

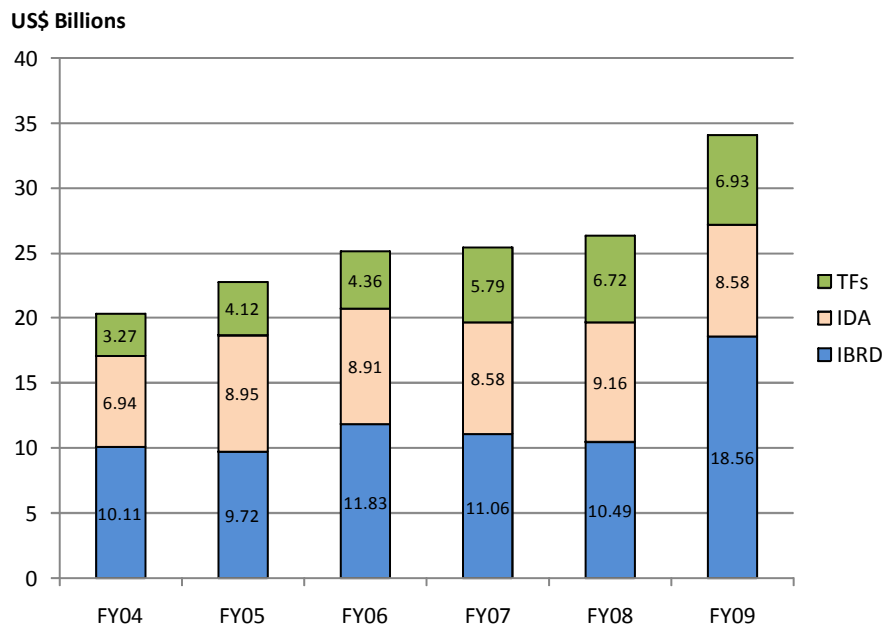
## Independent Evaluation Group

### Evaluation of Trust Funds in the World Bank's Support for Development Approach Paper

#### I. Background

1. The international aid architecture has evolved considerably in recent years reflecting the emergence of new donors, growing attention to global issues, and needs for innovative responses to various crises. Along with these changes, international donors have dramatically increased their use of trust funds to finance development, especially trust funds administered by the World Bank. As a result, total trust fund disbursements by the Bank grew from US\$3.2 billion in FY04 to US\$6.9 billion in FY09 (Figure 1). The most recent 3-year annual average (FY07-FY09) of trust fund disbursements was equivalent to 22 per cent of total World Bank (IBRD, IDA, and TF) disbursements, and 41 per cent of the Bank's concessional finance (IDA and TF).<sup>1</sup>

**Figure 1. Total IBRD, IDA and TF Disbursements (US\$ billions)**



Source: WBG trust fund database and business warehouse.

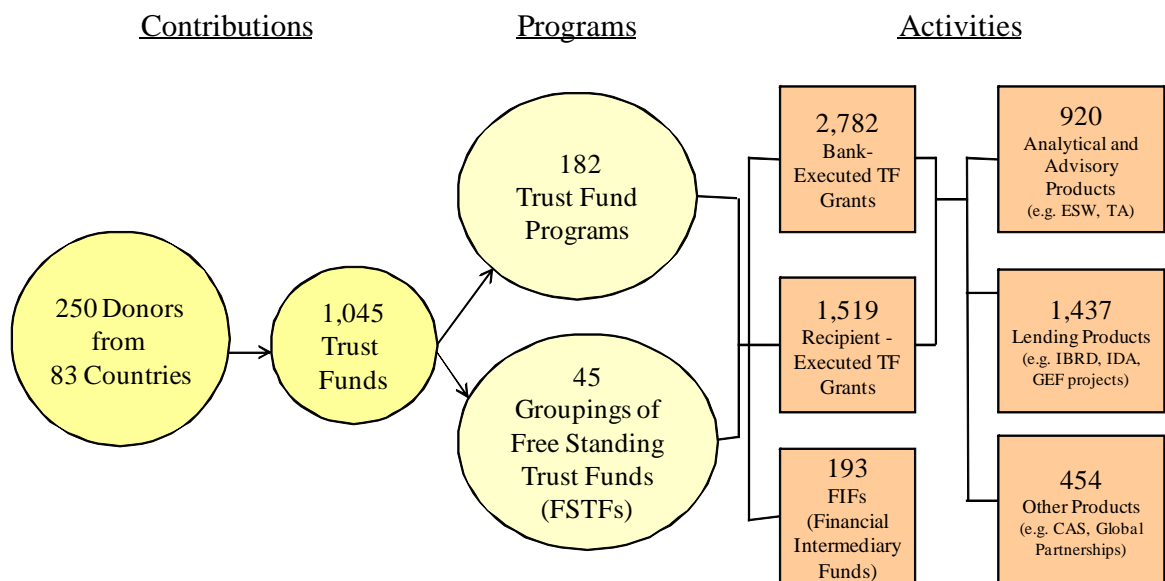
---

<sup>1</sup> The vast majority of trust funds are disbursed on a grant basis. The principal exceptions are the Carbon Funds which provide carbon offsets to contributing funders.

2. While this substantial growth of Bank-administered trust funds reflects the institution’s attractiveness to donors as a financial agent and manager of aid resources, it also raises questions about the value added and impact of increased trust fund contributions for client countries and the business of the Bank. The questions stem from the special administrative, governance, and allocation processes of trust funds, and the sheer number and frequent complexity of many new trust fund programs.

3. 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 to support development-related activities at country, regional and global levels. As shown in Figure 2, according to currently available data for 2009, the Bank was responsible for the financial administration of some 1,045 active trust funds entrusted to it by individual donor contributions. These trust funds supported just over 220 trust fund programs and groupings of freestanding trust funds,<sup>2</sup> which disbursed over 4,400 grants in support of country, regional and global activities. While sovereign governments account for the great bulk of the trust fund contributions, close to 10 percent of total contributions come from international organizations (excluding the World Bank Group) and private, for-profit and non-profit entities.

**Figure 2. World Bank-Administered Trust Fund Overview (FY09)**



Source: WBG trust fund database.

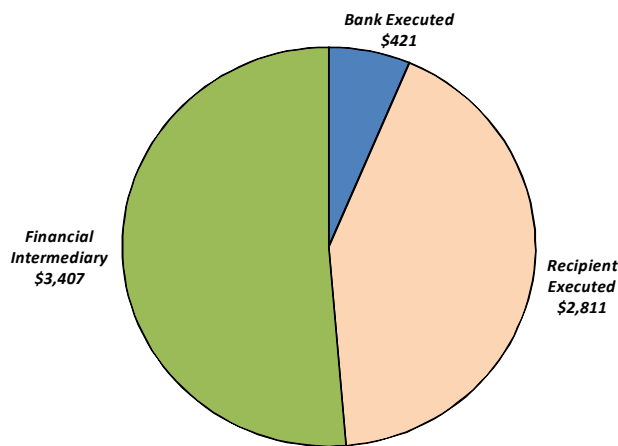
<sup>2</sup> A trust fund program involves an agreement between the donor(s) and the Bank on a thematic framework with criteria for supporting specific projects or activities; and a free standing trust fund supports specified projects or activity(ies) as defined at the time of contribution. The “grouping” of free-standing trust funds are for reporting purposes and reflect VPU aggregations which are typically by country, unit, or theme.

4. As depicted in Figure 3, the largest part of the Bank’s current trust fund portfolio comprises **financial intermediary funds (FIFs)** —a type of trust fund which provides resources to third parties and for which the Bank provides specific administrative and financial services and does not perform an operational role. Prominent examples are: the recent Global Fund to Fight AIDS, Tuberculosis and Malaria and the long-standing Consultative Group on International Agricultural Research (CGIAR). The arms-length relationship of the Bank to these funds makes them distinctly different from other trust funds which the Bank not only administers but also manages.

5. The trust funds which are managed by the Bank provide grants to support activities which are executed by recipients or, to a far lesser extent, by the Bank. For example:

- The Catalytic Fund for the Education for All Fast Track Initiative (EFA-FTI) supports **recipient executed** projects/activities in primary education in individual countries
- The Public-Private Infrastructure Advisory Facility (PPIAF) finances **Bank executed** technical assistance to help countries improve the quality of infrastructure developments in partnership with the private sector.

*Figure 3. FY09 Disbursements by TF Type (US\$ billions)*



Source: WBG trust fund database

6. At the country level, trust funds have been used typically to help prepare or reinforce IBRD and IDA lending programs, augment Bank supervision, assist countries in re-establishing their creditworthiness, and respond to emergency or post-conflict situations. At the regional and global levels, trust funds have supported various Bank or partnership programs typically set up to provide knowledge, technical assistance or innovative financing to help meet needs for development-related public goods. Examples are: a) the Public Expenditure and Financial Accountability (PEFA) multi-donor trust fund program which provides

technical assistance and knowledge to strengthen countries' and donors' abilities to assess public expenditure conditions and develop reforms and b) the multi-donor Nile Basin Trust Fund which supports institutional strengthening and project implementation at regional and countries levels as part of the Nile Basin regional partnership. While some trust fund programs have supported existing areas in the Bank's work program and ongoing country programs, others have supported financing and/or operational innovations. One recent example of financial innovation is the International Finance Facility for Immunization (IFFIM) under which donors pledge future ODA support for the Bank's issuance of bonds to finance current purchases of vaccines for immunization programs in developing countries.

7. Africa, East Asia and Pacific, and South Asia are the *regions* with the largest trust fund disbursements—together accounting for 77 per cent of total trust fund disbursements by Regions during the FY07-FY09 period. Among *sectors*, about 70% of total trust fund disbursements over the same period are accounted for by health (43 percent), public administration/law (14 percent), agriculture (7 percent), and education (6 percent); and among thematic areas, environment is a leading focus of trust fund support.

## II. Purpose

8. The overarching purpose of this evaluation is to explore key strategic issues for the World Bank and the wider development community regarding the use of trust funds—as a distinct mode of concessional financing. Notably, for what purposes are trust funds an optimal way to finance development-related activities? What role should trust funds play in relation to traditional bilateral and multilateral development support to encourage complementarity and additionality of concessional financing? What governance and management processes can best foster effective trust-funded programs, supportive of country development priorities and capacities? While it is said that trust funds can add value by providing speed, flexibility, and innovation to other sources of concessional finance (for example in response to emergencies, post-conflict situations, and international consensus on needed global public goods), it is also said that trust funds are a cause of aid fragmentation, lack clear results-oriented objectives, and run counter to aid effectiveness principles of country ownership and donor harmonization. The evaluation of recent experience will seek to inform Bank and international thinking on these strategic issues.

9. A second aim of the evaluation is to assess the effectiveness of the World Bank's administration and management of donor trust fund contributions. There are two dimensions to this assessment: 1) how the World Bank has performed in fostering effective trust-funded programs and activities through its various trust fund administration and management roles and 2) how it has managed the impact of a growing trust fund portfolio on its core business. The Bank's role in the administration and management of trust funds is guided by its Operational Policy (OP) 14.40 which states that the Bank “establishes and administers trust funds as a complement to IDA and IBRD financing,” and “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.” The policy also states that the Bank accepts administration of trust funds that fit the following criteria: a) the trust funds are consistent with the Bank's purposes and mandate and finance activities aligned with the Bank's strategies; b) risks arising are explicitly considered and judged

acceptable and manageable by the Bank; c) the Bank has decision authority in the use of the funds adequate to fulfill its roles in administering the specific type of trust fund; c) the trust funds do not impose nationality restrictions on procurement; and d) are of sufficient size to ensure efficient administration. The evaluation will assess Bank performance against this policy, and will seek to determine whether the policy provides sufficient strategic guidance for Bank decision-making on the acceptance and administration of trust funds. In addition, as a part of this work, the evaluation will look at existing evaluation findings on trust fund administration and use by other international development institutions that administer donor-resourced trust fund programs (such as UNDP, UNICEF and the Asian Development Bank).

10. This evaluation will be a major undertaking, though it will be constrained in what it can deliver. In addition to time constraints on the delivery of the report, there are limitations posed by the size and diversity of the World Bank's trust fund portfolio and the availability, quality, and consistency of evidence on the performance of individual trust fund programs and the activities they support. Moreover, there are substantial challenges to attributing contributions from trust fund programs to the promotion of development or determining the causal link between trust funded programs and their intended outcomes because trust funds typically provide only a small part of the financial resources required for achieving their intended outcomes and because of intervening variables that affect how the resources are used. Given these constraints the evaluation will not be able to provide a comprehensive and definitive assessment of the development effectiveness of the use of trust funds as a way of financing development-related activities. Rather it will aim to bring to bear what evidence it can on this matter and throw light on factors of success or lack of success in the use of Bank-administered to achieve intended results.

### **III. Evaluation Design**

11. The evaluation will cover the years FY02-09 (that is, the period for which detailed World Bank trust fund data is readily available).<sup>3</sup> The key strategic trust fund issues—of rationale, development and aid effectiveness, performance of Bank administration and management, and impact on Bank business—will form the focus of the four component parts of the evaluation.

12. The first part of the evaluation will examine the *rationale for and pattern of growth of trust funds and the implications of the growing use of trust funds for the overall architecture of international aid*. This examination, which will form the foundation for the rest of the study, asks:

---

<sup>3</sup> The IFC also administers trust funds contributed by external donors, which it mobilizes in support of its advisory services. In FY09, these trust fund resources totaled just over \$275 million. IFC's strategy and practice in the use of trust funds will be described in an annex to this evaluation and where relevant similarities and contrasts in the Bank and IFC experiences will be cited in the text of the report.

- What are the reasons for the use of trust funds as an instrument of development financing from the perspectives of donors, recipient countries and the Bank; and how convergent are their perspectives?
- To what extent does the growth of trust funds represent additionality rather than substitution in concessional finance flows; and how have trust fund resources shaped the focus (sectoral/thematic and geographic) of concessional finance in recent years?
- What are the implications of the increased use of trust funds on the modalities and governance of concessional finance, and the overall role of the World Bank relative to other international development institutions?

13. The second part of the evaluation examines the *relevance and effectiveness of Bank-administered trust fund programs* and the activities they support. A key aim of this part of the evaluation will be to throw light on what seems to work well and not work well in the use of trust funds as an instrument for financing development-related efforts. Notably,

- To what extent have trust fund programs addressed issues of material development importance?
- To what extent have trust funded programs and activities achieved their intended outcomes; and to what extent have they reinforced country ownership and capacity (e.g., by their use of country systems)?
- What have been the implications of single and multi-donor trust funds on donor coordination at the country level?<sup>4</sup>

14. The *World Bank's performance of its multiple roles* in the administration and management of different types of trust funds is the focus of the third part of the evaluation.

- How has the Bank performed in the initiation and design of the trust fund programs it administers? For instance, what has been the Bank's role in the design of relevant program objectives and clear and transparent responsibilities for results?
- How effectively has the Bank administered trust fund resources, and, for those programs where it has an operational role, how effectively has exercised its various roles in program governance, oversight, and management, including on-the-ground coordination of trust funded activities with countries' programs and processes?
- How has the Bank engaged as a development partner at the country level in support of global, regional, or single-country trust fund programs—for example, by using its convening power and leveraging its own technical expertise?

---

<sup>4</sup> IEGCG is also undertaking an evaluation of country-level Donor coordination and the World Bank. These two evaluations will draw on each others inputs and key messages.

15. The fourth and final part of the evaluation will examine *the impact of trust funds on the overall business of the Bank*. This component of the evaluation, which will track trust fund management reforms and reporting ongoing in the period of the evaluation, will ask:

- How do trust funds relate and link to the core business of the Bank, and with what implications for the Bank's overall mandate, strategies, and core business model? For example, how compatible are trust fund allocations with the IDA allocation system? How complementary are the purposes for which trust funds are being used with the Bank's strategic directions? To what extent have they promoted innovative areas or methods of work and to what extent have those innovations been incorporated in subsequent Bank operations?
- How are trust funds affecting the financing of the Bank's core business? Specifically, what does available data reveal about the extent to which Bank activities are now heavily financed by trust funds, and the extent to which the Bank's own resources are being corralled for the purposes of initiating or supporting trust funded programs?
- How have the trust fund control and management processes evolved and to what extent have the changes met the aims of the 2007 Trust Fund Management Framework and positioned the Bank to fully comply with its existing trust fund policy?
- Does the Bank have a sound strategic approach for determining how trust funds should fit into its overall business and for steering the size and composition of its trust fund portfolio? In this regard, how consistent and well integrated are Network and Regional strategies on the use of trust funds; and how coherent are the Bank's signals to the international development community about the right use of trust funds as a way of promoting development?

16. The team recognizes that some of these evaluation questions will be difficult to fully answer, but will use a mix of qualitative and quantitative methods (as indicated below) to advance the evaluations as far as possible.

#### **IV. Methodology**

17. The evaluation will use the following combination of methods for obtaining the evaluation evidence needed to address the major issues.

- *A trust fund portfolio analysis* to determine the pattern of growth of Bank-administered trust funds (by sectors and themes, regions and countries, types and uses of trust funds, other) and the dependency of Bank business lines and units on trust fund resources for their work programs and operational activities.
- *Meta-evaluation of existing trust fund program evaluations or reviews* to draw out what is known about the relevance and effectiveness of trust fund programs and the effectiveness of the World Bank's performance in its varied trust fund roles.

- ***Eight limited country case studies*** involving field visits to consult with government officials, other relevant country stakeholders, and country-based donor representatives to get information and views on the effectiveness and efficiency of trust-funded programs and activities at the country level, and their consistency with aid effectiveness principles such as country ownership and donor coordination. The country selection will include a sample of countries at different levels of development and with a sufficiently substantial trust fund presence (including disbursements from both FIF and non-FIF type trust funds) to provide a richness of experience.
- ***A random sample of a total of forty trust fund programs and groupings of free standing trust funds (approximately 20 percent of the current portfolio)*** drawing from both FIF and non-FIF types of trust fund to determine the soundness of a) the Bank's performance in the initiation and design of trust funds programs so as to ensure alignment of related trust funds with Bank strategies and effective program management; b) its performance in the governance and oversight of the management of trust fund programs; and c) the management of trust fund programs by the responsible Network or Regional units. The sample will also be used to address certain questions regarding the impact of trust funds on the core business of the Bank.
- ***Consultations with donor agencies that provide the majority of trust fund financing*** to gain their perspectives on the rationale for trust funds, the impact (positive and negative -- intended and unintended) of the use of trust funds over the recent past, the Bank's performance in the administration and management of trust fund programs, and the donor agencies' expectations about their continued use of trust funds to achieve development-related objectives. These consultations will take the form of interviews with representatives of the leading agencies, as well as a possible group meeting.
- ***Consultations with relevant Bank management and staff in Central, Network, and Regional units*** (and a possible TTL survey) to gain perspectives on (a) opportunities and challenges posed by the use of trust funds; (b) the progress that has been made in the Bank's internal TF management reform; and (c) the approach to the mobilization and administration of trust funds that should guide the Bank in the years ahead.

18. Further detail on the sources of evidence for this evaluation is provided in the design matrix attached as an appendix to this Approach Paper.

#### **a. Communication and Dissemination Strategy**

19. The evaluation will involve an active consultation, communication, and dissemination strategy engaging donors, client countries, and the Bank. During consultations with donor and recipient country officials as part of the evaluation process the team will inquire about opportunities for dissemination of the evaluation report upon its completion. It is expected that this will involve one or more dissemination events in Europe and at the 2011 Spring Meetings. In accordance with IEG's disclosure policy, the evaluation report will be published on IEG's website after its presentation to CODE, subject to the standard "no objection" basis from the Board. The evaluation team will present key findings within the Bank to



interested VPUs. Also, the team will be open to intermediate consultations with CODE on an informal basis if requested.

## **V. Work Team and Timeline**

20. The work will be undertaken by a small team, under the guidance of Mark Sundberg, Manager, IEGCG and managed by Christopher D. Gerrard, Lead Evaluation Officer, IEGCG. The team will be led by Catherine Gwin, consultant and former IEG lead evaluation officer and will include ongoing research assistance and consultant support for country and program case studies. Three external peer reviewers will provide advice on the design and conduct of the evaluation and will review the draft evaluation report. They are: Pius Bigirimana, Permanent Secretary, Office of the Prime Minister, Uganda; Alison Evans, Director of the Overseas Development Institute and former staff of DfID; Hafez Ghanem, currently Assistant Director General of FAO and former World Bank country director; and Rino Schiavo-Campo, former manager in the IMF, World Bank, and Asian Development Bank.

21. The estimated timeline for the work is as follows.

- Approach Paper submitted to CODE: Early January 2010
- IEG One-Stop review of draft evaluation: Early September 2010
- Draft Evaluation to Bank Management for comment: Late September 2010
- Deadline for report distribution to CODE: End November 2010

22. This timing is strategically determined to contribute to discussion around aid design and replenishment issues (such as IDA 16).

## Appendix 1: Design Matrix

Component and Questions	Sources of Evidence	Limitations/Risks
<p>1. Rationale, Pattern of Growth, and Implications for international aid architecture</p>		
<p><i>Reasons for use of TF from the perspective of donors, client countries, and the Bank?</i></p>	<ul style="list-style-type: none"> <li>• Structured interviews with: a) representatives of the donor countries accounting for the bulk (75%) of total trust fund contributions; b) government representatives in the six case study countries; and c) senior Bank management in Regional, Network, and Central VPUs</li> <li>• Relevant trust fund and aid effectiveness analyses from third parties</li> </ul>	<p>Willingness of interviewees to discuss questions candidly</p>
<p><i>Implications of TF growth in terms of the additional-ity/substitution of concessional flows</i></p>	<ul style="list-style-type: none"> <li>• CFP donor trust fund and ODA databases (including Bank and OECD donor information)</li> <li>• Interviews with donors</li> </ul>	<p>Quality and compatibility of aid data</p>
<p><i>Implications of growth of trust funds on the international aid architecture (eg, modalities, concessionality, and governance)</i></p>	<ul style="list-style-type: none"> <li>• Trends in trust funds in comparison with overall ODA data from Bank and OECD sources</li> <li>• International assessments of the evolving aid architecture</li> <li>• Quality of aid studies and indices</li> </ul>	<p>Quality and compatibility of the data and the analyses</p>
<p>2. Relevance and Effectiveness of Bank-administered trust fund programs</p>		

<p><b>Extent trust fund programs have addressed issues of material development importance</b></p>	<ul style="list-style-type: none"> <li>• Synthesis of findings from a) existing external evaluations of trust funded global and regional programs and Bank programmatic trust fund programs (such as BNPP, PHRD, TFESSD); b) relevant IEG global program reviews, CAES and CASCRS of countries (typically post-conflict) heavily supported by trust funds; c) other relevant IEG evaluations of areas heavily trust funded (such as AAA, Regional Programs)</li> <li>• In depth review of trust funded programs and activities in six country studies</li> <li>• Interviews with country officials, in-country donors, and Bank country staff for the six country case studies</li> </ul>	<p>Reasonable number, but systematic availability and uneven quality of external program evaluations.</p> <p>Limitations of in depth review in only six case study countries</p>
<p><b>Extent trust funded programs/activities have contributed to intended outcomes/results</b></p>	<ul style="list-style-type: none"> <li>• Meta-analysis of findings of external evaluations of TF programs</li> <li>• In depth review of trust funded programs and activities in six country cases, and related interviews</li> <li>• IEG ICR Reviews and PPARs of completed projects that were supported by trust funds (which are mostly GEF, Montreal Protocol, Brazilian Rainforest, and projects in post-conflict or post-disaster countries)</li> <li>• Synthesis of findings of other IEG evaluations as relevant</li> </ul>	<p>See above</p>
<p><b>Extent trust fund programs have reinforced country capacity and ownership (e.g., by their use of country systems)</b></p>	<ul style="list-style-type: none"> <li>• Synthesis of findings of external evaluations of TF programs</li> <li>• In depth review of trust funded programs and activities in six country cases, and related interviews</li> <li>• Synthesis of findings of other IEG evaluations as relevant</li> </ul>	<p>See above</p>
<p><b>Implications of single and multi-donor trust funds on donor coordination processes at the country level (eg, extent trust-funded programs or activities are integrated into related coordination processes for budget or sector-wide programs)</b></p>	<ul style="list-style-type: none"> <li>• Synthesis of findings of external evaluations of TF programs</li> <li>• In depth review of trust funded programs and activities in six country cases, and related interviews</li> <li>• Synthesis of findings of other IEG evaluations as relevant</li> </ul>	<p>See Above</p>

<p><b>Identification of factors of success in the use of trust fund resources for the achievement of intended results</b></p> <p><b>Cross-institutional comparisons</b></p>	<ul style="list-style-type: none"> <li>Analysis of findings from existing evaluative materials and country studies</li> <li>Findings from evaluations of trust fund administration and use by other international development agencies</li> </ul>	<p>Sufficient body of evidence from the materials reviewed and country studies</p> <p>Availability of such evaluative evidence</p>
<p><b>3. World Bank performance of its multiple trust fund roles (consistent with its TF OP 14.40)</b></p>		
<p><b>Effectiveness of Bank performance in the initiation and design of Bank-administered trust fund programs consistent with its policy criteria</b></p>	<ul style="list-style-type: none"> <li>For a random sample of 40 trust fund programs: a) desk review of relevant documentation and b) interviews of Bank staff and donor representatives</li> <li>Relevant findings from the case studies, existing independent evaluations of trust fund programs, and other pertinent analyses</li> <li>See above</li> </ul>	<p>Available evidence on the sample of TF programs</p> <p>See above</p>
<p><b>Effectiveness in performing its varied roles in program governance, oversight, and management</b></p>		
<p><b>4. Impact on Bank core business</b></p>		
<p><b>How do trust fund programs relate and link to the core business of the Bank?</b></p>	<ul style="list-style-type: none"> <li>A “portfolio review” of the above-mentioned random sample of 40 bank-administered trust fund programs</li> <li>Findings from the six country case studies</li> <li>Review of last two years’ CASs and of VPU’s WPAs</li> <li>Selected follow-up interviews</li> </ul>	<p>Definition of core business may be open to interpretation, in particular for networks. WBI and DEC will not be covered.</p>
<p><b>To what extent have trust funds promoted innovations and to what extent have those innovations been incorporated in subsequent Bank operations?</b></p>	<ul style="list-style-type: none"> <li>A purposive sample of trust funds and related interviews</li> <li>The review of last two years’ CASs and VPU WPAs with selected interviews</li> </ul>	<p>May be difficult to trace innovations back in time to previous trust funded activities.</p>
<p><b>To what extent is Bank business financed by trust fund resources?</b></p>	<ul style="list-style-type: none"> <li>Triangulation through (a) review of recent WB budget documents and VPU WPAs; (b) interviews with Bank staff in budgeting and HR; and (c) interviews with Bank partnership/trust fund management staff</li> </ul>	<p>There may be significant data limitations.</p>

<p><b><i>To what extent are the Bank's own resources being corralled for purposes of initiating and supporting trust funded programs?</i></b></p>	<ul style="list-style-type: none"> <li>• Identification of the use of BB resources for the 40 sampled trust fund programs</li> <li>• Donor and staff interviews</li> </ul>	<p>There may be significant data limitations.</p>
<p><b><i>How have trust fund control and management processes evolved and to what extent have the changes positioned the Bank to be able to comply with its existing trust fund policy?</i></b></p>	<ul style="list-style-type: none"> <li>• Interviews with CPS, OPCS and other relevant Bank trust fund management staff</li> <li>• Review of relevant documents including the 2007 Framework and Management Update (expected in April 2010)</li> <li>• Review of last 2-3 years' relevant IAD reports</li> </ul>	
<p><b><i>Does the Bank have a sound strategic approach and policy for determining how its administration of trust funds should fit into its overall business and for steering the size and composition of its trust fund portfolio?</i></b></p>	<ul style="list-style-type: none"> <li>• To be addressed based on the above activities. However, one component will be a mapping of current decision processes for new trust funds.</li> </ul>	