These policies were prepared for use by World Bank staff and are not necessarily a complete treatment of the subject.

Trust Funds

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. The Bank 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:

   i. 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.

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

   iii. 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.

   iv. 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.
v. **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 accepted⁴).

vi. **Operational Efficiency and Sustainability.** Trust funds are of a sufficient size⁵ to ensure efficient administration, and preferably are programmatic⁶ 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 type⁸. 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 financing⁹; 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.
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.
Trust Funds

Note: This Bank Procedure statement replaces the statement dated February 1997. 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.

Initiation

1. A trust fund administered by the Bank\(^1\) can be country-specific, regional, or global in its geographic scope; it can be set up for a single set of pre-defined purposes, or on a programmatic basis\(^2\); it can have one or several donors.

2. Concessional Finance and Global Partnerships (CFP) and other Vice Presidential Units (VPUs) identify sources of trust fund support through their contacts with donors. When staff mobilize resources for or through a trust fund, they consult with their VPU Funding Coordinator and with staff in CFP for guidance on available options and good practices.

Establishment

3. At the trustee level, each trust fund is subject to a minimum size threshold as set out in Annex A. To establish a trust fund, the task team leader (TTL) (see Annex B for eligibility) prepares a Trust Fund Proposal (TFP)\(^3\) consistent with the provisions of OP 14.40. The TFP describes inter alia the proposed objectives and results, scope of work, risks and mitigation measures, governance arrangements, supervision and reporting, cost recovery\(^4\), and financial and audit arrangements\(^5\). The TTL obtains clearance for the TFP from his/her line manager and submits it to the VPU Funding Coordinator. The VPU Funding Coordinator then endorses the TFP and submits it to CFP, which coordinates clearance with Controller’s, Strategy and Resource Management (CSR), Legal (LEG), and any other Bank units that need to be consulted, as determined by CFP. Following clearance, CFP forwards the TFP to the Vice President of the relevant managing unit (or his/her designate) for approval\(^6\).

4. In certain circumstances, such as in the case of large trust fund proposals and/or where the financing mechanisms or governance or partnership arrangements are unusually complex or high-risk, review by Senior Management\(^7\) may be required; further, in certain cases, approval by Executive Directors may be required.\(^8\)
5. In exceptional cases where the Bank executes on behalf of the grant recipient, it is upon specific written request from the recipient, and with approval by the relevant Regional Vice President.

6. Following approval of the TFP, LEG finalizes legal agreements based on, and fully consistent with, the approved TFP. Trust funds are governed by:

   i. Administration Agreement(s) (AA) between the Bank and the donor(s), or, in certain cases, by a Resolution of the Board of Executive Directors;
   ii. Grant Agreement(s) (GA) between the Bank and the grant recipient(s) in the case of a Recipient-Executed Trust Fund (RETF) (regardless of execution), consistent with the terms of the AA or resolution from which they derive;
   iii. Financial Procedures Agreement(s) (FPA) or its equivalent in the case of some Financial Intermediary Funds (FIFs).

7. After distribution of the fully signed AA and activation of the trust fund, the TTL calls for funds from the donor(s). Disbursements can begin after the trust fund has been activated and funds have been received. For an RETF, a GA is also fully signed and distributed before disbursements to the grant recipient begin.

Implementation

8. Before initiating an activity financed from a trust fund, the TTL obtains approval from his/her line manager. If such an activity is to be implemented at the country level, concurrence of the relevant Country Director or Country Manager is also obtained. The TTL is responsible for supervising and reporting to his/her line manager (and also to the donor, as provided for in the AA) on progress in implementation of trust-funded activities.

9. For each grant under an RETF, by the time the GA is ready for signature, a procurement plan is prepared in accordance with the Guidelines: Procurement under IBRD Loans and IDA Credits and Guidelines: Selection and Employment of Consultants by World Bank Borrowers, except for (i) grants to finance activities that are subject to OP 8.00 Rapid Response to Crises and Emergencies, (ii) grants to finance operations subject to OP 8.60 Development Policy Lending, and (iii) grants for an amount of $2 million or less. In these cases, except under (ii) above, a simplified procurement plan listing items to be procured, along with their cost estimates and the type of procurement (consultants, goods, and/or works) and an estimated timeline that would apply to such procurement, is acceptable. For activities funded by BETFs and, in exceptional cases, activities financed from RETFs which the Bank has agreed to execute on behalf of the grant recipient, the Bank's Administrative Manual governs, and a procurement plan is only required for grants above $2 million. In the case of FIFs and transfers outside the Bank from a trust fund, applicability of the Bank's Procurement Guidelines and other procedures is decided on the basis of the characteristics of each such fund.

10. When the Bank executes on behalf of a grant recipient, it cannot procure goods or works except for: (a) goods required for training and workshops; and (b) 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.

11. To demonstrate that it has complied with the conditions specified in the trust fund legal agreements, and in accordance with AMS 10.11, the Bank maintains key documents related to the approval and implementation of trust funds in its institutional document retention systems.²⁴

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

13. When Management determines that there has been a substantive departure from the purpose for which a trust fund has been established, and that this departure falls within the Bank's exercise of its responsibilities, the Bank reimburses the relevant trust fund for the expenditure covered by that substantive departure.²⁵ Any proposal for such a reimbursement is decided by the Vice President, CFP, in consultation with LEG.

Financial Reporting and Auditing

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

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

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

Closing

17. All AAs²⁶, GAs, and selected FPAs include a date after which funds cannot be disbursed — the end-disbursement date. The closing date in a GA is set at no less than six months prior to the end-disbursement date in the AA. These dates may be extended as appropriate²⁷ in the event that the trust-funded activities have not been completed. The TTL initiates action for closure when the TF activities are completed. CSR cancels any unused funds, ensures the disposition of
all cancelled funds in accordance with the legal agreements, and prepares final financial statements. In the case of certain FIFs, CFP handles closure arrangements.

**Completion Reporting and Evaluation**

18. The TTL is responsible for the evaluation of activities financed by a trust fund — including reporting on the outputs and the outcomes resulting from those outputs — to learn lessons from implementation and to inform decisions on future engagements in similar activities. Within six months following closure of each trust fund, the TTL prepares a completion report for approval by his/her line manager.28

19. Where total contributions are greater than or equal to $5 million for each programmatic trust fund and for each Global and Regional Partnership Program (GRPP) financed by trust fund(s), respectively, the TTL29 arranges to have an independent evaluation carried out at least once every five years in accordance with the principles and standards laid out by the Independent Evaluation Group (IEG)30. IEG periodically reviews such evaluations and also reviews individual trust funds and related activities as part of its ongoing ICR reviews of Bank-financed projects, Country Assistance Strategy Completion Report (CASCR) Reviews, Country Assistance Evaluations (CAEs), and sectoral/thematic reviews.

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1 "Bank” includes IBRD and IDA.
2 A programmatic trust fund finances multiple grants, under a two-stage mechanism. In the first stage, one or more donors agree to a thematic framework with criteria for supporting a program of activities. The donor(s) commit their funds to the trust fund on this basis. In the second stage, grants are approved for specific activities based on the agreed criteria.
3 Where applicable, the processing of a TFP reflects the provisions of BP 8.00 *Rapid Response to Crises and Emergencies*.
4 Refer to the *Planning, Budgeting and Performance Management Manual*.
5 In cases where a proposed trust fund will provide financing for a new global or regional program or partnership, the TTL consults with CFP on review/clearance of that global or regional program or partnership.
6 At its discretion, CFP may decide to delegate its review/clearance functions to the Managing VPU or other units.
7 For guidance on proposals requiring Senior Management clearance, see the TF Handbook.
8 Executive Directors approve any proposal for a Bank-administered trust fund where one or more of the following circumstances arise: (i) it includes a transfer or transfers from the Bank’s net income or surplus; (ii) it would provide assistance to a non-member country, or to a member not in good standing with the Bank; or (iii) it presents novel or significant policy issue(s) which, in Management’s judgment, warrant consideration by the Executive Directors. In most such cases, approval may be sought on an absence-of-objection basis. In cases where the trust fund is subject to Executive Directors’ approval, the TTL sets out details in a Board paper and prepares a TFP. Both that paper and the related TFP are cleared by CFP, LEG, and CSR prior to submitting the Board paper to Executive Directors.
9 In the case of activities that are subject to OP 8.00 *Rapid Response to Crises and Emergencies*, approval is from the relevant Managing Director.
10 Where appropriate, an AA may be drafted in parallel with the development of the TFP. However, the terms of any such draft need to be fully consistent with the TFP as signed, before the AA is finalized.
11 The TTL secures appropriate internal clearance of the legal agreements with LEG (in the event that the document was not drafted by LEG), CSR, and other relevant units. Any significant changes from the signed TFP are also cleared by CFP and other units as necessary.
In some cases, alternative forms of legal arrangements between the Bank and the donor(s), acceptable to the Bank, may be used to specify the respective obligations of the parties involved.

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

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

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

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

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

The appropriate format for such reporting varies by type and use of the funds. For details, see the TF Handbook and the trust funds website.

This amount may modified by the Vice President, Operations Policy and Country Services (OPCS).

RETTF-financed activities that are exceptionally executed by the Bank are distinct from activities funded by BETFs. BETFs provide funding for the Bank's work program. See para. 4 of OP 14.40.

This amount may modified by the Vice President, Operations Policy and Country Services (OPCS).

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

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

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

Except in the case of certain FIFs.

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

Forms for completion reporting vary by type and use of funds. For details, see the TF Handbook and the trust funds website.

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

See IEG/DAC Sourcebook for Evaluating GRPPs.
Trust Funds Minimum Size

1. The size of a trust fund is the total amount of funds that donors are expected to contribute to it over the life of the trust fund. The minimum threshold size for a trust fund at the trustee level is set at US$1 million\(^1\).

2. In exceptional circumstances, the Vice President, CFP, may waive the minimum threshold size of a trust fund. Any such waiver will take into consideration *inter alia* the following criteria:
   - Linkage of the activity to be supported to a larger project or program;
   - Requirement for a rapid response covered by the terms of OP 8.00;
   - Recipient country scale and circumstances.

3. CSR will activate the trust fund once it receives signed Administration Agreements (AAs) for at least the minimum threshold. Each AA indicates the donor’s total contribution, even though funds may be transferred to the Bank in tranches.

4. The minimum threshold can be amended by the Vice President, CFP, in consultation with the Vice President, OPCS. Such amendment takes the form of a published revision to this Annex.

\(^1\) This minimum threshold does not apply to externally-funded staff programs managed by the Human Resources Vice Presidency, such as the Junior Professional Officer (JPO) Program and the Externally Funded Staffing Program (EFSP).
Staff Eligibility to Administer Trust Funds

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

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

Consultant and Temporary appointment types are not eligible.

3. These arrangements can be amended by the Vice President, CFP, in consultation with the
   Vice President, Human Resources.
### MATRIX Summary of Changes to Bank Operational Policy 14.40 (OP 14.40)

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<tr>
<td>Para. 1</td>
<td>Rationale for trust funds</td>
<td>In mobilizing TF resources, the Bank aims to assist its member countries by increasing the flow of resources for development, and to support its own operational and research programs.</td>
<td>In the past 10 years, the scope of Bank-administered trust funds (TFs) has shifted from simple financing tools to more complex instruments of development finance. This has been manifested in tremendous increases in volume, diversity and complexity of the TF portfolio, as well as changes in the menu of services provided. In keeping with the changing aid architecture, there was a need to update the existing policy statement for TFs.</td>
<td>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&lt;sup&gt;1&lt;/sup&gt;. The Bank 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.</td>
<td>Para. 1</td>
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<td>Footnote references</td>
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<td>&lt;sup&gt;1&lt;/sup&gt; &quot;World Bank Group&quot; includes IBRD, IDA, IFC, MIGA, and ICSID.</td>
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<td>&lt;sup&gt;2&lt;/sup&gt; &quot;Bank&quot; includes IBRD and IDA.</td>
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<td>Paras. 4, 5, 6</td>
<td>Acceptance Criteria</td>
<td>The Bank accepts only TFs that support activities not traditionally financed under the administrative budget. The Bank does not accept TFs that may present a conflict of interest. Activities under TFs are part of a unit's work program and complement, expand, and enhance Bank policies and programs,</td>
<td>In recent years, the Bank has made several changes in its TF management in response to the evolving global aid architecture. As such, it has clarified its criteria for accepting TFs and acknowledged</td>
<td>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.</td>
<td>Paras. 2, 3</td>
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<td>For each intended trust fund, the Bank</td>
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<td>including nonlending services.</td>
<td>that it accepts funds for activities that were traditionally financed under the administrative budget (for example, using TFs to cost-share the scaling up and advancing the delivery of activities in MICs).</td>
<td>decides whether to accept the role or responsibilities proposed, based on the following criteria:</td>
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<td>The Bank accepts only TFs that it can administer under cost-effective arrangements: TFs must (a) be of a minimum size, the amount of which is determined from time to time; (b) provide untied funds (except for TFs described in para. 2 (d)); and (c) in the case of CTFs, provide the Bank discretionary authority to approve suballocations under a specified limit per activity, to be determined from time to time.</td>
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<td>i. 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.</td>
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<td>The Bank may accept a TF from the private sector, provided that (a) the Bank retains decision-making authority over the use of the funds; (b) the funds advance recipient country interests and the Bank's policy and institutional objectives; and (c) no special advantages or benefits accrue to the donor.</td>
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<td>ii. Strategic Relevance. Activities financed from the trust fund are aligned with the Bank’s strategies.</td>
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<td>Per Board Paper “Reform of World Bank-Administered Trust Funds: The Way Forward” (R2004-0144), dated July 2, 2004, imposition of nationality restrictions on procurement is no longer allowed.</td>
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<td>iii. 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.</td>
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<td>iv. 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.</td>
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<td>v. 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).</td>
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<td>vi. Operational Efficiency and Sustainability. Trust funds are of a sufficient size to ensure efficient administration, and preferably are programmatic in design. The Bank</td>
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<td>Paras. 2, 3, 11, 12</td>
<td>Typology</td>
<td>The Bank administers several types of TFs, including the following: (a) Global and regional trust funds, which may support a variety of activities, including specific investments, sector policy development, research, and technical assistance (TA) activities; (b) TFs associated with operations, which may be (i) cofinancing TFs that mobilize external funds and cofinance Bank-assisted projects and programs; or (ii) debt and debt service reduction TFs that help recipients service their external obligations or reduce their debt to the Bank or other creditors; (c) TFs that support specific recipient activities such as preinvestment or feasibility.</td>
<td>The original definition of TF types was too narrow, given recent trends in Bank operations (such as dealings with MICs or Emergency Operations) and growth in thematic vertical funds and more complex financial initiatives. As such, the new policy: (a) moves from a description of all the sub-types allowed, to a broader view of the three main types of funds (detailed options under each type are outlined in</td>
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<td>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 roles. Based on these roles, the Bank categorizes trust funds into three types:</td>
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<td>i. <em>Recipient-Executed Trust Funds</em> (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;</td>
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<td>ii. <em>Bank-Executed Trust Funds</em> (BETFs) -- funds that support the Bank’s work program;</td>
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Footnote references:
1 See paragraph 4 for the three types of trust funds.
2 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.
3 See BP 14.40 Annex A for information on sufficient size.
4 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.
studies, project preparation, capacity building, sector studies, or training; or (d) TFs that support specific Bank activities such as operational work, research, policy and program analysis, economic and sector studies, and training; these activities include most consultant trust fund (CTF) activities and secondments.

In addition, the Bank administers TFs that may from time to time otherwise contribute to the achievement of the Bank's policy, program, or institutional objectives.

The Bank requires that recipients execute cofinancing TFs and other TFs involving the procurement of goods and works. Recipients also execute country-specific TFs for TA activities (see para. 2 (c)), although the Bank may, at the request of the recipient, waive this requirement 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. If a country-specific TF for TA activities is to finance separate tasks and if the funds can be clearly separated, the Bank may execute some of these tasks and the recipient others. However, the Bank does not engage consultants under a TF to carry out project implementation activities.

The technical guidance/good practice reference, the Trust Fund Handbook; (b) no longer accepts secondments through TFs; and (c) no longer allows imposition of nationality restrictions on procurement (per Board Paper “Reform of World Bank-Administered Trust Funds: The Way Forward” (R2004-0144), dated July 2, 2004.

Also, in light of the Bank's evolving role and the growing demands for it to respond rapidly and effectively to emergencies, Executive Directors approved the recommendations in a paper: “Toward a New Framework for Rapid Bank Response to Crises and Emergencies” (R2007-00 10/2) on April 10, 2007. The related OP 8.00—Rapid Response to Crises and Emergencies—allows Bank execution of start-up emergency activities on behalf of Fund operations.

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

Footnote references:
1 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.
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<td>Para. 8</td>
<td>Cost Recovery</td>
<td>Under the TF Administration Agreement, the Bank recovers its costs to manage and administer the TF, taking into account the direct benefits to the Bank from such funding.</td>
<td>With the increase in more complex TFs, the Bank has been performing functions beyond simple management and administration. The new policy reflects the recovery of costs to perform agreed-upon roles.</td>
<td>The Bank recovers the costs of performing agreed roles in administering a trust fund, taking into account benefits associated with such funding.</td>
<td>Para. 3 (vi)</td>
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<td>Para. 10</td>
<td>Applicable Policies</td>
<td>TFs are administered under applicable Bank policies and procedures. Accordingly, Bank policies and procedures govern the procurement of goods, works, and services (subject to arrangements for administering tied TFs).</td>
<td>The old policy was too broadly stated. It has been revised to accommodate the three main types of TFs that the Bank accepts. In addition, imposition of nationality restrictions on procurement is no longer allowed.</td>
<td>The policies and procedures that apply to trust funds vary, depending on the trust fund type. 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; 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</td>
<td>Para. 6</td>
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<td>Para. 9</td>
<td>Duty of Care</td>
<td>The Bank exercises the same care in the discharge of its functions under the TF Administration Agreement as it exercises with respect to its own affairs and has no further liability to the donor. The Bank ensures that the funds are used only for the purposes specified in the TF Administration Agreement.</td>
<td>The language in the old policy was not clear enough to cover the variety of roles the Bank assumes under different types of TFs. An Administration Agreement is a self-standing document that specifies the functions the Bank will be performing for the TF in question.</td>
<td>[Reference to this concept has been moved to BP 14.40]</td>
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<td>Paras. 1, 7</td>
<td>Definition and Legal arrangements</td>
<td>A trust fund (TF) is a fund administered by the Bank in accordance with the terms of an agreement with a donor. Each TF is governed by a Trust Fund Administration Agreement between the Bank and the donor. In addition, TFs described in para. 2 (b) (i) and (c) (and, occasionally, debt service TFs) are governed by a TF Grant Agreement between the Bank and the recipient.</td>
<td>The language in the old policy was unclear as to the requirement and type of legal documents to govern various TF types. Accordingly: (a) all TFs are governed by Administration Agreements between the Bank and the donor; (b) RETFs require Grant Agreements between the</td>
<td>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.</td>
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Footnote references:

18 For guidance and good practice on trust funds, refer to the Trust Fund Handbook and the Trust Funds website.

19 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.

"World Bank Group" includes IBRD, IDA, IFC, MIGA, and ICSID.
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<td>Bank and the Recipient; and (c) FIFs require Financial Procedures Agreement(s) (FPA) or equivalent.</td>
<td>The choice of legal instruments is a matter of practice and procedure. Hence, the references to Legal Agreements are now set out in BP 14.40.</td>
<td>[Procedural guidance is now set out in BP 14.40.]</td>
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<td>Para. 13</td>
<td>M &amp; E</td>
<td>The Bank monitors and evaluates TF activities to identify problems in implementation and learn lessons from completed TF activities.</td>
<td>M&amp;E have become an integral part of all Bank work; therefore, procedural guidance to staff on TFs is needed.</td>
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<td>Policy Review</td>
<td>From time to time, the Bank reviews TF policies and procedures to ensure their continued effectiveness in contributing to the Bank's development objectives.</td>
<td>This statement is superfluous, since it is true for all parts of the Operations Manual. It has been deleted in the new OP 14.40.</td>
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Box 8: Principles Governing the Bank’s Administration of Trust Funds

1. The Bank administers trust funds that promote development effectiveness. The Bank administers trust funds in order to promote development effectiveness, by leveraging its capacity and development knowledge to complement IDA and IBRD financing and to support country ownership. The Bank encourages trust funds that draw on its operational role and include contributions from more than one donor. Selectively, the Bank also provides specific administrative and financial services to the international community through trust funds on issues of global importance.

2. The resources for trust funds come from donors on terms acceptable to the Bank. The Bank accepts contributions from both sovereign and non-sovereign donors, and from the World Bank Group, provided that they meet criteria set out under principle 3 below. Trust funds do not extend a privilege or provide exclusive information to any donor.

3. The Bank administers trust funds that meet certain criteria. For each intended trust fund, the Bank decides whether to accept the role or responsibilities proposed, based on the following criteria:

   i. Consistency with IBRD and IDA’s purposes and mandate, as set out in their respective Articles.
   ii. Strategic Relevance. Activities financed from a trust fund are aligned with the Bank’s strategic stance.
   iii. Risk Management and Controls. The risks arising from any 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.
   iv. Governance. The Bank has decision-making authority in the use of the funds, consistent with its roles in administration.
   v. 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).
   vi. 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 the 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 a banking role, and may play varying administrative or financial roles, as well as one or more operational roles. Based on these roles, the Bank categorizes trust funds into three types:

   i. Recipient-Executed Trust Funds -- funds that the Bank passes on to a recipient, for which the Bank plays an operational role -- i.e., the Bank normally appraises or supervises activities supported by these funds;
   ii. Bank-Executed Trust Funds -- funds directly executed by the Bank;
   iii. Financial Intermediary Funds -- funds that involve financial engineering or complex finance schemes, or where the Bank provides specific administrative or financial services with only a limited fiduciary or operational role.

   While any specific disbursing account can only be of one type, an overall trust fund may be a hybrid, that is, it may have subsidiary disbursing accounts of more than one type.

5. Different policies are applicable to different types of trust funds. The policies and procedures that apply to trust funds vary, depending on the trust fund type. Activities under Recipient-Executed Trust Funds are administered under operational policies and procedures that apply to IBRD and IDA financing, with smaller-size grants being subject to simplified and more cost-effective procedures. Bank-Executed Trust Funds are administered in accordance with the provisions of the Administrative Manual that apply to the Bank’s administrative budget. The application of Operational Policies, Financial Policies, Administrative Manual and other procedures to Financial Intermediary Funds is determined on the basis of the characteristics of each such fund. Further guidance to staff on good practice in administering trust funds -- including on the terms used in these principles -- is provided in a Trust Funds Handbook.