustee or program level a trust fund may be a hybrid—that is, it may involve more than one type.

6. The policies and procedures that apply to trust funds vary, depending on the trust fund type. [8] In cases of hybrid trust funds, the relevant policies and procedures apply to the type in effect for the grant account. Activities financed from RETFs are administered under the Operational Policies and Procedures that apply to IBRD and IDA financing; [9] smaller-size grants may be subject to simplified procedures. Activities funded by BETFs are administered in accordance with the Bank's Planning, Budgeting and Performance Management Manual and the Bank's Administrative Manual, both of which apply to the Bank's administrative budget. In the case of FIFs, the application of Operational Policies and Procedures, the Administrative Manual, financial policies, budget policies and procedures, or other procedures, is determined on the basis of the characteristics of each such fund. All types of trust funds are subject to *The World Bank Policy on Disclosure of Information.*

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1. "World Bank Group" includes IBRD, IDA, IFC, MIGA, and ICSID.
2. "Bank" includes IBRD and IDA.
3. See paragraph 4 for the three types of trust funds.
4. The only cases in which such nationality restrictions on recruitment are allowed are specific staff programs, such as those managed by the Human Resources Vice Presidency.
5. See BP 14.40 Annex A for information on sufficient size.
6. A programmatic trust fund finances multiple grants, under a two-stage mechanism. Initially, 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.
7. Activities under RETFs are normally financed through grants and executed or implemented by grant recipients. For the purposes of this footnote, execution includes, inter alia, procurement of goods and services, negotiating contracts, making payments, submitting progress and financial reports, and performing other implementation activities as under a Bank-financed project. The Bank does not execute activities financed by trust funds that cofinance projects which also receive IBRD loans or IDA credits or grants. However, the Bank may consider executing activities under an RETF grant on behalf of the grant recipient in exceptional circumstances—for example, if the recipient is a new member country or inactive borrower, or its administrative capacity has been adversely affected by civil strife, crises or other emergencies – or for start-up activities referred to in OP 8.00, *Rapid Response to Crises and Emergencies*, or in Board-approved resolutions for trust funds that specifically permit Bank execution of such activities. In all such cases, and to the extent practicable, the Bank avoids execution of activities where such execution may undermine country ownership or pose undue conflicts of interest, liability issues or reputational risk for the Bank. Also in all such cases, administration of the funds (and execution of activities) is subject to the Planning, Budgeting and Performance Management Manual, the Administrative Manual, and relevant Bank Operational Policies.
8. For guidance and good practice on trust funds, refer to the Trust Fund Handbook and the trust funds website.
9. These include the Bank's framework regarding governance and anti-corruption. The approval process for grants, however, is determined by the approved Trust Fund Proposal (TFP) (see BP 14.40) and the legal agreements that govern the trust fund.

Appendix H: Organizational Aspects of Trust Funds

Central Units

Trust fund management at the Bank's central level is organized around several units:

- CFP's Partnerships and Trust Fund Operations (PTO) Department provides advice and guidance on new partnership and trust fund proposals, manages related review processes, develops policies and business processes for trust funds and partnerships, provides centralized support and training, develops risk management frameworks for trust funds, and administers selected programmatic funds.
- CFP's Multilateral Trusteeship and Innovative Financing (MTIF) group undertakes the trust fund administrator role for selected large trust funds—usually FIFs.
- CFP's Finance and Risk Unit (CFPFR) is responsible for providing financial advisory reviews on trust funds with financial innovations and the financial risk management reviews of all trust funds managed within CFP.
- CSR's Trust Fund Accounting (ACTTF) manages financial and accounting policies and procedures. Normally all correspondence is routed through their service account *Trust Funds Accounting Clearance Team/Service/World Bank*.
- Legal (LEG) participates in clearance of TFPs, prepares legal agreements, and provides legal advice relating to trust funds.
- Other Bank units involved include the Loan Department Fiduciary and Controls Division (LOAFC), for establishing disbursement arrangements and preparation of disbursement letters for recipient-executed trust funds; Loan Department, Disbursement Management Division (LOADM), for disbursements of recipient-executed and certain financial intermediary funds; and Corporate Resource Management (CSRRM**)**, for customized fees, resource-related planning, and budgeting. Trust Fund Quality Assurance and Compliance **(**TQC**)** has a downstream role in quality and compliance, as well as an ex-post role in reviewing trust fund-related activities and advising senior management on controls, compliance, and risk issues. OPCS advises on the applicability of operational policies to trust funds; for trust funds that are not country- or region-specific, OPCFM and OPCPR also provide guidance and advice on financial management and procurement arrangements, respectively.

Networks and Regional VPUs

VPUs are accountable for ensuring that the Bank's responsibilities are met with respect to the trust funds under their management. The country directors, sector directors, and managers ensure that adequate management and control structures are maintained for proper implementation and oversight of trust fund activities, and that there is sufficient administrative and budgetary support for carrying out these tasks.

Each Regional and network VPU has a designated trust fund coordinator whose functions range from monitoring the VPU's trust fund portfolio, reviewing trust fund proposals, providing guidance/assistance to task team leaders on trust fund matters, and coordinating with the central units of the Bank dealing with trust funds. In particular, the coordinator is the primary contact for trust fund issues and questions regarding specific VPU procedures for trust funds, including those for financial controls and clearance of documents and reports.

Within the VPUs, program managers and task team leaders are designated to manage, administer, and report to donors on trust fund programs and individual trust funds, respectively. Program administrators and task team leaders must be Bank staff in term or open-ended positions. Only staff who have taken the Trust Fund Learning and Accreditation Program and passed the accreditation exam are authorized to manage trust fund programs and trust funds.

Managers of programmatic trust funds administer grants or allocations in accordance with the terms and conditions set forth in the donor agreements. While they are not directly accountable for the expenditures that are made from these grants, they are responsible for ensuring that there are appropriate controls in place on fund usage, and that task team leaders assigned to manage them understand the terms and conditions of their usage. Program managers aim to ensure that the grants are closed on a timely basis and residual funds disposed of in accordance with donor agreements.

The task team leader is accountable for ensuring that the Bank's fiduciary responsibilities are met with respect to trust funds under his/her management. Specifically, the leader ensures sure that (a)trust fund proposals are consistent with donor agreements and program guidelines; (b) Bank-executed activities meet their objectives; (c) recipient-executed activities are adequately supervised and implemented in line with the terms and conditions of the administration and grant agreements; (d) the implementation of the trust fund activities complies with applicable Bank policies and procedures; and (e) progress reporting and monitoring of the achievement of the trust fund outcomes and objectives are carried out. The task team leader is also charged with ensuring that corrective actions to address issues impeding implementation progress are taken by the recipient, in the case of recipient-executed trust funds, and by the Bank team for Bank-executed trust funds, to help meet the objectives of the trust fund activities.

Table H.1. Most Business Processes Applied to free-Standing Trust Funded Programs Differ from Those Applied to IDA/IBRD Operations

	IDA/IBRD operations	*Free-standing trust-funded activities (other than cofinancing)*
Treatment in CAS	Listed and linked to strategy	Rarely listed or discussed[a]
Approval	By World Bank Executive Board, or delegated to Regional vice president	Most trust fund programs: A director signs administration agreement with donor Large or high-profile trust funds: Senior management review (only 2 conducted so far[b]); Board may discuss
Risk assessment	New system 'ORAF'	20 CFP- managed trust funds: CFP quarterly review Other trust funds: presented in trust fund proposal, not monitored thereafter
Task planning	Work program agreement	Work program agreement in a minority of cases
Task budgeting	Country director provides budget to sector units in relation to assistance strategy	Trust fund provides funds to task team leader and/or administrative fee is provided to VPU
Implementation Supervision Reporting	Implementation Supervision Report filed in Operations Portal	Grant Reporting and Monitoring System Report filed in SAP (the Bank accounting system)
Country Portfolio Performance Reviews	Covered	Not necessarily covered

Source: Partnership and Trust fund Intranet Site.
a. Reference to country case studies.
b. Interview with Michael Koch, September 21, 2010.

Appendix I: Trust Fund Support for Global and Regional Partnership Programs

Table I.1. Global and Regional Partnership Programs Supported by Trust Funds (number of programs and annual expenditures in US$ millions)

	For national public goods		For regional public goods		For global public goods		Other[a]		Total	
Type of partnership	#	$	#	$	#	$	#	$	#	$
Networks							18	62	18	62
Financing technical assistance	24	260			1	241			25	501
Financing country-level investments	3	291	4	66	17	4,987			24	5,344
Financing global investments					3	607			3	607
Total	27	551	4	66	21	5,835	18	62	70	6,514

Source: IEG (forthcoming b).

a. Largely supporting knowledge, advocacy and standard setting activities.

Endnotes

Chapter 1

1. There is an extensive general literature on the changing aid architecture, including "The End of ODA: Death and Rebirth of a Global Public Policy" (Severino and Ray 2009), "The New Reality of Aid" (Kharas 2007), and many others listed in the bibliography.

2. Twenty-first century strategic directions and lending instrument and risk management reforms; see, for example, World Bank 2007c and World Bank 2010i.

3 Appendix A explains the method used to make this calculation, which draws on data from the 2010 Organization for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) report on Multilateral Aid (OECD 2010).

4. While an effort was made to calculate the share of total trust funds administered by other agencies, available data were not sufficiently rigorous to make individual agency calculations.

5. See bibliography for the large literature on the implications of the growing use of trust funds.

6. The evaluation examines the bulk of the World Bank's trust fund portfolio, excluding major trust funds or categories of trust funds, notably GEF, HIPC, and other debt reduction funds because they have been extensively evaluated elsewhere, and the multiple consultant trust funds because they are being phased out.

7. See a note on the evaluation methodology in appendix A.

8. Appendix B briefly describes the trust fund presence in each of these country cases.

9. See appendix C for list of individuals consulted.

10. The eight donors interviewed are Canada, the European Commission, France, Germany, the Netherlands, Norway, the United Kingdom, and the United States, which together account for 62 percent of total trust fund contributions over the period fiscal 2002–10 (including World Bank trust fund contributions from net income).

11. The European Commission is included here as a donor because of its trust fund contributions to the World Bank.

12. For example, the GAVI Fund purchases and delivers vaccines to countries with resources from a financing mechanism that issues bonds against longer-term donor pledges, thus converting those pledges into immediately available cash and then using donor resources to repay the bonds over time.

13. David Mitchell, in the *New Statesman*, 7/July 29/10, 2010 (Macintyre 2010).

14. See evaluation of the European Commission's aid delivery through development banks and the European Investment Bank (Aide à la Décision Économique 2008).

15. This point is discussed further in chapter 3. As noted in IEG's assessment of the World Bank's involvement in GRPPs, 40 of the 70 trust-funded global or regional partnership programs in which the Bank participates include recipient countries in their formal governance structures (IEG, forthcoming b).

16. A 2008 World Bank study found that the extent of recipient-country concern about distortions in country programs caused by earmarked funds depends largely on two things: how important such funding was as a share of a country's overall sector budget and the general capacity of the country to manage donors (World Bank 2008d). These points are further addressed in chapter 3.

17. The general literature on aid fragmentation notes that the proliferation of new aid mechanisms increases transaction costs for recipient governments. As discussed in chapter 3, however, the actual burden on recipients in practice is more a matter of whether or not trust fund resources are integrated into country programs and procedures on the ground are harmonized.

18 . Recommendations of the Accra Agenda for Action (OECD 2008a) and the Accra Roundtable on Aid Architecture (OECD 2008b).

Chapter 2

1. Figures used here and throughout this report are based on data provided by Bank management as of August, 2010. See appendix D for core trust fund portfolio statistics.

2. In addition to the RETF and BETF grants, in fiscal 2010 another 90 trust fund grants were for Carbon Fund transactions (contract payments for projects that produce verified greenhouse gas emission reductions) and 107 grants were for transfers for debt service, to the IFC and external organizations, and for holding accounts.

3. Over fiscal 2002–10, the average annual amount disbursed from active main SDTFs ($1.4 million) was six times smaller than the average annual amount disbursed from active main MDTFs ($8.5million).

4. As discussed in more detail in chapter 5, while BETFs should not be seen as fully fungible with the Bank's budget, there is a considerable degree of overlap and, therefore, BETF funding is to some extent additional to Bank budget.

5. Discrepancies between BETF's share of Bank budget resources noted here and that of new Bank management reports is due to a recent change in management's calculation of total Bank budget, which was not available in the information provided in the preparation of this evaluation. According to management's new calculations, BETF's share of Bank budget resources (that is Bank gross budget plus BETFs) is 16 percent for fiscal 2008–10.

6. See appendix D, table D.2.4, for full breakdown of trust fund uses.

7. Support is provided in the form of RETFs for project cofinancing (44 of 47 percent) and project preparation (1 percent) and in the form of BETFs for project appraisal and supervision (2 percent).

8. Two recipients, Afghanistan and West Bank and Gaza, account for just under half of the disbursements for stand-alone trust-funded projects.

9. See "Operational Policy 14.40, Trust Funds" (World Bank 2008e). This policy statement replaces the statement of February 1997 and applies to all trust fund proposals submitted to CFP on or after July 1, 2008.

Chapter 3

1. In another 10 of the sampled programs, either individual outputs were not accomplished or reported, or no objectives or results chain were articulated in the first place.

2. While there may be additional allocations for emergencies, this aid is typically provided only partly through trust funds, and donors did not cite this as a source of additional trust-fund financing.

3. QAG examination of a random sample of 30 projects funded by RETFs also found strategic relevance to be strong (World Bank 2008f).

4. IEG's assessment of the World Bank's involvement in GRPPs (World Bank, forthcoming b).

5. Moreover, almost all (36 of 39) sector managers said that trust funds enhance sector work moderately or a lot.

6. Notably the Global Fund in Benin has directly targeted grassroots communities without giving support to building capacity in planning, implementation, monitoring, and other matters important to strengthened decentralization of the national health systems (though in recent funding rounds the Global Fund has opened up to government proposals for some health system strengthening) (Benin country study).

7. Notably an MDTF for South Sudan, which was not reviewed for this evaluation but was widely commented on by donors and has been reviewed in a special report for Operations Policy and Country Services.

8. Measured in terms of total grant amount.

9. These findings are consistent with a QAG review of a sample of nonlending technical assistance projects that shows the overall quality of fully trust-funded nonlending technical assistance projects as being lower than projects that are wholly or partially Bank-financed. Moreover, the report concludes that a major reason for this difference is less rigorous staff and management attention (World Bank 2010h).

10. For example, in a health SWAp in Bangladesh, coordination was considerable but it was limited mainly to donors within a supporting MDTF, leaving other members of the SWAp consortium out of the process (Bangladesh country study).

11. This is a particular concern for the Global Fund (which operates through separate Country Coordinating Committees) as noted in a recent independent evaluation. The problem is also reflected in the finding in QuODA (Birdsall and Kharas 2010) that rates the "maximizing of efficiency" of the Global Fund lower than that of IDA and some 9 other bilateral and multilateral aid agencies (out of a total of 31 rated).

12. This issue is addressed in a large literature on global funds, including Isenman, Wathne, and Baudienville 2010; and it will be addressed in IEG forthcoming b.

13. Includes trust funds with only one donor and those with a single dominant donor.

14. See evaluation of the European Commission's aid delivery through development banks and the European Investment Bank (Aide à la Décision Économique 2008).

15. See IEG assessment of World Bank involvement in GRPPs (IEG forthcoming b).

Chapter 4

1. Not observed by the evaluation, but described in the FY10 portfolio reviews from East Asia Region ("Throughout FY10, many of our teams had to spend enormous time with EC hired contractors on "verification" or "results" missions, [which] added very little value") (World Bank 2010b) and the Africa Region ("..("EC attempt[s] to supervise the work and assess "value for money" instead of validating that the funds were used for their intended purposes.") (World Bank 2010c)

2. "Fiduciary" comprises financial management and procurement.

3. Indonesia case study.

4. For example, country study for Rwanda.

5. Some of these were instituted in the wake of a serious case of corruption involving consultant trust funds in 2000.

6. World Bank intranet Web site on letters of representation.

7. Annex A of the 2009 Global Partnership and Trust Fund Operation Department annual report (World Bank 2009b).

8. This would be the responsibility of the Internal Audit Department. As part of its normal risk-based work program, the Internal Audit Vice Presidency, on a periodic basis, audits management's process for the Bank's fiduciary management of significant trust funds.

9. As reported in the January 2010 Trust Fund Portfolio Review by TQC (2020l).

10. Modified Cash Basis Trust Funds: Report on Internal Controls over Financial Reporting, June 30, 2009 (World Bank Group 2009).

11. Europe and Central Asia Region FY09-–11 Trust Fund Management Plan.

12. Rwanda case study.

13. Indonesia case study.

14. Except FIFs.

15. Interview with a senior network manager.

16. Bank-Netherlands Partnership Programme Trust Fund Proposal 2009: "The proposal Steering Committee to be established at CFPTO level shall be responsible for approving all grants cleared by the Network Vice Presidents. The SC chair shall be the Director CFPTO who shall make final decisions when members do not reach consensus"(World Bank 2009a)

17. Bangladesh case study, Ethiopia case study.

18. Latin America and the Caribbean Region FY10 Portfolio Review (World Bank 2010e).

19. "…the decision-making framework vetting new proposals does not assess, at the institutional level, the cumulative impacts of each new successive trust fund or partnership." Trust Fund Portfolio Review (2020l).

20. Recipient-executed trust funds that cofinance IDA and IBRD operations are prepared and supervised using the same processes applied to the IDA/IBRD operations. All trust funds are subject to the Bank's financial and procurement rules.

21. This evaluation has not reviewed the extent to which these funds for supervision of trust-funded activities are adequate in the aggregate or whether the units conducting supervision receive enough money. This issue is under review by management and reported on in the Trust Fund Portfolio Review.

22. Bangladesh case study.

23. The TQC 2010 report does not use GRM data, nor does it report on the reports' compliance and quality. There is automatic monitoring by the Bank's business management system that is mostly disregarded by managers (2020l).

24. "QAG Synthesis of Past Assessments of Analytical and Advisory Activities" (World Bank 2009e).

25. Three interviewees did not directly answer this question.

26. China TB, Australia Infrastructure for Growth, Africa Catalytic Growth.

27. Cited in East Asia's recent portfolio review (World Bank 2010b).

28. 2010 TQC Portfolio review (World Bank 2010l).

29. Cited in IEG's forthcoming assessment of the World Bank's involvement in GRPPs (IEG forthcoming b).

30. Cited in IEG's 2008 global program review on the Critical Ecosystem Partnership Fund (IEG 2008a).

31. Cited in a 2008 independent evaluation of IDA buy-downs for polio eradication projects (Herbert and Skolnik 2008).

32. Italian Cultural Heritage and Africa Catalytic Growth Fund

Chapter 5

1. Since the Bank's own financial contributions finance only 2 percent of the annual expenditures of the current 70 trust-funded GRPPs, trust funds account largely for the Bank's financial involvement with these programs.

2. Measured in terms of the annual average of the number of main funds in fiscal 2002–10.

3. See, for example, CFPTO Annual Report 2009 (World Bank 2009b).

4. As discussed in chapter 3, whereas in Rwanda IDA support shifted from primary to secondary education to take account of the country's absorption of large EFA/FTI support, in Ethiopia, IDA, EFA/FTI, and other donor aid all financed a major government education program.

5. Reference: EFA/FTI independent evaluation (Cambridge Education, Mokoro Ltd., and Oxford Policy Management 2010).

6. For example, the World Bank was asked to serve as trustee (on an interim basis to be reviewed in 2010) for the Adaptation Fund, which was established in 2007 under the UNFCC as a principal source of adaptation support for developing countries.

7. The three FIFs not submitted to the Board were deemed not to require Board approval according to trust fund policy OP14.40 (presented in full in Appendix G).

8. "Transforming the Bank's Knowledge Agenda - A Framework for Action" (World Bank 2010j).

9. Core knowledge products are defined as analytical and advisory work for client countries (economic and sector work, impact evaluation, nonlending technical assistance, and external training), internal knowledge products (toolkits, good practice case studies, and databases), and knowledge as a public good (research, global monitoring and data, and the World Development Report). These numbers are not fully consistent with the overall data on BETFs in the CFP database (and used elsewhere in this report). They are used here in the detailed review of BETF use for Bank knowledge products because of their greater reliability and specificity.

10. A total of 41 interviews were carried out—a response rate of 82 percent.

11. FY11 budget (2020n).

12. World Bank, Access to Information Handbook, Attachment A-5 Trust Funds and Partnerships. (World Bank 2010a).

Appendix E

1. Global Partnership and Trust Fund Operations Department (CFPTO) Trust Fund Handbook, July 8, 2010, Annex H (draft). (World Bank 2010k)

Appendix F

1. IFC has made significant progress toward aligning its trust fund policies with those of the World Bank. The new policy became effective on January 1, 2009, and it specifies a minimum size of the trust fund (250,000), the criteria for establishment of trust funds and types of trust funds (IFC executed, recipient executed, and financial intermediary), a standard administrative fee (5 percent), and standard reporting and single audit requirements. The new policy does not allow IFC to accept donor funds with nationality restrictions.

2. IFC's Sustainable Business line of activity was created in July 2010 from the merger of the Corporate Advice and Sustainability business lines.

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