CHAPTER 3

Trust Fund Reform

3.1 Keeping Trust Funds "Fit for Purpose"

As the international development context evolves, the WBG itself responds and adapts, including in improving how it manages trust funds. Most recently, the *Forward Look* exercise is the WBG's response to today's far reaching development agenda, encompassing the broad and inter-connected SDGs for 2030, the Addis Ababa Action Agenda, and the Paris and Sendai Agreements. The *Forward Look* responds to this challenge by calling for a stronger and better WBG that will advance both its own twin goals of reducing poverty and boosting shared prosperity, as well as the ambitious 2030 Agenda. The WBG is aiming to become more efficient and agile by reforming key operational, administrative, and human resources policies and practices.

As part of the *Forward Look*, the WBG is also developing an ambitious vision for structural trust fund reform. The WBG's trust fund portfolio has grown over time, reflecting the trust of our partners in the WBG's ability to manage funds, oversee implementation of activities, and produce results. With the support from our partners and clients, this new vision, placing trust funds and FIFs in the context of the *Forward Look,* will ensure that trust funds remain a strong pillar of WBG's resources for the next decade.

3.2 Summary of Past Phases

Previous trust fund reforms have made significant progress in transitioning trust funds to World Bank operational, financial, and administrative controls. One of the biggest successes has been the development and continuing implementation of the trust fund fiduciary framework. Now fully mainstreamed into regular business processes, the fiduciary framework constitutes one of the strongest assets of the World Bank, bolstering donor trust that has underpinned the growth of donor contributions over time. Successive reforms have contributed to the alignment of trust funds with broader World Bank strategies and priorities, strengthened corporate oversight over the trust fund lifecycle, improved integration of trust fund resources into budget planning, sought to reduce costs, and better manage risks. Summarizing past phases of reform is useful in understanding present day focus areas, and the complexity inherent to ensuring that trust funds remain a flexible financial instrument in supporting World Bank clients in achieving development goals.

Phase I (2001–2007) focused on strengthening financial controls. The oversight systems developed during this time remain central to the confidence many of the World Bank's donors and shareholders have in working with the World Bank as a valued partner. A robust control framework and fiduciary oversight was put into place, which included independent audits, mandatory staff accreditation in trust fund administration, quality assurance and compliance reviews, and an information system to support trust fund management.

Phase II (2007–2013) was largely centered on mainstreaming the trust fund business and taking a risk-based approach to integrating trust funds into World Bank business processes and procedures. In 2007, a management framework for trust funds was put into place, categorizing RETFs, BETFs, and FIFs. Rethinking trust funds based on execution and risks presented a significant step forward, allowing the World Bank to align RETF oversight with arrangements that apply to IBRD/IDA lending operations, apply World Bank administrative budget and work program agreement (WPA) processes to BETFs, integrate trust fund fee income into the budget, and create a standard policy governing all trust funds.

It was also at this time that the trust fund portfolio was recognized as a "business line" in its own right, with the understanding that trust funds should reflect World Bank strategies and priorities, as well as country-level strategies (and thus client needs) in addition to donor requirements. In this context, reform efforts focused on greater rigor in selecting trust funds that would effectively and closely align with the World Bank's strategic priorities.

This phase also designed ways to enhance operational efficiency and sustainability by introducing partial cost recovery through revision to the fee structure to be phased in over time.

Phase III (2013–2017) focused on improving strategic oversight and management of the entire "Trust Fund Lifecycle" (from fundraising to closure). It encouraged the development of Umbrella facilities (multi-donor and multi-recipient trust funds that support a set of clear strategic priorities with strong results frameworks and streamlined governance and reporting arrangements) and the broad adoption of their underlying principles.

The World Bank also continued progress around simplification and standardization by integrating the trust fund business processes such as grant funding requests into the Operations Portal. The integration of trust fund processes into the Operations Portal saves time and eliminates repetitive documentation, multiple approvals, and reporting.

In FY16, the World Bank introduced the new standardized cost recovery framework for IBRD/IDA trust funds. The new framework helps implement the cost recovery of trust funds in a consistent and transparent manner across the trust fund portfolio and reduces the transaction costs in negotiating cost recovery for each trust fund. It contributes toward aligning closer with the attributable external fund share of the World Bank's Institutional Governance and Administration costs, reducing the shortfalls previously covered by IBRD/IDA. Based on feedback received on the cost recovery framework, the World Bank will continue to reflect and reevaluate as necessary.[140]

In addition, an updated standardized Administration Agreement template with 16 of the World Bank's largest donors who provide 90 percent of IBRD/IDA trust fund resources was adopted, including standard provisions on disclosure of information and communication on fiduciary issues. This was supplemented with a series of notes on governance arrangements in trust funds, preferencing arrangements, donor reporting, managing trust funds for results, and indicative budgets.[141, 142, 143, 144] Reporting to donors was improved with the launch of the Development Partner Center (DPC), bringing trust fund and FIF-related financial and operational information together in a secure platform.

A management framework for Partnership Programs and FIFs was established (see Section B, Chapter 6), which introduced an approach to managing risks associated with these programs' specific strategy and decision making processes.[145] The framework outlines principles for selectivity when deciding to engage in new partnership programs and emphasizes active management based on greater clarity around roles and accountabilities throughout the life of the program.

The World Bank also worked to strengthen oversight and strategic alignment of trust funds by instituting early disclosure and transparency around resource mobilization for trust funds and FIFs, with the objective of facilitating better cross institutional coordination and decision making around fundraising.

140 The Institutional Governance and Administration costs are charges incurred by institutional, governance, and administrative expenses units, such as the Information and Technology Solutions unit, in support of the World Bank's operational units.

141 The *Guidance Note on Governance Models: An Overview and Proposed Approaches* can be accessed at http://bit.ly/GovernanceGuidance

142 The *Guidance Note Preferencing Within a Multi Donor Trust Fund* can be accessed at http://bit.ly/PreferencingGuidance

143 The *Guidance Note on Trust Fund Reporting to Development Partners* can be accessed at http://bit.ly/ReportingGuidance2 and the *Guidance Note on Managing Trust Funds for Results* can be accessed at http://bit.ly/ResultsGuidance

144 The *Indicative Budgets for Trust Funds Information Note* can be accessed at http://bit.ly/IndictiveBudget

145 *Management Framework for World Bank Partnership Programs and Financial Intermediary Funds: Strategic Engagement, Oversight, and Management* can be accessed at http://bit.ly/FIFManagement, prepared by the Development Finance Vice Presidency in 2013.

3.3 Opportunities and Challenges

Despite significant progress toward increasing efficiency, alignment, oversight, and greater use of larger programmatic MDTFs over the past decade, the portfolio of trust funds remains fragmented with a long tail of small funds—just 10 percent of trust funds account for more than 75 percent of the total portfolio's value.[146] The larger trust funds show a clear link to institutional priorities such as fragile states, global public goods like climate, crosscutting issues such as gender, and global leadership around support to achieve SDGs. Larger trust funds also tend to be organized around a well articulated strategy aimed at specific development outcomes, with governance bodies focused on strategic guidance that is based on multiyear work programs and encourage economies of scale.

The remaining long tail of smaller trust funds often are highly customized with heterogeneous governance mechanisms, resource allocation, reporting, results, etc. While several of these small trust funds have provided vital support for innovation and knowledge, the corresponding portfolio fragmentation makes a clear link to priorities more challenging and the customization increases transaction costs. Nevertheless, the increased flexibility and room for innovation offered under smaller trust funds are paramount to respond to unanticipated events and new development solutions that need testing. This requires reform efforts to streamline and simplify the setup and use of trust funds and increase efficiencies related to their administration and use.

3.4 The Way Forward

The design of this new phase of reform is under way, with active participation from Global Practices, Global Themes, Regions, and IFC. The reform will explore options for fewer, larger trust funds that reflect the highest priorities for the institution, reduce transaction costs, make more efficient use of resources, strengthen the results focus, and promote more active strategic management at the corporate, Global Practice, and Region levels. The reform will also allow World Bank operational staff to focus on their core work with a stronger focus on results rather than administrative transactions.

Extensive engagement and consultation with internal stakeholders, shareholders, funding partners, and clients are an integral part of the reform process to ensure strong buy in and design of the detailed recommendations that address these challenges and opportunities. The high level, preliminary recommendations emerging from the initial internal consultations will be shared with donors and clients in the first two quarters of calendar year 2018 for their input and feedback. The final recommendations are expected to be shared with the World Bank Board before the end of FY18, with the objective to start full-scale implementation at the beginning of FY19.

146 Please refer to Figure 10, Chapter 2. Similar points have been made previously by *Opportunities and Challenges* from Working in Partnerships: Findings from Independent Evaluation Group's Work on Partnership Programs and Trust Funds (http://bit.ly/IEGPartnership), Independent Evaluation Group, 2016; and Trust Fund Support for Development An Evaluation of the World Bank's Trust Fund Portfolio (http://bit.ly/IEGTF), Independent Evaluation Group, 2016.

Box 20: IFC Trust Fund Reform

IFC's trust funds are an integral part of IFC's resource envelope—approximately 60 percent of all advisory services in IFC are funded by donor contributions, making them a crucial element of the advisory funding mix. Advisory services are a critical part of IFC's strategy to create markets and mobilize private investment. Continuous support from our donors is important for successful implementation of IFC's strategy.

IFC trust funds in certain aspects have adhered to the World Bank's past trust fund reforms. Established in the period of 2001–2007, IFC trust funds form an integral part of the WBG trust fund ledger, sharing the same control framework, quality assurance and compliance reviews, and independent audits.

Between 2009 and 2012, the development of IFC trust funds focused on the standardization of legal agreements and enhancement of trust funds management and reporting. In 2009, IFC trust funds directives and procedures were considerably improved, bringing more standardization to the establishment and management of trust funds. Standard terms and conditions, including cost categories and cost recovery (administration fees on donor contributions) for all IFC trust funds were introduced. The introduction of the advisory services operational portal in 2011 allowed for the connection of advisory project information with respective trust fund data to improve overall supervision and monitoring of IFC trust funds and standardize reporting to donors. In 2012, IFC introduced staff accreditation in trust funds, integrated IFC trust funds in the standard financial statements and reporting, and automated trust fund processes involved in establishing and managing trust funds through the introduction of an e-trust fund platform.

In 2016, IFC trust funds became part of the WBG's DPC, allowing donors real-time access to financial information related to their trust funds.

In 2017, IFC worked closely with the World Bank on the revision of the administration agreement template with the donors and is planning to introduce important revisions to the IFC administration agreement template to align with the World Bank. It is important to note, however, that the new IFC administration agreement template will maintain IFC's specific provisions that reflect the private sector focus of IFC's business.

IFC is now working closely with the World Bank on the new phase of trust fund reform to find common avenues to effectively structure trust funds and streamline the management of donor funds.

SECTION B

Financial Intermediary Funds

CHAPTER 4

Overview of Financial Intermediary Funds

4.1 Introduction

The World Bank has a large and growing portfolio of FIFs. The total cumulative funding to FIFs as of end-FY17 amounted to $89.7 billion, since the establishment of the first FIF. Over the last decade, the number of active FIFs has more than doubled from 12 in FY08 to 26 as of end-FY17. From FY13–FY17, six new FIFs were established while three FIFs were closed during this period.

With FIFs, the World Bank generally supports the international community in providing a platform for multiple IAs to take collective action. Over the years, FIFs have enabled the World Bank to engage in new and urgent corporate and global priorities, such as environment and climate change, food security, fighting communicable diseases, pandemics, natural disasters, addressing the recent refugee crisis, and supporting women's entrepreneurship and empowerment. FIFs are customized depending on the needs of the partnership, and often the World Bank has developed innovative financing models to maximize funding through the involvement of the private sector.

4.2 Examples of Financial Intermediary Funds

This section features four brief examples of FIFs that maximize development finance, pilot innovative financing, and support partnerships. For every FIF which is highlighted below, many other equally impactful FIFs exist. Given the scale and diversity of the FIFs portfolio, it is not possible to highlight all FIFs in this report.[147]

The Pandemic Emergency Financing Facility (FY16)[148]

CONTRIBUTORS

GERMANY IDA JAPAN

The **Pandemic Emergency Financing Facility (PEF)** breaks new ground by providing the first ever insurance-like mechanism for pandemic risk, offering coverage to all low-income countries eligible for financing under IDA. The World Bank (IBRD) issued Pandemic Bonds and entered into Pandemic Insurance derivative contracts to provide resources from the financial markets to the PEF in the event of a qualified outbreak. Through the provision of public funds to the amount of $117 million, the total amount of risk transferred to the private markets was $425 million.

The PEF is a quick disbursing financing mechanism that provides surge funding to enable a rapid and effective response to a large-scale disease outbreak, thereby preventing its escalation. Eligible countries can receive timely, predictable, and coordinated surge financing if affected by an outbreak that meets predefined activation criteria.

147 Visit http://fiftrustee.worldbank.org

148 Refers to the year of establishment of the FIF.

Global Concessional Financing Facility (FY17)

CONTRIBUTORS

CANADA DENMARK EUROPEAN UNION GERMANY JAPAN NETHERLANDS NORWAY SWEDEN

UNITED STATES

The objective of the **Global Concessional Financing Facility (GCFF)** is to support middle-income countries impacted by the influx of refugees through the provision of new concessional financing, which eligible countries would not otherwise have access to, and improve coordination for development projects addressing the impact of the influx of refugees. GCFF: (i) bridges the gap between humanitarian and development assistance by enhancing coordination between the United Nations, multilateral development banks, refugee host countries, and donors to address shared priorities; (ii) strengthens resilience of countries impacted by the refugee crises by assisting both host communities and refugees; and (iii) supports policy reforms and programs in areas such as education, health, and job creation to create sustainable development outcomes.

Pilot Auction Facility for Methane and Climate Change Mitigation (FY15)

CONTRIBUTORS

CLIMATE CENT FOUNDATION GERMANY SWEDEN SWITZERLAND UNITED STATES

The **Pilot Auction Facility for Methane and Climate Change Mitigation (PAF)** is an innovative climate finance model to stimulate investment in projects that reduce greenhouse gas emissions, while maximizing the impact of public funds and leveraging private sector financing.

The key objective of the PAF is to demonstrate a new, cost-effective climate finance mechanism that incentivizes private sector investments and action in climate change in developing countries by providing a guaranteed minimum price on carbon reduction credits. The guaranteed minimum price is delivered through the auctioning of put options supported by donor funding. The nature of the put option means that the facility's resources will only be disbursed after the emission reductions have been independently verified, making the PAF a "pay for performance" facility. The put options will be embedded into puttable bonds issued by the World Bank. The World Bank's obligation under the bonds will be backed by the PAF.

Climate Investment Funds (FY09)

CONTRIBUTORS

AUSTRALIA, CANADA, DENMARK, FRANCE, GERMANY, JAPAN, NETHERLANDS, NORWAY, SPAIN, REPUBLIC OF KOREA, SWEDEN, UNITED KINGDOM, UNITED STATES

The **Climate Investment Funds (CIF)**, which includes the **Clean Technology Fund (CTF)** and **Strategic Climate Fund (SCF),** has received $8.0 billion in contributions since 2008 from donor countries. By FY17, the CIF is providing 72 developing and middle-income countries with resources needed to manage the challenges of climate change and reduce their greenhouse gas emissions. The CIF is comprised of four funding programs:

The **CTF,** with $5.4 billion of contributions received from donors since 2008, is supporting transformation in developing and emerging economies by providing resources to scale up low carbon technologies with significant potential for long-term greenhouse gas emissions savings. Between FY13–FY17, CTF has provided $2.9 billion to support project implementation in clean technologies such as renewable energy, energy efficiency, and clean transport. These investments have mobilized $11.5 billion in cofinancing and supported a cumulative installed capacity of 1.8 gigawatt of renewable energy projects, resulting in cumulative greenhouse gas reductions of 2.1 million tons of carbon dioxide equivalent.

The **SCF** serves as an overarching framework to support three targeted programs to pilot new approaches with potential for scaled-up action aimed at specific climate change challenges or sectoral responses. Targeted programs under the SCF include:

1. The Scaling Up Renewable Energy in Low-Income Countries Program (SREP) is demonstrating the economic, social, and environmental viability of renewable energy in developing countries. SREP has provided $0.4 billion during FY13–FY17 for supporting scaled up deployment of renewable energy solutions to increase energy access and economic opportunities.

2. The Pilot Program for Climate Resilience (PPCR) assists national governments in integrating climate resilience into development planning across sectors and stakeholder groups. PPCR has provided $0.8 billion during FY13–FY17 to put plans into action and pilot innovative public and private sector solutions to pressing climate-related risks.

3. The Forest Investment Program (FIP) supports efforts of developing countries to reduce deforestation and forest degradation and promote sustainable forest management that leads to emissions reductions and enhancement of forest carbon stocks. FIP has provided $0.4 billion during FY13–FY17 for countries to address the drivers of deforestation and forest degradation both inside and outside of the forest sector.

4.3 The World Bank's Role in Financial Intermediary Funds

The World Bank's distinctive role across FIFs is the provision of financial intermediary services, as trustee of the funds. As trustee, the World Bank provides a set of agreed financial services that include receiving, holding, and investing contributed funds, and transferring them when instructed by the FIF governing body. Under some FIFs, the World Bank also provides customized treasury management or other agreed financial services; examples include bond issuance, hedging intermediation, and monetization of carbon credits. FIF trusteeship does not involve overseeing or supervising the use of funds. This is the role of the IAs that receive funding and are responsible for project or program implementation. Services provided to FIFs by the World Bank as trustee are provided on a full cost recovery basis. Revenues received by the World Bank for FIF trustee services amounted to $14.5 million in FY17.

In addition to its trustee role, the World Bank often hosts FIF secretariats and serves, alongside other entities, including IFC, as one of the IAs to which the trustee transfers resources. In a few cases, the World Bank has also contributed to FIFs as a donor.

For some FIFs, the World Bank has been deeply involved in conceptualization, design, and fundraising, e.g., for the CIF, GEF, Women Entrepreneurs Finance Initiative (We-FI), PEF, and International Finance Facility for Immunisation (IFFIm). For others (e.g., GFATM), the World Bank operational teams provide downstream technical assistance to build local capacity for implementation. In cases where the World Bank has been selected as an IA by the FIF governing body, resources may be received by the World Bank operational units for the implementation of activities through IBRD/IDA trust funds. In general, because different entities play different roles within the FIF structure, a key aspect of governance is the clear separation of roles and responsibilities within the World Bank.

The World Bank's technical, financial, and legal expertise are often employed in designing and establishing FIFs. This includes legal and treasury services, donor contribution management, accounting, reporting capabilities, prudent financial management policies, procedures, and internal controls. The investment of liquid assets of FIFs is managed by the World Bank's Treasury, with the primary objective of capital preservation. An emphasis has also been placed on information technology systems infrastructure to support FIFs. The World Bank uses integrated information systems that provide end to end financial transaction processing and support FIF governing bodies, IAs, and secretariats with the required data and customized financial reporting.

4.4 Characteristics of Financial Intermediary Funds

FIFs are financial arrangements that typically leverage a variety of public and private resources in support of international initiatives, enabling the international community to provide a direct and coordinated response to global priorities. Most FIFs have supported global programs often focused on the provision of global public goods, such as preventing communicable diseases and responding to climate change. FIFs often involve innovative financing and governance arrangements, as well as flexible designs that enable funds to be raised from multiple sources, both sovereign and private. Funds can be channeled in a coordinated manner to a range of recipients in the public and private sectors through a variety of arrangements.

There are two basic models in the World Bank's trusteeship portfolio:

- The World Bank provides trustee services to an independent external legal entity. Under this model, in some cases, the World Bank also serves as IA like in the Green Climate Fund Trust Fund (GCF), and in other cases, it does not, like in the Consultative Group on International Agricultural Research (CGIAR).

- The World Bank provides trustee services to FIFs, which are hosted by the World Bank and do not have their own legal personality (and under this model, the World Bank also hosts FIF secretariats). While the World Bank also serves as IA in most cases under this model, it is not always necessary, depending on the specific design and objective of the FIF (e.g., PAF which by its innovative design does not have any IA per se but where the World Bank issues bonds to support the PAF's performance-based payments).

Furthermore, the World Bank has agreed to provide some FIFs in both models with innovative financial services (e.g., PEF, IFFIm).

CHAPTER 5

Financial Trends of World Bank Financial Intermediary Funds, FY13–FY17

5.1 Overview of Financial Intermediary Funds

Overview of FIFs and Their Cumulative Funding[149,150,151]

Figure 41: Overview of FIFs and their cumulative funding, as of end-FY17

Fund	FIF Status	Established (FY)	Cumulative Funding (US$ millions)	% of Total[152]
Agriculture & Food Security			**5,365**	**6%**
Consultative Group on International Agricultural Research (CGIAR)	Active	2006	3,986	4%
Global Agriculture and Food Security Program (GAFSP)	Active	2009	1,278	1%
AgResults Initiative (AGR)	Active	2012	101	0%
Education			**2,351**	**3%**
Global Partnership for Education Fund (GPEF)	Active	2012	2,351	3%
Debt Relief			**7,023**	**8%**
Debt Relief Trust Fund (DRTF)	Active	1997	7,023	8%
Environment and Climate Change			**30,331**	**34%**
Global Environment Facility (GEF)	Active	1991	15,024	17%
Least Developed Countries Fund (LDCF)	Active	2003	1,193	1%
Special Climate Change Fund (SCCF)	Active	2005	346	0%
Adaptation Fund (AF)	Active	2009	640	1%
Climate Investment Funds (CIF)		2009	8,646	10%
Clean Technology Fund (CTF)	*Active*	*2009*	*5,713*	*6%*
Strategic Climate Fund (SCF)	*Active*	*2009*	*2,933*	*3%*
Guyana REDD+ Investment Fund (GRIF)	Active	2011	70	0%
Nagoya Protocol Implementation Fund (NPIF)	Active	2011	16	0%
Green Climate Fund Trust Fund (GCF)	Active	2012	4,286	5%
Pilot Auction Facility for Methane and Climate Change Mitigation (PAF)	Active	2015	46	0%
Capacity Building Initiative for Transparency (CBIT)	Active	2017	48	0%
Climate Risk and Early Warning Systems (CREWS)	Active	2016	17	0%
Health			**43,683**	**49%**
African Program for Onchocersiasis Control (APOC)	Closed	1974	570	1%
Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM)	Active	2002	38,960	43%
International Finance Facility for Immunisation (IFFIm)/GAVI Fund Affiliate (GFA)	Active	2007	2,380	3%
Global Alliance for Vaccines Initiative (GAVI) Fund Trust Fund	Closed	2007	390	0%
Advance Market Commitment (AMC)	Active	2009	1,319	1%

(continues)

149 GAVI Fund Trust Fund and EBSM closed in 2013 and APOC in 2017.

150 For detailed information on all FIFs, visit http://fiftrustee.worldbank.org

151 Cumulative Funding (as of June 30, 2017) represents contributions (cash and promissory notes) and other sources of funds, such as Certified Emissions Reductions and bond issuances, excluding investment income. All contributions are reported based on historical values using the date of receipt. For cash receipts, the foreign exchange value is posted when the foreign exchange conversion has been effected. It may also include contribution transfers from other trust funds. Minor double counting may occur. Amounts to donor balance and holding accounts have been excluded.

152 Due to rounding, % of Total Cumulative Funding below 0.5% are displayed as 0%. For instance, AGR% of Total Cumulative Funding was 0.3%.

Fund	FIF Status	Established (FY)	Cumulative Funding (US$ millions)	% of Total[152]
Pandemic Emergency Financing Facility (PEF)	Active	2016	65	0%
Infrastructure			**69**	**0%**
Global Infrastructure Facility (GIF)	Active	2015	69	0%
Natural Disasters			**401**	**0%**
Haiti Reconstruction Fund (HRF)	Active	2010	401	0%
Fragility, Conflict, and Violence			**505**	**0%**
EBRD Southern and Eastern Mediterranean Trust Fund (EBSM)	Closed	2012	14	0%
Middle East and North Africa Transition Fund (MENATF)	Active	2013	240	0%
Global Concessional Financing Facility (GCFF)	Active	2017	251	0%
Gender				**0%**
Women Entrepreneur Finance Initiative (We-Fi)[153]	Active	2017	—	0%
Total			**89,729**	**100%**

FIF Key Statistics

Figure 42: FIF key statistics, FY13–FY17

	FY13	FY14	FY15	FY16	FY17
Number of active FIFs[154]	20	21	22	26	26
Funds held in trust[155] (US$ billion)	18.5	19.2	20.3	20.4	21.1
Contributions[156] (US$ billion)	7.6	8.3	8.6	6.9	7.1
Transfers[157] (US$ billion)	6.3	7.9	7.4	6.2	6.2

153 We-Fi was established toward the end of FY17. Contributions to We-Fi were received starting FY18.

154 The active FIFs category excludes FIFs that were recently closed (GAVI Fund Trust Fund, EBSM, and APOC). Furthermore, in FY18 one new FIF was established which is also excluded.

155 Funds held in trust include cash, investments, and promissory notes, or similar obligations, received but not encashed.

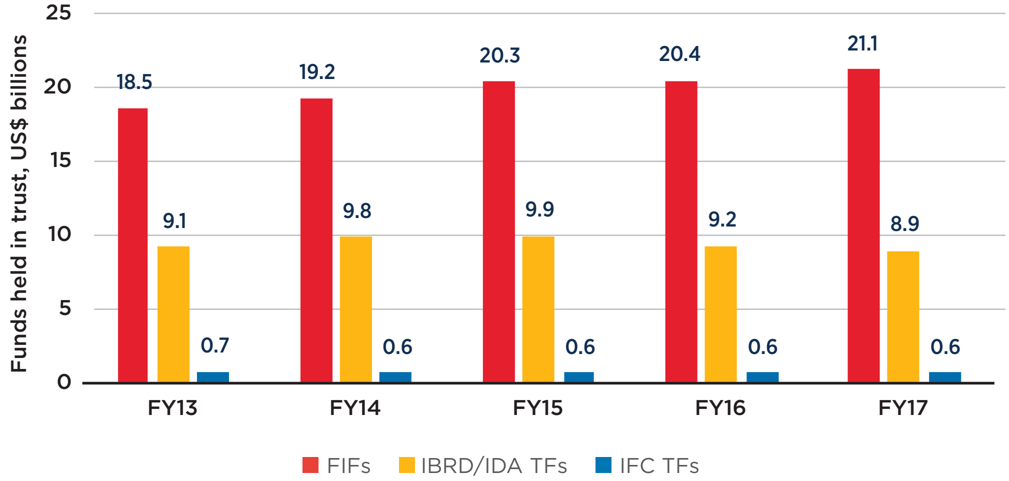
156 Contributions include contributions or installments provided in the form of cash, promissory notes, or another instrument acceptable to the trustee.

157 Amount of funds transferred from FIFs for all purposes such as IA, secretariat, etc.

Funds Held in Trust by FIFs, IBRD/IDA Trust Funds, and IFC Trust Funds

The amount held in trust by FIFs continues to increase. In FY17, the FIFs' share of FHIT amounted to 69 percent of the total FHIT by the WBG trust funds and FIFs.

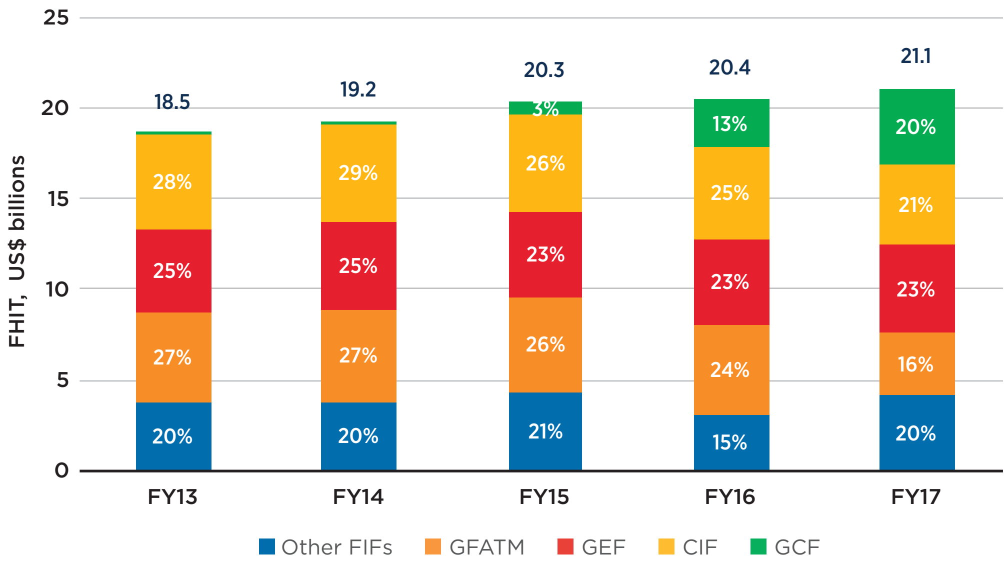
Figure 43: FHIT, FY13–FY17 (US$ billions)



Funds Held in Trust by the Largest FIFs

FHIT for FIFs increased by 14 percent from $18.5 billion in FY13 to $21.1 billion at end of FY17. In FY17, the largest amount of funds were held in FIFs established for the GEF ($4.9 billion), CIF ($4.5 billion), GCF ($4.2 billion), and GFATM ($3.5 billion). Together the four largest funds held more than 80 percent of the total funds held in trust for FIFs across the five-year period.

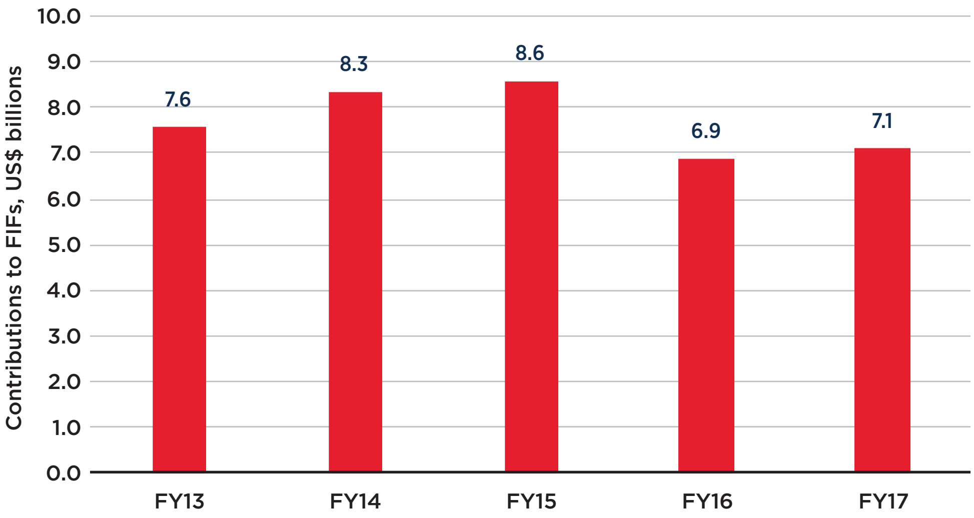
Figure 44: FHIT by largest FIFs (US$ billions and percentage)



Contributions to FIFs[158]

The average annual contributions to FIFs over the FY13–FY17 period were $7.7 billion with a peak of $8.6 billion in FY15. The peak is largely due to contributions to GFATM during the first two years of the fourth replenishment cycle (2014–2015) and the onset of the initial resource mobilization of GCF (2015–2018).

Figure 45: Contributions to FIFs, FY13–FY17 (US$ billions)

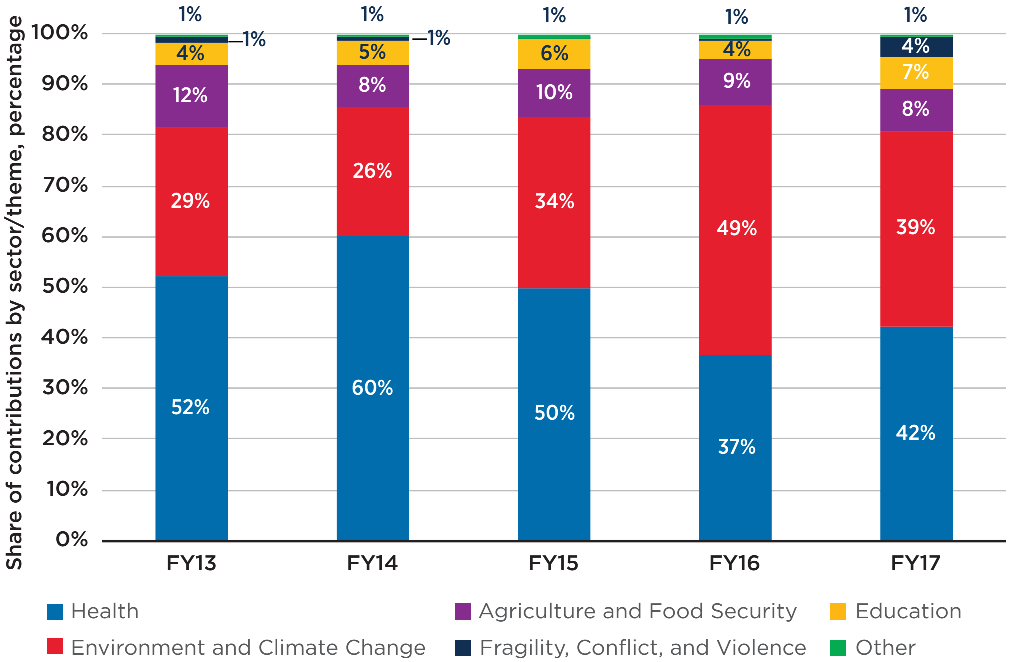


158 Annual contributions are tied strongly to the replenishment cycles of major FIFs (e.g., GFATM)

Contributions to FIFs by Sector/Theme

In the period from FY13–FY17, FIFs supporting the Health sector received 49 percent of the total contributions to FIFs, and the Environment and Climate Change sector received 35 percent of the total contributions to FIFs. The shares of annual contributions to the two prominent sectors—Health and Environment and Climate Change fluctuated over the five-year period. In FY17, the share of contributions for the two sectors were 42 percent and 39 percent, respectively. The share of contributions to FIFs in the Education sector increased from 4 percent in FY13 to 7 percent in FY17. Similarly, funding for FCV increased from 1 percent to 4 percent.

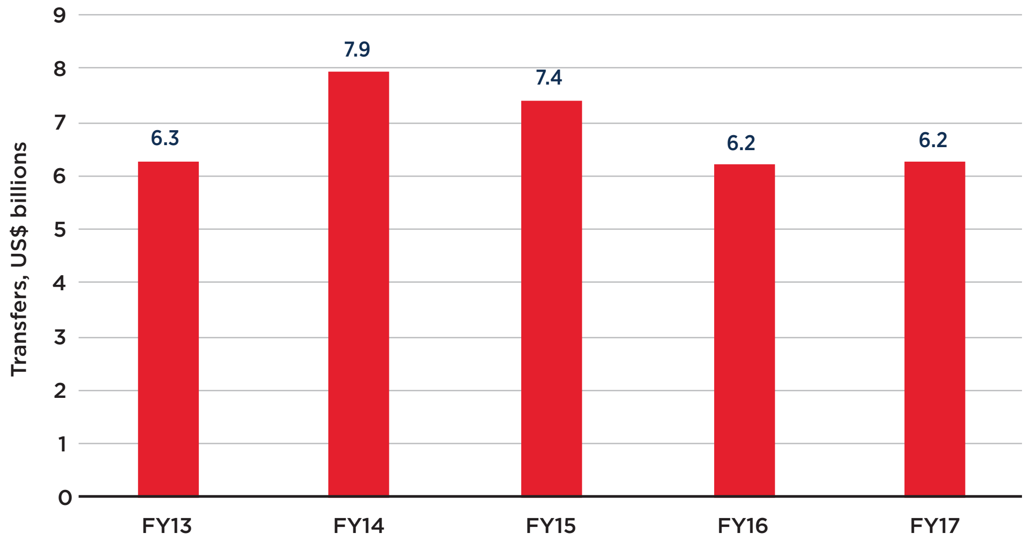
Figure 46: Shares of contributions by sector/theme (percentage)



Transfers from FIFs

FIFs have become significant in the international aid architecture. The average amount of annual transfers from FIFs over the FY13–FY17 period was $6.8 billion, with a peak at $7.9 billion in FY14.

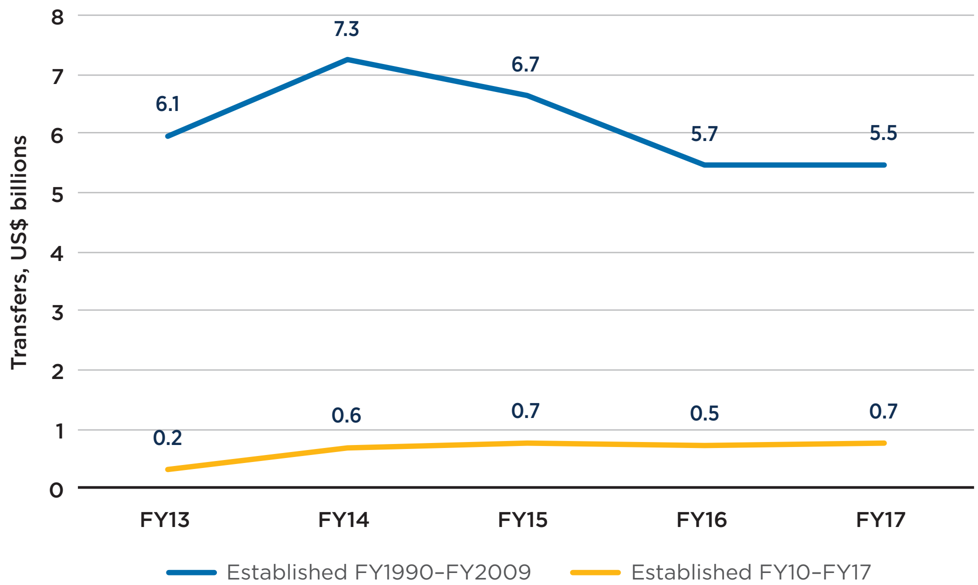
Figure 47: Transfers from FIFs, FY13–FY17 (US$ billions)



Transfers from Old and New FIFs

Annual transfers from new FIFs are relatively modest compared to transfers from older FIFs. Many new FIFs are relatively small at the time of establishment. There are several steps required by IAs before any transfer can take place, including identification, preparation, and approval of projects and programs according to the policies and procedures of the individual IAs.

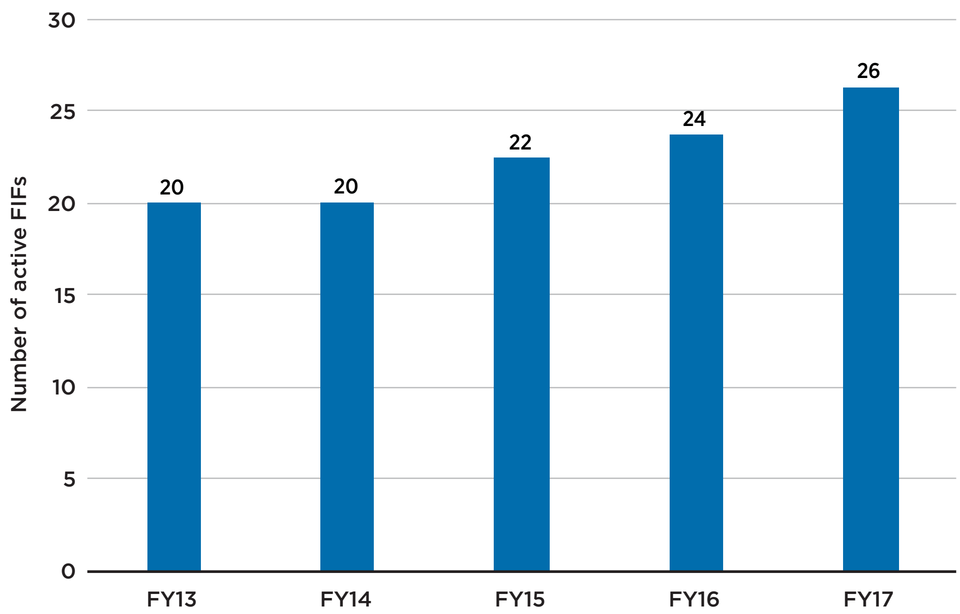
Figure 48: Trends in transfers from old and new FIFs (US$ billions)



Number of Active FIFs

The number of active FIFs continued to increase during the FY13–FY17 time period and as of end-FY17 there were 26 active FIFs. During the same period of time, three FIFs were closed.[159]

Figure 49: Number of active FIFs

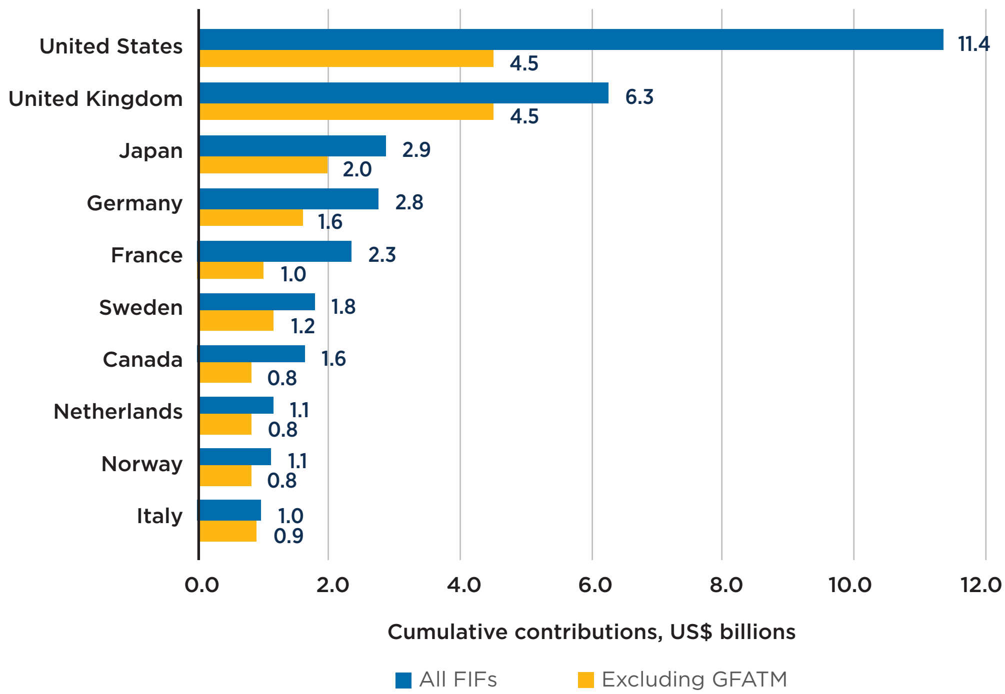


159 See footnote 154 for three FIFs which were closed between FY13–FY17.

Cumulative Contributions by Top Ten FIF Donors[160]

In the five-year period from FY13–FY17, the top 10 donors contributed $32.3 billion to FIFs, which corresponded to 36 percent of the total of $89.7 billion in contributions for the same time period. The United States was the largest donor with contributions of $11.4 billion, followed by the United Kingdom with contributions of $6.3 billion, and Japan with contributions of $2.9 billion. Largest contributions from the United States in the period FY13–FY17 were to the GFATM ($6.9 billion), and the GCF ($1.0 billion); the largest contributions from the United Kingdom were to the GFATM ($1.8 billion) and the CTF ($0.95 billion); and the largest contributions from Japan were to the GFATM ($0.9 billion) and the GCF ($0.7 billion).

Figure 50: Cumulative contributions by top ten FIF donors, FY13–FY17 (US$ billions)

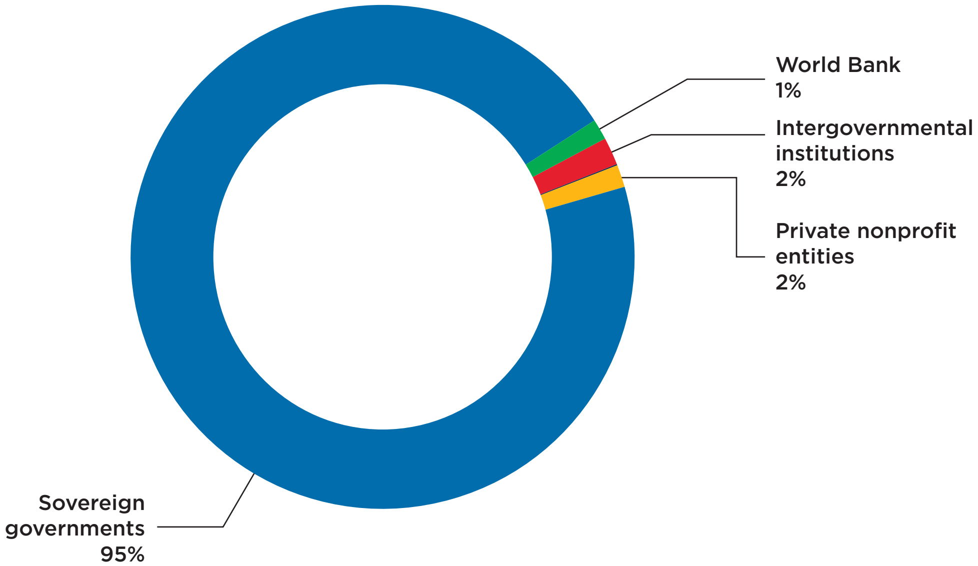


160 The figure shows cumulative funding with and without funding for GFATM to provide a more detailed view of top ten FIF donors.

Contributions to FIFs by Donor Type[161]

Sovereign governments remain the largest donors to FIFs, accounting for 95 percent of total contributions received in FY17 ($5.7 billion). Intergovernmental institutions contributed 2 percent ($0.1 billion), and private nonprofit entities also contributed 2 percent ($0.1 billion).[162, 163]

Figure 51: Contributions to FIFs by donor type, FY17



161 Excluding contributions from the GFATM Secretariat.

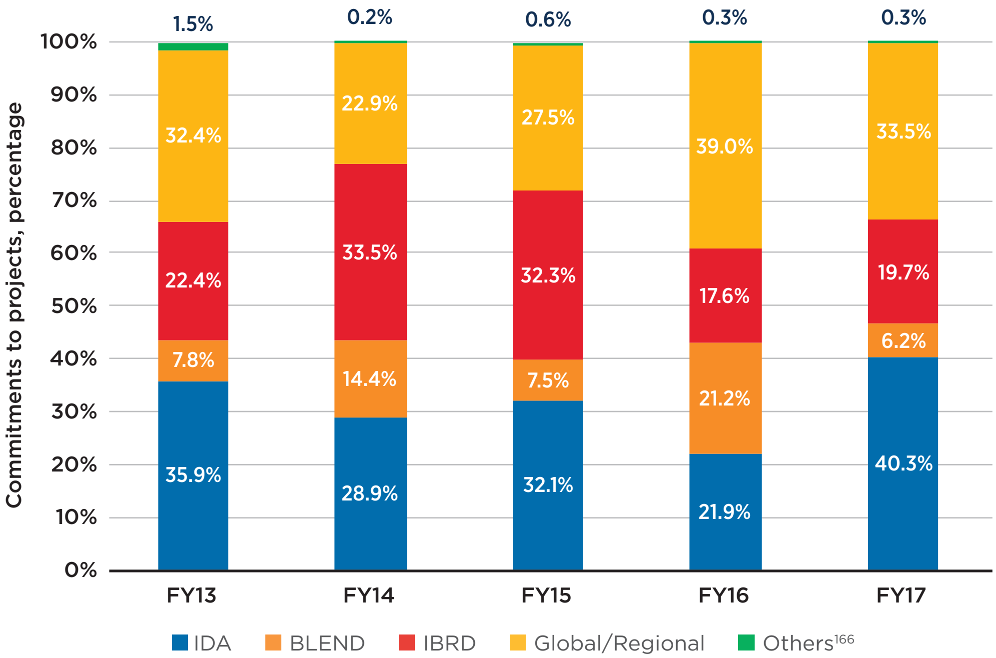
162 Intergovernmental institutions include organizations such as the European Union and the International Fund for Agricultural Development.

163 Private nonprofit entities include private foundations such as the Bill and Melinda Gates Foundation, Dubai Cares, and the United Nations Foundation.

FIF Commitments to Projects by Recipient Group[164, 165]

Projects based in IDA countries received the largest share of funding from FIFs. Over FY13–FY17, FIFs committed a total of $5.1 billion to projects in IDA countries, followed by projects that were global/regional in nature ($4.9 billion). Commitments to projects in IBRD and blend countries over the same period were $4.2 billion and $1.9 billion, respectively.

Figure 52: Commitments to projects by recipient country group (percentage)



164 A commitment is a financial liability created as a result of the approval of funding by a governing body of a FIF or a legally independent secretariat, based on its decision making processes. Commitment data for GFATM, IFFIm, AMC, and DRTF are not part of the World Bank data set and are therefore not included in the chart.

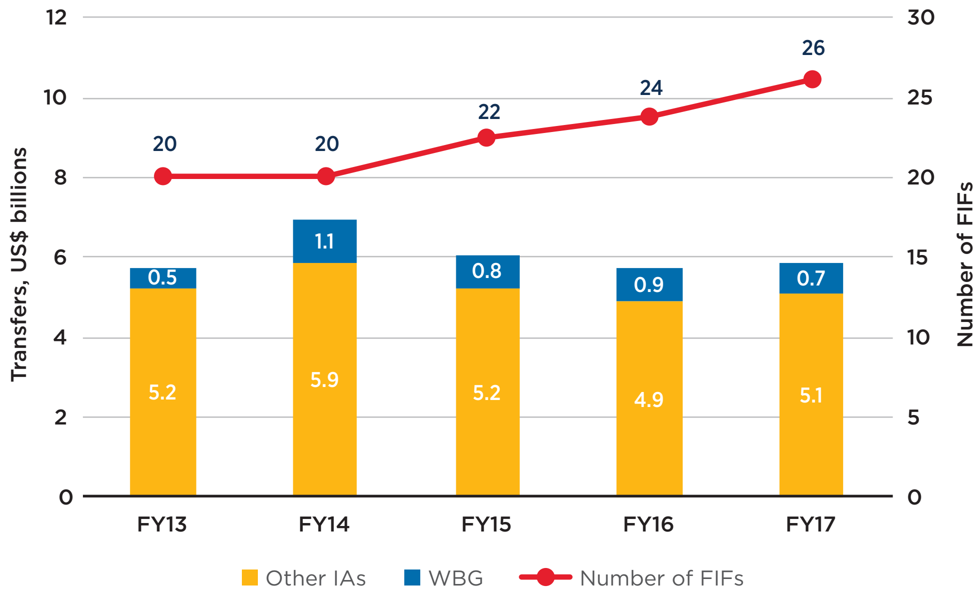
165 Projects include all implementation activities (projects, programs, etc.). Commitments to secretariats, trustee, and agency fees are excluded.

166 Others refers to commitments to projects to non-members, such as Cuba and West Bank and Gaza.

WBG as IA for FIFs[167, 168]

The transfers from FIFs to projects implemented by the WBG was 13 percent of the total transfers from FIFs to all IAs over FY13–FY17 ($4.0 billion of $30.3 billion). Transfers to the WBG have declined in absolute terms from a peak of $1.1 billion in FY14 to $0.7 billion in FY17. The transfers to the WBG declined by 32 percent from the peak in FY14, while the transfers to other IAs declined by 13 percent during the same period.

Figure 53: Annual transfers, US$ billions to the WBG as IA and number of active FIFs



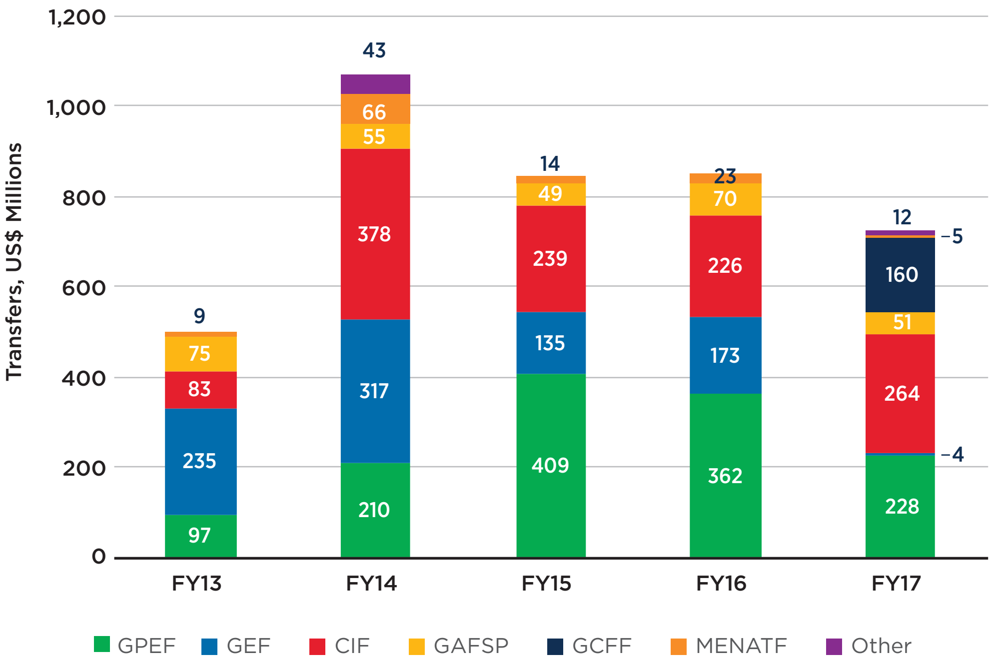
167 An IA is any implementing partner receiving funds from a FIF, which is responsible for managing those funds for activities as approved by the governing body.

168 Transfers to IAs include transfers for project preparation, supervision, and project implementation. However, in the case of GFATM, there is a lump sum transfer to the secretariat and the use of the transferred funds is determined by GFATM. The GEF Secretariat acts as an IA for a limited number of projects, i.e., the National Portfolio Formulation Exercises. Transfers to IAs exclude a one-time transfer of $383 million from GEF to IBRD to cover reevaluation of grants denominated in Special Drawing Rights (from 2004).

Transfers to the WBG as IA, by FIFs

Of the total transfers of $724 million in FY17 from FIFs to the WBG, the largest amount was from the CIF at $264 million, followed by GPEF at $228 million, and the newly established GCFF at $160 million. On a cumulative basis, over the five-year period FY13–FY17, the World Bank as an IA received the largest amount of transfers from GPEF at $1.3 billion, followed by CIF at $1.2 billion, and GEF at $863 million.

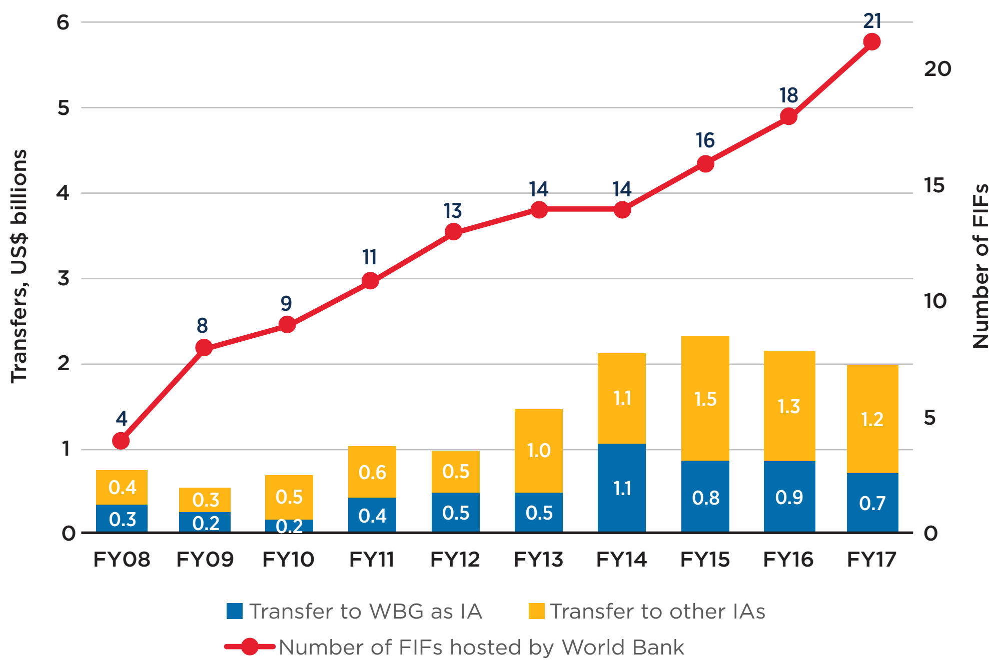
Figure 54: Transfers to the WBG as IA, by FIFs (US$ millions)



Transfers from FIFs to the WBG as IA and Other IAs where the World Bank is the Secretariat[169]

The number of FIFs hosted by the World Bank has tripled from seven to 21 between FY08–FY17, while the amount of funds transferred to the WBG as an IA peaked at $1.1 billion in FY14 and has since declined, reaching a four-year low at $0.7 billion in FY17. The increasing number of FIFs raises concerns about the fragmentation of the international aid architecture and the role of multilateral institutions, including the WBG, as each FIF has its own independent governing body.

Figure 55: Annual transfers from FIFs to IAs where the WBG is the secretariat (US$ billions)

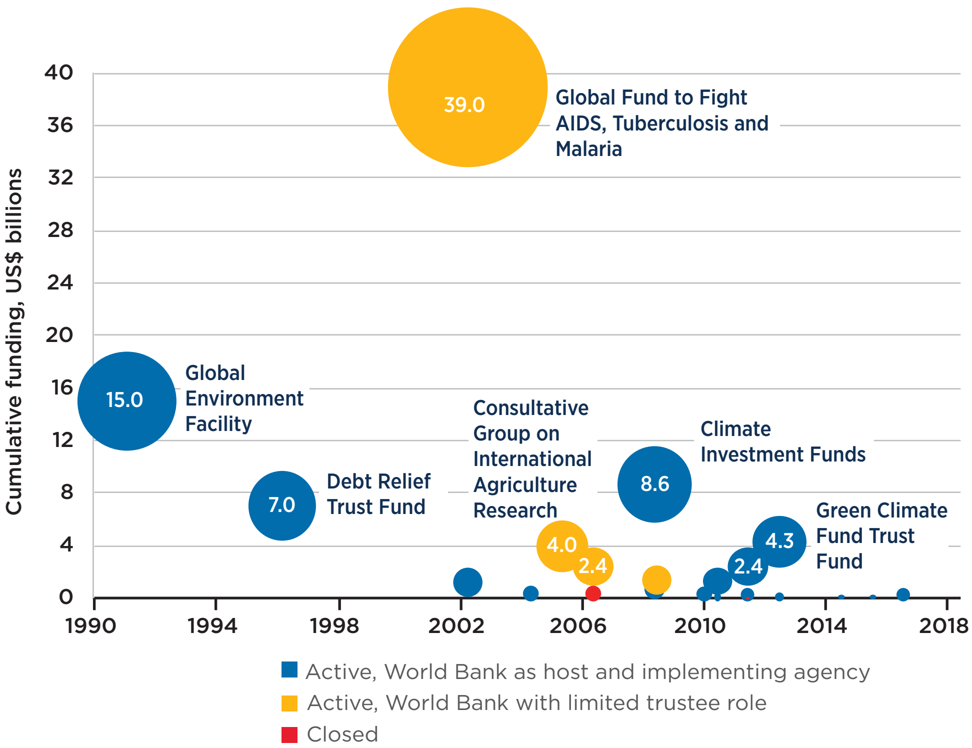


169 Transfers to IAs include cash transfers for project preparation, supervision, and project implementation to IBRD, IFC, and the GEF Secretariat as a WBG IA. The GEF Secretariat acts as an IA for a limited number of projects, e.g., the National Portfolio Formulation Exercises. A one-time transfer of $383 million from GEF to IBRD to cover reevaluation of grants denominated in Special Drawing Rights (from 2004) is not included in transfers to IAs.

FIFs by Year of Establishment and Cumulative Funding

This figure shows the accumulated funding for individual FIFs organized under the year of establishment. Recently established FIFs are generally smaller at inception, though few of the 26 FIFs now in existence show cumulative contributions of $2 billion or more even after five years.[170]

Figure 56: FIFs by year of establishment and cumulative funding

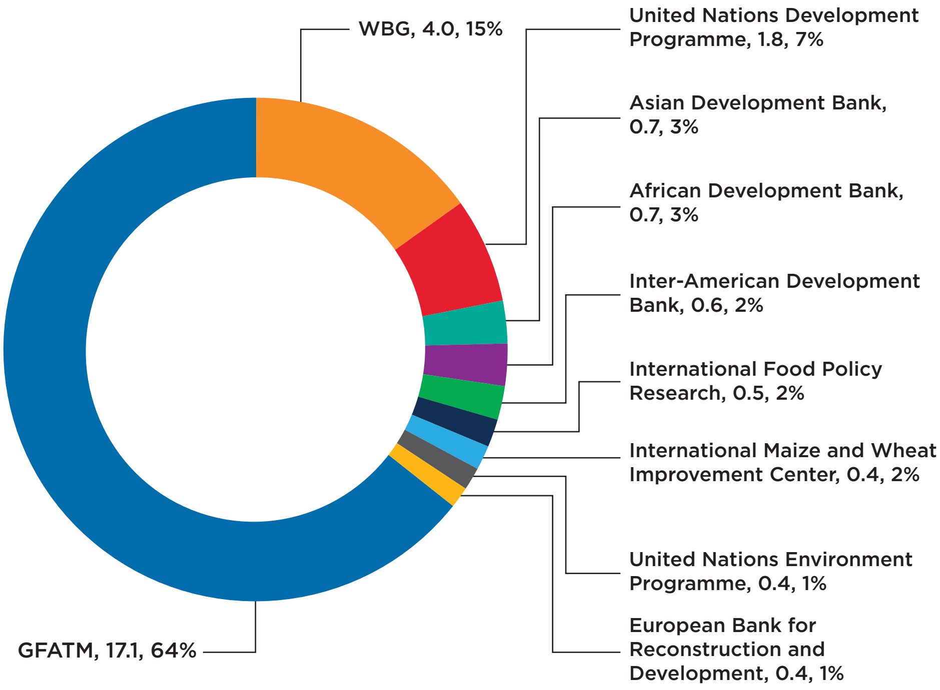


170 Examples include the GCF and the GPEF.

Transfers to Top Ten IAs

FIFs transferred $30.3 billion to IAs from FY13–FY17, of which $26.5 billion was transferred to the ten largest IAs. The GFATM received $17.1 billion, followed by the WBG ($4.0 billion), the United Nations Development Programme ($1.8 billion), and the Asian Development Bank ($0.7 billion).[171]

Figure 57: Transfers to top ten IAs, FY13–FY17 (US$ billions)



171 Refer to footnote 168 for more information on special case of GFATM.